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Keystone Midco Limited

Annual Report and Financial Statements

for the year ended 31 October 2020

Keystone Midco Limited

Annual Report and Financial Statements 2020

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Keystone Midco Limited

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Keystone Midco Limited

Strategic Report

Chairman's Statement

Last year Keepmoat Homes[1], and indeed the whole country, faced unprecedented challenges that none of us could ever have anticipated due to the Coronavirus Pandemic. But I am delighted to say that the business performed strongly throughout and is well positioned to deliver our future growth plans.

I am extremely proud of the way the Executive Team, led by Tim Beale, have steered the business safely through the crisis with the support of our highly competent senior management team. I would like to thank the Executive Board and the wider Leadership team and Regional Directors, across the business, who also showed their support by taking a voluntary 20% salary reduction for the period that our sites had to be closed during the first national lockdown. This was an act of outstanding leadership and clearly demonstrates their commitment to Keepmoat Homes.

The value of our Partnership Business model was once again demonstrated last year when it was tested under extreme circumstances, with the strength of our relationships with our Partners helping us to steer the business safely through the Pandemic.

The Board and our lenders are confident that our unique Partnership Business Model will continue to drive our future success. This was clearly demonstrated last year when we were able to increase our credit facilities by £27.5 million and our shareholders signalled their continued support with an injection of additional equity, and the business embarked on a programme of significant investment in new IT infrastructure.

Keepmoat Homes is a different type of home builder which is uniquely placed to serve the needs of the UK today. It is the UK's largest partnership focused home builder committed to building sustainable communities in places where people want to live. We put our customers first and deliver high quality affordable homes, using a mix of tenures across the country.

One of Keepmoat's defining features is its quality product at affordable prices. With an average selling price of £165,000, Keepmoat helps customers achieve their ambitions of owning their own homes, with 70% of the homes we sell, on the open market, being sold to first time buyers. I am delighted that during the last financial year our customer score increased to over 90%, giving the Group five-star builder status across all our developments.

We are a trusted partner of Homes England, local authorities and registered providers, with many of these relationships enduring for over 20 years. These trusted and lasting partnerships underpin our multi-tenure strategy and our position as a top 10 UK home builder. Our work with registered providers and the build-to-rent market (or private rented sector) is important to us, as our partners want to see more multi-tenure developments. Furthermore, as the UK's leading brownfield homebuilder with 80% of current developments on brownfield sites, our work goes beyond the delivery of new homes. By regenerating urban and brownfield land, we create thriving new communities and we are delighted to see continued support for bringing forward brownfield land from the public sector.

Finally, I would like to thank each and every one of our people for all their hard work every day, our reliable supply chain and our strategic business partners for their commitment to Keepmoat Homes.

Stephen Stone
Non-Executive Chairman

[1] Keepmoat Homes refers to the trading activities of the Keystone Midco Limited Group

Keystone Midco Limited

Strategic Report

Chief Executive's Strategic Update

Reflecting on the last financial year, I want to start by saying how proud I am of what we have achieved in successfully steering the business through the Coronavirus crisis. The last financial year has been one where we have faced unprecedented challenges with the impacts of the ongoing COVID-19 Pandemic continuing to affect all aspects of our daily lives. However, I am delighted to report that on the back of a very positive start to the year, whilst our financial and operational results were significantly impacted by the period of shutdown and ongoing economic uncertainty caused by COVID-19, our business has demonstrated the resilience of the multi tenure partnership model, and we are in a strong position moving forwards and well set up to deliver our future growth plans.

We made a good start to the year with positive post-election sentiment and demand for new homes reflected in excellent sales figures and the business trading in line with our expectations for the period to March, before the onset of the pandemic. Demand for new homes has remained strong throughout as one of the effects of the Pandemic has been to make people place greater value on owning their own homes with flexible space for living, working, exercising and relaxing. Our predominantly First Time Buyer audience and average selling price of £165,000 has further supported our continued strong performance. In fact, our forward order book and pipeline in all our regions remain strong across all tenures, this forward visibility positions us well for investment and growth in the future.

When the UK entered its first national lockdown, as a responsible home builder, we prioritised the safety of our people, our customers and the communities we work with and took the decision to temporarily cease operations. All our developments were closed in a safe and secure manner at the start of April 2020, with surplus PPE donated to NHS Trusts and Charities to support medical staff and key workers. During the shutdown period, the business supported customers who were ready to complete, as lockdown restrictions came into force, to ensure that they were able to safely move into their new homes.

Throughout the first national lockdown interest and demand for new homes remained strong, with our sales teams working remotely and many customers choosing to reserve their new homes online. As lockdown restrictions began to be eased in May, the business implemented a phased reopening programme.

Sales offices were reopened with the creation of a bespoke online appointment booking system to allow customers to visit our sales centres and show homes across the UK safely, in line with Government and Public Health guidelines.

In the previous financial year, we had already invested in digital technologies to re-engineer the customer journey to make the process of buying a new home even easier and more closely aligned to the expectations of our young customer demographic. This investment has paid dividends, with the reserve online tool enabling the business to continue to sell homes whilst sales offices were closed during lockdown. Further enhancements including the appointment booking system and an online payment tool to enable all payments to be made via the website, enabled sales offices to reopen safely, operating on an appointment only basis and minimising unnecessary contacts.

The bookings tool has provided additional benefits to the business with improved visibility on footfall to sites, enabling staffing levels to be optimised accordingly. Looking ahead and building on the success of the Reserve Online tool, phase two is now in development to include additional features such as ID checks, anti-money laundering checks and electronic document signing.

Reserve Online Tool statistics for the year ended 31 October 2020:

- Online reservations – 1,254
- Online payments - £1,673,892
- Online accounts created – 10,449
- Digital sales offices opened – 8

The business maintained close contact with its supply chain partners throughout to ensure we were able to restart sites and return to normal operations as safely and efficiently as possible and has continued to pay all suppliers, subcontractors and service providers on normal terms.

We also made use of the Coronavirus Job Retention Scheme, when our teams were placed on furlough, enabling us to protect the jobs of our c1,100 employees and ensure the business was in a strong position to restart as soon as it was safe to do so. Throughout this period all employees including those on furlough were paid 100% of their salary. In addition, our Executive Board, the wider Leadership team and Regional Directors across the business took a voluntary 20% salary reduction for the period that sites were closed. I would like to thank them for their commitment to supporting the business.

The confidence of our lenders in the strength and resilience of the business allowed us to successfully increase our credit facilities by £27.5 million creating greater liquidity, and our shareholders signalled their continued support with an injection of additional equity.

Strategic Report

Chief Executive's Strategic Update

I believe that the way we have successfully steered the business through this crisis is testament to the strength of our extremely competent management team, with the right people now in the right roles to drive the business forward. I am also delighted to report that, during the last financial year, Debbie Waddington, Group HR Director, was promoted to the Executive Board, in recognition of her significant contribution and further underpinning the importance of our people to the business

During the initial lockdown period, our IT team supported the business with the fast deployment of the right equipment to allow people to work from home and facilitated the adoption of video conferencing and remote team working tools supported by investment in technology in board rooms and regional offices around the country. I am extremely proud of the way our highly engaged people came together right across the business, rose to the challenge and adapted to new ways of working.

During this period, we used our time effectively to plan for the future and invest in new technology. With the support of our shareholders we have committed to the adoption of DXC Home Builder One, the fully integrated homebuilder ERP solution, powered by Microsoft Dynamics 365. We are the first UK homebuilder to adopt this technology which will give us best in class systems and infrastructure to take the business forward. To spearhead this vital business transformation and lead our IT team moving forwards, Myles Gibbins has been appointed to the role of IT & Digital Director. Myles brings over 20 years' experience in the home building industry and unrivalled knowledge and experience of delivering similar business transformation projects.

A regional focus on national delivery

Keepmoat Homes is committed to delivering high-quality, affordable homes across the UK, with nine regional businesses organised into two divisions: The North Division, comprising Scotland, the North West, MCI (North West), the North East and West Yorkshire; and the South Division, comprising East Yorkshire, East Midlands, West Midlands and South Midlands. A Divisional Chairman is responsible for each of the two divisions, supported by a Divisional Finance Director.

The above divisional and regional structure follows a structural review conducted by the Keepmoat Homes board, under which the Groups operations were reorganised in some geographies to ensure that the business is optimally structured to continue to progress with the delivery of its growth plans.

This included the merger of our Keepmoat Homes presence in the North West within a single region to leverage the combined leadership team and deliver a consolidated approach to the regional market, operating the South West region as a satellite to the West Midlands office, and the relocation of our Southern regional office from Luton to the Northamptonshire area, to focus our presence in the South Midlands geography that has proved more suitable and successful for the Keepmoat business model.

The regional businesses and their boundaries will remain flexible allowing for growth and expansion into new areas where this makes sense and is required to enable all offices to remain at an optimum size for effective management.

Each of the regional businesses has its own management board and is empowered to deliver our overarching operational excellence strategy, applying the Group's policies and systems to local markets and circumstances. This structure and approach mean that we are well positioned for future growth in the right locations.

Over the past twelve months we have continued to concentrate driving excellence in all areas of the business including launching our Operational Excellence Strategy and introducing even greater rigour to manage our sites holistically to fully optimise our development economics over the full lifecycle of our developments. With enhanced financial processes and reporting, this enables us to ensure we are buying land with the right margins and in the right locations. As a result, we remain well positioned to deliver shareholder value and delight our customers by building more of the high-quality homes they deserve, in the places they want to live.

At the end of last year, we delivered a series of High-Performance Culture sessions to our Senior Leaders and Management Teams to support them in our drive to create high-preforming teams right across the business. We have already come a long way in this area but recognise that we still have more to do.

Strategic Report

Chief Executive's Strategic Update

The Strength of our Partnership Business Model

Our partnership business model is what sets us apart from our competitors. It gives us the ability to secure land on a capital light basis by agreeing payment terms aligned to site development which combined with other aspects of our partnership operating model deliver strong capital returns and lower business risk.

The value of our Partnership approach has been clearly demonstrated this year, when the strength of the relationships with our partners, including both land owners and registered providers of affordable housing, has contributed to our continued success during the Coronavirus Pandemic by enabling us to manage our working capital effectively, giving us the confidence to deliver our growth plans through further periods of lockdown and to continue to build more of the new affordable homes the UK needs.

We are the largest delivery partner of Homes England, delivering over 19,000 homes in partnership with them as a member of consecutive Delivery Partner Panels since 2009 and accessing over £387m in funding initiatives. We have used the Home Building and other Homes England Funds to accelerate the delivery of over 2,600 homes and Help to Buy to help c70% of our private customers to own their own home.

We have built our reputation by aligning our approach with our partners' objectives to deliver successful, large scale, mixed-tenure, developments. We have a proven track record of revitalising communities through the delivery of high-quality homes, in well-designed and well-connected neighbourhoods and at prices that customers can afford. Over the last 25 years we have successfully delivered new homes in some of the country's most challenging housing markets, demonstrating our commitment to delivery even in the most demanding market conditions.

Our partnership approach delivers many advantages including:

- An ability to deliver large scale multi-phased development sites, providing a strong forward pipeline of land
- The opportunity to work with partners who are motivated not only by financial returns, but also by non-financial outcomes (including - accelerated delivery, social value, sustainability and design quality);
- The potential to access grant funding or investment support from Homes England and Local Authority partners; and
- The opportunity to secure repeat business from existing partners and landowners, or to generate new business opportunities on the strength of our track record and reputation for delivery.

Community and Stakeholder Engagement

Our extensive experience and commitment to stakeholder engagement underpins our partnership approach and demonstrates the importance we place on working with communities and involving local people at all stages of neighbourhood projects. We recognise the value of recognising local needs and making sure all voices are heard to deliver real improvements to our developments. We actively support our partners in the development and implementation of stakeholder engagement strategies, working proactively to ensure that lines of communication are opened and maintained and that we take the right approach.

Placing our Customers at the Heart of Our Business

Delivering high quality new homes and delighting our customers continues to be our top priority, so I am pleased to say that in the 12-month NHBC reporting period, Keepmoat Homes increased its customer satisfaction score to 92.6% which is sufficient to achieve a 5-star builder status across the business and I am extremely proud of that achievement. This is a 5.7% improvement on our score in sine the last Home Builders Federation (HBF) annual customer satisfaction survey.

Customer satisfaction is at the heart of everything we do. Ensuring our customers are supported throughout their journey with us, meeting their expectations and providing them with a high-quality new home is extremely important to us.

We review our processes on an ongoing basis and continually strive to introduce further improvements to allow us to deliver greater levels of customer service. We include all regional management teams in this process to ensure improvements are delivered consistently across our entire business.

Our bespoke quality inspection process "Hallmark" has enabled us to deliver greater and more consistent levels of quality control to the homes we build. We are continuing to develop this to introduce even more rigour to processes to make sure we continue to deliver high quality homes for our customers. In addition to the changes to Hallmark, we have also developed a range of training programmes for our people, which are regularly delivered to ensure they understand the importance we place on delighting our customers.

We maintain close contact with our customers throughout their journey with us, from their initial enquiry, during the exciting process of purchasing their new homes and after they move in, to ensure they consistently receive a high level of service. This year has presented the whole country with significant challenges due to the impact of COVID-19, and inevitably our speed of response to customer issues has been affected by the increased health and safety measures we had implement. We have now returned to working in our customers' homes but under strict guidelines to ensure the safety of our customers and our people. Our customers have been very understanding of the situation and have been extremely patient during our return to more normal ways of working.

Strategic Report

Chief Executive's Strategic Update

To help us to monitor our customer satisfaction levels we participate in the National House Building Council (NHBC) customer satisfaction Survey. We monitor every survey and reflect on the valuable comments made by our customers and use this feedback to learn and improve. For over a year these survey results show our customer satisfaction levels for the group to be over 90%. We also use this information to identify and reward our people who demonstrate excellence in delivering customer service.

As a business we are committed to providing our customers with fantastic levels of service, from providing comprehensive information and guidance on their new home to dealing with issues and queries quickly and efficiently.

What matters to our customers:

- A home delivered on time, to the right quality, that is great value for money;
- Great service both during and after the purchase;
- An environment that has been created to provide great amenities and green space;
- A community that they can enjoy and thrive in; and
- Knowing that the development has contributed to the wider community and considered and supported a positive environmental impact.

Positive Market Positioning

The fundamental underpinnings for the UK Housing Market have remained strong including Government support, low interest rates and increased desire and aspiration to own a home. This has remained true despite the unprecedented challenges imposed by the ongoing COVID-19 Pandemic, the continued uncertainty over the impact of the future relationship and trade agreements with the EU and the resulting uncertainty around employment and negative impacts on the wider economy.

Keepmoat, with an average sales price of £165,000 and limited exposure to London and the South East, performed well to the end of March 2020 with sales across all regions in line with our expectations. However, the onset of the COVID-19 pandemic and the period of shutdown that resulted had an impact during the remainder of 2020. Accordingly, the Board has continued to consider the potential effect on our business and has updated risk assessments. Key risks have been identified, such as the effect of the COVID-19 pandemic on the UK economy, supply and cost of materials, the impact on availability of labour and potential changes to Government policy and regulation.

The business has appropriate mitigation plans in place to address any adverse impacts should they arise. Most of our building supplies are manufactured in the UK and are not at risk from future trade arrangements with the EU. An element of the products procured through our network of UK based suppliers will be imported from the EU and we are working closely with those suppliers to monitor the potential impact as the UK adapts to the new trade arrangements with the EU. We believe that the Group's multi-tenure partnership approach and expertise in the first-time buyer market provides some resilience should any adverse market effects arise because of the COVID-19 pandemic.

We will continue to closely monitor market conditions into the future considering wider political and economic developments.

Government commitment to housing supply

The policy landscape of the last 12 months has combined short-term responses to the pandemic with a post-election change of direction for planning and housebuilding.

One of the most promising visions of the new government was to 'level up' and support those parts of the country that had been left behind. The Prime Minister's 'Build, Build, Build' speech in June established the central role of housebuilding and construction in spearheading national economic recovery after the first COVID-19 lockdown. Since then, housebuilding has been supported through the Stamp Duty holiday on properties up to the value of £500,000 until 31 March 2021, more flexible construction site working hours, creation of the Construction Talent Retention Scheme and extended planning permission deadlines with planning committees also meeting remotely.

The Help to Buy build and completion deadlines have been extended by two months to allow completion of delayed homes. Help to Buy is a popular and vital scheme that provides choice for homebuyers and stimulates construction of new homes. Keepmoat has supported a refocusing of the scheme on first time buyers from April 2021, with the majority of our homes being priced within the new Help to Buy price thresholds.

We continue to work with both government agencies and mortgage providers on innovative mortgage products and other alternatives to the successful Help to Buy schemes.

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Strategic Report

Chief Executive's Strategic Update

We welcome elements of the Planning White Paper which includes positives for housebuilders. More speed and predictability in planning decisions will enable us to build many more homes while national standardisation, especially in space standards, will enable us to do so more efficiently. We also welcome a green agenda that prioritises brownfield land and requires energy efficiency, biodiversity and sustainable development.

A national planning system, charged with a desire to level up all areas of the UK, is a powerful post-pandemic vision. If we are moving to an era of more homeworking, homebuyers will have greater flexibility on where they live and will be able to choose to buy in areas where their money goes further. In these areas they will be able to afford houses, rather than apartments, with more space, more rooms and larger gardens. Supporting those ambitions is a key driver of Keepmoat's business.

We note the recent Government announcement that it is committed to funding and supporting the removal of unsafe cladding on high-rise buildings. Keepmoat Homes has conducted a desktop review and has not identified the need for any remedial works associated with the removal of combustible cladding in relation to multi occupancy residential structures in its legacy development portfolio.

In support of industry initiatives to improve fire safety moving forwards Keepmoat Homes has become a registered signatory to The Building A Safer Charter Declaration of Commitment which is designed to drive the culture change and action required to improve building safety by making improvements to current practice and behaviours.

The UK's leading brownfield homebuilder

Keepmoat Homes is the UK's leading brownfield homebuilder, meaning we do more than just deliver new homes. We regenerate urban and brownfield land to create thriving new communities. 80% of our current developments are on brownfield sites.

We are pleased to see continued support to bringing forward brownfield land from the public sector. Our work with local authorities across the UK including in Newcastle, Doncaster, Nottingham and Glasgow, provides model approaches for others to follow. For example, through our partnership with Newcastle City Council our scheme at Scotswood will deliver over 1,150 new homes over the next 12 years.

Sustainability

At Keepmoat Homes we think and act beyond bricks and mortar. As well as creating better places for people to live, our success depends on us playing our part in building the sustainable communities and enhanced environment our partners and customers want. We work with our partners to create and improve places and in turn improve economic, environmental and social outcomes, working to deliver our vision of *Building Communities, Transforming Lives.*

In July we published our Sustainability Strategy. Through stakeholder consultation, we identified our material issues and aligned the strategy to eight of the United Nations Sustainable Development Goals.

We are committed to minimising our impact on the environment and biodiversity. Working with the Wildlife Trust Consultancy, Wildscapes, we are looking to develop methodologies to ensure we deliver a net gain in biodiversity by 2023.

You can read more about our commitment to delivering a sustainable future in our Corporate Sustainability Strategy which details our achievements over the last 12 months as well as outlining our future commitments.

There is no doubt that the last financial year has been extremely challenging, but I am delighted by the way the business has emerged from the crisis in a strong position to push ahead and looking to the future I am extremely confident that Keepmoat Homes will continue to go from strength to strength.

Finally, but most importantly, I would like to thank all our people, our supply chain and our business partners, who have worked with Keepmoat Homes for their contribution to our success and for all their hard work, particularly in what has been such a challenging year. We could not have achieved what we have this year without them.

T. M. Beale

Tim Beale
Chief Executive Officer

Strategic Report – Our Vision, Mission and Values

Our vision, mission and values shape our strategy and the way we work, and mean we are a different type of housebuilder. Our corporate strengths include our local knowledge, long term partner relationships, national and local presence, supply chain and our ability to enhance local economies by employing local firms and creating local jobs.

Keepmoat Vision:

Building Communities, Transforming lives.

This means that we think and act beyond bricks and mortar. As well as creating better places for people to live, we know that our success depends on us playing our part in building the strong communities our partners and customers want.

We work with our partners to regenerate places to improve economic and social outcomes for the local community while providing housing choice in these areas. We focus on improving the communities we work in and the people we serve, creating significant local economic benefits through our supply chain and local employment. 8% of our workforce are trainees (2019: 8%), apprentices and graduates.

Keepmoat Mission:

We are committed to developing enduring relationships to build more, vibrant new communities at prices our customers can afford.

Our Mission explains how we are very different from a traditional housebuilder. It's in what we do, and how we do it. We create long term partnerships with land owners and with registered providers of affordable housing. Together we build attractive, affordable and high- quality homes and communities where people want to live, work and play.

We bring together all facets of housing development, including design, planning and community engagement skills, to help partners achieve their ambitions. We nurture an extensive supply chain of small and medium sized companies that support us around the country and make that supply chain available to our public and private sector partners.

Keepmoat Values:

Straightforward, Passionate, Collaborative and Creative.

Our Values support the vision, shape the culture and reflect how we work and behave.

- Straightforward: We get the job done in the most efficient way. We are friendly, open and honest. In other words, the people you could trust on any project, large or small.
- Passionate: We care about what we do. We put pride and energy into delivering results. We give the best, so more people can enjoy living in safe, happy communities and homes.
- Collaborative: We work together in partnership to deliver the very best customer experience. By sharing our expertise, we can build the very best quality new homes.
- Creative: We are proactive, flexible and resourceful. We listen, learn and deliver solutions.

Strategic Report – Making the most of our strengths

Keepmoat's existing strengths support our growth ambitions:

National scale, local understanding. Keepmoat has successfully grown into a large national business with deep local roots and we intend to maintain that national and local approach.

Develop our comprehensive offer. We have a broad set of skills ranging from developing partnerships, establishing supply chains, *building new homes of all tenures and supporting large-scale, housing-led community regeneration schemes.*

Organic growth. In the next five years we intend to increase the number of new homes we build for sale or rent and continue to make a significant contribution to meeting the country's housing needs.

Market and sector expansion. The need for more housing means we can bring our distinct approach to new markets:

- **Grow our core:** Our core markets will remain first time buyer homes, and we will continue to work in partnership with local authorities and housing associations. We will continue to build our presence in this market.
- **Enter new geographies:** We continue to expand our offer into Scotland, the South West and South of England, where we have historically had little presence.
- **Enter new sectors:** We will enter new markets, so more housing opportunities will be created. We are expanding our home offer by introducing offsite manufacturing into our developments and are creating partnerships with financial organisations combined with our skills and capabilities to create new homes in the private rental sector.

Leveraging our scale. We have grown mostly by financing and delivering medium sized housing programmes, whether homes for sale or new build for rent. Now, our national scale and financial strength together with the breadth of our experience and depth of our skills and capabilities, means we are delivering a greater number of larger programmes and partnerships as the core part of our business.

Shape more partnerships. At the heart of our growth will be deeper and broader partnerships with existing and new partners. That requires us to understand partners' challenges and objectives and develop ways to help them meet their goals whether economic - growth; social - tackling deprivation, improving health; environmental - reducing carbon consumption; financial - reducing operating costs; operational - improving customer service; or strategic - developing their housing portfolios.

Efficiency and effectiveness. As we grow bigger, we risk becoming less agile. Through our model of regional autonomy, we want the best of both worlds - being local and agile, almost like a small business can be. But we also want the benefits of being a large business such as professional rigour, quality, efficiency and effectiveness in winning and delivering work. That means we share what works well and avoid duplication and unnecessary costs, as our customers expect.

Building our brand. To build more homes we will need more people to choose to work for us as colleagues or with us as suppliers and partners. That means we need to be better understood. Our audiences need to know what we do, how we do it and why we are both different, and better, than the competition. We are continuing to build our profile with our partners and across the industry, improving brand position with customers as a 5-star builder.

Our Essentials

Our Essentials are the five basic building blocks of our business.

- Safety: The safety of people, partners and communities is at the heart of everything we do.
- Quality: We work to exceed our stakeholders' expectations of our service, product and delivery.
- Customers: We focus on delighting our customers.
- People: Our people are the heart of our business, providing a service we are proud of.
- Sustainability: We protect the environment, act ethically and leave a positive legacy.

Developing Our Product

As a partnership home builder, we are committed to delivering high value, high quality affordable homes and sustainable developments designed to create spaces where people want to live, work and relax.

Fundamental to our design principals is creating a sense of community through the delivery of new homes of mixed tenures in attractive, regenerative environments that complement existing local areas and promote health and wellbeing.

The protection of ecological features is essential, as is the inclusion of sustainable drainage solutions and green infrastructure strategies, supported by ecological assessments, to enhance and future proof the sustainability and attractiveness of our developments. We also strive to address the future impacts of climate change such as extreme weather events and overheating.

Strategic Report – Making the most of our strengths

Construction Excellence

We actively contribute to the NHBC Standards Review Group and other industry working groups to help ensure our design, detailing and specification represent best practice and are aligned to future change. As a registered signatory to the Building a Safer Future Charter we are committed to raising standards in building safety including early adoption of the principles of the Fire Safety Bill.

Quality is a top priority for the business and all supporting design detailing, workmanship and material specifications have been developed to embody good practice and simplification; written in plain English and supported with illustrations and photographs. These documents, created in collaboration with all departments including subcontractor forums, are used at all stages of design, procurement and subcontractor appointment. They have informed the Keepmoat quality training programmes, site inductions and are also used as build quality checks. Documents are also aligned to regulatory requirements with the additional decision taken to remove all combustible materials from external walls.

Outstanding Build Quality

A first-class construction process is vital to our business and to this end we have introduced several new initiatives to bring about improvements. We have reviewed our key build stage inspection procedure and now have a formal inspection and sign off process that allows us to benchmark our build quality. Alongside this we have produced a series of best practice guides for our site teams to ensure that our homes meet the required standard and comply with our detailed trade specification. This inspection procedure is in addition to the formal inspections carried out by building control and the warranty provider.

We recognise that having the right people and teams on site and supporting them in their roles is key to a successful business. We have introduced a site management development programme which will take all new site-based employees through a series of training workshops to give them the detailed knowledge around programming, quality and cost control that they need to deliver a successful site. This programme is delivered by our senior managers and includes formal training on building regulations and defect prevention delivered by external providers to ensure our teams are kept up to date with the latest regulations.

Following the initial success of the programme we are now expanding it to include all our existing site-based teams, which will act as a refresher and ensure a consistent approach across all our developments. As we move into 2021, we are also rolling out development programmes for our Contracts Managers and we are introducing an Assistant Site Manager Apprenticeship.

Sustainability by Design

We strive to innovate and develop our designs to suit the requirements of all our customers including first-time buyers, families, social housing partners, supported housing providers, and the elderly by including enhanced mobility standards which support the needs of both able-bodied and disabled people.

All our developments will benefit from 1 Gigabit day one broadband connectivity.

A key element of our Corporate Sustainability Strategy is our commitment to building affordable low carbon homes and to delivering homes that meet the gas free Future Homes Standard and Zero carbon standards.

A detailed roadmap is being developed to support our approach to delivering homes that meet the Future Homes standard. In addition, creating flexible, adaptable spaces will balance improved fabric performance and prevent overheating with reduced energy waste and the integration of renewable energy solutions supported with smart energy controls. Key to any low carbon solution will be the reduction in home running costs, essential in addressing fuel poverty.

We are focused on reducing the carbon footprint of the homes we build, including working with our supply chain to reduce the carbon footprint of the materials we use, as well as reducing water usage and waste. The use of timber frame construction, which accounted for 12% of homes completed during the year (2019: 12%), and the integration of our digital designs will increase our ability to use offsite manufactured components.

Developing our building methods will help to address the skills shortage facing the industry, while supporting the continued use of local labour, enhancing build quality and increasing efficiency and rate of delivery.

Modern Methods of Construction

Customer satisfaction, quality and safety are our priorities and the development of our range to the newly approved enhanced digital format will further support improved efficiency, waste reduction and collaboration with our 3rd party designers. The range accounted for 85% of all homes delivered in the year 2020.

The new digital models have been further developed with a focus on enabling flexible elevation treatments to be created from standard components to facilitate bespoke street scene creation in response to local design codes, within a development.

Strategic Report – Making the most of our strengths

Our vision is to build a more efficient and Strategic Supply Chain.

Our regional buyers work in partnership with framework suppliers to ensure successful operation of the arrangements providing feedback on performance and service, and on future requirements.

Our suppliers play an essential role in our business, providing the materials and services we use to build our homes. It is therefore essential that we build long-lasting, strong relationships that make us their partner of choice.

We operate a series of group-wide, long-term strategic frameworks providing preferential commercial terms and service levels nationally and regionally for supply of our materials, site equipment and business consumables.

These arrangements offer significant pricing advantages, whilst also including important delivery, service and product warranties which helps us maintain and improve our quality and service to our customers.

The Group Supply Chain team manage over 97 arrangements which are made up of framework agreements, commercial arrangements and formal price lists. In the year to 31 October 2020, 88% of direct spend was channelled through our frameworks.

The Framework Agreements align with the Keepmoat Homes Standard Specification and deliver innovative solutions to support our drive for standardisation. They also provide customer care and product warranty support to our customer services teams. Many of the agreements provide value engineering support, free site surveys and scheduling and pricing services.

Several of our Framework Agreements are with manufacturers and suppliers who provide their products through our subcontractors and compliance to these agreements was 97% during the year.

Management of Cost and Best Practice

We work hard to mitigate price increases and ensure that agreements are always competitive and provide the best quality without compromising on standards. We work in partnership with our suppliers to deliver the best solution for our site teams and our customers. Many agreements include provision of supplier training for our people and our subcontractors.

Management of Supply Chain Risk

We maintain regular contact with suppliers and manufacturers to ensure continuity of supply, negotiating product allocation by volume. Availability of materials is secured in line with demand and we carefully manage the supply of key products, such as bricks and plasterboard, by working with the regional businesses and our supply chain partners. We ordered circa 20 million bricks in 2020, all are sourced in the UK.

We engage with our suppliers to keep them informed of key forecasting information, providing them with a rolling build programme on a monthly basis in addition to product specific demand schedules. We also notify our supply chain of any changes to our working practices as appropriate. These long-term frameworks reduce business risk and help ensure a secure supply of our essential materials.

In 2020 we reviewed our homecare defects and identified high risk products. This has allowed us to proactively reduce and mitigate any future defects, promoting an environment for both internal and external stakeholders where product innovation is welcomed.

Sustainability in the Supply Chain

We promote sustainability within the supply chain through our sustainable procurement policy. Working closely with our sustainability team ensuring all suppliers provide data in a timely manner and to a format that identifies the key metrics. We work with our supply chain partners to support the development of reporting tools. Whilst every effort is made to support our supply chain, where business critical data is not provided, an alternative partner is identified to ensure we meet our key obligations.

We engage with waste management consultants in our drive for waste reduction on site with a focus moving forward on reporting as a tool for managing waste intensity and the management of waste up the waste hierarchy i.e. pallet repatriation, maximising re-use and recycling where possible.

Management of office waste is due to be pulled together under one supplier across all regions. This will provide a single point of contact for reporting, management of waste reduction and ensuring legal compliance with waste disposal obligations.

We work with supply chain partners to ensure compliance with our policies i.e. anti-bribery & corruption, modern slavery, equal opportunities, health and safety and environmental policies as well as inclusion of our supplier chain partners own polices where available.

Strategic Report – Making the most of our strengths

Brexit

There are several key areas where the impact of the UK's new trading relationship with the European Union may have an impact on pricing and availability of product. Uncertainty in the market and basic supply/demand economics may also drive UK manufactured product prices higher as the rates for imported products increase.

We have worked closely with our supply chain since the result of the vote to leave the European Union to ensure that we understand the changes arising from Brexit. We have continued with this close engagement since the confirmation of the new trade arrangements to understand their challenges and contingency strategies. These include careful monitoring, increasing UK stock holding and diverting imports to alternative UK ports where bottlenecks are predicted. At this stage, we have not experienced any significant supply chain issues associated with Brexit.

Focusing on our People and Our Culture

As a people-centric business, a key focus is delivering our people strategy. This means ensuring that we are the employer of choice in the home building industry, attracting the right talent, develop our existing talent and engaging all our employees so that they enjoy working for Keepmoat Homes and feel engaged, trusted, committed and can realise their full potential and grow their career with us.

Culture

We put our people at the heart of everything we do. Our culture is aligned to our values – it is straightforward, passionate, creative and highly collaborative; it is also based on openness, challenge, questioning, innovation, high performance and high engagement. Our environment is fast paced, friendly and one where people are supported with their development and encouraged to grow.

Understanding the link between our vision, values and our behaviours, culture and the way we work is extremely important and is covered at our corporate induction events for our new joiners. This focus on our culture has driven great improvements in our processes, our customer focus and the quality of our product, all of which has driven an increase in our levels of customer satisfaction. During the last 12 months we have developed this further by launching our Operational Excellence Strategy, which enables our people to understand how their roles align with this and contribute to its delivery.

Talent and Development

The emphasis on development and our approach to talent mapping and succession planning is carried out in conjunction with our PDR process to understand the alignment with our employees' career aspirations and development objectives. This enables our managers to focus on understanding and supporting their teams and on helping them to realise their potential and gives us a clear talent pipeline enabling us to achieve the right balance between our external recruitment and internal promotions.

We have rolled out our Future Leaders Programme, a year-long programme aimed at our high performers that have the potential to reach a senior leadership role and focused on leadership style and skills, coaching and mentoring.

We also support our Senior Leaders with their development through a series of Leadership Masterclasses as well as coaching, psychometrics and feedback. Looking forwards we will be doing more work with our Senior Leaders to embed our High-Performance Culture.

Apprentices, Trainees and Graduates

We are proud to be a member of the 5% Club which means we are committed to at least 5% of our employees being apprentices or trainees in 'earn and learn' positions across all functions within the business or through our subcontractors and partners. This approach supports our skilled teams, addresses skills shortages and opens this very important sector as a great career opportunity to them. We work in partnership with Collab Group to source our apprentices and they have also supported us with the development of our Sales Development Programme which leads to a formal qualification.

We are also excited to be launching our Land and Partnerships Graduate Scheme during the next financial year. This is the first graduate scheme launched by Keepmoat Homes, but we intend to extend this to more areas of the business in the future.

Diversity and Equality

We are keen to encourage diversity. The house building industry is not known for being the most diverse or gender equal and there is often a lack of candidates for certain roles from diverse backgrounds. We now have two female Regional Managing Directors and our approach to identifying and developing our talent will continue our focus in this important area. We now also have our first female Executive Board member.

There is still more to do however and as a company we take the role of promoting the industry to potential candidates who might not have considered a career in our sector very seriously. We work closely with education providers and community groups to profile the variety of roles available. We also focus on family friendly changes such as meeting start times to support our employees with children. Over the last 12 months our Agile Working Policy has supported our people with working remotely at home and in different locations during the COVID-19 pandemic and continues to make a significant contribution to helping us to successfully steer the business through a period of unprecedented challenges.

Average number of employees, split by gender, for the year ended 31 October 2020:

	Male		**Female**		**Total**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Directors	2	0.2%	-	-	2	0.2%
Senior managers	72	6.3%	20	1.7%	92	8.0%
All others	696	60.8%	355	31.0%	1,051	91.8%
Total	770	67.3%	375	32.7%	1,145	100.0%

Average number of employees, split by gender, for the year ended 31 October 2019:

	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	2	0.2%	-	-	2	0.2%
Senior managers	70	6.1%	19	1.7%	89	7.8%
All others	693	60.7%	357	31.3%	1,050	92.0%
Total	765	67.0%	376	33.0%	1,141	100.0%

Disability statement

The Group is committed to achieving a balanced and diverse workforce and pursues an equal opportunities policy through all areas including recruitment and selection, training and development, performance reviews, succession planning, promotion and ultimately, retirement. It is our policy to ensure employee related decisions are made based on merit and capability regardless of religion, race, nationality, ethnic origin, gender, sexual orientation, marital status, age or disability. If any of our people become disabled, the Group is committed to continue employment wherever possible and to undertake the necessary adjustments to facilitate ongoing employment.

Modern Slavery Act 2015

The Group has a policy statement in accordance with the requirements of the Modern Slavery Act 2015. Our policy sets out the processes and practices that we have implemented, to ensure that modern slavery has no place to survive within our business, or within our supply chain. We monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness.

Wellbeing

We take the health and wellbeing of our people seriously. Our KeepWell programme, which includes a focus on Mental Health Awareness has been particularly important over the last 12 months when the resources and tools provided have supported our people through the challenges of the ongoing pandemic. We have used this very effectively to highlight the importance of mental health as well as physical health. A particular focus has been on breaking down the stigma and barriers associated with people talking about their mental health. This year we have trained 33 mental health first aiders across the business supporting all regions, regularly communicating tips and advice for mental health support.

Strategic Report – Making the most of our strengths

Regional Autonomy

As a business with nine regions supported by Group Divisional and Central Services it is important that we all work together to support our Vision and that this is underpinned by our Values and Behaviours. Ensuring we are all aligned with our Group wide governance framework is also vital. Our Regional Autonomy model provides the framework for how this culture of responsibility and accountability works in practice and our Leadership teams ensure it is communicated to all employees. Our vision, values and culture are at the core of our business and form the basis of our corporate induction so new colleagues can be effective from day one.

Investors in People (IIP)

Our people-centric culture is recognised in our Investors in People (IIP) accreditation and is something we are very proud of and committed to maintaining. It was noted that our effective people centric culture has a positive impact on our performance as a business.

Strategic Report – Making the most of our strengths

Our commitment to Section 172 of the Companies Act 2006

Keepmoat aims to be a company that is attractive to investors, delivers high-quality new homes for its customers at prices they can afford, builds long-term relationships with its partners and that is the employer of choice in the home-building industry. This requires the Board, senior leadership and all our people to maintain an approach to strategic, financial and operational decision-making that is values-based, collaborative and sustainable and therefore aligned to the requirements and expectations of Section 172.

As required by s172 of the Companies Act 2006 ("the Act"), a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's actions on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the Company.

Each of the directors acknowledges their responsibility to promote the success of the company for its shareholders having regard for the interests of other stakeholders in the group and the wider community. The following table identifies where in this annual report the Board has considered our stakeholders in key decision-making in compliance with s172 of the Act:

Partners	Chairman's Statement (p3), Chief Executive's Strategic Update (p4-8), Making the most of our strengths (p10-13)
Employees	Chief Executive's Strategic Update (p4-8), Making the most of our strengths (p14)
Suppliers	Chief Executive's Strategic Update (p4-8), Making the most of our strengths (p12)
Customers	Chairman's Statement (p3), Chief Executive's Strategic Update (p4-8)
Environment	Corporate sustainability (p16-18)
Community	Chief Executive's Strategic Update (p4-8), Corporate sustainability (p18-21)

Environmental Performance

Environmental Management

Keepmoat Homes operations are certified to our ISO 14001:2015 management system, ensuring contemporary systems and effective controls are in place for all environmental risks and opportunities.

In the last year we have reduced the number of environmental incidents on Keepmoat sites by 11%, while increasing the reporting of environmental hazards by 279%.

This has been achieved through:

- The enhancement of environmental controls in construction management systems and contractor trade specifications, helping to ensure that our environmental standards are consistently implemented across all operations
- In the context of the pandemic, the development and delivery of online environmental training, including briefings for management teams and 20-minute environmental modules for construction teams
- Refinement of the Health, Safety and Sustainability assurance regime to ensure that environmental hazards identified receive appropriate focus.

Affordable low carbon homes

During 2020 we have started implementing low carbon technology and materials that facilitate comfortable and affordable low carbon lifestyles on a larger scale, supporting our partners climate change commitments and helping customers reduced their carbon footprint.

Our approach focusses on green features across all scales from individual homes to landscape interventions. Two great examples of this progressive approach in the South West are:

Strategic Report – Making the most of our strengths

Hartcliffe Campus

During 2020, we started work on our Hartcliffe Campus development, a key part of the regeneration of South Bristol creating 350 new homes in partnership with housing provider Live West.

- Almost a third of the properties will be available through social rent or shared ownership schemes.
- The development will include a variety of ecological features to support the local wildlife, including a wildflower 'pollinator park', a wildlife corridor and 450 new trees.
- Ground source heat pumps will provide all 350 homes with low carbon heating and hot water.

Parklands Village

A recently secured development, starting in 2021, Parklands Village will deliver 425 new high-quality homes in Weston-Super-Mare, including

- 30 per cent affordable housing
- 85 adaptable or accessible homes, which will provide for people with mobility difficulties, or for those who develop them during their lifetimes
- 85% low carbon homes, being 60% better than Part L 2020 requirements
- 15% (64) zero carbon homes
- Electric vehicle charging to all homes.

Climate change adaptions across the site, creating green spaces that support wellbeing while also mitigating flooding and heat island effects while supporting wildlife

Waste & Recycling

During the last year our focus has been on the prevention and avoidance of unnecessary waste through 2 key projects:

1. **Strategic waste partnerships** with key national suppliers.
   - Reducing costs per tonne by 3%
   - Maintaining landfill diversion rates at over 96%
   - Optimised skip utilisation through better segregation, increased inspections and reduced contamination

2. **Optimising the implementation and use of Materials Management Plans**
   Soils and demolition materials account for a large proportion of wastes on Keepmoat sites. To help prevent these materials becoming waste we have:
   - Provided training to all operational teams to ensure consistent implementation.
   - Participated in the CIRIA Construction Soil Management Project with the aim of developing industry guidance and good practice

Environmental impact Statement

The Group is continually striving to minimise its contribution to climate change in line with the UK Government's commitment to achieve net zero carbon emissions by 2050. In order to monitor our emissions, we capture data and report our carbon footprint, a measure of our emissions of greenhouse gases. The Group is constantly analysing this data and we are committed to adapting the business, the homes we build and the communities we work in to reduce our carbon emissions.

Calculating emissions

Greenhouse gas emissions are calculated in alignment with records used for the production of the consolidated Financial Statements for the relevant accounting period and are produced in accordance with The Greenhouse Gas Protocol methodology. We have used emission factors from BEIS's "Greenhouse gas reporting: conversion factors 2018, 2019 and 2020" to calculate our Scope 1 gas emissions. We have determined the Scope 2 emissions for electricity using a combination of BEIS publication (for non-renewable energy) and the Renewable Energy Guarantee of Origin (REGO) certificates provided by the suppliers for all renewable electricity. We have also used the GHG Protocol Value Chain (Scope 3) Standard, but we are not as yet able to report on all categories that may be relevant. All emissions required under the Companies Act 2006 are included.

Strategic Report – Making the most of our strengths

	Units	Year ended 31 October 2020	Year ended 31 October 2019
Scope 1 – Gas consumption	tCO_2e	312	573
Scope 1 – Owned transport	tCO_2e	621	802
Scope 1 – Site equipment	tCO_2e	2,347	3,148
Total Scope 1 emissions	*tCO_2e*	*3,280*	*4,523*
Scope 2 – Electricity consumption	tCO_2e	290	506
Scope 3 – Business travel	tCO_2e	276	322
Total emissions	**tCO_2e**	**3,846**	**5,350**
Revenue (£'000)	£m	406.0	649.9
Intensity ratio (total emissions/revenue)	**tCO_2e/£m**	**9.5**	**8.2**

	Units	Year ended 31 October 2020	Year ended 31 October 2019
Total energy consumption	**kWh**	**14,432,251**	**19,887,711**

Progress

During the last financial year, the Group has embarked on various projects to reduce our energy consumption and carbon footprint. The Group has delivered training to construction staff to improve energy efficiency and minimise vehicle idling and wherever feasible, propane and butane heater use on site has been replaced with electric infrared heaters. This not only improves safety but, as they consume renewable electricity, has reduced associated carbon emissions by 43% (88 tonnes). In addition, from January 2020 the electricity used in our offices, compounds and plots has been sourced from a renewable electricity provider (REGO backed supply), reducing our carbon emissions by 216 tonnes. This has led to a reduction in our Scope 1 and 2 (direct and indirect emissions) by 1,459 tonnes, a reduction of 29%.

Despite this reduction, our emissions intensity ratio has increased to 9.5 from 8.2. This is due to a reduction in activity associated with COVID-19 and the fact that much of our scope 1 and 2 emissions are not directly associated with construction activity.

The COVID-19 pandemic has contributed to the reduction in our scope 3 (value chain) carbon emissions. Following the introduction of agile working being taken on by 70% of the Keepmoat Group's staff, this has generated a saving in commuter miles of 28,000 each day. The Group has also introduced low carbon concrete bricks to the construction of our homes, which produce 50% less carbon emissions.

Future plans

The pandemic has made it difficult to directly attribute the carbon reduction achieved this year to specific energy efficiency activity and has led to delays in some initiatives until 2021. Going forward we are aiming to maximise the availability of electric vehicles, trial alternatives for energy sources used on site and continue to integrate low carbon and climate resilient features to homes and developments. Throughout the coming financial year, the Group intends to finalise our scope 3 emission baseline and set our science-based target aligned to the Paris Climate Change Agreement.

Delivering social value

We believe we have a clear responsibility to help deliver a sustainable future. For us this means delivering economic progress while enhancing the environment and delivering social value.

We predominantly build affordable homes for first time buyers and social landlords. A key theme in our approach is to work with our partners to deliver real and meaningful social and economic impact aligned to local community priorities. We call this the *halo effect* where our activity helps address national societal challenges at a local level, such as providing business opportunities, increasing household income, creating new green spaces, delivering construction skills and upgrading community infrastructure.

By its nature much of our social value activity is delivered through face to face interaction. The COVID-19 pandemic has forced us to delay some activities and re-design others, e.g. moving to online formats. This has however only increased our motivation to be involved in rebuilding and improving the lives of the communities at the heart of our developments.

Strategic Report – Making the most of our strengths

Over the last year we delivered £18.5m of social value in local (2019: £27.0m) communities from activities including:

- £12.7m of spend with local businesses
- 16,000 hours of careers support
- 45 construction apprentices
- £890,000 spent on community infrastructure

Social Value Case Studies

Find My Future

Over the course of the pandemic we have had to change the way we work to keep our employees and communities safe. In recent months we have been working with our partners to make the most of technology including:

Working with Salford City Council, Salix Homes and Galliford Try to coordinate an online Find My Future event.

The weeklong virtual event was aimed at 16 to 25-year olds who were invited to tune in to videos that partners had created, to open their eyes to the variety of opportunities available in Salford to learn, gain experience and develop skills, from apprenticeships, to study programmes and traineeships.

Keepmoat Homes and our partners took the lead on the Construction Industry sessions. The sessions included video clips about college life, different types of construction, the different roles the construction industry has to offer and much more.

Over the full week, the sessions reached over 28,000 people, and had approximately 7,500 views.

Newcastle Trinity Academy

Working with Newcastle Trinity Academy over a 3-week period, we have supported students to better understand construction, and engage with the industry and potential career opportunities.

Through a number of virtual sessions, Keepmoat helped the students, working in small teams, produce small, 10-unit, sustainable 3D developments, culminating in the groups presenting their designs and ideas along with their calculations to show their profit margins.

QUOTE from Sarah Butler- Employer Engagement Officer - Trinity Academy Newcastle

"I am thrilled with the support received by Keepmoat. Undertaking a variety of roles, the students were challenged with planning, designing and constructing a development of 10 houses, giving students the opportunity to explore a range of careers within the industry, helping to raise aspirations. The activity has provided the students with opportunities to develop a range of transferable skills including problem solving, communication, negotiating, planning, and working to targets and deadlines whilst embedding English, Maths and ICT."

Nottingham mentoring circle

Working in partnership with the Department for Work and Pensions and Nottingham Jobs, we have been supporting local people in Gedling through a Construction Mentoring programme.

The programme supports people who are interested in a career in construction with a variety of support to assist them with their career development journey. The partnership has provided training to obtain a CSCS card, a two-week site-based work experience placement at our Chase Farm development and ongoing employability support upon completion of the programme.

After launching the programme one local participant, having completed their work experience placement with Keepmoat Homes, said:
I would just like to start by saying thank you to Keepmoat Homes for allowing me to go onto the work experience and I learned a lot from my mentor. The best part about the experience was meeting all the different trades and being able to ask them about their careers and, following on from this, I've decided I want to learn a trade as the placement helped me realise what I want to do.

Leeds skills hub (Timeless in Seacroft, Leeds)

The skills hub, at our Timeless Development in Seacroft, Leeds, established as a temporary base in July 2019, has allowed us to welcome over 490 students, aged 4 to 18, on to site to learn about the construction industry, develop their skills and take part in workshops, taster sessions, work experience and apprenticeship opportunities.

A permanent facility will be launched in January 2021 with a classroom to learn theory, prepare for CSCS tests, mock interviews and CV writing and with an outdoor learning space to develop practical skills through demonstrations from site management and subcontractors.

The skills hub is open to everyone and we are working in partnership with Leeds City Council, local schools and colleges, HMP Leeds Construction Academy and the Job Centre to ensure everyone can take advantage of the sessions and workshops on offer. From 2021, the skills hub is forecast to support 600 students per academic year through various engagement opportunities.

Strategic Report – Making the most of our strengths

Doncaster flooding support

As a major local business Keepmoat has worked to support victims of the 2019 Doncaster floods. We worked to target our support to vulnerable residents who would have been left needing construction support.

Working with Doncaster College & OTE Construction Training we formed a partnership that could not only benefit local residents affected by flooding but also provide much needed real-life site experience for young people undertaking construction training.

Over the course of the last year 10 uninsured properties of vulnerable residents have been fully refurbished, with Keepmoat and our local suppliers providing all materials needed for the Construction trainees to complete the works.

During the project planning for the work, Keepmoat was asked to step in at short notice to support a particularly vulnerable family where the resident was going in to hospital for cancer treatment. Keepmoat brought in contractors to undertake flood resilience work to the property and to provide materials to refurbish areas damaged by the flood.

Adapting to our customers' needs

Supporting our local partners and customer needs is integral to Keepmoat's way of working and to our vision. One example from 2020 that demonstrates our approach is the adaptation of one of our homes to support a disabled resident.

At Greenway Road in Speke we adapted a brand new four-bedroom home for a family to cater for the needs of their 10-year-old daughter, who has Retts Syndrome and needs a wheelchair to get around.

The house has been built as part of South Liverpool Homes' 118-home Greenway development, where they worked closely with Keepmoat Homes and Liverpool City Council to provide a forever home for the family, with all the modern facilities and space needed to make their life more comfortable and manageable for years to come.

The new home contains specially designed features to support the family in their daily routine, which includes a lift, a bathroom with a lifting hoist to assist with bathing, a hoist in the bedroom, widened doors and easy access into the home and garden.

Quote from the family... "Our new home is absolutely perfect for our family now. The lift means that my daughter will get some independence back as she will be able to go to her bedroom without having to be carried. And the extra space is life changing too; the kids have their own bedroom, and the widened doorways and lower access facilities will make life so much easier.

"I feel like I now have a lovely, safe environment for me and our family and I can't thank everyone who's been involved enough."

World of Work Programme – Leicester

Working in partnership with Leicester City Council and Leicester College, Keepmoat has been supporting Level 1 Construction students as part of Leicester College's 'World of Work (WOW) Experience Programme'.

Completed over one week, the programme provides students with the opportunity to develop key employability skills, learn more about the construction industry and engage with local construction companies. This provides opportunities for lower level students and those with additional needs to develop the skills and qualities employers are looking for including; self-confidence, resilience, problem solving and a sense of community.

Construction is one of the country's leading economic drivers, however the sector is facing a skills shortage. The WOW Experience Programme provides a great opportunity for local students to meet with prospective employers and learn more about the variety of career opportunities available.

Strategic Report – Making the most of our strengths

Safety, health and wellbeing

COVID-19

Over the past 12 months and through the COVID-19 pandemic, we have remained very focussed on the safety, health and wellbeing of our staff, sub-contractor partners and customers. At the end of March, as a responsible business, we took the decision to close our offices and sites, to ensure the safety of our people, customers and communities we work with.

Everyone's health and safety has been our top priority throughout, and we have worked strictly in line with Government guidance and industry best practice from the Construction Leadership Council (CLC) and Home Builders Federation (HBF). With the UK Government's encouragement to restart, we started planning our phased reopening, always prioritising people's health and safety and not asking anyone who is vulnerable or who felt unsafe to return to work.

As lockdown continued to be eased, we put plans in place to re-open our offices for people who are unable to work from home and for essential face to face meetings. We re-opened our sales centres and show homes in mid-May on an appointment only basis (later in Scotland) in line with Government & HBF advice and with all the safety measures and social distancing guidelines in place.

Throughout this period, we undertook:

- 1,249 COVID-19 inspections
- 14,704 COVID-19 inductions

covering all the controls in place specifically dealing with COVID-19 infection transfer, social distancing and hygiene.

Health & Safety Performance

We are committed to continually improving our processes and performance to ensure efficiency and optimal outcomes. Our HSS management system and key processes such as the pre-qualification of sub-contractors, inductions, training, incident recording and reporting are managed through contemporary platforms and technology. This has also proved invaluable in the fight against COVID-19, preventing contact between people and reducing the risk of infection transfer.

As such, we continue to improve our performance, based against last year, across a number of Health and Safety KPIs including:

- Lost Time Injuries: down by 6%
- Utility strikes: down by 16%
- Director's safety visits: increased by over 50%

Enforcement Authority Intervention

The Health & Safety Executive visited our sites unannounced on 3 sites compared to 8 last year and took no enforcement action. In recognition of our performance we were awarded the Gold Award by the Royal Society for the Prevention of Accidents (RoSPA).

Strategic Report – Principal risks and uncertainties

In order that we can meet our strategic objectives, it is paramount that we are effectively managing risk and that mitigating processes and controls are embedded. Our risk management framework considers strategic and operational risk throughout the business and ensures we have sufficient controls and measures in place, or future planned actions, to bring residual risk to appropriate levels.

This year has tested the effectiveness of our risk management and increased the residual risk associated with some of our principal risks and, whilst a global pandemic was not specifically called out in previous risk registers, its potential impacts and how we mitigate them certainly were and this is reflected in the direction of travel of some of the risks identified below:

Risk and Description	Possible impact	Mitigation	Movement in year
External Economic Factors			
A number of external factors, over which the group has limited control, have the potential to impact our revenue and business, including: • Changes in the UK and European macroeconomic environments • House price inflation and interest rates • Unemployment levels • Mortgage availability • Post-Brexit uncertainty • Central and local government housing policy • Government incentives, such as the 'Help to Buy' scheme: and • The spread of an infectious disease on a pandemic scale	Significant policy changes, a decline in the housing market or additional lending restrictions could have an adverse impact on revenue, profit and cash generation.	Strong partner relationships and the use of multi-tenure across all sites result in a well-defined pipeline of future volumes, providing high levels of forward visibility of revenue. Management regularly assess future revenue risk through analysis of the land pipeline and adjusts the scale of structural investment accordingly. Regular monitoring and communication of Government policy and participation in industry consultation. Regular monitoring of key performance indicators including; enquiries, visitor numbers, reservation rates, cancellation rates and achieved prices. Maintenance of an appropriate capital structure and balance sheet control, with a healthy balance sheet as at 31 October 2020 and committed bank facilities of £232.5m Strong short-term cash flow management at a Group level including regular assessment of the most effective use of cash for WIP and land spend. Regular communication with our panel of IFA's and participation in future finance initiatives. Our product mix and pricing strategy is regionally assessed and implemented. The introduction of online reservations and appointment booking, which has significantly addressed recent market conditions. Demand for low cost housing remains strong. Robust and tested business interruption planning, including procedures to slow down and stop activity. Our working practices are monitored and updated to ensure that they comply fully with applicable social distancing guidelines.	Increased. Both COVID-19 and Brexit have increased the level of economic uncertainty. Whilst current performance and lead indicators remain positive, the longer-term impacts of the current situation remain unknown and could impact construction and sales through for example more restrictive on-site working practices and mortgage availability. The change in Help to Buy and the impending end of the Stamp Duty are additional upcoming changes within the wider housing market, although any impact on Keepmoat would be relatively reduced given our relatively low average selling price and high proportion of first time buyers.

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement in year
Land			
Inability to procure suitable land at appropriate margins.	If the Group were unable to secure land it would affect both our volume growth targets and have a detrimental effect on future profitability.	Land and partnerships teams are in constant dialogue with our partners over the availability and suitability of land. Thorough due diligence is conducted on all proposed land purchases and is kept under review to ensure investment in land is strategically aligned to our business model.	No change. An increased level of economic uncertainty could in principle impact land procurement risk. However, to date we have not seen significant land procurement issues, and the land market remains healthy.
Commercial			
The Group enters into Partnership arrangements for the delivery of high value housing developments, some of which involve joint ventures, through which it incurs commercial risk in relation to the acquisition and execution of those developments.	A failure to adequately control project bidding and execution could result in the Group exposing itself to higher levels of risk and lower levels of profitability.	The Group operates a clear and robust project bidding and authorisation policy with a high level of scrutiny early in the process. All developments, including joint ventures, are approved by the Group's Executive Capital Investment Committee, in line with our land acquisition process. The Group undertakes routine and structured project approval and performance reviews, identifying risk and amending the project delivery programme accordingly.	No change.
Build Costs and Availability of Resources			
Project delivery is dependent on sub-contractors and material suppliers.	Poor or late availability of labour or materials could significantly impact the Group's ability to operate efficiently and deliver projects on time with high levels of partner and customer satisfaction.	The Group maintains strategic supply agreements with major materials suppliers and project scheduling permits material orders to be raised with appropriate lead times for delivery without impacting overall project timescales. A broad subcontractor base delivers services across the Group, with no dependence on any single subcontractor in any region. Continued review and monitoring of supplier and subcontractor performance is conducted. A collaborative approach is taken with suppliers to identify downstream supply chain issues.	No change. The full impact of COVID-19 and Brexit is not yet known however, to date we have not seen significant supply issues or price increases in labour or materials.

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement in year
Health and Safety			
The safety and wellbeing of Keepmoat's employees, sub-contractors and members of the public is of critical importance to the Group.	Inadequate health and safety procedures could lead to injury or death, operational failure and possible significant compensation payments and fines.	Policies, procedures, training and reporting are all maintained to industry standard and are carefully monitored to ensure high standards are maintained. The Executive Board considers Health and Safety at every meeting and Senior Management make regular site visits to monitor health and safety standards against the Group's policies and procedures (in addition to external consultants). The Group has appropriate insurance covering the risks associated with housebuilding.	No change. Whilst Health and Safety requirements have increased in the wake of COVID-19, we quickly adapted our existing policies and procedures in line with Government advice and social distancing guidelines and are confident we remain able to build in a safe manner.
Financial Security			
The cash flow requirements of the Group's contracts can be very different, and availability of liquidity is critical to the Group's ability to grow and deliver successful projects on behalf of clients.	A lack of short term liquidity could impact upon the Group's ability to invest in land & build WIP, constraining growth, or impacting on the ability to pay sub-contractor and material suppliers resulting in a failure to deliver projects to an acceptable standard and on time.	The Group maintains strong financial discipline. Cash generation and facility headroom is monitored by robust budgeting, forecasting and cash management disciplines. Regular contact is maintained with investors and lenders to ensure adequate overall bank facilities are in place. A new debt package for the group was secured in December 2018 that provides increased liquidity for the next five years. On 18 March 2020, the Group increased its super senior revolving credit facility by £5.0m, bringing the total limit to £60.0m. The terms of the additional limit are in line with the existing facility. On the 12 June 2020, the Group signed agreements to increase its super senior revolving credit facility by a further £15.0m, bringing the total limit to £75.0m. Strong partner, supplier and subcontractor relationships facilitate the effective management of site level liquidity.	Increased. The continued impact of COVID-19 means that short term cash flow management is more important than ever, however strong relationships with our partners/ suppliers/ sub-contractors and lenders means that whilst this risk has increased it has not caused significant disruption.
Government policy			
Changes to Government policy in areas such as housing, planning and building regulations may result in increased costs and/or delays.	Failure to obtain planning on a timely basis, or meet building regulation requirements, could result in delays and expose the Group to penalties and reputational damage.	We regularly assess the policy landscape and develop strategies to meet changing requirements (e.g. Future Homes Standard). We regularly consult with government agencies and local authorities, specialist external advisors and subject matter experts. The Group has in-house expertise in legal, regulatory, health and safety and technical functions who advise and support on related policy matters.	No change.

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement in year
Legal and Regulatory Compliance			
Inability to meet the key requirements of applicable legislation and regulatory requirements.	Lack of appropriate procedures, training and compliance could result in financial penalties and other regulatory consequences	Group wide policies, procedures and training are in place covering key compliance and regulatory areas, supported by whistleblowing procedures. The group has in-house expertise relating to legal and regulatory compliance, who monitor compliance with key legislation and regulatory requirements as well as providing guidance, training and support to the wider business.	New Risk We have separated this from the policy risk as it is worthy of greater visibility, given its increasing significance.
People			
Inability to attract, develop and retain appropriate people across the business.	Insufficient capacity and capability will affect our ability to meet our key strategic targets.	We offer competitive salary and benefits packages which are benchmarked regionally. We have a comprehensive training and development programme covering all roles from apprenticeships to senior leadership roles. Regular performance and development reviews are in place. We review retention rates regularly and assess the root causes of departures through structured exit interviews. Regular "Peoples Voice" surveys are conducted to assess employee satisfaction and engagement. Succession planning is in place for key roles within the Group.	No change. Whilst this year has been difficult for our people and we have needed them to adapt and show resilience, our additional investment in the people strategy in recent years has meant that we have been able to attract, retain and develop our people across the business.
IT and Cyber			
Failure or data loss from any of the business core IT systems, in particular those relating to customer information, surveying and valuation.	Poor performance of our systems would impact on our operational efficiency, profitability and our control environment. Data loss could result in financial loss and reputational damage.	Regular vulnerability scans and security penetration testing of all key business systems, to identify any areas of weakness, vulnerability and technical improvement Technical and procedural controls to help us effectively identify, protect, detect and respond to cyber-related incidents. This has been independently ratified and certified to the NCSC Cyber Essentials Plus standard. Continued investment in IT systems. Group wide IT systems in operation are controlled by a central IT function.	No change. Whilst COVID-19 has tested our IT resilience, we have responded to the challenge and managed the associated risk.

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement in year
Customer Service			
Inability to provide the customer journey, high-quality home and timely defects resolution that result in high levels of customer satisfaction.	Damage to our reputation and strategic objective of being a 5* housebuilder.	Regular monitoring of key performance indicators including; 8 weeks and 9-month survey results, open defects, defects outside of SLA, defects per plot. A revised Customer Hallmark process has been embedded with additional inspections and time to rectify issues. Rigorous management of build programmes and customer service activity to ensure high build standard and effective defects resolution. Safe working practices and arrangements implemented for all customers' interactions to ensure high standards of customer service are maintained whilst ensuring appropriate social distancing.	New Risk Customer delight has always been at the heart of our strategy, however having reached our highest standard yet we wish to maintain this level of performance.

Strategic Report – Chief Financial Officer's review

Our financial performance this year has been impacted by the COVID-19 pandemic with delivery volumes significantly reduced and margins eroded by programme disruption and the costs of operating with COVID-19 working practices and social-distancing. The resilience of our multi-tenure partnership business model, the immediate action taken by the Board, our recent balance sheet strengthening and our strong forward order book position us well to return to our planned growth in the medium term.

Financial Performance

The Group delivered a resilient performance in the year given that COVID-19 resulted in the suspension of activities at our sites and sales offices from the start of April in line with the Government's guidelines. The Group's sites remained closed until the 11th May when twenty-four sites were reopened with limited construction activities commencing on plots at an advanced stage of build, with a further thirty-three sites opening during the month. By August we were operating on all our developments. Whilst we kept our sales centres open virtually through the lockdown period, demonstrating the effectiveness of our digital sales capabilities, we nevertheless experienced a reduced level of reservations during this period given that in person sales office and show home visits were not possible. Our sales offices in England were reopened on the 29th May, with those in Scotland following on the 12th June.

Despite the impact of COVID-19, the Group delivered total completions of 2,460 homes in the year to 31 October 2020 ("FY20"), down 39.0% on the prior year (2019: 4,035 homes). As a result, revenue fell by 37.5% to £406.0m (2019: £649.8m). The average selling price of completions increased by 2.5% to £165k (2019: £161k). Our delivery to Registered Providers & the Private Rented Sector made up 30.3% of the Group's volume (2019: 33.8%) reflecting the focus on our mixed tenure partnership model and providing resilience in the long term.

Our contribution reduced by £54.9m to £64.7m (2019: £119.6m) with the decline primarily reflecting the reduction in completion volumes, and COVID-19 related costs, including disruption to site build programmes, site overhead inefficiency during remobilisation, and increased provisions in relation to pre-development work in progress on a limited number of sites, reflecting the evolving risk profile in the wider market.

This year we delivered an adjusted EBIT of £11.4m (2019: £61.1m) largely as a result of the COVID-19 impact on both volumes and costs. The Group's adjusted EBIT margin reduced to 2.8% (2019: 9.4%) reflecting the lower contribution margin and the non-recurring impact of non-productive site overhead costs of £5.7m that would normally be capitalised to WIP which were instead expensed during the period of lockdown. These effects were partially mitigated through receipt of £3.5m of grants from the Governments CJRS for those employees furloughed during the period of the temporary closure of the Group's operations and the effect of COVID-19 on the Group's discretionary annual bonus schemes for which nothing was payable for this financial year.

Net financing costs at £25.5m were £3.4m higher than the prior year due to the levels of borrowing during the year and the cost of increasing our facilities. As a result, the Group delivered a loss before tax of £18.0m (2019: profit before tax £37.2m) for the year.

In order to provide clearer visibility of the underlying performance of the Group, the Board elect to measure profits on an adjusted basis alongside other key KPIs as follows:

	Year ended 31 October 2020 £m	Year ended 31 October 2019 £m
Revenue	**406.0**	649.8
Contribution [(1)]	**64.7**	119.6
Adjusted EBITDA [(2)]	**16.0**	62.4
Adjusted EBIT [(3)]	**11.4**	61.1
Adjusted operating profit [(4)]	**9.4**	58.5
(Loss)/profit before tax	**(18.0)**	37.2
Operating cash flows	**37.2**	40.1
Plots sold	**2,460**	4,035

1. Contribution is gross profit adjusted for acquisition fair value adjustments (a reconciliation of gross profit to contribution is provided in note 3).
2. Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and impairment of investments and is calculated before exceptional items and acquisition fair value adjustments (a reconciliation of operating profit to Adjusted EBITDA is provided in note 3).
3. Adjusted EBIT is earnings before interest, tax, amortisation and impairment of investments and is calculated before exceptional items and acquisition fair value adjustments (a reconciliation of operating profit to Adjusted EBIT is provided in note 3).
4. Adjusted operating profit is stated before exceptional items, amortisation of acquisition intangible assets and the acquisition fair value adjustment to new homes work in progress (a reconciliation of operating profit to adjusted operating profit is shown on the face of the consolidated income statement).

Exceptional Items

During the year the Group announced a restructuring exercise to streamline the Group's regional operations at a cost of £1.3m. As part of this exercise the Group's North West regional presence was consolidated into a single regional office and the South West office will now operate as a satellite to the West Midlands region. Aligned with these regional changes, the business has simplified its divisional structure with the regions now reporting through two Divisions covering the North & South of the UK. Exceptional restructuring costs relate to redundancy costs and other costs associated with these actions.

During the year ended 31 October 2020, the Group incurred professional advisor costs of £0.5m relating to refinancing and corporate finance matters.

Cashflow and Financial Position

At 31 October 2020 the Group had net assets of £97.3m (2019: £103.7m) a decrease of 6.2% (£6.4m) compared to the prior year.

Inventories have increased by 14.4% to £466.8m (2019: £407.9m), primarily as a result of additional inventory carried at year end arising from the delayed completion of homes due to construction delays caused COVID-19. Land inventory represents approximately half of the inventory balance (2019: approximately half).

The Group was cash generative, with £38.8m generated from operations before tax (12 months to 31 October 2019: inflow £44.7m) after releasing £26.5m from working capital in the year, with the Group ending the year with net cash (including bank overdrafts) of £56.8m (2019: £35.2m).

Financing through the COVID-19 Period

In response to the emergence of COVID-19 and the decision to close our sites, sales offices and show homes in April, the Group took immediate action to preserve cash in the business, prudently managing the Group's liquidity position. These actions included a reduction in pay of 20% for the Group's Executive board, Regional Directors and Senior Leaders in the business for a period whilst our sites remained closed. We also negotiated an increase of the Group's senior term loan and super senior revolving credit facility, which alongside a further capital investment from the Group's shareholders ensure the strong liquidity of the Group and evidence the good relationships that Keepmoat Homes has with its banking partners.

The components of the increased facilities and capital investments were secured in the following tranches:

On 18 March 2020, the Group increased its super senior revolving credit facility by £5.0m, bringing the total limit to £60.0m. The terms of the additional limit are in line with the existing facility.

On the 12 June 2020, the Group signed agreements to increase its super senior revolving credit facility by a further £15.0m, bringing the total limit to £75.0m, this £15.0m facility matures on 12 December 2021. On the same day the Group entered into an agreement to increase its existing term loan facility by £7.5m on the same terms as the existing facility. This brings the total term loan facility to £157.5m. On the 3 July 2020, the Group drew down on the £7.5m term loan and the £15.0m of super senior revolving credit facility became available to the Group.

The Group incurred and capitalised total issue costs of £1.25m as a result of increasing the two existing debt facilities.

On 15 June 2020, the Group also received £7.5m of additional funding from its shareholders in the form of the purchase of shares in Keystone JVCo Limited, the company's ultimate parent undertaking. The purchase was split in proportion to the existing ownership of the Group's shareholders.

Financing costs

External financing costs in the period were £26.2m (year ended 31 October 2019: £22.5m) leading to a cash outflow of £13.6m (year ended 31 October 2019: £12.5m). The charge includes non-cash amounts of £8.3m (year ended 31 October 2019: £6.8m) in respect of the unwind of discount on deferred land payments.

Taxation

The current period tax credit of £4.8m (year ended 31 October 2019: £6.9m charge) is made up of a current tax credit of £0.4m and a deferred tax credit of £4.4m.

Working capital

The amount of working capital required to service the Group's operations is closely monitored and controlled and forms a key part of the management information reviewed on a daily, weekly and monthly basis. Current assets mainly comprise trade receivables, work in progress and land held for the development of private housing and affordable housing through partnership schemes. As the Group's trade receivables relate mainly to public sector and Housing Association clients, there is no significant history of bad or doubtful debts.

Performance bond facilities

The Group, like most construction businesses, may in some cases rely on the use of performance bonds issued by surety companies to our clients. The directors are pleased to report that the Group has adequate performance bonding lines in place with surety companies to meet the Group's growth plans.

Land bank pipeline

At 31 October 2020, the number of plots within our land pipeline, including sites where we have been appointed as preferred developer was over 24,000 representing over 6 years of delivery at current volumes, providing significant forward visibility for the Group.

Impact of new accounting standards

IFRS 16 "Leases" was effective for the year ended 31 October 2020. The impact of adopting this standard was the recognition of right of use assets of £8.0m and lease liabilities of £8.6m on transition in respect of offices, company vehicles, site plant equipment and show homes. The impact on adjusted EBIT for the year ended 31 October 2020 was £0.6m.

This Strategic Report, which encompasses the Business Review, was approved by the Board of Directors and signed on its behalf by:

Mark Priest
Chief Financial Officer

28 February 2021

Directors' Report

The directors present their annual report and the consolidated audited financial statements of the Group for the year ended 31 October 2020.

Principal activities

Keystone Midco Limited is an investment holding company heading a group of companies, which are engaged in the construction of residential dwellings and associated development contracts.

The Company's subsidiaries are listed in note 21 to the financial statements.

Business review and future developments

The consolidated loss for the financial year was £13.3m, (year ended 31 October 2019 profit of: £30.3m). The Company did not pay a dividend during the year (year ended 31 October 2019: £nil), no final dividend is proposed (year ended 31 October 2019: £nil). A review of the results, performance and future developments for the Group are presented in the Strategic Report on pages 3 to 29 which forms part of this report.

Post balance sheet events

On 11 December 2020 Castle 1 Limited, a Keystone Midco Limited subsidiary, acquired BDW Trading Limited's 50% members' capital holding in BK Scotswood LLP for £2.0m.

Going concern

The Group's business activities, together with the factors likely to affect its future development, are set out in the Strategic Report on pages 3 to 29. The financial position of the Group, its cash flows and borrowing facilities are described on pages 27 to 29 of the Strategic Report.

Having considered the Group's forecasts including its forecast cashflows, the directors are satisfied that the Company has sufficient liquidity and covenant headroom to enable the Group to conduct its activities and meet its liabilities as they fall due for the foreseeable future being at least twelve months. Accordingly, these financial statements are prepared on the going concern basis.

Further details of the Directors' assessment of going concern can be found in the principal accounting policies on pages 38-39.

Financial risk management

In the course of its ordinary activities, the Group is exposed to financial risks which include liquidity, credit and interest rate risks. These risks are monitored and managed through robust policies and procedures. Further details are included in Note 20 of the financial statements.

Liquidity risk relates to the Group generating sufficient cash flow to meet its operational requirements while avoiding debt covenant breaches or excessive debt levels. Total borrowings are a combination of long-term loans and long term committed revolving working capital credit facilities.

Credit risk is in relation to trade receivables from customers. Given that the majority of trade receivables are with public and regulated organisations, the exposure to credit risk is very limited.

Interest rate risk relates to the impact of interest rate increases on the Group's floating rate borrowings. Following the Group's refinancing over the last financial year, the Group's term loan, revolving credit and overdraft facilities are all on floating rates. The Group's interest rate risk has increased following completion of refinancing.

Directors

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

M A Budd (resigned 20 March 2020)

E J C Hawkes

S J Robertson

M R Priest

T M Beale

J W Mitchell (appointed 24 April 2020)

M A Budd, J W Mitchell, S J Robertson and E J C Hawkes are representatives of the Company's shareholders, being TDR Capital LLP, which has effective control of 75.7% of the issued share capital of the Company whilst Sun Capital Partners has effective control of the remaining 13.3%.

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

Employees

The Group believes that its success depends upon its employees and their development. Further details are provided within the Strategic Report.

Directors' indemnities

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

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 year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and company 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, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and, and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 group's and 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 group's and company's auditors are aware of that information.

Walker Guidelines

The directors consider the annual report and financial statements to comply with all aspects of the guidelines for transparency and disclosure in private equity owned companies.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Approved by and signed on behalf of the Board.

M Priest
Director

28 February 2021

Independent Auditors' Report
to the members of Keystone Midco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Keystone Midco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 October 2020 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements 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
- the financial statements 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 consolidated and company balance sheets as at 31 October 2020; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; the principal consolidated accounting policies and the principal company accounting policies; and the notes to the consolidated financial statements and the notes to the company 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent Auditors' Report to the members of Keystone Midco 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 year ended 31 October 2020 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, 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 group's and 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 group or 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Ward

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
28 February 2021

Keystone Midco Limited

Consolidated statement of comprehensive income for the year ended 31 October 2020

	Note	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Group revenue	1	**405,953**	649,808
Cost of sales		**(341,372)**	(530,643)
Gross profit		**64,581**	119,165
Administrative expenses		**(58,154)**	(59,837)
Share of results of equity accounted joint ventures and associates	9	**1,009**	47
Operating profit before exceptional items and amortisation of acquisition related intangibles (adjusted operating profit)		**9,365**	58,510
Exceptional items	4	**(1,796)**	1,270
Amortisation of acquisition related intangible assets	7	**(133)**	(405)
Operating profit	3	**7,436**	59,375
Finance income	5	**719**	342
Finance expense	5	**(26,195)**	(22,490)
(Loss)/profit before tax		**(18,040)**	37,227
Income tax credit/(charge)	6	**4,747**	(6,923)
(Loss)/profit for the year		**(13,293)**	30,304
Other comprehensive income		**-**	-
Total comprehensive (expense)/income for the year		**(13,293)**	30,304
Attributable to:			
Owners of the Company		**(13,293)**	30,304

All items dealt with in arriving at operating profit relate to continuing activities.

There was no other comprehensive income for the current and prior period other than those included in the consolidated statement of comprehensive income.

Keystone Midco Limited

Consolidated balance sheet as at 31 October 2020

	Note	31 October 2020 £'000	31 October 2019 £'000
Assets			
Goodwill and other intangible assets	7	**31,075**	30,917
Property, plant and equipment	8	**1,511**	2,008
Right-of-use assets	14	**7,105**	-
Investments in joint ventures and associates	9	**2,461**	1,452
Trade and other receivables	11	**6,749**	6,858
Deferred tax assets	6	**7,925**	3,544
Total non-current assets		**56,826**	44,779
Inventories	10	**466,782**	407,887
Trade and other receivables	11	**46,058**	45,502
Income tax receivable		**2,206**	-
Cash and cash equivalents	12	**57,040**	41,484
Total current assets		**572,086**	494,873
Total assets		**628,912**	539,652
Equity			
Share capital	17	**-**	-
Share premium	17	**7,500**	-
Capital reserve		**108,140**	108,140
Accumulated losses		**(18,341)**	(4,433)
Total equity		**97,299**	103,707
Liabilities			
Trade and other payables	13	**112,419**	100,227
Lease liabilities	14	**5,177**	-
Loans and borrowings	15	**153,274**	142,364
Provisions for liabilities	16	**854**	440
Retirement benefit liability	18	**6**	13
Deferred tax liabilities	6	**185**	184
Non-current liabilities		**271,915**	243,228
Trade and other payables	13	**245,754**	165,228
Income tax payable		**873**	767
Lease liabilities	14	**2,757**	
Loans and borrowings	15	**10,090**	26,616
Provisions for liabilities	16	**224**	106
Current liabilities		**259,698**	192,717
Total liabilities		**531,613**	435,945
Total equity and liabilities		**628,912**	539,652

The consolidated financial statements on pages 34 to 72 of Keystone Midco Limited, registered number 09050684, were approved by the Board of Directors on 28 February 2021 and were signed on its behalf by:

M Priest
Director

Keystone Midco Limited

Consolidated statement of changes in equity for the year ended 31 October 2020

	Share Premium £'000	Share capital £'000	Capital reserve £'000	Accumulated losses £'000	Total £'000
At 1 November 2018	-	-	108,140	(34,737)	**73,403**
Profit for the year	-	-	-	30,304	**30,304**
Total comprehensive income for the year	-	-	-	30,304	**30,304**
At 31 October 2019 and 1 November 2019	-	-	108,140	(4,433)	**103,707**
Effect of adoption of IFRS 16: Leases	-			(615)	**(615)**
Loss for the year	-	-	-	(13,293)	**(13,293)**
Total comprehensive expense for the year	-	-	-	(13,293)	**(13,293)**
Proceeds from shares issued	7,500	-	-	-	**7,500**
At 31 October 2020	7,500	-	**108,140**	**(18,341)**	**97,299**

On 17 June 2020, the Company issued a £1 ordinary share to its parent, Keystone Topco Limited at a premium of £7,499,999.

Consolidated cash flow statement for the year ended 31 October 2020

	Note	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Cash flows from operating activities			
Operating profit		**7,436**	59,375
Adjustments for:			
Amortisation of intangible assets	7	**301**	671
Depreciation of property plant and equipment	8	**1,321**	1,054
Depreciation of right-of-use assets	14	**3,150**	-
Loss on disposal of property, plant and equipment	8	**15**	-
Impairment of right-of-use assets	14	**596**	-
Share of results of equity accounted joint ventures and associates	9	**(1,009)**	(47)
Increase/(decrease) in provisions	16	**532**	(1,764)
Decrease in retirement benefit obligations	18	**(7)**	-
Operating cash flows before changes in working capital		**12,335**	59,289
Increase in inventories	10	**(58,895)**	(22,490)
Increase in receivables	11	**999**	(8,743)
Increase in payables	13	**84,382**	16,665
Cash flows from operating activities before tax		**38,821**	44,721
Income tax (paid)/received		**(1,657)**	(4,628)
Total cash flows from operating activities		**37,164**	40,093
Cash flows from investing activities			
Purchase of property, plant and equipment	8	**(962)**	(1,539)
Purchase of intangibles	7	**(336)**	-
Proceeds from disposal of property		**-**	60
Interest received		**100**	186
Total cash flows from investing activities		**(1,198)**	(1,293)
Cash flows from financing activities			
Issue of loan to associate company	15	**-**	(5,000)
Draw-down of term loan	15	**7,500**	150,000
Repayment of other loans		**(5,843)**	-
Draw-down of other loans		**2,227**	4,671
IFRS 16 Lease payments		**(3,453)**	-
Repayment of revolving credit facility	15	**(7,500)**	(30,000)
Redemption of senior secured loan notes	15	**-**	(100,000)
Repayment of loans to subsidiary undertaking	15	**-**	(8,188)
Issue costs associated with term loan and revolving credit facility		**(1,174)**	(8,524)
Proceeds from share issue	17	**7,500**	-
Interest paid		**(13,610)**	(12,465)
Total cash flows from financing activities		**(14,353)**	(9,506)
Total net increase in cash and cash equivalents		**21,613**	29,294
Cash and cash equivalents at the beginning of the year		**35,173**	5,879
Cash and cash equivalents at the end of the year		**56,786**	35,173
Included in cash and cash equivalents	12	**57,040**	41,484
Included within bank overdrafts	12	**(254)**	(6,311)
		56,786	35,173

Principal consolidated accounting policies for the year ended 31 October 2020

General information

Keystone Midco Limited (the Company) is a private limited company incorporated and domiciled in the UK. The address of the registered office is Keystone Midco Limited, The Waterfront, Lakeside Boulevard, Doncaster, DN4 5PL. The nature of the Group's operations and its principal activities are set out in the directors' report.

The financial statements are presented in pounds sterling because the Group operates exclusively in the United Kingdom. All financial information is rounded to the nearest thousand (£'000) except where otherwise indicated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention except for assets and liabilities recognised at fair value through profit or loss which have are stated at fair value.

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

Going concern

Keystone Midco Limited (the "Company" and the "Keystone Midco Group") is a holding company and heads up a sub-group within the group headed by Keystone JVco Limited. Management have assessed going concern on a wider group basis as follows.

At 31 October 2020, the wider group owned by Keystone JVco Limited (the "Keepmoat Group" or "Group") held cash and cash equivalents of £56.8m and total loans and borrowings of £165.2m, which consisted of £0.3m of overdraft, bank and other loans of £11.6m and £157.5m of term loan facility that matures in December 2024. Should further funding be required, the Group has a committed £75m RCF (of which £0.2m was utilised at 31 October 2020), subject to compliance with certain financial covenants, of which £15.0m matures in December 2021 and £60.0m matures in June 2024.

As such, in consideration of its net current assets of £315.0m, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

The performance of the Group is dependent upon a number of external factors and the wider macro-economic environment in which it operates. The factors that particularly affect the performance of the Group are described in the strategic report (pages 3-21), with the principle risks and uncertainties that may impact the Group outlined (pages 22-26). The material factors that may affect the future financial performance of the Group include flat or negative economic growth, buyer confidence, mortgage availability and affordability, new housing supply, falls in house prices or land values and the cost and availability of materials, subcontractors and suppliers.

The COVID-19 pandemic gave rise to an increase in the inherent uncertainty in the Group's assessment of these factors. Since the re-start of construction and sales activity in May 2020 post lockdown, the UK housing market has seen strong demand with reservations and sales recovering to pre-lockdown levels, and the Group's construction activity has returned to normal levels and delivery has been aligned to demand accordingly. However, the outlook for the economy remains unclear: unemployment is expected to rise when the Government's Coronavirus Job Retention Scheme comes to an end in April 2021 and market activity could be affected by the impact of the UK's new post Brexit trading relationship with the EU. Future outbreaks of COVID-19 and consequent local or national restrictions may cause further disruption to the Group's activities.

The Group has extended its existing super senior revolving credit and fixed term debt facilities by £27.5m during the year to 31 October 2020. Furthermore, the Group received £7.5m of capital investment from its shareholders in July 2020. Under the extension of the super senior revolving credit facility, the Group was bound to a new covenant requiring a minimum of £20m of available liquidity at each month end and £30m of available liquidity at the end of each quarter. This covenant applies from July 2020 until December 2021.

The Group's financial forecasts reflect the Directors considered view of expected performance, based on the information available at the date of signing of these Financial Statements. This includes the ongoing costs of COVID-19 safe working practices implemented by the Group.

To assess the Group's resilience to adverse trading conditions, its financial forecast has been sensitised through a series of scenarios reflecting the principal downside risks for the UK economy and housing market. The scenarios reflect potential downside risks as presented in the latest available external economic forecasts.

This exercise included an aggregated reasonable worst-case scenario reflecting a manifestation of the principal risks to a severe but plausible level. This scenario assumed that sales volumes and average selling prices fall below the Group's forecast levels by 20% and 7.5% respectively, and that the Group's operations are temporarily disrupted for three months due to a national response to a resurgence of the virus.

Going concern (continued)

The effects were modelled over a 15-month period, alongside reasonable mitigation that the Group would expect to undertake in such circumstances, primarily a reduction in investment in inventories in line with the fall in expected sales and the actions successfully deployed during the Group's closure of its operations in March 2020. The effects have been modelled without assumption of Government assistance during this period. The Directors have taken into their considerations the national restrictions currently in place at the date in February 2021. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

Accordingly, the Directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group, and Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing of these Financial Statements. For this reason, they continue to adopt the going concern basis in the preparation of these Financial Statements.

Adoption of IFRS 16

IFRS 16 is a new accounting standard that is effective for the year ended 31 October 2020. The Group have applied IFRS 16 at 1 November 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to the accounting policy for leases for details of the different accounting policies applied in each financial period. See note 24 for details of the impact of IFRS 16 at 1 November 2019.

Basis of consolidation

The Group financial statements incorporate the results of Keystone Midco Limited, its subsidiary undertakings and the Group's share of the results of joint ventures and associates.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group in exchange for control of the acquiree. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed in administrative costs as incurred. All identifiable assets and liabilities acquired, and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest as compared with the Group's share of the identifiable net assets are recognised as goodwill. Where the Group's share of identifiable net assets acquired exceeds the total consideration transferred, a gain from a bargain purchase is recognised immediately in the income statement after the fair values initially determined have been reassessed.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with accounting policies adopted by the Group.

(b) Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Where the Group's share of losses exceeds its equity accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations. Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture's accounting policies and those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement adjacent to its share of profit/(loss) from associates.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Principal consolidated accounting policies for the year ended 31 October 2020

Basis of consolidation (continued)

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, applying the same policy as set out for joint ventures above.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as Keepmoat Group's executive directors.

Revenue and profit recognition

Revenue is recognised based on indicators of control, rather than solely when risks and rewards are transferred. This can lead to differences in revenue recognition on certain sites, based on the specific contractual arrangements in place. Primarily, for those sites in respect of which stage payments are received from registered providers for the provision of housing or where the Group undertakes development contracts, revenue is recognised based on stage of completion rather than on legal completion. The directors consider the provision of land and residential properties to represent a single performance obligation which represents a judgement taken in the application of IFRS 15.

Sale of housing to open market customers

Revenue and profits associated with the sale of housing to private open market customers are recognised in the statement of comprehensive income on legal completion.

Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion. Open market sale plots are recognised at the agreed sales price deemed to be fair value.

In certain instances, property may be accepted in part consideration for a sale of a residential property. The fair value established is reduced for estimated costs to sell. Net sale proceeds generated from the subsequent sale of part exchange properties are recorded as an adjustment to cost of sales. The original sale is recorded in the normal way, with the fair value of the exchanged property replacing cash receipts. Part exchange properties are held within Inventories at net realisable value until subsequent sale.

Sale of housing to registered provider customers and associated development contracts with stage payments

The Group constructs and sells residential properties and undertakes associated development activities under long-term contracts with customers. Such contracts are entered into before construction of residential properties or associated development activities begin. Under the terms of the contracts, the Group is continually restricted from redirecting the properties or development works to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties and associated development activities is therefore recognised over time based on a certified monthly valuation of work performed or the assessed physical stage of completion at the balance sheet date. The directors consider that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Sale of housing to registered provider customers without stage payments

Revenue and profits associated with these activities are recognised in the statement of comprehensive income on legal completion as this is the point at which control is passed from the Group to the purchaser.

Profit recognition

Gross profit is recognised for all house sales (to open market customer and to registered providers) and associated development activities, when the related revenue is recognised in accordance with the Group's revenue recognition policy, based on the latest forecast for the gross margin expected to be generated over the life of the development or phase of the development. The expected gross margin to be generated from each development is calculated as an output of a development valuation completed using latest selling prices and forecasts of all land and construction costs associated with that development. The application of a whole site margin to determine development profitability is a judgement taken in the application of IFRS 15.

The estimation methodology used to determine the gross profit margin recognised on each development was refined during the year, this change in methodology did not have a material effect on the gross profit recognised in the year, of £64.8m.

Principal consolidated accounting policies for the year ended 31 October 2020

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Goodwill

Goodwill arises on business combinations and represents the excess of the fair value of the consideration given over the fair value of the Group's share of the identifiable net assets acquired at the acquisition date. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event, by considering the net present value of future cash flows. For the purposes of testing for impairment, the carrying value of goodwill is compared to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is charged immediately to the income statement.

Where the fair value of the consideration given is less than the fair value of the Group's share of the identifiable net assets acquired, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets

Other intangible assets, such as those identified on acquisition by the Group that have finite lives, are recognised at fair value and measured at cost less accumulated amortisation and impairment losses.

Intangible assets are being amortised over the following periods, with amortisation being charged to cost of sales unless otherwise stated:

- Contracted customer relationships – in line with expected profit generation, over a term of seven years
- Land development rights – in line with expected profit generation, varying from one to twenty years
- Computer software – on a straight-line basis over three years. (Amortisation expense is included in administrative expenses)

Intangible assets with a finite useful economic useful life are tested for impairment when there is an indication that the intangible asset may be impaired.

Research and development

Research and development activities are typically self-initiated in nature. Costs for self-initiated research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets based on the following criteria:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible are available;
- The expenditure attributable to the intangible during its development can be reliably measured.

Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalised, this includes the capitalisation of labour costs associated with the development phase.

Any costs incurred as part of the research phase and any other development expenditures which do not satisfy the criteria are expensed as incurred.

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment losses.

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of each asset, less their estimated residual value, on a straight-line basis over their estimated useful economic lives, or until the date of disposal.

The principal annual rates used for this purpose are:

Leasehold property improvements	over the lease term
Plant, equipment, fixtures and fittings	10 – 50%

No depreciation is provided on freehold land

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.

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 requiring the assessment of the expected credit loss on each class of financial asset at each reporting date. This includes trade receivables, amounts due from related party undertakings, other receivables and contract assets. This assessment takes into consideration changes in credit risk since initial recognition of the financial asset.

Inventories

Inventories are held at the lower of cost or net realisable value. Costs comprise land, materials, applicable direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to sell, including sales and marketing costs.

Land held for development and land under development until legal completion of the sale of the asset, is initially recorded at cost including cost directly attributable to enhancing the land value along with any expected overage. Where land is purchased on deferred payment terms, the liability is discounted to fair value with the land recognised at the discounted value in inventories. The liability is presented as "development land payables" within trade and other payables. Also included within land inventories is land where the Group has the right to develop through a build lease.

Pre-contract development expenditure is capitalised into inventories where it is probable that a site will be contracted for development. Regular reviews are completed for impairment in the value of these pre-contact development inventories, and provision made to reflect any irrecoverable element. The impairment reviews consider the likelihood of the development being viable to proceed including the securing of residential planning consent.

Part exchange properties are held at the lower of cost and net realisable value and include a carrying value provision to cover the costs of management and resale. Any profit or loss on the disposal of part exchange properties is recognised within cost of sales in the statement of comprehensive income

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand. Bank overdrafts are also included, as they are an integral part of the Group's cash management. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Restricted cash

Financial assets include cash receipts related to certain developments held in development specific bank accounts over which third parties hold a charge and joint mandate. The cash in these accounts can be used to finance the investment of work in progress in the specific development to which it relates and become unrestricted on the satisfaction of certain conditions precedent in accordance with the terms of loans or other contractual arrangements relating to the development.

Principal consolidated accounting policies for the year ended 31 October 2020

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, 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. Changes in estimates of the final payment due are taken to inventory (land held for and under development) and in due course, to cost of sales in the income statement.

Trade payables also includes overage payable where the Group is committed to make contractual payments to land vendors related to the performance of the relevant development in the future. Overage payable is estimated based on expected future cash flows in relation to relevant developments and, where payment will take place in more than one year, is discounted.

Loans and borrowings

Interest bearing bank loans, term loans, senior secured notes and other borrowings are recorded initially at their fair value, net of direct transaction and debt issue costs.

Such instruments are subsequently carried at their amortised cost and finance charges, including commitment fees, arrangement fees and any other costs directly related to the borrowings are recognised over the term of the instrument using the effective rate of interest.

Any instrument repaid before the end of the contractual term will result in any unamortised costs being immediately recognised in the income statement.

Leases

Accounting policy applied until 31 October 2019 (IAS 17)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group rents surplus property under short and medium-term arrangements. Income is recognised over the period of lease when the Group can reliably measure likely flow of economic benefits. These are treated as operating lease arrangements.

Accounting policy applied from 1 November 2019 (IFRS 16)

The Group leases various show home properties, office space, cars and plant hire used in construction and development. Rental contracts are typically made for fixed periods of 6 months to 14 years but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Prior to 1 January 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. For financial periods commencing from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases (continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and some plant on hire.

Where the Group has acquired the right to develop land under a build lease the Groups interest in the land is held in inventory as a right-of-use asset. The corresponding lease liability is recognised in "development land payables" within trade and other payables and is appropriately discounted. There has been no change to the accounting treatment of these arrangements under IFRS16.

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. Proceeds are allocated between nominal value and share premium.

Income tax

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 Group'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 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.

Deferred tax assets and liabilities are not discounted and are only offset to the extent that that there is a legally enforceable right to offset current tax assets and liabilities.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Grants related to assets are deducted from the carrying amount of the asset and unwound over the useful lives of the related assets.

Grants related to income are included within deferred income and subsequently in the appropriate line within the Income Statement, in line with the Group's revenue recognition policy.

Retirement benefit obligations

(a) Defined contribution plans

Contributions to defined contribution plans are charged to the income statement as they accrue. Differences between contributions payable in the year and contributions actually paid are included within either accruals or prepayments on the balance sheet. The position at the end of the current and prior period was a prepayment.

(b) Contractual benefit obligations

The Group operates the Keepmoat Limited Group Pension Plan ("KPP"), a defined contribution plan, with assets held in independently administered funds. Some members of the KPP have a contractual promise from the Group, which is separate to the benefits payable by the KPP, being an arrangement between Keepmoat Limited and the applicable employees. The obligation arising under this arrangement has been calculated by a qualified independent actuary and accounted for as a long-term employee benefit. The contractual liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Actuarial gains and losses of the contractual liabilities are recognised in the consolidated statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Provisions

Provisions for remedial contract obligations, vacant property obligations and restructuring costs are recognised when: the Group 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 can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects 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.

Critical accounting estimates and assumptions

The preparation of financial statements under IFRS requires the Group's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

- **Estimation of development profitability**

The gross profit from revenue generated on each of the Group's developments in a specific period is based on the latest forecast for the whole site gross profit expected to be generated over the life of that development or phase. The expected gross profit is calculated as an output of development valuations completed using latest selling prices and forecasts of all land and construction costs associated with the development. These calculations of expected gross profits require a degree of estimation due to their long-term nature and are sensitive to future movements in both the estimated cost to complete and expected selling prices.

Group's management has established internal controls to regularly review and ensure the appropriateness of the forecasts and estimates made on an individual development basis. However, a change in estimated gross profits over a number of developments (due, for example, to changes in estimates of costs remaining or a reduction in average selling prices in the private market) could materially affect profitability. As an illustration, a reasonably possible change in profits of 1% across all developments in the year to 31 October 2020 would have reduced gross profit and net assets by an estimated £4.1m.

1 Group revenue

The Group derives its revenue from the transfer of goods and services over time and at point in time in the following major revenue streams:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Open market	**288,928**	464,140
Registered Provider / Development Contracts	**117,025**	185,668
	405,953	649,808

Timing of revenue recognition		
At a point in time	**312,770**	529,470
Over time	**93,183**	120,338
	405,953	649,808

During the year ended 31 October 2020 a misclassification in the prior year comparative has been identified in respect of £4.3m of revenue that was incorrectly presented as open market and at a point in time and has now been corrected in the disclosure above as development contract revenue recognised over time.

All revenue is generated in the United Kingdom. There are no single customers that account for 10% or more of the Group's revenue. Included within revenue is £1.6m (2019: £1.1m) relating to income from government grants.

At 31 October 2020, the aggregate amount of revenue allocated to unsatisfied performance obligations was £292.0m (31 October 2019: £235.5m). Approximately sixty percent of these amounts will be recognised within one year with the remainder recognised over varying contractual lengths.

Contract assets and liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the balance sheet. Where there is a corresponding contract asset and liability in relation to the same contract, the balance shown is the net position. The timing of work performed (and thus revenue recognised), billing profiles and cash collection, results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised) and customer advances and deposits (contract liabilities), where no corresponding work has yet to be performed, being recognised on the Group's balance sheet.

The reconciliation of opening and closing net contract balances is shown below:

	Contract Assets £'000	Contract Liabilities £'000	Net Contract Balance £'000
At 1 November 2018	13,672	(19,481)	(5,809)
Revenue recognised relating to performance obligations satisfied during the year			134,295
Net cash received in advance of performance obligations being satisfied			(135,475)
At 31 October and 1 November 2019	13,512	(20,501)	(6,989)
Revenue recognised relating to performance obligations satisfied during the year			84,871
Net cash received in advance of performance obligations being satisfied			(116,040)
At 31 October 2020	**15,265**	**(53,423)**	**(38,158)**

Notes to the consolidated financial statements for the year ended 31 October 2020

2 Employees and directors

Employee benefit expense during the year	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Wages and salaries	**51,425**	60,280
Social security costs	**5,657**	6,915
Other pension costs	**1,773**	1,542
Staff costs before grant income	**58,855**	68,737
Less CJRS grant income	**(3,541)**	-
Staff costs	**55,314**	68,737

Included within staff costs is £3.5m of grant income received in respect of the Coronavirus Job Retention Scheme (CJRS) that was introduced by the Government in response to the COVID-19 pandemic.

Average monthly number of people (including executive directors) employed by activity	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Production	**422**	415
Selling and distribution	**138**	139
Administration	**585**	587
	1,145	1,141

Directors' emoluments

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Aggregate emoluments	**1,361**	2,119
Pension contributions	**25**	4
	1,386	2,123

Highest paid director

Aggregate emoluments	**811**	869
Pension contributions	**-**	2
	811	871

Remuneration of key management personnel

The key management personnel comprise the executive board of the Keepmoat Limited Group and the non-executive directors. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

Included in the year ended 31 October 2020 is £nil (year ended 31 October 2019: £340,000) in respect of termination costs.

3 Operating profit

Operating profit for the year includes the following:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Depreciation of property, plant and equipment (note 8)	**1,321**	1,054
Depreciation of right of use assets (note 14)	**3,150**	-
Inventories expensed through cost of sales	**341,372**	526,817
Amortisation of intangible assets (note 7)	**301**	671
Operating lease rentals – plant & machinery	**330**	706
Operating lease rentals – land & buildings	**202**	2,993

Adjusted earnings before interest, tax, depreciation, amortisation and exceptional items (adjusted EBITDA) is calculated as follows:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Operating profit	**7,436**	59,375
Shareholder monitoring fee, expenses and costs	**1,989**	2,022
Amortisation of acquisition intangible assets (note 7)	**133**	405
Impairment losses of investments in associated companies (note 9)	**45**	537
Exceptional items (note 4)	**1,796**	(1,270)
Adjusted EBIT	**11,399**	61,069
Depreciation (note 8)	**1,321**	1,054
Depreciation of right of use assets (note 14)	**3,150**	-
Amortisation of computer software (note 7)	**168**	266
Adjusted EBITDA	**16,038**	62,389

Notes to the consolidated financial statements for the year ended 31 October 2020

3 Operating profit (continued)

Contribution is calculated as follows:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Gross profit	64,581	119,165
Amortisation of acquisition of intangible assets (note 7)	133	405
Contribution	**64,714**	**119,570**

Auditor's remuneration	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Audit of the Company's annual report	25	25
Audit of the financial statements of the Group's subsidiaries	434	305
Audit of the financial statements of the Group's joint ventures and associates	68	47
Total audit services	**527**	**377**
Tax advisory services	16	87
Other non-audit services	36	8
Other non-audit assurance services	15	34
Total other services	**67**	**129**
Total	**594**	**506**

4 Exceptional items

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Included within administrative expenses:		
Onerous lease provision	-	(1,270)
Restructuring costs	**1,337**	-
Other costs	**459**	-
Total	**1,796**	(1,270)

Onerous lease provision

As part of the restructuring of the West Midlands region, during the year ended 31 March 2018 the Group made an onerous lease provision in respect of the lease obligation for the regional office at Coleshill, which became surplus to ongoing operational requirements. During the year ended 31 October 2019 the lease was reassigned, resulting in a release of the outstanding provision for future liability and a credit to the income statement.

Restructuring costs

A regional and divisional restructuring exercise, including redundancies, was undertaken during the year ended 31 October 2020. As part of this the North West regional presence was consolidated into a single regional office and the South West office will act as a satellite to the West Midlands region. Aligned with these regional changes, the business has simplified its divisional structure with the regions now reporting through two, North & South Divisions. Exceptional restructuring costs relate to redundancy costs and other costs associated with these actions.

Other costs

During the year ended 31 October 2020, the Group incurred professional advisor costs relating to refinancing and corporate finance matters.

5 Finance income and expense

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Other interest receivable	**102**	186
Interest receivable from joint venture partners	**617**	156
Finance income	**719**	342
Interest payable on bank loans and overdrafts	**(754)**	(1,303)
Finance charge on senior secured notes*	**-**	(2,140)
Interest on term loan**	**(15,788)**	(10,796)
Interest payable on other loans	**-**	(415)
Interest payable to parent undertaking	**(782)**	(1,069)
Unwind of discount on deferred land payments	**(8,336)**	(6,767)
Interest on leases	**(535)**	-
Finance expense	**(26,195)**	(22,490)
Net finance expense	**(25,476)**	(22,148)

*Interest payable on the senior secured notes comprises interest, issue costs, write-off of the remaining unamortised issue costs on redemption and unwinding of discount calculated using the effective interest rate method.

***Interest payable on the term loan comprises interest and amortisation of issue costs.*

6 Income tax (credit)/charge

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Current tax		
UK corporation tax on (loss)/profit for the year at 19% (year ended 31 Oct 2019: 19%)	**(506)**	4,692
Adjustment in respect of prior year	**139**	546
Current tax (credit)/charge	**(367)**	5,238
Deferred tax		
Origination and reversal of timing differences	**(3,978)**	(227)
Adjustment in respect of prior year*	**(3)**	1,829
Difference in applicable tax rates	**(399)**	83
Deferred tax (credit)/charge	**(4,380)**	1,685
Income tax (credit)/charge for the year	**(4,747)**	6,923

The table below reconciles the income tax expense for the year to tax at the UK statutory rate:

	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
(Loss)/profit before tax	**(18,040)**	37,227
Income tax (credit)/charge at UK corporation tax rate at 19% (year ended 31 Oct 2019: 19%)	**(3,428)**	7,073
Effects of:		
Expenses not deductible for tax purposes	**490**	529
Non-taxable income	**-**	(205)
Adjustment for joint venture	**(192)**	138
Utilisation of tax losses	**-**	(1,655)
Adjustments for transfer pricing	**(53)**	(13)
Land remediation relief	**(592)**	(524)
Group relief not paid for	**57**	75
Deferred tax previously not recognised	**(648)**	(950)
Adjustment in respect of prior year*	**136**	2,374
IFRS 16 transition	**(118)**	-
Other		-
Difference in applicable tax rates	**(399)**	81
Income tax (credit)/charge for the year	**(4,747)**	6,923

*Adjustment in respect of prior year relates to the reactivation of previously disallowed interest under the Corporate Interest Restriction legislation.

Factors affecting current and future tax charges:

Under the 2020 Spring Budget it was announced that the corporation tax rate would remain at 19%.

6 Income tax (credit)/charge (continued)

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 17% (31 October 2019: 17%).

The position at year end was:

	31 October 2020 £'000	31 October 2019 £'000
Deferred tax assets	(7,925)	(3,544)
Deferred tax liabilities	185	184
	(7,740)	(3,360)

The movement for the year in the net deferred tax account is as shown below:

	31 October 2020 £'000	31 October 2019 £'000
At the beginning of the year	(3,360)	(5,040)
(Credit)/charge to income statement	(4,380)	1,680
	(7,740)	(3,360)

Deferred tax assets have been recognised in respect of tax losses, corporate interest restriction 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. The directors have assessed the carrying value of the deferred tax assets relating to losses and corporate interest restriction at the balance sheet date and are of the opinion that they are supported by future forecast profits, notwithstanding current year losses generated.

Deferred tax assets	Property, plant and equipment £'000	Tax losses £'000	Interest deductibility £'000	Other £'000	Total £'000
At 1 November 2018	665	2,537	1,954	101	5,257
Credit/(charge) to income statement	(665)	(795)	(530)	277	(1,713)
At 1 November 2019	-	1,742	1,424	378	3,544
Credit/(charge) to income statement	393	1,572	2,904	(488)	4,381
At 31 October 2020	**393**	**3,314**	**4,328**	**(110)**	**7,925**

Deferred tax liabilities	Fair value adjustments £'000	Other £'000	Total £'000
At 1 November 2018	-	217	217
Credit to income statement	-	(33)	(33)
At 1 November 2019	-	184	184
Charge to income statement		1	1
At 31 October 2020		**185**	**185**

Notes to the consolidated financial statements for the year ended 31 October 2020

6 Income tax (credit)/charge (continued)

Unprovided deferred tax	31 October 2020 £'000	31 October 2019 £'000
Tax losses	19,774	18,245
	19,774	18,245

A deferred tax asset amounting to £19,774,000 (31 October 2019: £18,245,000) in relation to certain losses within the Group has not been recognised as the Directors are of the opinion that there is a doubt over the recoverability of this asset due to the level of taxable profits in the relevant entities and the impact of the loss utilisation rules that were introduced from 1 April 2017.

7 Goodwill and other intangible assets

	Goodwill	Contracted customer relationship	Land development rights	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 November 2018 and 1 November 2019	29,544	6,366	3,503	2,206	41,619
Additions	-	-	-	336	336
Transfers between assets	-	-	-	204	204
At 31 October 2020	29,544	6,366	3,503	2,746	42,159
Accumulated amortisation					
At 1 April 2018	-	6,304	1,905	1,822	10,031
Charge for the year	-	62	343	266	671
At 1 November 2020	-	6,366	2,248	2,088	10,702
Charge for the year	-	-	133	168	301
Transfers between assets	-	-	-	81	81
At 31 October 2020	-	6,366	2,381	2,337	11,084
Net book amount					
At 31 October 2020	29,544	-	1,122	409	31,075
At 31 October 2019	29,544	-	1,255	118	30,917
At 31 October 2018	29,544	62	1,598	384	31,588

Amortisation of contracted customer relationships and land development rights are included within cost of sales whilst amortisation of computer software is included with administration expenses.

During the financial year it was noted that some IT software had historically been incorrectly disclosed as part of property, plant and equipment. Therefore, the opening balance of cost and amortisation has been transferred to intangibles and the assets treated under the correct classification for the year ended 31 October 2020.

7 Goodwill and other intangible assets

Impairment review of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications the goodwill might be impaired. In testing goodwill and other intangible assets for impairment, the recoverable amount of the Group has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the forecast revenue and profit, discount rates and long-term growth rates by market sector. Future forecast revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with secured works, management's expectation of the future level of work available within the market sector and expected changes in selling volumes and prices for completed houses. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category and the current market value of land being acquired.

Cash flows beyond the five-year plan period are extrapolated using an estimated growth rate of 2% (31 October 2019: 2%) per annum. The growth rate used is an estimate of the average long-term growth rate for the market sectors where the Group operates. A pre-tax discount rate of 11.9% (31 October 2019: 10.7%) has been applied, being the estimated weighted average cost of capital, adjusted for current market conditions.

Following the UK's exit from the European Union and the uncertainty surrounding the COVID-19 pandemic, the Group has undertaken a detailed exercise around assumptions used in the cash flows noted above and a sensitivity analysis on those cashflows. The sensitivity analysis to changes in cashflow indicated head-room which was materially above the carrying value, so the directors are of the opinion that no impairment of goodwill is required.

8 Property, plant and equipment

	Leasehold property improvements	Plant, equipment, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 November 2018	174	4,195	4,369
Additions	-	1,539	1,539
At 1 November 2019	174	5,734	5,908
Additions	-	962	962
Disposals	-	(30)	(30)
Transfers between classes	-	(204)	(204)
At 31 October 2020	**174**	**6,462**	**6,636**
Accumulated depreciation			
At 1 November 2018	24	2,822	2,846
Charge for the year	14	1,040	1,054
At 1 November 2019	38	3,862	3,900
Disposals	-	(15)	(15)
Transfer between classes	-	(81)	(81)
Charge for the year	106	1,215	1,321
At 31 October 2020	**144**	**4,981**	**5,125**
Net book amount			
At 31 October 2020	**30**	**1,481**	**1,511**
At 31 October 2019	136	1,872	2,008
At 31 October 2018	150	1,373	1,523

During the year ended 31 October 2020 it was noted that some IT software had been misclassified in the prior year disclosure within property, plant and equipment. Therefore, the opening balance of cost and amortisation has been correctly reflected in intangible assets and corrected in the comparative disclosure above and in Note 7.

There has been no impairment of property, plant and equipment during the year.

9 Investments in joint ventures and associates

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 by Keepmoat Limited	Accounting year end
Durham Villages Regeneration Limited	A class ordinary shares of £1 each (51% held)	50%	31 March
Sheffield Housing Company Limited	Ordinary shares of £1 each (45% held)	45%	31 March
BK Scotswood LLP	Members' capital (50% held)	50%	31 December
New Tyne West Development Company LLP	Members' capital (25% held)	25%	31 December
Osmaston Regeneration Partnership LLP	Members' capital (50% held)	50%	31 March
Ilke Homes Holdings Limited	Ordinary shares of £0.01 each (1.84% held)	1.84%	31 March
Evolve Built for Life Limited	Ordinary shares of £1 each (50% held)	50%	31 December

Durham Villages Regeneration Limited is a joint venture between Keepmoat Limited and Durham County Council. Its principal activities are private housebuilding, land sales and property development. The company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL. Under agreements between Keepmoat Homes Limited, Durham Villages Regeneration Limited and Durham City Council (on 1 April 2010 Durham City Council merged into the Unitary Authority of Durham County Council), Keepmoat Homes Limited has a license to build on land owned by Durham Villages Regeneration Limited. Keepmoat Homes Limited is a wholly owned subsidiary of Keepmoat Limited.

Sheffield Housing company Limited is an associated undertaking of Keepmoat Limited. Its principal activity is the building and sale of new homes in the Sheffield area. The company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster DN4 5PL.

BK Scotswood LLP is a joint venture between Keepmoat Limited and BDW Trading Limited. Its principal activity is to invest in a joint venture undertaking, New Tyne West Development company LLP, with Newcastle City Council. Its principal activities are to facilitate regeneration and property development. The company's registered office is: Barratt House, City West Business Park, Scotswood Road, Newcastle upon Tyne, NE4 7DF.

Osmaston Regeneration Partnership LLP is a joint venture between Keepmoat Limited and Derbyshire County Council formed in February 2015. The company has not commenced trading activities at 31 October 2020. The principal activity of the company will be procuration and delivery of new build housing and refurbishment within the Osmaston estate in Derby. The company's registered office is: The Waterfront, Lakeside Boulevard, Doncaster, DN4 5PL.

Ilke Homes Holdings Limited is an associate undertaking of the Company as J Mitchell, T Beale, E Hawkes and S Robertson are board members of both Companies and therefore Keystone Midco Limited is viewed as having significant influence over Ilke Homes Holdings Limited. The Company's registered office is: Flaxby Industrial Estate, Knaresborough, Harrogate, HG5 0XJ. On 22 August 2018 Ilke Homes Holdings Limited made a further issuance in share capital in which the Group did not participate, consequently the Group's voting rights in Ilke Homes Holdings Limited reduced to 5% from 10%.

During the financial year ended 31 October 2019 Ilke Homes Holdings made further issuances of share capital of which the Group did not participate, consequently the Group's voting rights in Ilke Homes Holdings reduced further to 2.2% from 5%.

During the financial year ended 31 October 2020 Ilke Homes Holdings made further issuances of share capital of which the Group did not participate, consequently the Group's voting rights in Ilke Homes Holdings reduced further to 1.84% from 2.2%.

Details of transactions with these companies are set out in note 21.

9 Investments in joint ventures and associates (continued)

Investments in equity accounted joint ventures and associates are as follows:

	Joint ventures	Associates	Total
	£'000	£'000	£'000
At 1 November 2018	-	1,405	1,405
Impairment losses of investment in associated companies	-	(537)	(537)
Equity accounted share of net profits	-	584	584
At 1 November 2019	-	1,452	1,452
Share of net losses in associated company	-	(45)	(45)
Equity accounted share of net profits	-	1,054	1,054
At 31 October 2020	**-**	**2,461**	**2,461**

Details of the results of the joint ventures and associated companies in the year are below:

	Joint Venture Companies		**Associated Companies**	
	31 October 2020 £'000	31 October 2019 £'000	**31 October 2020 £'000**	31 October 2019 £'000
Profit/(loss) before income tax	**804**	953	**(37,399)**	(21,979)

10 Inventories

	31 October 2020 £'000	31 October 2019 £'000
Land held for and under development	**219,749**	199,948
House building developments in progress	**247,033**	207,939
	466,782	407,887

The Group carries out a detailed annual review of the net realisable value of land held for and under development both relating to plots currently in development, and land and phases of sites not yet in development.

Net realisable value for land where construction of homes had commenced at the year-end or is anticipated to commence within the next 12 months was assessed by estimating selling prices and costs (including sales and marketing expenses) taking into account current market conditions.

Land where house building had not commenced at the year-end and was more likely to be sold undeveloped is assessed by re-appraising the land using current selling prices and costs for the proposed development and assuming an appropriate financial return to reflect the current housing market conditions and the prevailing financing environment.

At the year-end, the net realisable value provision amounts to £nil (31 October 2019: £nil). This provision will be closely monitored for adequacy and appropriateness as regards under and over provision to reflect circumstances at future balance sheet dates.

Government grants are recognised as deferred income and are allocated to the income statement over the useful lives of the related assets. The effect of this treatment is to reduce the fair value of work in progress by £7,421,000 (31 October 2019: £11,665,000) and to reduce cost of sales in the income statement by £1,379,000 (31 October 2019: £2,299,000).

Included within inventories are £0.2m of part exchange properties (31 October 2019: £0.3m). Part exchange properties of £2.1m (31 October 2019: £0.1m) were disposed of during the year for proceeds of £2.1m (31 October 2019: £0.1m).

11 Trade and other receivables

	31 October 2020 £'000	31 October 2019 £'000
Non-current:		
Amounts due from related party undertakings (note 22)	**5,725**	5,069
Prepayments	**1,024**	1,789
	6,749	6,858
Current:		
Trade receivables	**15,964**	14,485
Less: provision for impairment of receivables	**(237)**	(787)
Trade receivables – net of provision for impairment	**15,727**	13,699
Amounts due from parent undertakings (note 22)	**731**	979
Amounts due from related party undertakings (note 22)	**2,799**	4,221
Other receivables	**6,085**	8,708
Prepayments	**5,451**	4,383
Contract assets	**15,265**	13,512
	46,058	45,502

Other receivables include £nil of restricted cash (31 October 2019: £5.0m).

Prepayments includes £1.4m of unamortised issue costs associated with the revolving credit facility as the group was not drawn on the facility. In the year ended 31 October 2019 these are included in issue costs within loans and borrowings to net off against the drawn facility at that date (note 15).

11 Trade and other receivables (continued)

Movements on the Group provision for impairment of trade receivables are as follows:

	31 October 2020 £'000	31 October 2019 £'000
As at 1 November	**787**	1,569
Credited to the income statement	**(550)**	(782)
	237	787

Provisions for impaired receivables have been included in cost of sales in the income statement.

Consideration of the credit quality of trade receivables is set out under credit risk in note 20.

12 Cash and cash equivalents

	31 October 2020 £'000	31 October 2019 £'000
Cash at bank and in hand	**57,040**	41,484

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	31 October 2020 £'000	31 October 2019 £'000
Cash at bank and in hand	**57,040**	41,484
Bank overdrafts (note 15)	**(254)**	(6,311)
Cash and cash equivalents	**56,786**	35,173

13 Trade and other payables

	31 October 2020 £'000	31 October 2019 £'000
Non-current:		
Trade payables	**7,999**	7,187
Development land payables	**100,950**	89,570
Amounts due to parent undertaking (note 21)	**3,470**	3,470
	112,419	100,227
Current:		
Trade payables	**76,473**	52,539
Amounts due to related party undertakings (note 21)	**2,544**	1,017
Amounts due to parent undertaking (note 21)	**5,266**	4,663
Other tax and social security	**1,910**	1,856
Other payables	**246**	583
Development land payables	**57,520**	49,507
Contract Liabilities	**53,423**	20,501
Accruals	**48,372**	34,562
	245,754	165,228

The maturity profile below shows the anticipated undiscounted future cash flows, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis. All other balances in trade and other payables not noted below are recorded at an undiscounted basis.

Year ended 31 October 2020	**Trade payables £'000**	**Development land payables £'000**	**31 October 2020 £'000**
More than one year and less than two years	**7,999**	**30,570**	**38,569**
More than two years and less than five years	**-**	**58,410**	**58,410**
More than five years	**-**	**23,732**	**23,732**
	7,999	**112,712**	**120,711**

Year ended 31 October 2019	Trade payables £'000	Development land payables £'000	31 October 2019 £'000
More than one year and less than two years	7,187	32,046	39,233
More than two years and less than five years	-	56,061	56,061
More than five years	-	11,081	11,081
	7,187	99,188	106,375

14 Right-of-use assets and lease liabilities

The Group has adopted IFRS 16 for the year ended 31 October 2020. IFRS 16 has been applied at 1 November 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Refer to note 24 for the impact on adoption.

The Group has lease contracts for various show home properties, office space, cars and plant hire used in construction and development. The amounts recognised in the financial statements in relation to the leases are as follows:

Right-of-use asset	Show homes sale and leaseback £'000	Plant hire £'000	Property £'000	Vehicles £'000	Total £'000
Cost					
Upon first time adoption on 1 November 2019	1,906	198	4,413	1,452	**7,969**
Additions	246	1,295	606	735	**2,882**
At 31 October 2020	**2,152**	**1,493**	**5,019**	**2,187**	**10,851**
Accumulated depreciation					
Upon first time adoption on 1 November 2019	-	-	-	-	-
Charged during the year	1,066	407	1,051	626	3,150
Onerous lease impairment	-	-	596	-	596
At 31 October 2020	**1,066**	**407**	**1,647**	**626**	**3,746**
Net book value					
On adoption at 1 November 2019	1,906	198	4,413	1,452	7,969
At 31 October 2020	**1,086**	**1,086**	**3,372**	**1,561**	**7,105**

The liability is presented as follows:

Lease liability at 31 October 2020	Show homes sale and leaseback £'000s	Plant hire £'000s	Property £'000	Vehicles £'000	**Total £'000**
Current	799	532	768	658	**2,757**
Non-current	413	605	3,184	975	**5,177**
	1,212	1,137	3,952	1,633	**7,934**

The income statement shows the following amounts relating to leases:

	31 October 2020 £'000	31 October 2019 £'000
Depreciation on right-of-use assets	**3,150**	-
Impairment for onerous lease	**596**	-
Interest expense (included in Note 5)	**535**	-
Expenses relating to leases of low-value assets not shown as short-term leases	**532**	-
	4,813	-

The total cash outflow for leases during the financial year was £4.0m, including £0.5m of interest.

15 Loans and borrowings

	31 October 2020 EIR[1] %	31 October 2019 EIR[1] %	**31 October 2020 £'000**	31 October 2019 £'000
Current				
Bank overdraft	**4.0%**	4.0%	**254**	6,311
Bank loans	**4.0%**	4.0%	**-**	7,500
Other loans	**6.8%**	6.8%	**9,836**	12,805
			10,090	26,616
Non-current				
Term loan	**7.5%**	7.5%	**157,500**	150,000
Unamortised issue costs on senior secured notes	**7.5%**	7.5%	**(4,226)**	(7,636)
			153,274	142,364
Total loans			**163,364**	168,980
Maturity of financial liabilities				
Less than one year			**10,090**	26,616
Between two and five years			**153,274**	-
After more than five years			**-**	142,364
			163,364	168,980

[1] Effective interest rate %

Analysis of movement in net debt is as follows:

	31 October 2019 £'000	On adoption of IFRS 16 (note 24) 1 November 2019 £'000	Cash movements £'000	Non-cash movements £'000	**31 October 2020 £'000**
Cash & cash equivalents	35,173	-	21,613	-	**56,786**
Long-term borrowings	(142,364)	-	(7,500)	(3,410)	**(153,274)**
Short-term borrowings	(20,305)	-	10,469	-	**(9,836)**
Lease liability adopted on 1 November 2019 (note 24 and 14)	-	(8,598)	(3,453)	4,117	**(7,934)**
Net debt	(127,496)	(8,598)	21,129	707	**(114,258)**

The senior secured notes were redeemed at par on 11 December 2018, incurring no early repayment charges. On the same day the Group issued a £150,000,000 term loan facility attracting interest of 6.5% plus Libor due for repayment on 11 December 2024.

On 11 December 2018, the Group repaid in full its £37,500,000 revolving credit facility. On the same day, the Group opened a new debt facility in the form of a £27,500,000 revolving credit facility, of which £7,500,00 has been utilised at 31 October 2019. 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 opened a new overdraft facility 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.

In the period ended 31 October 2019 the Group incurred and capitalised total issue costs of £8,300,000 as a result of issuing the two new debt facilities.

On 18 March 2020, the Group increased its super senior revolving credit facility by £5,000,000, bringing the total limit to £60,000,000. The terms of the additional limit are in line with the existing facility.

15 Loans and borrowings (continued)

On the 12 June 2020, the Group signed agreements to increase its super senior revolving credit facility by a further £15,000,000, bringing the total limit to £75,000,000. This £15,000,000 increased facility matures on 12 December 2021. On the same day the Group entered into an agreement to increase its existing term loan facility by £7,500,000 on the same terms as the existing facility. This brings the total term loan facility to £157,500,000. On the 3 July 2020, the Group drew down on the £7,500,000 term loan and the £15,000,000 of super senior revolving credit facility became available to the Group.

In the period ended 31 October 2020 the Group incurred and capitalised total issue costs of £1,250,000 as a result of increasing the two existing debt facilities

Other loans comprise Builders Finance Fund ("BFF") loans from the Homes and Communities Agency (HCA) and loans from the Greater Manchester Combined Authority (GMCA). Interest is charged at European Central Bank base rate plus a margin which varies 4.5% to 6.5% between sites and amounts are repayable on completion of each site for which the loan relates.

The interest rate risk profile of the Group's financial liabilities at 31 October 2020 is below, which includes all drawn down borrowings. This includes interest payable in each year until maturity as well as principal repayments. It is assumed that the London inter-banking lending rate (LIBOR) remains constant at the year-end position.

Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	**Total £'000**
18,987	13,871	13,962	13,486	160,056	-	**220,362**

Profile as at 31 October 2019 is shown below:

Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	**Total £'000**
17,086	11,537	13,853	16,123	13,011	151,325	**222,935**

16 Provisions for liabilities

	Dilapidations £'000	Other £'000	Total £'000
At 1 November 2018	387	1,923	2,310
Charged/(credited) to the income statement	159	(1,270)	(1,111)
Utilised during year	-	(653)	(653)
At 1 November 2019	546	-	546
Charged to the income statement	532	-	532
Utilised during year	-	-	-
At 31 October 2020	**1,078**	**-**	**1,078**
Current	**224**	**-**	**224**
Non-current	**854**	**-**	**854**
At 31 October 2020	**1,078**	**-**	**1,078**
Current	106	-	106
Non-current	440	-	440
At 31 October 2019	546	-	546

Dilapidations

The dilapidations provision covers the Group's leased estate. A full provision up to the end of each lease was established by an independent external valuer, with the element up to the date of the financial statements being recognised in the accounts on a pro-rated straight-line basis.

Other provisions

Other provisions comprised redundancy provisions, legal fees in relation to claims and onerous lease provisions relating to the Group's leased estate.

As part of the restructuring of the West Midlands region, during the year ended 31 March 2018 the Group made an onerous lease provision in respect of the lease obligation for the regional office at Coleshill, which became surplus to ongoing operational requirements. During the year ended 31 October 2019 the lease was reassigned, resulting in a partial utilisation and release of the outstanding provision for future liability.

17 Share capital

	31 October 2020		31 October 2019	
	Number	**£**	Number	£
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	**2**	**2**	1	1

All issued ordinary shares rank pari passu in all respects.

On 17 June 2020, the Company issued a £1 ordinary share to its parent, Keystone Topco Limited at a premium of £7,499,999. On the same day the Company purchased a £1 ordinary share from its subsidiary, Keystone Bidco Limited at a premium of £7,499,999.

18 Retirement benefit liabilities

Keepmoat Pension Plan

The Group operates the Keepmoat Limited Group Pension Plan ("KPP"), a defined contribution plan, with assets held in independently administered funds. Some members of the KPP have a contractual promise from the Group, which is separate to the benefits payable by the KPP, being an arrangement between Keepmoat Limited and the applicable employees. The obligation arising under this arrangement has been calculated by a qualified independent actuary and accounted for as a long-term employee benefit. The contractual liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The major assumptions used by the actuary to calculate the liabilities of the defined benefit obligation are:

	Year ended 31 October 2020 %	Year ended 31 October 2019 %
Discount rate	**1.7%**	1.9%

The mortality assumptions used were as follows:	**31 October 2020 Years**	31 October 2019 Years
Pensioner age at 65:		
- Men	**22.0**	21.9
- Women	**24.4**	24.2
Current member age at 45:		
- Men	**24.4**	24.0
- Women	**26.9**	26.5

The net funding status of the plan is as follows:	**31 October 2020 £'000**	31 October 2019 £'000
Present value of scheme liabilities and net funding status	**(6)**	(13)

Defined contribution schemes

The pension cost charged to the income statement in respect of the defined contribution scheme during the year was £1,773,000 (31 October 2019: £1,542,000) representing contributions payable in the year. Contributions due to the defined contribution schemes at the period end were £136,089 (31 October 2019: £137,503).

19 Contingent liabilities

The Group has entered into performance guarantees in the normal course of business which, at 31 October 2020, amounted to £22.7m (31 October 2019: £14.0m). In the opinion of the directors, no loss will arise in respect of these guarantees.

The Group has given guarantees in respect of the bank borrowings in addition to performance and other guarantees. At 31 October 2020 the Group had bank borrowings under the revolving credit facility of £nil (31 October 2019: £7,500,000) and bank overdrafts of £254,000 (31 October 2019: £6,311,000). The Group therefore had undrawn facilities totalling £74,746,000 (31 October 2019: £41,189,000). The guarantees are in the form of floating charges over the assets of certain Group companies.

The Group is party to the Keystone Midco Limited Group ("Midco Group") senior facility agreement whereby the Midco Group has a revolving credit facility of £75,000,000. At 31 October 2020 the Midco Group was in a net cash position (31 October 2019: net cash position).

20 Financial instruments

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders by ensuring that the Group maintains sufficient liquidity to sustain its present and forecast operations.

The Group monitors current and forecast cash liquidity and bond liquidity against available facilities to ensure that there is sufficient capacity to meet requirements for the foreseeable future.

As part of its covenants, the Group also measures its leverage requirement as a ratio of adjusted EBITDA to net debt. The leverage covenant requirement reduces over time. At 31 October 2020, the ratio of 1.95 for the year was within the required ratio of 5.03 (at 31 October 2019, the ratio of 1.96 for the year was within the required ratio of 5.44).

Financial risks and management

The Group's principal financial instruments comprised a term, RCF facility, bank loans, development land payables, subordinated shareholder loan notes, and cash. The main purpose of these financial instruments and to raise finance for the Group's operations. The Group has other financial instruments including trade receivables and trade payables, which arise directly from operations.

No trading in financial instruments has been undertaken.

The Group has exposure to a variety of financial risks through the conduct of its operations. The Board reviews and agrees policies for managing risk as well as specific policies and guidelines.

The key financial risks resulting from the Group's use of financial instruments are credit risk, liquidity risk and market risk.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations mainly arising on the Group's trade receivables and amounts due from construction contract customers.

The Group's exposure to credit risk is limited for open market housebuilding activities as the Group typically receives cash at the point of legal completion of its sales.

The credit risk on registered provider sales depends on the individual characteristics of the counterparty many of whom are in the public sector or are funded by the public sector (e.g. housing associations). The Board consider that the credit rating of these customers is good and the credit risk on outstanding balances to be low and no provision is held against these balances (31 October 2019: £nil).

The Group does not have any concentration of risk in respect of amounts due from construction contract receivables or trade receivable balances, with receivables spread across a wide range of customers.

The ageing of trade receivables (see note 11) is as follows:

	31 October 2020 £'000		Restated 31 October 2019 £'000	
	Gross trade receivables	**Provision for impairment**	Gross trade receivables	Provision for impairment
	£'000	**£'000**	£'000	£'000
Number of days past due date:				
Not past due	**14,098**	**-**	**4,015**	**-**
Past due 1 to 30 days	**778**	**-**	**5,569**	**-**
Past due 31 to 90 days	**742**	**-**	**1,280**	**-**
Past due 91 to 365 days	**284**	**237**	**2,100**	**-**
Past due greater than one year	**62**	**-**	**1,521**	**787**
	15,964	**237**	**14,485**	**787**

20 Financial instruments (continued)

The Group applies the simplified approach under IFRS 9 to measure expected credit losses ("ECL") associated with trade and other receivables. The carrying value of receivables is reduced at each reporting date for any increase in the lifetime ECL with an impairment loss recognised in the statement of comprehensive income. The Directors are of the opinion that there is a significant concentration of credit risk for those balances past due greater than 90 days. Trade receivables with a carrying amount of £1.8m (31 October 2019: £10.5m) are past due at the reporting date and £0.2m are impaired (31 October 2019: £0.8m).

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. An ageing profile of the Group's loans and borrowings is presented in note 15.

The Group's objective is to manage liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities as they become due. This will be assessed under normal and stress conditions, without incurring losses or risking damage to the Group's reputation.

Following securing additional financing the Group has increased its revolving credit facility to £75m, releasing a further £20m of liquidity.

The Group has rigorous cash management processes. Cash balances are reported daily with detailed analysis of variances to short term cash forecasts. Short term cash forecasts are updated monthly and are for a period of 26 weeks with the first 8 weeks on a daily basis and the remaining 18 weeks on a weekly basis. These complement a minimum of four long term quarterly cash forecasts each year which are compared to the annual cash flow budget and to previous quarterly forecasts. These facilitate management's assessments of the Group's expected cash performance and the associated comparison to available facilities and the Group's covenants.

Key risks to liquidity and cash balances are a decrease in the value of open market sales, a downturn in the UK housing market, deterioration in credit terms obtainable in the market from suppliers and subcontractors, a downturn in the profitability of work, delayed receipt of cash from customers and a general decline in the ability of local authorities to fund urban regeneration projects.

In order to mitigate this risk, the Group continually monitors open market house sales volumes and prices; working capital levels and contract profitability; and both client and supplier credit references and credit terms with clients and suppliers to ensure they continue to be appropriate.

The Group does not have any derivative financial liabilities.

c) Market risk

Market risk is the risk that changes in market prices such as interest rates, house prices and foreign exchange rates will affect the Group income or the value of the Group's financial instruments.

Interest rate risk

Interest rate risk relates to the impact of interest rate increases on the Group's floating rate borrowing. Following the refinancing during the year, the Group now holds facilities at floating interest rates at a margin over the London Interbank Borrowing Rate (LIBOR). This new financing has increased the liquidity of the Group but also the Group's exposure to the risk of interest rate fluctuations. Whilst the risk of an increase in interest rate is beyond the Group's control, management continually keeps this exposure under review.

Housing market risk

The Group is affected by price fluctuations in the UK housing market. The market is impacted by consumer demand and employment levels and is dependent on the availability of mortgage finance. Furthermore, Government incentives, such as the "Help to Buy" scheme, have helped to stimulate consumer demand. Whilst these risks are beyond the Group's ultimate control, risk is spread across differing business activities undertaken by the Group and the geographical regions in which it operates.

Currency risk

The Group operates entirely in the United Kingdom and all of the Group's revenue is generated in the United Kingdom and is denominated in pounds sterling. Consequently, the Group has very limited exposure to currency risk

20 Financial instruments (continued)

Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding contract assets, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. The carrying amount of trade and other receivables is a reasonable approximation of their fair value.

Trade and other payables

The fair value of trade and other payables, excluding contract liabilities, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material. The carrying amount of trade and other payables is a reasonable approximation of their fair value.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand.

Loans and borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments:

	31 October 2020 £'000		31 October 2019 £'000	
	Carrying amount £'000	**Fair Value £'000**	Carrying amount £'000	Fair Value £'000
Loans and receivables				
Cash at bank and in hand (note 13)	**57,040**	**57,040**	41,484	41,484
Trade and other receivables (note 11)	**31,067**	**31,067**	32,676	32,676
	88,107	**88,107**	74,160	74,160
Financial liabilities at amortised cost				
Trade and other payables (note 13)	**304,750**	**304,750**	244,954	244,954
Loans and borrowings:				
Bank overdraft (note 14)	**254**	**254**	6,311	6,311
Bank loans (note 14)	**-**	**-**	7,500	7,500
Term Loan (note 15)	**153,274**	**153,274**	142,364	142,364
Other loans (note 14)	**9,836**	**9,836**	12,805	12,805
	468,114	**468,114**	413,934	413,934

Prepayments and contract assets are excluded from the trade and other receivables balances. Contract liabilities, non-cash land commitments and statutory liabilities are excluded from trade and other payables as these are not financial instruments.

Borrowing facilities

At 31 October 2020, the Group had committed borrowing facilities totalling £75,000,000 (31 October 2019: £55,000,000) representing revolving credit facilities and overdraft, which are due for renewal in June 2025. At 31 October 2020 the Group had bank borrowings under the revolving credit facility of £nil (31 October 2019: £7,500,000) and bank overdrafts of £254,000 (31 October 2019: £6,311,000). The Group therefore had undrawn facilities totalling £74,746,000 (31 October 2019: £41,189,000). Revolving credit facilities bear interest at 3.25% over LIBOR whilst cash overdrafts are 3.25% over Bank of England base rate.

Notes to the consolidated financial statements for the year ended 31 October 2020

21 Related party disclosures

The directors regard all subsidiaries, joint ventures and associates of Keystone Midco Limited Group to be related parties. During the year the Group has traded with these related parties and summaries of those transactions are set out below:

Trading transactions

Year ended 31 October 2020	**Sales to £'000**	**Purchases from £'000**	**Management Fees/ recharges £'000**	**Finance Income/ (expense) £'000**
Parent undertaking				
Keystone Topco Limited	-	-	-	(782)
Joint ventures				
Durham Villages Regeneration Limited	1,039	-	10	-
Associates				
Sheffield Housing Company Limited	7,361	-	-	17
New Tyne West Development Company LLP	500	-	-	-
Ilke Homes Holdings Limited	68	5,011	-	600
	8,968	5,011	10	(165)

Trading transactions

Year ended 31 October 2019	Sales to £'000	Purchases from £'000	Management Fees/ recharges £'000	Finance Income/ (expense) £'000
Parent undertaking				
Keystone Topco Limited	-	-	-	(693)
Joint ventures				
Durham Villages Regeneration Limited	-	853	10	
Associates				
Sheffield Housing Company Limited	10,536	-	-	95
New Tyne West Development Company LLP	876	-	-	-
Ilke Homes Holdings Limited	-	3,456	-	61
	11,412	4,309	10	(537)

Transactions with connected parties

The investment funds that control Keystone JVco Limited have significant influence over Drone Surveying Limited. During the year the Company made purchases of £34,420 (31 October 2019: £31,220) from Drone Surveying Limited. Included within trade payables at 31 October 2020 was £1,980 (31 October 2019: £3,660) owed to Drone Surveying Limited.

21 Related party disclosures (continued)

The outstanding balances between the Group and these related parties as at 31 October 2020 was as detailed below:

Balances outstanding	Trade and other receivables		Trade and other payables	
	31 October 2020 £'000	31 October 2019 £'000	**31 October 2020 £'000**	31 October 2019 £'000
Parent undertakings				
Keystone JVco Limited	**259**	-	**683**	857
Keystone Topco Limited	**472**	979	**8,054**	7,276
Joint ventures				
Durham Villages Regeneration Limited	**25**	25	**1,869**	1,017
BK Scotswood LLP	**2,109**	2,109	**-**	-
Associates				
Sheffield Housing Company Limited	**665**	2,087	**-**	-
New Tyne West Development Company LLP	**-**	-	**-**	-
Ilke Homes Limited	**5,725**	5,069	**1,421**	-
Total	**9,255**	10,269	**12,027**	9,150
Current (receivables note 11, payables note 13)	**3,530**	5,200	**8,557**	5,680
Non-current (receivables note 11, payables note 13)	**5,725**	5,069	**3,470**	3,470
Total	**9,255**	10,269	**12,027**	9,150

The balance due to Ilke Homes Limited in the year ended 31 October 2020 includes £0.7m (2019: £nil) held within accruals (note 13).

On 24th September 2019 Keepmoat Homes Limited made a loan of £5.0m to Ilke Homes Limited at an interest rate of 12% per annum and with a maturity date of 24th October 2024. Accrued interest is not compounded and shall be paid by Ilke Homes Limited upon repayment of the loan principle. The loan is not repayable on demand.

With the exception of the balances below, all amounts are current, unsecured, non-interest bearing and settled in cash. There are no provisions for impairment in respect of amounts owed by related parties.

Included within trade and other receivables are the following non-current loans;

- Loan receivable from Sheffield Housing Company Limited ('SHC') of £nil (31 October 2019: £797,000) bearing interest at 7% and *secured on the assets of SHC.*
- Loan receivable from BK Scotswood LLP of £2,073,000 (31 October 2019: £2,073,000) which bears no interest and is secured on the assets of the joint venture.

Transactions with investors

TDR Capital LLP has effective control of 75.7% of the issued share capital of the Company whilst Sun Capital Partners has effective control of 13.3%. During the year, TDR Capital LLP and SUN Capital Partners have charged the Group for monitoring fees, expenses and costs totalling £1,989,000 (31 October 2019: £2,022,000). The charges were split equally between the two investors in proportion to their respective shareholdings.

Notes to the consolidated financial statements for the year ended 31 October 2020

21 Related party disclosures (continued)

Principal subsidiary undertakings of the Group

The following information relates to the principal subsidiary undertakings of the Group. The Company directly owns 100% of the ordinary share capital of Keystone Bidco Limited and has effective control of its other subsidiaries in the proportion indicated below. All companies are incorporated in England and Wales. In the opinion of the directors, these companies are those whose results or financial position principally affect the results of the Group.

Name of Company	Principal activities	Group's effective shareholding
Keystone Bidco Limited	Intermediate holding company	100%
Keystone Financing plc	Financing company	100%
Lakeside 1 Limited	Intermediate holding company	100%
K&A Merger Limited	Intermediate holding company	100%
Castle 1 Limited	Intermediate holding company	100%
Keepmoat Limited	Provision of corporate services	100%
Keepmoat Homes Limited	Private house building development	100%
MCI Developments Limited	Partnership house building	100%
Huyton Freehold Limited	Investment Company	100%
Keepmoat Property Limited	Property development and the holding of property on behalf of other Group companies	100%
KGP (SHC) Limited	Intermediate holding company	90%
Dormant and other subsidiaries		
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	Intermediate holding company	100%
Apollo Holdco Limited	Intermediate holding company	100%
Toucan Holdings Limited	Property management	100%
Goldhall Electrical Limited	Housing regeneration	100%
Hull & Gipsyville Housing Venture Limited	Dormant	81%

22 Post balance sheet events

On 11 December 2020 Castle 1 Limited, a Keystone JVco Limited subsidiary, acquired BDW Trading Limited's 50% members' capital holding in BK Scotswood LLP for £2.0m.

23 Ultimate controlling party

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

Keystone Midco Limited is the owner of the smallest group and Keystone JVco Limited is the owner of the largest 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 under their management.

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

24 Adoption of IFRS 16

As indicated in accounting policies and note 14 the Group has adopted IFRS 16 Leases retrospectively from 1 November 2019 but has not restated comparatives for the year to 31 October 2019, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 November 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 November 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 November 2019 varied depending on asset type and length of lease.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 November 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 November 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 October 2019.

The following is a reconciliation of total operating lease commitments at 31 October 2019 (as disclosed in the financial statements to 31 October 2019) to the lease liabilities recognised at 1 November 2019:

	£'000s
Total operating lease commitments disclosed at 31 October 2019	**9,717**
(Less) short-term leases not recognised as a liability	(339)
Adjustments as a result of extension and termination options	1,331
Operating lease liabilities before discounting	**10,709**
Discounted using the lessee's incremental borrowing rate at the date of application	(2,111)
Lease liability recognised as at 1 November 2019	***8,598***
Of which are:	
Current lease liability	2,562
Non-current lease liability	6,036
	8,598

Keystone Midco Limited

Company balance sheet
as at 31 October 2020

	Note	31 October 2020 £'000	31 October 2019 £'000
Assets			
Investments in subsidiaries	27	**115,640**	108,140
Trade and other receivables	28	**3,470**	3,470
Total non-current assets		**119,110**	111,610
Current assets			
Trade and other receivables: amounts falling due within one year	28	**11,430**	10,837
Total current assets		**11,430**	10,837
Total assets		**130,540**	122,447
Equity			
Share capital	17	**-**	-
Share premium		**7,500**	
Capital reserve		**108,140**	108,140
Accumulated losses		**6,846**	6,836
Total equity		**122,486**	114,976
Liabilities			
Loans and borrowings	30	**3,470**	3,470
Total non-current liabilities		**3,470**	3,470
Trade and other payables	29	**4,584**	4,001
Total current liabilities		**4,584**	4,001
Total liabilities		**8,054**	7,471
Total equity and liabilities		**130,540**	122,447

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the parent company income statement and statement of comprehensive income. The Company made a profit during the year ended 31 October 2020 of £10,000 (year ended 31 October 2019: £7,856,000 profit).

The financial statements on pages 73 to 78 of Keystone Midco Limited, registered number 09050684, were approved by the Board of Directors on 28 February 2021 and were signed on its behalf by:

M Priest
Director

Keystone Midco Limited

Company statement of changes in equity for the year ended 31 October 2020

	Note	Share Capital £'000	Share premium £'000	Capital Reserve £'000	Accumulate d losses £'000	Total £'000
At 1 November 2018		-	-	108,140	(1,020)	107,120
Profit for the year		-	-	-	7,856	7,856
Result and total comprehensive income for the year		-	-	-	7,856	7,856
At 31 October 2019		-	-	108,140	6,836	114,976
Profit for the year		-	-	-	10	10
Result and total comprehensive income for the year		-	-	-	10	10
Proceeds from shares issued	17	-	7,500	-	-	7,500
At 31 October 2020		**-**	**7,500**	**108,140**	**6,846**	**122,486**

On 17 June 2020, the Company issued a £1 ordinary share to its parent, Keystone Topco Limited at a premium of £7,499,999.

Principal company accounting policies for the year ended 31 October 2020

Basis of preparation

The Company financial statements of Keystone Midco Limited have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with applicable accounting standards and under the historical cost convention except investment property which have been measured at fair value.

The financial statements are presented in pounds sterling. All financial information is rounded to the nearest thousand (£'000) except where otherwise indicated. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the periods presented unless otherwise stated.

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 year ended 31 October 2020 is presented below. Equivalent disclosures for financial instruments are included in the Keepmoat Midco Limited Group consolidated financial statements allowing the exemptions to be applied.

Area	Disclosure exemption
Cash flow statements	Exemption from preparing a cash flow statement. (IAS 7)
Financial instrument disclosures	Exemption from the disclosure requirements of IFRS 7 (Financial Instruments) and related IFRS 13 disclosures.
	Exemption from the disclosures in respect of management's objectives, policies and processes for managing capital (IAS1.134 to 136).
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.
	Exemption from disclosure of key management personnel compensation.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cash flow information and capital management policy.

The Company has consistently and uniformly applied the accounting policies of the Group set out on pages 38 to 45 insofar as they are applicable to the Company's financial statements prepared in accordance with FRS 101 and subject to the disclosure exemptions above.

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.

Critical accounting estimates and assumptions

The preparation of financial statements under IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments and inter-company receivables

Determining whether investments and inter-company receivables are impaired requires an estimate of the future discounted cash flows of each investment or receivable. Discounted cash flows and assumptions (including discount rates, timing of cash flows and growth prospects) are inherently subjective and largely dependent on factors outside the control of the Company.

25 Employees and directors

The Company does not have any employees (31 October 2019: nil).

Directors' emoluments

See note 2 of the consolidated financial statements for details of directors' emoluments.

26 Operating costs

Operating costs for the year include the following:

Auditors' remuneration	Year ended 31 October 2020 £'000	Year ended 31 October 2019 £'000
Audit of the Company's annual report	**25**	25
Total auditors' remuneration	**25**	25

Fees payable to the Company's auditors were met by Keepmoat Homes Limited, a Group company.

27 Investments in subsidiaries

	£'000
Cost	
At 1 November 2019	108,140
Additions	7,500
Net book value at 31 October 2020	**115,640**
Net book value at 31 October 2019	108,140

On 18 August 2014 the Company subscribed for the entire issued share capital of Keystone Bidco Limited for consideration of £1.

On 28 November 2014 the Company made a capital contribution to Keystone Bidco Limited totalling £108,140,000

On 17 June 2020, the Company purchased an additional £1 ordinary share in Keystone Bidco Limited at a premium of £7,499,999.

The directors believe that the carrying value of the investment in Keystone Bidco Limited is supported by the underlying net assets and future financial performance of the wider Keystone Bidco Limited Group.

Full details of both the Company's directly and indirectly controlled subsidiaries are provided in note 21 to the consolidated financial statements.

28 Trade and other receivables

	31 October 2020 £'000	31 October 2019 £'000
Trade and other receivables: amounts falling due after more than one year		
Amounts due from group undertakings	**3,470**	3,470
	3,470	3,470

Trade and other receivables: amounts falling due within one year	31 October 2020	31 October 2019
Amounts due from group undertakings	**10,590**	10,013
Other receivables	**840**	824
	11,430	10,837

In respect of the non-current amount due from subsidiary undertakings, this includes an investment of £3,470,000 in 12% preference shares issued by Keystone Bidco Limited. The preference shares are non-redeemable and carry a 12% fixed dividend payable at the discretion of Keystone Bidco's Board or on a future exit event. Consequently, the preference shares have been treated as a debt instrument in accordance with IFRS 9.

The current receivable due from subsidiary undertakings includes the accrued fixed dividend arising on the 12% preference shares.

29 Trade and other payables

Current:	31 October 2020 £'000	31 October 2019 £'000
Corporation tax	-	198
Amounts owed to group undertakings	**4,584**	3,803
	4,584	4,001

Accruals and deferred income represents interest accruing on the subordinated shareholder loan notes (note 30).

Amounts owed to fellow Group undertakings falling due within one year are unsecured, interest free and repayable on demand.

30 Loans and borrowings

Non-current:	31 October 2020 £'000	31 October 2019 £'000
Subordinated shareholder loan notes	**3,470**	3,470
	3,470	3,470

The subordinated shareholder loan notes accrue interest at a fixed rate of 12% per annum and are repayable no later than 28 November 2024.

Maturity of financial liabilities	31 October 2020 £'000	31 October 2019 £'000
Due within two to five years	**3,470**	-
Due after more than five years	-	3,470
	3,470	3,470

31 Share capital

See note 17 to the consolidated financial statements for details.

32 Related party disclosures

Transactions with parents and subsidiaries

On 28 November 2014, the Company invested £3,470,000 subscribing for 12% preference shares issued by Keystone Bidco Limited, the Company's immediate subsidiary.

On 28 November 2014, Keystone Topco Limited invested £3,470,000 subscribing for 12% preference shares issued by Keystone Midco Limited, the Company's immediate parent company.

Transactions with investors

The ultimate parent of the Company is Keystone JVco Limited. TDR Capital LLP has effective control of 85% of the issued share capital of Keystone JVco Limited whilst Sun Capital Partners has effective control of the remaining 15%. Keystone Topco Limited, which is the immediate subsidiary of Keystone JVco Limited is 11% owned by certain employees, or former employees, ("management") of Keepmoat Limited and its subsidiaries. This means the effective ownership of the Group is TDR Capital LLP 75.7%; Sun Capital Partners 13.3%; and management 11%.

Transactions with management

The Company has a current receivable due from certain members of management of £647,000 (31 October 2019: £610,000), the balance is included within other receivables.

33 Ultimate controlling party

See note 23 to the consolidated financial statements.