Edenstone Homes Limited

Strategic report, Directors' report and financial statements

Registered number 06397071

30 April 2021

Contents

Strategic report

The directors present their strategic report on Edenstone Homes Limited ("the Company") for the year ended 30 April 2021.

Principal activity

The principal activities of the Company are house building and land development.

Business review

Key points

- Turnover increased by 178% to £52.6m (2020: £18.9m)
- 182 total sale completions in the year ended 30 April 2021 (2020: 84)
- Gross margin improved to 16.4% (2020: 13.5%)
- Acquired 3 new sites totalling £100.5m Gross Development Value ("GDV")
- Landbank increased to £256.5m (2020: £213m)

Housebuilding

A buoyant housing market and changing buyers' needs in the wake of the pandemic contributed to the Company delivering a strong performance in the year ended 30 April 2021 with turnover increasing by 178% to £52.6m (2020: £18.9m).

The diversity of our product mix meant we were able to cater for a broad market segment – first time buyers who had been able to raise a deposit quicker as a result of staying at home more, people making a lifestyle choice of moving away from urban centres to somewhere quieter with more open space, with room for a study; growing families and downsizers.

The success of the Company was in part fuelled by the Stamp Duty/ Land Transaction Tax holiday and our own recognition of key workers with a special 5% discount to thank those who helped keep the country running during the pandemic.

During the financial year the Company completed 182 homes, compared with 84 in the year ended 30 April 2020 – an increase of 125% year on year.

Between them, the Company's two housing brands, Edenstone Homes and Bluebell Homes, offer everything from two-bedroom first time buyer homes to luxurious five-bedroom properties priced in excess of £1 million.

- **Parc Ceirw Garden Village, Morriston**
  Transformation of the former quarry gathered pace during the year and by early 2021, all 28 bungalows from Edenstone Homes had sold. Properties on the Bluebell phase were particularly popular with first time buyers, including brick layer Ryan Curry who helped build his own home. Courtney Yeap, who moved in just weeks before the birth of her son, said: "Parc Ceirw feels so healthy and safe and a great place to bring up a family."

- **River View Garden Village, Lydney**
  We welcomed the 100th residents to the flagship development and celebrated a sell-out on the Edenstone phase, while the final countdown began on the Bluebell phase, with most of the community facilities including play area, allotments and bike hire in use. It's become a thriving community, with residents setting up their own newsletter The River View Review and social groups. Downsizer Stella Jennison said: "There's a real community spirit at River View – I've never lived anywhere like it."

- **St Mary's Garden Village Ross on Wye**
  During the year we opened the show homes on the Bluebell phase and welcomed a mix of first time buyers, families and downsizers across both brands. Alongside building homes we progressed with providing community facilities, opening The Retreat overlooking the wetlands and installing bespoke play equipment. A charity cake away held by resident Nicky Mackenzie raised almost £500. "It also helped me meet some of our new neighbours," Nicky said.

Strategic report *(continued)*

Housebuilding (continued)

- **Beaufort Gardens, Lisvane**
  Launched in autumn 2020, the combination of the sought-after CF14 postcode and superb specification, made for a winning formula. Homes at the exclusive development proved enormously popular with 16 of the 28 homes in the first phase sold off plan ahead of a show home opening in the summer.

- **Ashgrove Partnerships**
  Through Ashgrove Partnerships we're continuing to work with local authorities and registered social landlords to deliver much-needed affordable housing. In some locations we've reached agreements with landlords to provide affordable housing over and above our statutory obligations.

- **Edenstone Foundation**
  The strength of the housing market and the increase in property sales has enabled us to give back to good causes via the Edenstone Foundation. It receives a proportion of the proceeds from every home sold by the Company, with staff also raising funds in aid of the Foundation. During the year a total of £31,000 was donated to the Foundation. Beneficiaries included Compassion, who received funding to help improve hygiene and living standards in one of the poorest communities in Togo, West Africa. Closer to home and recognising the impact of the pandemic on young people's mental health, a grant was made to the Proton Foundation to facilitate its Flourish Project in five schools across South Wales to help develop mental and emotional wellbeing.

Strategic and consented land

The Group continues to grow its consented and strategic landbanks in order to drive future growth. During the year three sites were added to the consented landbank, totalling £100.5m gross development value ('GDV'), and bringing the total consented landbank GDV to £256.5m. The three new sites bring 100 new homes in Newport, 175 homes in Ross-on-Wye and 166 in Brockworth, Gloucester.

KPIs

The Company's key financial and other performance indicators during the year were as follows:

	2021	**2020**
Total house sale completions	182	84
Turnover - £'m	£52.6	£18.9
Operating profit/(loss) - £'m	£5.2	(£0.3)
Private forward sales - £'m*	22.6	11.5
Total forward sales - £'m*	44.7	24.1

**Forward sales are those reserved or legally exchanged as at 30 April 2021*

Future developments and market outlook

The housing and construction industries have continued to play a key role in the UK's economic recovery in the wake of the pandemic. Since the Company returned to work after the first lockdown, there was a rapid return to normal trading conditions. In fact there has been an increase in demand fuelled by customers' requirements for out of town developments with garden space. This has, in part, been boosted by the Stamp Duty/ Land Transaction Tax holiday and our own voluntary 5% discount, offered to all key workers across our developments in Lydney, Morriston and Ross on Wye.

The Company has continued to grow its forward sales book, with a significant portion of sales forecast for the year ended 30 April 2022 already either reserved or legally exchanged. We continue to form partnerships to provide affordable housing and will also enter the private residential sector market in 2022.

Strategic report *(continued)*

Section 172 Statement

The Board considers the requirements of key stakeholders with a focus on the development of long-term relationships in all areas of the business. As part of their s172 statement, the directors have considered the following key stakeholders:

Stakeholder	*Why they are important and how we engage with them*	*How we consider them in our decision making*
Shareholders	Our shareholders consist of private individuals all of whom are represented on the Board. The shareholders enable the growth of the business. Performance information and business updates are presented and discussed during regular Board meetings throughout the year.	Effective decision making allows the business to achieve its long-term strategy and short-term objectives, generating value for all shareholders. As all shareholders are represented on the Board, the shareholders are involved in all key decisions made by the Company. We provide reports and operational information to the shareholders on a regular basis.
Customers	Our customers are of vital importance to the Company. They are the end user of the houses and developments we are proud to build and we place a great deal of importance on engaging with our customers from initial enquiry to completion and beyond.	We consider changing customer requirements when making decisions such as where to locate our developments, house styles, community facilities etc.
Communities	One of the things that sets the Company apart from other homebuilders, is the community facilities we provide alongside new homes. We are keen to ensure that residents benefit from the additional amenities at the earliest opportunity. Cycle hire is already available at River View and will be introduced at Parc Ceirw and St Mary's. Those three locations will feature walking and fitness trails, while Parc Ceirw and St Mary's will also boast an indoor gym. Residents of River View have been keen to take on allotments and they will also feature at Parc Ceirw.	We consult regularly with the communities in which our developments are situated. We consider the needs of the community when planning the amenities that we install at each development. We take pride in the facilities we provide and work hard to ensure that they represent genuine value for the communities they serve.

Strategic report *(continued)*

Section 172 Statement (continued)

Stakeholder	*Why they are important and how we engage with them*	*How we consider them in our decision making*
Employees	Our employees are vital in enabling us to achieve our objectives. We pride ourselves on our positive and collaborative working culture. Following the Covid19 pandemic, we are immensely proud of how the team has demonstrated resilience and adaptability. This has enabled the Company to achieve it's objectives for the year despite the challenges the pandemic has presented.	We hold regular meetings with our employees to update them on current business developments and future plans. Any changes are communicated openly and discussion and feedback around key decisions is actively encouraged.
Suppliers and subcontractors	We have an extensive supply chain of over 250 contractors, trades people and professional services teams, many of whom have worked with us for decades, trust us and are very loyal to our business. We value that greatly.	We have worked with our suppliers and subcontractors to ensure any additional safety measures as a result of Covid19 have been implemented. We are in contact with our suppliers and subcontractors regularly to discuss the latest developments and any operational requirements. We monitor payments to ensure we are settling payments in line with our agreements.
Lenders	Our lenders provide funding for the Company which allows for future growth and development.	We provide regular reports and operational information to our lenders to ensure they are informed of the relevant aspects of our business.

Strategic report *(continued)*

Sustainability

The Company is committed to ensuring the homes and communities it creates are sustainable. Having previously built a zero carbon home, we are investing heavily in zero carbon construction and living, as part of our commitment to the environment. Our aim is that by 2025 every home we build and every community we create will be powered by renewable energy with battery storage, creating zero carbon new homes across every development. In 2021 we launched a partnership with Sero Homes. The two companies have come together to develop a working relationship, that during 2021/2 will establish a blueprint for the delivery of zero carbon smart homes, underpinning Edenstone's ambition to be a net zero carbon business by 2025.

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

Principal risks and uncertainties

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

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

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

The Group is closely monitoring and managing the disruption to its supply chain as a result of the global COVID-19 pandemic. Several materials used in the Group's construction processes have been impacted by constrained availability, extended lead times or higher than normal cost inflation. The Group's strong forward sales pipeline (which is benefiting from selling price inflation) provides the visibility to enable the early procurement of the required building materials and thus mitigating the effects of the supply chain disruption.

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

The Company is very active in the land market to ensure that sufficient land is acquired to satisfy the growth objectives. Authorisation of land acquisitions is required by the Board, supported by rigorous acquisition appraisals for all potential land purchases.

Approved by the Board on 29 November 2021 and signed on its behalf by:

MJ Taylor
Director

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2021.

Principal activity

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

Results

The results for the year ended 30 April 2021 are set out in the profit and loss account on page 12 and discussed in the Strategic report on pages 1 to 5.

Proposed dividend

The directors do not recommend the payment of a dividend for the year *(2020: £Nil)*.

Directors

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

SJ Rodden
MJ Taylor
JS Taylor
MJH Holden

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish the company's auditor is aware of such information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

SJRodd

SJ Rodden
Director

Building 102
Wales One Business Park
Magor
Monmouthshire
NP26 3DG

29 November 2021

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

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

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

Opinion

We have audited the financial statements of Edenstone Homes Limited ("the company") for the year ended 30 April 2021 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue from the development and sale of residential property is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law, regulatory capital and liquidity and construction regulations, recognising the regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

The directors are responsible for the Strategic report and Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Thomas

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

29 November 2021

Profit and loss account
for the year ended 30 April 2021

	Note	2021 £000	2020 £000
Turnover	2	52,628	18,895
Cost of sales		(43,985)	(16,342)
Gross profit		8,643	2,553
Administrative expenses		(3,543)	(3,079)
Other operating income	3	58	228
Operating profit/(loss)	3-5	5,158	(298)
Interest payable	6	(4)	(25)
Profit/(loss) before taxation		5,154	(323)
Taxation on profit/(loss)	7	(1,012)	271
Profit/(loss) and total comprehensive income for the financial year		4,142	(52)

The results above relate wholly to continuing activities.

The notes form part of the financial statements.

Balance sheet
at 30 April 2021

	Note	2021 £000	2020 £000
Tangible fixed assets	*8*	249	228
Current assets			
Stocks	*9*	36,026	37,900
Debtors (including £948,000 (*2020: £1,295,000*) due in more than one year)	*10*	6,502	4,943
Cash at bank		1,009	654
		43,537	43,497
Creditors: amounts falling due within one year	*11*	(13,608)	(4,219)
Net current assets		29,929	39,278
Total assets less current liabilities		30,178	39,506
Creditors: amounts falling due after more than one year	*12*	(18,348)	(31,818)
Net assets		11,830	7,688
Capital and reserves			
Share capital	*13*	1	1
Profit and loss account		11,829	7,687
Shareholder's funds		11,830	7,688

The notes form part of the financial statements.

These financial statements were approved by the board of directors on 29 November 2021 and were signed on its behalf by:

SJ Rodden
Director

Registered number: 06397071

Statement of changes in equity
for the year ended 30 April 2021

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 1 May 2019	1	7,739	7,740
Loss for the financial year, being total comprehensive income for the year	-	(52)	(52)
Balance at 30 April 2020 and 1 May 2020	1	7,687	7,688
Profit for the financial year, being total comprehensive income for the year	-	4,142	4,142
Balance at 30 April 2021	**1**	**11,829**	**11,830**

Notes
(forming part of the financial statements)

1 Accounting policies

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

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

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

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

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

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

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

Measurement convention

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

Going concern

As at 30 April 2021, the company had net current assets of £29,929,000 *(2020: £39,278,000)*, including cash of £1,009,000 *(2020: £654,000)*, net assets of £11,830,000 *(2020: £7,688,000)* and reported a profit for the year then ended of £4,142,000 *(2020: loss of £52,000)*. The directors have prepared the financial statements on a going concern basis which they consider to be appropriate for the following reasons.

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

The impact of the Coronavirus pandemic on the Company's financial results had largely subsided in relation to the year ended 30 April 2021. The first national lockdown, which came into force in March 2020 effectively extended build programmes by approximately three months as construction ceased and sales outlets were closed in line with Government guidelines. However, construction re-commenced at the beginning of the financial year and in subsequent lockdowns all development and sales operations have continued, with measures on sites to operate safely and effectively.

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

- Sale completions: the directors have considered scenarios in which further lockdowns during 2021/22 and 2022/23 cause the number of private sale completions to fall by 4% in 2021/22 and 10% in 2022/23. Under this scenario the company has sufficient resources available to continue trading and meet its liabilities as they fall due over the forecast period.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

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

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

Trade and other debtors/ creditors

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

Interest-bearing borrowings

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

Stocks

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

Provisions

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

Turnover

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

Government Grants

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

Interest payable

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

Taxation

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

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

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

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

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

Operating leases

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

Notes *(continued)*

2 Turnover

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

3 Expenses and auditor's remuneration

	2021 £000	2020 £000
Included within profit/ loss are the following		
Audit fees for this company	20	10
Other operating income – Government grants receivable (coronavirus job retention scheme and economic resilience fund)	-	(145)
Other operating income – rental income and sale of incidental extras packages	(58)	(83)

The company also incurred audit fees of £25,000 (*2020: £16,000*) on behalf of other companies within its group.

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

4 Directors

Directors' emoluments were £345,000 *(2020: £352,000)*. The emoluments of the highest paid director were £160,000 (*2020: £139,000*).

5 Staff numbers and costs

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

	Number of employees 2021	2020
Management	12	11
Administration	36	35
Operations	29	27
	77	73

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,606	3,219
Social security costs	401	355
Other pension costs	54	49
	4,061	3,623

6 Interest payable and similar expenses

	2021 £000	2020 £000
Net loss/ (gain) on financial liabilities measured at fair value through profit or loss	-	20
Interest on bank loans	4	5
	4	25

Notes *(continued)*

7 Taxation

Total tax recognised in the profit and loss account

	2021 £000	2020 £000
Current tax		
UK corporation tax at 19%	81	-
Deferred tax		
Origination and reversal of timing differences	900	(61)
Change in deferred tax rate	-	(186)
Adjustments in respect of prior periods	31	(24)
Total deferred tax	931	(271)
Total tax	1,012	(271)

Reconciliation of effective tax rate

	2021 £000	2020 £000
Profit/(loss) for the year	4,142	(52)
Total tax expense/(credit)	1,012	(271)
Profit/(loss) excluding taxation	5,154	(323)
Tax using the UK corporation tax rate of 19% *(2020: 19%)*	979	(61)
Adjustments in respect of previous periods	31	(24)
Change in tax rate	-	(186)
Expenses not deductible for tax purposes	2	-
Total tax included in profit and loss account	1,012	(271)

At 30 April 2021, the company had tax losses of £9,138,000 *(2020: £14,564,000)*, in relation to which a deferred tax asset has been recognised; see note 10.

Factors that may affect future tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The deferred tax asset at 30 April 2021 has been calculated at 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the balance sheet date the deferred tax asset would have increased by £585,000.

Notes *(continued)*

8 Tangible fixed assets

	Leasehold Improvements £000	Office equipment £000	Plant & Machinery £000	Total £000
Cost				
At beginning of year	68	87	153	308
Additions	8	-	78	86
Disposals	-	-	-	-
At end of year	76	87	231	394
Depreciation				
At beginning of year	25	28	27	80
Charge for the year	12	17	36	65
Released on disposals	-	-	-	-
At end of year	37	45	63	145
Net book value				
At 30 April 2021	39	42	168	249
At 30 April 2020	43	59	126	228

9 Stocks

	2021 £000	2020 £000
Land, site development and construction costs	36,026	37,900

The total carrying amount of stocks pledged as security for liabilities in the year amounted to £25,126,000 *(2020: £26,013,000)*. Stocks include capitalised finance costs of £2,589,000 (*2020: £1,520,000*). Total borrowing costs capitalised during the year was £3,805,000 (2020: £2,235,000).

10 Debtors

	2021 £000	2020 £000
Trade debtors	1,430	41
Prepayments	138	150
Other debtors	2,646	885
Amounts due from group undertakings	433	1,080
Deferred tax asset (note 14)	1,855	2,787
	6,502	4,943

Included within the deferred tax asset is £948,000 (*2020: £1,295,000*) due after more than one year. The deferred tax asset is attributable to fixed asset temporary differences, short term temporary differences, and losses and other deductions.

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	3,591	2,145
Land creditors	6,650	1,142
Other creditors and accruals	1,838	409
Amounts due to group undertakings	1,448	523
Corporation tax	81	-
	13,608	4,219

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

12 Creditors: amounts falling due after more than one year

	2021 £000	2020 £000
Bank and development finance loans	18,348	25,168
Land creditors	-	6,650
	18,348	31,818

Bank and development finance loans comprises a revolving credit facility with Marshal European Investment Co. I Sarl (2020: revolving credit facilities of £25,070,000 with Ultimate I Sarl and Marshal European Investment Co. I Sarl.) The loan is priced at a margin over LIBOR and are secured against the assets of the project to which they relate. The facility, which is used for funding the acquisition and development of housing sites and repaid as those sites are sold through, is a five year facility to 31 December 2023. During the year the loan with Ultimate I Sarl was repaid in full. This was partly funded by a drawdown under the facility with Marshall European Investment Co.

A mortgage loan of £98,000 with Monmouthshire Building Society was repaid during the year. The loan was secured on an individual plot with interest accruing at the society's standard variable rate.

Notes *(continued)*

13 Share capital

	Ordinary Shares
On issue at 1 May 2020 and 30 April 2021	1,000

	2021	2020
	£000	£000
Allotted, called up and fully paid		
1,000 (*2020: 1,000*) ordinary shares of £1 each	1	1

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

14 Deferred tax asset

	2021	2020
	£000	£000
Fixed asset temporary differences	(22)	(15)
Short term temporary differences	141	3
Losses and other deductions	1,736	2,767
Prior year adjustments	-	32
	1,855	2,787

Included within the deferred tax asset is £948,000 (2020: £1,295,000) due after more than one year.

15 Ultimate parent undertaking

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

The directors consider there to be no ultimate controlling party.

16 Related party disclosures

A loan of £nil *(2020: £12,446,000)* is held by Ultimate I Sarl, a company of which MJH Holden is an indirect shareholder. The movement reflects net repayments made to an existing credit facility. During the year £6,678,000 was repaid to Ultimate I Sarl.

During the year, Green Borough Holdings Limited acquired 11 properties from Edenstone Homes Limited for a consideration of £2,583,000. Green Borough Holdings Limited is controlled and owned by Martin Taylor, a director of Edenstone Homes Limited.

During the year, Green Borough Properties Limited acquired 2 properties from Edenstone Homes Limited for a consideration of £505,000. Green Borough Properties Limited is controlled and owned by Martin Taylor, Stuart Rodden and Mark Holden, directors of Edenstone Homes Limited.

Notes *(continued)*

17 Accounting estimates and judgements

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

Margin recognition

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

18 Operating leases

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

	2021 Land and buildings £000	Other £000	2020 Land and buildings £000	Other £000
Less than one year	91	249	90	222
Between one and five years	135	202	135	212
More than five years	-	-	-	-
	226	451	225	434