

Registered number 09050684

Keystone Midco Limited
Annual Report and Financial Statements
for the 7 month period ended 31 October 2018



Keystone Midco Limited

Annual Report and Financial Statements 2018

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Keystone Midco Limited

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Keystone Midco Limited

Strategic Report

Introduction

After seven years with Keepmoat Homes, I have taken the decision to step down as Chief Executive Officer. I made this decision with the full support of the Board following the successful refinance of the business, which follows a period of very strong growth at Keepmoat Homes which has seen the business treble in size in the last five years and following the very successful sale of Keepmoat Regeneration two years ago. I am delighted to say that I will become a Non-Executive Director of Keepmoat Homes and remain fully involved in that capacity.

The new financing arrangements put in place an improved debt package for the business to support its continued growth over the next six years and offers improved terms including lower costs and increased financial capacity to ensure that Keepmoat Homes can continue to move forward with its strategy of controlled and profitable growth. This is an extremely positive step and reflects the confidence of our lenders in the business. The funding deal increases our total available debt facilities to £205m (previously £175m) providing greater support for us to deliver our growth plans. We have a pipeline of over 30,000 plots and are well positioned to deliver our multi-tenure strategy and to continue to increase the supply of homes across the country.

We have also changed our financial year end from March to October in order to support our continued growth plans by optimising the timing of our year-end from both a sales and build perspective. In the resulting seven-month accounting period to 31 October 2018 we delivered 2,108 high quality new homes across the UK and recorded revenues of £324.2m. For the 12 months to October 2018 we delivered 3,988 new homes, 271 more than the 12 months to March 2018 and we saw an increase in our revenues of 12.7% to £597m.

Finally, I am delighted to say that Tim Beale, previously our Chief Operating Officer and Deputy CEO, has stepped up to become Chief Executive Officer. Tim joined us in May 2017 and has made a significant contribution to the group in this time. Having spent his whole career in the housebuilding industry, Tim's arrival at Keepmoat followed 14 years at Crest Nicholson, latterly as a member of the executive board and Chairman of the South West, Chiltern and Southern divisions.

I am fully confident that under Tim's leadership the business will go from strength to strength as he focusses on what we do best – looking after our fantastic people to ensure that we can continue to provide high quality homes that we can be proud to deliver to our customers.

James Thomson
Executive Director

Strategic Report

Chief Executive Officer's review

I'm pleased to have taken over the role of Chief Executive Officer at Keepmoat Homes on 6 February 2019 and thank James and the Board Members for this opportunity. Over the last 12 months I've worked closely with James and our Executive team to ensure we are consistently delivering quality new homes in the places where people need them.

Over the next year we are focusing on our operations and plan to deliver over 4,000 new homes utilising both traditional and modular construction to help meet the country's housing needs. We will also start on site on a number of transformational projects including Sighthill in Glasgow, Northfleet in Kent and the Waterside in Leicester. These developments are long term commitments to the regeneration of key UK cities and towns which embrace their heritage but build for their future.

Keepmoat Homes has continued to strengthen its position as the UK's largest and only dedicated partnership home builder and the leading home builder for first time buyers. We have a presence in all the top 10 markets outside London, and we are a top 10 UK home builder, ranked 7th in terms of the number of homes we build across the country each year.

We work with Homes England, local authorities and registered providers to deliver much needed high-quality new homes across the country, with many of these relationships enduring for over 20 years. We are the largest delivery partner of Homes England and have delivered over 11,000 homes in partnership with them as a member of consecutive Delivery Partner Panels since 2009, accessing over £177m in funding initiatives to accelerate output delivery. We have used the Home Building Fund to accelerate the delivery of 2,200 homes and Help to Buy to support the ambitions of 70% of our homebuyers. In the seven months to October 2018 we built 1,578 homes for open market sale, with 72% being built for the very important first-time buyer market.

The market for new affordable homes remains strong, supported by the availability of suitable mortgage products that make it more affordable to buy than rent. Government commitment to new housing also remains strong and has significant cross-party support. With the increasing demand for more new homes of all tenures to solve the UK housing crisis, Keepmoat Homes remains committed to working with its partners including local authorities, registered providers and the private rented sector (PRS).

We sold 530 homes to registered providers and the build-to-rent market (or PRS) in the 7 months to October 2018 (25% of our total homes built) and this underpins our multi-tenure strategy. This includes 20 homes delivered for our partner Sigma and its PRS Real Estate Investment Trust (The PRS REIT plc), and we have a number of other sites under active consideration. These markets are important to us as our partners increasingly want to see multi-tenure development. In addition, as part of a balanced blend, they can help drive our financial performance by delivering additional volume and improving our return on capital which is already one of the highest amongst our peers.

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 increased support to bringing forward brownfield land from the public sector. Our work with local authorities across the UK including in Leeds, Sheffield, Rotherham and Herefordshire provides model approaches for others to follow. For example, through our partnership with Leeds City Council we will deliver over 1,000 new homes in East Leeds over the next 10 years as part of the council's ground-breaking £140m Leeds Brownfield Regeneration Programme.

Modern Methods of Construction

Keepmoat Homes is at the forefront of the use of Modern Methods of Construction (MMC) to accelerate delivery. We have invested substantially in modular homes in partnership with ilke Homes and worked with their team to create a product tailored to the needs of first-time buyers and also to the requirements of our public sector and housing association partners. We are delighted to see growing Government support for MMC and commitment from our Housing Association partners and Homes England to include modular homes in their delivery plans.

We see MMC adding capacity in the market and being particularly well suited for high volume developments and we have entered into a framework agreement with ilke Homes to deliver over 400 modular homes on our developments across England over the period to March 2020, with more to follow.

Advanced construction techniques

Supporting many of our procurement objectives, and vital to improving quality across the business, is our move to digital construction and other advanced construction techniques.

Artificial intelligence, robotics, virtual reality and a host of new design, offsite manufacture and on site assembly techniques are now being used effectively by the construction industry and Keepmoat Homes is open to challenging traditions to find solutions that complement our current ways of working, but meet demands for speed, efficiency, productivity, certainty and quality.

Strategic Report

Chief Executive Officer's review

We have digitised our range of house types and are starting to see benefits for our customers, in the ease and detail with which we can show them their finished home, in the quality of that home, and in the improved internal efficiencies being realised at all stages of design, procurement, construction and after-sales care.

Government commitment to housing supply

The Government continues to show strong commitment to the housebuilding sector with a view to meeting its target of building 300,000 new homes a year by the mid-2020s, thereby increasing housing supply to its highest levels since the 1970s. We are pleased to see broad cross-party support for this commitment.

Major landmarks in support of this policy were the revised National Planning Policy Framework, the Autumn Budget and the final report of the independent review of build-out rates, the Letwin Review. Outside these landmark policy announcements, new funding was announced in June and September to support affordable homebuilding, local authority borrowing, land assembly and small sites.

The revised National Planning Policy Framework ensures that more land in the right places is available for housing. We welcome its provisions for leadership at local authority and city region levels, including an emphasis on good design, broadening of the range of affordable tenures recognised, and continued preference for brownfield development. Many of these measures can accelerate the delivery of new homes by reducing local opposition and shortening planning processes.

Further planning reforms were announced for consultation later in the year, applying common sense to existing restrictions. New permitted development rights will allow upwards extensions above commercial premises and residential properties, including blocks of flats, and allow commercial buildings to be demolished and replaced with homes. At the same time, Government proposes giving greater freedom to local authorities to dispose of land at an undervalue.

The 2018 Autumn Budget met two key requests for support. The Chancellor renewed the Help to Buy equity loan scheme for first time buyers until March 2023 and, in a measure trailed in the Prime Minister's speech to Conservative Party Conference, abolished the Housing Revenue Account cap that controls local authority borrowing for house building. Alongside these flagship announcements were another £500 million for the Housing Infrastructure Fund, support for £1 billion of lending to SME housebuilders and, addressing a loophole for our housing association customers, Stamp Duty Land Tax relief for first time buyers of shared ownership homes.

The Letwin review into build-out rates talked the language of mixed-tenure in recommending greater diversity on large sites in areas of high housing demand. New powers for local authorities, alongside guidance for developers, will help to avoid saturation of local markets. We will find out in 2019 whether the Government welcomes this approach or feels it needs to do more to force the build out of planning consents.

Support for first-time buyers

The Government further demonstrated its commitment to helping first time buyers by eliminating stamp duty on their purchases of homes up to the value of £500,000 including shared ownership properties. We welcome the extension of Help to Buy to 2023 and the reforms to restrict support to only first time buyers from 2021 and 2023 and with new regional caps.

With a confirmed date now in place for the end of Help to Buy, we are investing in new schemes and partnerships to ensure that we can continue to support our core first-time-buyer market. Through additional funding accessed via Homes England Shared Ownership and Affordable Housing Programme we are working in partnership with Heylo to deliver its Home Reach part rent, part buy, shared ownership scheme on our developments across the country. This will allow first-time-buyers and those on lower incomes to own their home for just 50% of the selling price with a five per cent deposit.

The alignment of Keepmoat Homes with the ambitions of Government and our public sector partners means we are optimistic about our future at the heart of the UK housing market.

Brexit

The fundamental underpinnings for the UK Housing Market are strong, including Government support, health of mortgage lenders, constrained supply, general aspiration to own a home, a high level of employment and relatively low interest rates. However, since the UK vote to leave the European Union in June 2016, there has been an increasing amount of uncertainty for business and consumers which is manifesting itself differently in different sectors of the housing market. Fortunately, Keepmoat, with an average sales price of around £154,000, has remained virtually unaffected in the 7 months to October 2018 with sales across all regions remaining healthy and in line with our expectations.

Given the ongoing uncertainty over Brexit and its economic impact the Group has continued to consider the potential effect on our business and has carried out appropriate risk assessments. 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.

We will continue to closely monitor market conditions through the coming year in light of wider political and economic developments.

Strategic Report

Chief Executive Officer's review

A regional focus on national delivery

Keepmoat Homes is focused on delivery of high-quality affordable homes across the UK, with ten regional teams organised into three divisions: Scotland and North West; North East and Yorkshire; and Midlands and South. The number of regional teams 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.

A Divisional Chairman is responsible for each of the three divisions, supported by a Divisional Finance Director. Each of the regional teams has its own management board, applying the Group's policies and systems to local markets and circumstances.

A flexible multi-tenure product

Our core market is first time buyers and first time movers, but we recognise that our partners are looking to meet a broad range of housing needs.

Around 30% of our sales are to registered providers or to the new breed of investors in private rented sector homes, built and designed specifically for that market. The 3,988 plots we sold in the 12 months to October 2018 were for private sale (with and without Help to Buy), affordable or market rent and shared ownership.

Land

The strength, depth and sustainable nature of our partnerships with over 200 local authorities, housing associations and other organisations, is demonstrated by the pipeline of land available to us for development.

At 31 October 2018, the number of plots within our land pipeline, including sites where we have been appointed as preferred developer is 31,148 representing over 8 years of work ahead based on current build rates.

Procurement

As we grow in each of our regions, our supply chain must grow with us. Procurement is one of the core functions now represented in each of our regions, where our buyers can respond with agility to local growth strategies and build effective relationships with local supply chains. These local relationships are supported by our business wide Strategic Framework Agreements which leverage our nationwide spend. Face-to-face engagement is actively encouraged. We build strategic relationships with our supply chain that help to deliver our business goals and support sustainable growth.

Procurement is critical in managing sustainable supply chain relationships and assuring core standards and continuous improvement in quality, safety, service, innovation and cost competitiveness. We actively manage a high-quality supply base that shares our values and is fully aligned to supporting our growing business.

Environmental matters and sustainability

Keepmoat Homes recognises the significant impact that the construction industry has on our environment. Issues such as climate change, resource depletion and water quality affect us all.

We are continuing to be at the forefront in creating places that are sustainable not only in their impact on the environment but also in their impact on people, with key innovations including the development of specifications focused on comfort in regards to daylight, noise, air quality and running efficiencies and the introduction of high speed broadband connections to homes to support digitally enabled lifestyles.

Additionally, Keepmoat's modular homes partnership with ilke Homes produces a high quality, low carbon and precision engineered housing solution. A warm frame construction enabling a high level of air tightness and thermal performance, together with significantly enhanced thermal bridge detailing, enables overall performance standards well in advance of building regulations. Consideration has also been made for the enabling of renewable energies and smart controls to achieve zero carbon standards. By building smarter and minimising our environmental impact through our design and build process, we are helping to create a more sustainable future.

People

Our people are at the heart of our business and we value them tremendously. We are proud of our skilled and dedicated colleagues, who work hard to help make our business a success. We recognise that we need to continually invest in our people and ensure that we attract, inspire and retain like-minded individuals to bolster our team and help us to deliver excellent service for our customers.

Apprentices and trainees

We continue to develop our skilled teams through high levels of trainees, apprentices and graduates who make up around eight per cent of our workforce. We count over 70 apprentices and trainees as part of the team, including bricklayers, quantity surveyors, trainee site managers and administrators.

Since mid-2018 we have been working in partnership with the Collab Group to source our apprentices and have placed over 30 apprenticeships in our business so far. We're developing a pre employment work experience programme with Collab and BuildUK to create opportunities for disadvantaged groups to gain access to skills in the building industry with the aim of developing the site managers of the future.

Strategic Report

Chief Executive Officer's review

Talent development at all levels

We are looking at better ways of developing talent throughout the full length of a career with Keepmoat Homes:

- Talent mapping is helping us to understand what talent we have, where it is in the business and what we need to do to develop it. It is vital in our succession planning across many key roles.
- Our bespoke Effective Keepmoat Manager programme is currently benefitting over 50 of our colleagues as they hone their people management skills.
- We have signed up to the Home Building Skills Pledge of the Home Builders Federation and are active members of their Home Building Skills Partnership.

Keepmoat academies

We are currently developing a potential Construction Academy which would focus on developing Trainee / Assistant Site Managers and supporting them to become future Site Managers. This would cover not just the technical side but also include soft skills such as managing change, resilience and motivation. This academy would harness our Construction Director's expertise, supported by the HR Development team and external trainers.

Diversity

The homebuilding industry suffers from gender imbalance, particularly at senior levels. Keepmoat Homes is committed to attracting the right, skilled people into the organisation at all levels, regardless of gender.

We support initiatives to attract more women into the industry and see the benefits that diversity brings to the organisation. We are working hard to break down the perceptions that have historically made the industry less attractive to women.

Employee Diversity

Average number of employees, split by gender, for the 7 months ended 31st October 2018:

	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	3	0.3%	-	-	3	0.3%
Senior managers	58	5.1%	14	1.2%	72	6.4%
All others	702	62.2%	352	31.2%	1,054	93.3%
Total	763	67.6%	366	32.4%	1,129	100.0%

Average number of employees, split by gender, for year ended 31 March 2018:

	Male		Female		Total	
	Number	%	Number	%	Number	%
Directors	3	0.3%	-	-	3	0.3%
Senior managers	47	4.3%	10	0.9%	57	5.2%
All others	686	62.5%	352	32.0%	1,038	94.5%
Total	736	67.1%	362	32.9%	1,098	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 on the basis of merit and capability regardless of religion, race, nationality, ethnic origin, gender, sexual orientation, marital status, age or disability. If members of staff become disabled the Group is committed to continue employment wherever possible and undertakes the necessary adjustments to facilitate ongoing employment.

Strategic Report

Chief Executive Officer's review

Modern Slavery Act 2015

In July 2018 the group published its 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.

Health and safety

Keepmoat Homes is a standalone housebuilder, managing construction on site as principal contractor.

Our success in refining our approach to health and safety in that role throughout the 2017/18 financial year earned us a RoSPA Gold Award for 2017. That accolade recognises a very high level of performance, demonstrating well-developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

RoSPA's recognition does not mean the job is done. Our Safety, Health, Environment and Quality (SHEQ) strategy is focussed on three core areas:

- Keeping people safe and healthy every day
- Protecting and enhancing the environment
- Being assured, informed and focussed on quality

Significant progress has been made in these areas:

- Active and visible leadership is being provided from the top of the Group. Our senior managers not only set an example of appropriate behaviour on site, but ensure that the Group's expectations set a framework within which a safe culture can become embedded.
- Clear and robust performance standards have been developed for five high-risk activities. We are enforcing safe working practices around plant and work at height. Our people are conscious of additional risks when assembling timber frame structures. And we have been successful in reducing incidents of underground services being struck.
- A new approach to inductions is ensuring that everyone on site is fully engaged in our health and safety programme. An online training programme and test establish 100% understanding before new employees or contractors step onto a site.
- An integrated approach to risk management is being taken that includes all stakeholders throughout all phases of a contract. We seek to design out risk at an early stage and ensure that sound technical decisions are not lost later in the process.
- We have ensured that our contractors have Risk Assessment and Method Statements in place, but our focus is now turning to outcomes. We want to see that those statements have been adequately communicated, comprehended and complied with.

Whilst our safety performance is significantly better than our peers within the HBF, the rate of improvement has stabilised, and we are committed to driving continual improvement across all aspects of health and safety.

As the 2018/19 financial year starts, we are rolling out new systems and standards. Onsite inspections and audits will use contemporary software to record richer data, giving us improved management information and better understanding of incident and near miss data and trends.

Having established a SHEQ Leadership and Review Process as part of our SHEQ governance arrangements, it is our intent to review performance throughout all levels of the organisation on a regular basis, always with the aim to improve our performance.

I would like to thank everyone who has worked for and with Keepmoat Homes for their contribution to our success and for all of their hard work. We could not deliver the homes the UK needs without them.

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 customer 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 local citizens 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. Eight per cent of our workforce are trainees, apprentices and graduates.

Keepmoat Mission: We are committed to building long-term partnerships to deliver high-quality community regeneration solutions.

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 large organisations who have unused land or properties. Together we build attractive, affordable and high quality homes and communities that people want.

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.
- **Creative:** We are proactive, flexible and resourceful. We listen, learn and deliver solutions.

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.
- **Customer:** We focus on delighting our customer.
- **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.

Strategic Report

Making the Most of Our strengths

The Group'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 with landowners, establishing supply chains, building houses and flats and supporting large-scale, housing-led regeneration.

Organic growth. In the next five years we intend to increase the number of new houses we build for sale or rent by 50% – a major contribution to meeting the country's housing needs. We want to build more and faster.

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 in to 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 small and 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, mean we can compete to deliver a greater number of larger programmes and partnerships.

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. 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 spend, 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 need to further build our reputation and ensure that we understand our audiences' concerns.

Strategic Report – Principal risks and uncertainties

In the establishment of our strategic objectives we have recognised the fundamental importance of risk management in achieving the desired outcomes. Risk management controls are integrated into our Divisional and Regional structures as well as our shared services and continue to be enhanced as our Internal Audit function becomes embedded within the business. The risk landscape is continually evolving however and as such we constantly appraise the internal and external factors that could impact our ability to deliver on our business targets and overall strategy and mitigate these accordingly.

Our risk management process results in a detailed risk register being maintained for the Board and risks are reviewed regularly as part of the management reporting process and this includes a 'bottom up' and 'top down' consideration of risks.

The principal risks identified and seen in the table below are considered as such because either individually or in combination, could have a material adverse effect on the implementation of the business strategy, financial performance, shareholder value and returns and reputation. Given the nature and severity of these risks, there has not been much movement since our last report for the March year end; however we have identified a principal risk associated with our key IT systems.

Risk and Description	Possible impact	Mitigation	Movement
External Factors			
<p>A number of external factors, over which we have limited control, have the potential to impact our revenue and business performance including:</p> <ul style="list-style-type: none"> Changes in the UK and European macroeconomic environments central and local government funding strategies; government incentives, such as the 'Help to Buy' scheme; house price inflation and interest rates; and mortgage availability. 	<p>Significant policy changes/ a decline in the housing market or additional lending restrictions could have an adverse impact on plot sales and profitability.</p>	<p>Government policy is routinely monitored and communicated to management and the business actively participates in industry consultation.</p> <p>Strong end-client relationships result in a partnership approach to determining future volumes of work providing high levels of forward visibility of revenue.</p> <p>Management regularly assess future revenue risk through analysis of their pipeline of future work, and adjusts the scale of infrastructure investment accordingly.</p> <p>Our product mix and pricing strategy is regionally assessed and implemented.</p> <p>Maintenance of an appropriate capital structure and Balance Sheet control</p> <p>We have carried out appropriate risk assessments with respect to Brexit and will continue to closely monitor market conditions in the light of wider political and economic developments</p>	<p>Increased slightly during the period due to increased uncertainty over Brexit and the impact on the economy as well as the longer term impact of the changes to 'Help to Buy'.</p>
Commercial			
<p>The Group enters into partnership arrangements for the delivery of high value housing projects, through which it incurs commercial risk in relation to the execution of those projects.</p>	<p>A failure to adequately control project bidding and execution could result in the Group accepting higher levels of risk, or lower levels of project profitability than normally deemed acceptable.</p> <p>A failure to adequately control project delivery could result in greater costs in the delivery of projects.</p>	<p>The Group operates clear and robust project bidding and authorisation processes and has further enhanced this with a greater level of scrutiny earlier in the process.</p> <p>Higher value/risk projects are subject to greater levels of review and assessment before any contractual commitment is made.</p> <p>The Group undertakes routine and structured project approval and performance reviews, identifying risk and amending the project delivery programme accordingly.</p> <p>The Group has introduced improved management information and dashboards to enable greater visibility of commercial performance.</p> <p>The Group has introduced a new divisional management structure, which supports the effective oversight and management of these</p>	<p>No Change.</p>

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement
		risks. Internal audit conduct regular reviews of regional commercial activity.	
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.	The Group has implemented a comprehensive safety strategy, which includes bringing safety to the forefront of our culture, measuring safety performance, strong risk management procedures and audits of compliance with these procedures. The Board considers health and safety issues at every meeting. Regular visits to sites by senior management to monitor health and safety standards.	No change.
Financial Security			
The cash flow requirements of the Group's projects can be very different and availability of short-term 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. The Group has secured a new debt package increasing total available debt facilities for the next six years.	This risk has decreased since the re-financing of the business was completed see note 27 for more details.
The Group relies on surety companies to provide performance bonds on certain contracts.	If the Group were unable to provide appropriate levels of performance bond coverage, it may be unable to compete effectively for new work.	The Group has established strong relationships with providers of surety products and has established suitable bonding facilities in order to support the Group's requirements for the foreseeable future.	No change.
Following refinancing the Group increased its exposure to changes in interest rates.	Increases in interest payments could adversely affect cash flow.	Cash generation and facility headroom is monitored by robust budgeting, forecasting and cash management disciplines.	Newly identified.
Availability of Resources			
Project delivery is dependent upon sub-contractors and material suppliers.	Poor or late availability of labour and materials could significantly impact upon 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 upon overall project timescales. A broad sub-contractor base delivers services across the Group, with no dependence upon any single sub-contractor in any region. Continued review and monitoring of supplier and sub-contractor performance	No change. The impact of the Brexit vote on the ongoing supply of skilled labour and imported materials is currently uncertain.

Strategic Report – Principal risks and uncertainties

Risk and Description	Possible impact	Mitigation	Movement
Land and Planning			
Inability to source sufficient or suitable land that meets the requirements of a Keepmoat scheme and subsequent delays or issues in the planning process.	Insufficient land would affect our volume growth targets and inability to do so at the required margin would impact future returns.	<p>Our land and partnerships team are in constant dialogue with our partners over the availability and suitability of land.</p> <p>Thorough due diligence is conducted on all proposed land purchases and is kept under review to ensure capital is used strategically.</p> <p>We work closely and collaboratively with local authorities on planning requirements and monitor compliance with requirements regularly</p>	No change.
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.	<p>We review retention rates regularly and assess root cause for departures through structured exit interviews.</p> <p>We offer competitive salary and benefits packages which are regularly benchmarked regionally.</p> <p>We have graduate and apprentice training programmes in place.</p> <p>We offer our staff varied internal and external training opportunities.</p>	No change, however there remains ongoing competitiveness for employees in the sector
IT			
Failure of 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.	<p>Regular review and testing of our security measures against recognised frameworks is undertaken and our contingency plans and IT security policies are regularly reviewed and refreshed.</p> <p>Furthermore a new Service Desk platform has been implemented where Change Control is managed and reported against.</p>	New risk to this disclosure.

Keystone Midco Limited

Strategic Report

Financial review

Overview

To support the continued growth plans of the business, we have changed our financial year end from March to October, optimising the timing of our year end from both a build and sales perspective. As a consequence, this annual report addresses performance for the 7 month period to October 2018.

Continuing the controlled growth seen in previous years, Keepmoat Homes delivered revenue of £324.2m for the 7 months to 31 October 2018 on 2,103 home sales with an average selling price of £154k. To provide meaningful performance comparison we have compared the unaudited 12 months to 31 October 2018 with the previous financial year to 31 March 2018 (FY18). Revenues for the 12 months to 31 October 2018 grew by 13.2% to £597.0m compared with £527.2m achieved in the 12 months to 31 March 2018. The number of home sales increased over the same period by 7.3% to 3,988 (FY18: 3,717), with average selling price increasing to £150k (FY18: £143k⁵).

This and future growth continues to be supported by our regional expansion programme, including into relatively new regions such as Scotland and the South West, and by our multi-tenure strategy via registered providers, the private rented sector, and open market sales.

Contribution¹ for the 7 months to 31 October 2018 was £55.0m, with Adjusted EBIT³ of £24.2m and adjusted operating profit⁴ of £23.7m. Operating cash flows from continuing activities were an outflow of £20.5m, which was principally driven by continued investment in land and build work in progress in order to support future growth plans.

For the 12 months to October 2018 contribution increased by 9.8% to £96.4m, compared to £87.8m achieved in the 12 months to March 2018, with adjusted EBIT increasing by 10.4% to £45.7m (FY18: £41.4m). Adjusted operating profit for the 12 month period was £41.6m (FY18: £39.8m); an increase of 5.0%.

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:

	7 month period ended 31 October 2018 £m	Restated Year ended 31 March 2018 £m
Continuing operations		
Revenue	324.2	527.2
Contribution ⁽¹⁾	54.9	87.8
Adjusted EBITDA ⁽²⁾	24.9	42.8
Adjusted EBIT ⁽³⁾	24.2	41.4
Adjusted operating profit ⁽⁴⁾	23.7	39.8
Operating cash flows from continuing activities	(20.3)	(3.9)
Plots sold	2,103	3,717

1. Contribution is gross profit adjusted for exceptional items and 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).
5. Comparatives have been restated for the new accounting standard IFRS 15 (further details are available in note 3).

Keystone Midco Limited

Strategic Report

Financial review

Refinancing

On 16 November 2018, the Keystone JVco Limited Group (the Group) signed agreements to put in place a debt package for the next six years to support the Group's growth. The new facilities provide the Group with increased liquidity on lower interest rates.

This refinancing was executed on 11 December 2018, when the Group drew down a £150.0m term loan facility attracting interest of 6.5% plus Libor due for repayment in December 2024. On the same date the Group redeemed its £100.0m senior secured notes at par. The Group did not incur any repayment penalties on redeeming its senior secured notes.

On 11 December 2018 the Group repaid in full its £37.5m revolving credit facility and on the same day drew down new debt in the form of a £27.5m revolving credit facility. The new facility is a super senior revolving credit facility with a limit of £27.5m due for renewal in June 2025 attracting interest at a rate of 3.0% plus Libor. On the same day the Group repaid its overdraft and drew down a new overdraft as part of the super senior revolving credit facility giving a combined total facility of £55.0m. The outcome of the refinancing is that the Group's liquidity has increased by £22m after refinancing costs.

Exceptional items

There were no exceptional items during the 7 month period to 31 October 2018. During the previous financial year to 31 March 2018 exceptional items amounted to a net charge of £17.6m. This included £13.2m of losses recognised on a number of sites within the West Midlands region where significant trading issues warranted separate presentation as exceptional items given their size and nature. Losses on sites were fully provided against in the year ended 31 March 2018 and there were no further exceptional costs relating to the West Midlands region during the current period. Other exceptional costs in the previous financial year included restructuring costs of £4.2m in aggregate, relating both to the closure of the West Midlands regional office and to wider Group restructuring following the disposal of the Regeneration division in April 2017.

Financing costs

Financing costs in the 7 month period were £12.1m (FY18: £35.0m) leading to a cash outflow of £11.2m (FY18: £30.0m). The prior year includes £7.7m of early repayment penalties on the senior secured loan notes. The charge includes non-cash amounts of £2.6m (FY18: £3.0m) in respect of the unwind of discount on deferred land payments.

Taxation

The current period tax charge of £2.3m (FY18: £3.8m credit) is made up of a current tax charge of £2.3m offset by a deferred tax credit of £1.3m.

Net debt and leverage

Net debt in the wider Keystone JVco Group at 31 October 2018 was £148.5m (31 March 2018: £112.8m). Excluding shareholder loans and preference shares, net debt was £138.5m (31 March 2018: £102.4m). This corresponds to a leverage of 3.0x (31 March 2018: 2.4x) based on adjusted last 12 months EBITDA of £46.8m (31 March 2018: £43.1m).

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.

Approval of the Strategic Report

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



M Priest
Director

26 February 2019

Keystone Midco Limited

Directors' Report

The directors present their annual report and the consolidated audited financial statements of the Group for the period ended 31 October 2018.

Principal activities

Keystone Midco Limited is an investment holding company heading a group of companies, which, since the disposal of the Regeneration division, are engaged in the construction of residential dwellings.

The Company's subsidiaries are listed in note 25 to the financial statements.

Business review and future developments

The consolidated profit for the financial period was £9.7m, (31 March 2018: £115.8m of which £131.5m was related to the sale of the Regeneration business). The Company did not pay a dividend during the period (31 March 2018: £170,387,000 amounting to £170,387,000 per ordinary share), no final dividend is proposed (31 March 2018: £nil). A review of the results, performance and future developments for the Group are presented in the Strategic Report on pages 3 to 15 which forms part of this report.

Post balance sheet events

On 11 December 2018 the Group repaid its existing debt facilities and drew down a senior term loan, revolving credit facility and overdraft, for more details see note 27.

Going concern

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's debt post year end. The Group's existing senior secured loan notes were due for repayment on 15 October 2019. These were settled on 11 December 2018 and the Group drew down a new facility on the same day. The new debt facility gives the Group an additional £22m of funding and attracts interest at a rate of 6.5% over Libor and so reduces finance costs. The new facility is due for repayment in December 2024. After careful consideration the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements. For this reason the directors continue to apply the going concern basis in preparing the financial statements.

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 23 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 extremely limited.

Interest rate risk relates to the impact of interest rate increases on the Group's floating rate borrowings. At present the Group's revolving credit and overdraft facilities are all on a floating rate. The Group's long term borrowings were at fixed rates of interest, but the Group's interest rate risk has increased following refinancing as its new £150m term loan is at a floating rate of interest.

Directors

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

M A Budd

E J C Hawkes

S J Robertson

J M D Thomson

M R Priest

T M Beale

M A Budd, E J C Hawkes and S J Robertson are representatives of the Company's shareholders, being TDR Capital LLP which has effective control of 85% of the issued share capital of the Company whilst Sun Capital Partners has effective control of the remaining 15%.

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' 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 period. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and whether 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 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.

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.

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 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 and company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Approved by and signed on behalf of the Board



M Priest
Director

26 February 2019

**Independent Auditors' Report
to the members of Keystone Midco Limited**

Report on the audit of the group financial statements

Our opinion

In our opinion, Keystone Midco Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 October 2018 and of its profit and cash flows for the 7 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 October 2018; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the 7 month period then ended; the principal consolidated accounting policies; and the notes to the consolidated financial statements.

Basis for opinion

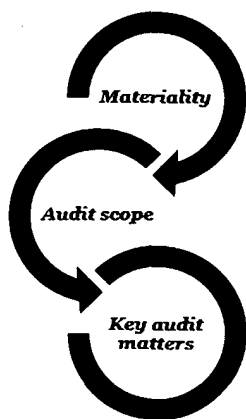
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £860,000 (12 month period ended 31 Mar 2018: £1,400,000), based on 5% of profit before tax from continuing activities, adjusted for interest on senior secured loan notes.
 - For the 7 month financial period the group has operated as a single Homes division. The Homes division consists of two statutory entities which, in our view, represent the components.
 - There are also a number of other group entities that contain financially significant balances which, in our view, required an audit of these specific financial statement line items.
 - The two components over which we performed audit work represent all of the group's revenue from continuing operations and substantially all of the group's operating profit. This gave us the evidence we needed for our opinion on the group financial statements as a whole.
 - Carrying value of land and build work in progress.
 - Assessments of costs to complete.
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material

**Independent Auditors' Report
to the members of Keystone Midco Limited**

misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Carrying value of land and build work in progress</i> We focused upon this area because the value of the group's land and work in progress represent a significant proportion of assets in the group statement of financial position and determining the carrying value of land and work in progress requires a high degree of judgement. The key judgements can be effected by market conditions and unexpected events.	We assessed the adequacy of controls over site valuations, including costs to complete, site budget approvals, and the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. We visited a sample of sites to confirm the existence and condition of the work in progress, and also to evaluate the reasonableness of the assessment of stage of completion. We assessed the accuracy of management's forecasting of site development profit against actual profits recorded. We sample tested and agreed certain costs incurred during the year included within land and build work in progress to supporting evidence as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. We discussed a sample of sites with central and regional management in order to assess the reasonableness of net realisable values and corroborated the explanations received back to supporting documentation where appropriate. We performed an assessment of land and build provisions via enquiry and corroboration to supporting evidence. We tested the reconciliations from the site cashflows to the accounting system.
<i>Assessments of costs to complete</i> We focused upon this area because determining the carrying value of land and work in progress requires a high degree of judgement. The key judgements regarding forecasting future costs to complete can be effected by market conditions and unexpected events.	We assessed the adequacy of controls over site valuations, including costs to complete, site budget approvals, and the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. We visited a sample of sites to confirm the existence and condition of the work in progress, and also to evaluate the reasonableness of the assessment of stage of completion. We assessed the accuracy of management's forecasting of site development profit against actual profits recorded. We substantiated a sample of costs to complete per site cost-valuation reports to supporting documentation. We tested a sample of period end cost-valuation reports agreed to the site cashflows.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The group has only one division consists of two statutory entities which, in our view, required an audit of their complete financial information due to their size.

There are also a number of other group entities that contain financially significant balances which, in our view, required an audit of these specific financial statement line items. Specific audit procedures over exceptional items, administrative expenses, finance expenses, borrowings, and provisions were performed across these other components.

The components over which we performed audit work represent all of the group's revenue from continuing operations and substantially all of the group's operating profit. This gave us the evidence we needed for our opinion on the group financial statements as a whole.

All work was performed by the group audit team.

Keystone Midco Limited

Independent Auditors' Report to the members of Keystone Midco Limited

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£860,000 (12 month period ended 31 Mar 2018: £1,400,000).
How we determined it	5% of profit before tax from continuing activities, adjusted for interest on senior secured loan notes.
Rationale for benchmark applied	The key objective of the group is to deliver profitable growth to increase long-term shareholder value. Due to the current capital structure of the group, we believe an adjusted profit basis is the appropriate benchmark to use in setting materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £700,000 and £820,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £55,000 (12 month period ended 31 Mar 2018: £70,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 October 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

**Independent Auditors' Report
to the members of Keystone Midco Limited**

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the financial statements set out on page 16, 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 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 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
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Keystone Midco Limited for the 7 month period ended 31 October 2018.



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

Keystone Midco Limited

Consolidated income statement for the 7 month period ended 31 October 2018

	Note	7 month period ended 31 October 2018 £'000	Restated Year ended 31 March 2018 £'000
Continuing operations			
Group revenue	1	324,240	527,219
Cost of sales		(270,206)	(458,540)
Gross profit before exceptional items		54,034	81,899
Exceptional items	4	-	(13,220)
Gross profit		54,034	68,679
Administrative expenses		(32,109)	(53,299)
Other operating income		-	292
Share of results of equity accounted joint ventures and associates	12	(350)	(493)
Operating profit before exceptional items and amortisation of intangibles (adjusted operating profit)		22,438	37,789
Exceptional items – included in cost of sales	4	-	(13,220)
Exceptional items – included in administration expenses	4	-	(4,334)
Amortisation of intangibles	8	(863)	(5,056)
Operating profit from continuing operations		21,575	15,179
Finance income	5	259	59
Finance expense	5	(12,318)	(27,319)
Exceptional finance expense	4	-	(7,743)
Profit/(loss) before tax		9,516	(19,824)
Income tax (charge)/credit	6	(950)	3,770
Profit/(loss) for the period/year from continuing operations		8,566	(16,054)
Discontinued operations			
Profit for the year from discontinued operations	7	-	131,545
Profit for the period/year		8,566	115,491
Attributable to:			
Owners of the Company		8,566	115,491

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

Keystone Midco Limited

Consolidated statement of comprehensive income for the 7 month period ended 31 October 2018

	Note	7 month period ended 31 October 2018 £'000	Restated Year ended 31 March 2018 £'000
Profit for the period/year		8,566	115,491
Other comprehensive (expense)/income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Continuing operations			
Actuarial (loss)/gain arising on retirement benefit obligations	21	(192)	1,652
Deferred tax on retirement benefit obligation	6	35	(55)
Other comprehensive (expense)/income for the year		(157)	1,597
Total comprehensive income for the period/year		8,409	117,088
Attributable to:			
Owners of the Company		8,409	117,088
Total comprehensive income attributable to equity shareholders arises from:			
Continuing operations		8,409	(14,457)
Discontinued operations		-	131,545
		8,409	117,088

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

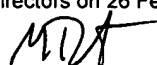
Keystone Midco Limited

Consolidated balance sheet as at 31 October 2018

	Note	31 October 2018 £'000	Restated 31 March 2018 £'000
Assets			
Goodwill and other intangible assets	8	31,588	32,675
Property, plant and equipment	10	1,523	1,254
Investment property	11	60	60
Investments in joint ventures and associates	12	1,405	1,755
Trade and other receivables	14	3,670	3,669
Deferred tax asset	6	5,257	3,961
Total non-current assets		43,503	43,374
Inventories	13	385,397	340,194
Trade and other receivables	14	40,236	46,594
Income tax recoverable		-	4,084
Cash and cash equivalents	15	35,034	41,227
Total current assets		460,667	432,099
Total assets		504,170	475,473
Equity			
Share capital	19	-	-
Capital reserve		108,140	108,140
Accumulated losses		(34,737)	(43,146)
Total equity		73,403	64,994
Liabilities			
Trade and other payables	16	72,781	64,615
Loans and borrowings	17	-	98,006
Provisions for liabilities	18	1,753	1,690
Retirement benefit liability	21	13	23
Deferred tax liability	6	217	265
Non-current liabilities		74,764	164,599
Trade and other payables	16	181,778	188,597
Income tax payable		155	-
Loans and borrowings	17	173,513	45,643
Provisions for liabilities	18	557	11,640
Current liabilities		356,003	245,880
Total liabilities		430,767	410,479
Total equity and liabilities		504,170	475,473

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

The financial statements on pages 22 to 75 of Keystone Midco Limited, registered number 09050684, were approved by the Board of Directors on 26 February 2019 and were signed on its behalf by:



M Priest
Director

Keystone Midco Limited

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

	Note	Share capital £'000	Capital reserve £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
At 1 April 2017		-	108,140	10,153	118,293
Profit for the year		-	-	115,491	115,491
Other comprehensive income		-	-	1,597	1,597
Total comprehensive income for the year		-	-	117,088	117,088
Dividends		-	-	(170,387)	(170,387)
At 31 March 2018 and 1 April 2018		-	108,140	(43,146)	64,994
Profit for the period		-	-	8,566	8,566
Other comprehensive expense		-	-	(157)	(157)
Total comprehensive income for the period		-	-	8,409	8,409
Dividends		-	-	-	-
At 31 October 2018		-	108,140	(34,737)	73,403

During the prior year the Company paid a dividend of £170,387,000 amounting to £170,387,000 per ordinary share.

Keystone Midco Limited

Consolidated cash flow statement for the 7 month period ended 31 October 2018

Continuing operations unless otherwise stated	Note	7 Month period ended 31 October 2018 £'000	Restated Year ended 31 March 2018 £'000
Cash flows from operating activities			
Continuing operations			
Operating profit		21,575	15,179
Adjustments for:			
Amortisation of intangible assets		1,086	5,658
Depreciation		489	880
Profit on sale of property, plant and equipment		-	(2,319)
Share of results of equity accounted joint ventures and associates		350	493
(Decrease)/increase in provisions		(11,465)	1,266
(Decrease)/increase in retirement benefit obligations		(202)	1,402
Operating cash flows before changes in working capital		11,833	22,559
Increase in inventories		(45,202)	(77,269)
Decrease in receivables		6,051	1,526
Increase in payables		5,082	55,178
Cash flows from operating activities before tax		(22,236)	1,994
Income tax received/(paid)		1,974	(5,844)
Cash flows from operating activities (continuing operations)		(20,262)	(3,850)
Cash flows from operating activities (discontinued operations)		-	(7,037)
Total cash flows from operating activities		(20,262)	(10,887)
Cash flows from investing activities			
Purchase of property, plant and equipment		(758)	(984)
Purchase of intangible assets		-	(378)
Proceeds from sale of property, plant and equipment		-	4,721
Investment in associate undertaking	12	-	(1,735)
Interest received		23	59
Cash flows from investing activities (continuing operations)		(735)	1,683
Cash flows from investing activities (discontinued operations)		-	302,219
Total cash flows from investing activities		(735)	303,902

Keystone Midco Limited

Consolidated cash flow statement for the 7 month period ended 31 October 2018

Continuing operations unless otherwise stated	Note	7 Month period ended 31 October 2018 £'000	Restated Year ended 31 March 2018 £'000
Cash flows from financing activities			
Receipt of loan from parent undertaking		-	36,009
(Payment)/Repayment of loans (to)/by subsidiary undertaking		(3,148)	13,886
Increase in bank loans and other loans		1,859	-
Repayment of bank borrowings		-	(515)
Redemption of senior secured loan notes		-	(163,000)
Drawdown from revolving credit facility		-	32,500
Interest paid		(11,194)	(30,037)
Equity dividends paid to parent undertaking		-	(170,387)
Cash flows from financing activities (continuing operations)		(12,483)	(281,544)
Cash flows from financing activities (discontinued operations)		-	(13,886)
Total cash flows from financing activities		(12,483)	(295,430)
Net decrease in cash and cash equivalents (continuing operations)		(33,480)	(283,711)
Net increase in cash and cash equivalents (discontinued operations)		-	281,296
Total net decrease in cash and cash equivalents		(33,480)	(2,415)
Cash and cash equivalents at 1 April		39,359	41,774
Cash and cash equivalents at 31 October		5,879	39,359
Included in cash and cash equivalents per balance sheet	15	35,034	41,227
Included within bank overdrafts	17	(29,155)	(1,868)
		5,879	39,359

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

Keystone Midco Limited

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

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 strategic 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 Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention except investment property, available for sale financial assets and retirement benefit assets and liabilities which have been measured 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.

Discontinued operations

Where a major line of business has been disposed of or has been classified as held for sale, the business activity has been treated as a discontinued operation. The Regeneration segment of the business has been treated as a discontinued operation (note 7) in the prior year. The transaction completed on 30 April 2017. The post-tax profit from discontinued operations for the preceding period is presented as a single line on the Consolidated Income Statement.

Going concern

The directors have considered the adequacy of the Group's financial resources through a review of the financial projections for the business and taking into account the refinancing of the Group's debt post year end. The Group's existing senior secured loan notes were due for repayment on 15 October 2019, these were settled on 11 December 2018. The Group drew down a new facility on the same day. The new debt facility gives the Group an additional £22m of funding and attracts interest at a rate of 6.5% over Libor, so reduces finance costs. The new facility is due for repayment in December 2024. After careful consideration the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future being at least twelve months from the date of signing the financial statements. For this reason the directors continue to apply the going concern basis in preparing the financial statements.

Adoption of new and revised standards

At the date of approving these financial statements, the following new and revised standards and interpretations were in issue but were not yet effective (and in some cases had not been adopted by the EU). None of these revised standards and interpretations have been adopted early by the Group.

- IAS 19 (Amended) – Employee benefits
- IAS 27 (Amended) - Separate financial statements
- IAS 28 (Amended) - Investments in associates and joint ventures
- IFRS 7 (Amended) - Financial instruments: Disclosures
- IFRS 16 (Amended) - Leases

With the exception of those mentioned below, the directors do not anticipate that the adoption of these standards and interpretations in future periods will have a material effect on the financial position or performance of the Group and Company.

IFRS 16 – Leases

The IASB issued IFRS 16 Leases in January 2016. The standard sets out principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for periods commencing on or after 1 January 2019, for the Group transition to IFRS 16 will take place on 1 November 2019. The Group will not early adopt the standard.

IFRS 16 removes the long-standing distinction between finance leases and operating leases and introduces a single lessee accounting model, with some limited exemptions for short-term leases of less than 12 months and leases of low-value assets, based on a 'right to use' principle.

The Group is in the process of quantifying the implications of the new standard, but expects the following impacts:

- There is expected to be an increase in total assets, as leased assets, currently accounted for off balance sheet (ie. classed as operating leases under IAS 17) will be recognised on balance sheet. The biggest asset category impacted for the Group is expected to be land and buildings.

Keystone Midco Limited

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

IFRS 16 – Leases (continued)

- There is expected to be an increase in debt, as liabilities relating to operating leases are recognised.
- Operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore EBITDA will increase.

Restatement of comparatives

The Company has adopted IFRS 15 from 1 April 2018. The Company has applied IFRS15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts. The financial statements and notes impacted are:

- Consolidated income statement
- Consolidated balance sheet
- Consolidated statement of comprehensive income
- Consolidated cashflow statement
- Note 13 inventories
- Note 14 trade and other receivables
- Note 16 trade and other payables
- Note 23 financial instruments

See note 26 to the consolidated financial statements for further details.

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.

Keystone Midco Limited

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

(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 Limited Group's executive directors.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Revenue and profit recognition

The Group accounts for revenue using IFRS 15. 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 of housing, revenue will be recognised based on stage of completion rather than on legal completion. The majority of the Group's revenue and profit, including revenue from open market sales, will continue to be recognised on legal completion.

Sale of housing to open market customers

Revenue and profits associated with these activities are included in the financial statements on legal completion.

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

Sale of housing to registered provider customers – with stage payments

The Group constructs and sells residential properties under long-term contracts with customers. Such contracts are entered into before construction of residential properties begins. Under the terms of the contracts, the Group is continually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a stage of completion method. 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 included in the financial statements on legal completion as this is the point at which control is passed from the Group to the purchaser.

Claims on customers or third parties for variations to the original contract are recognised in the income statement once entitlement to the claim has been established.

Claims by customers or third parties in respect of work carried out are recognised in the income statement once the obligation to transfer economic benefit has become probable.

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.

Keystone Midco Limited

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

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.

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:

	%
Freehold properties	2
Leasehold property improvements	over the lease term
Plant, equipment, fixtures and fittings	10 - 50
No depreciation is provided on freehold land	

Investment Properties

Investment properties are initially measured at cost, being purchase price including directly attributable expenditure. Investment properties are subsequently measured at fair value.

Operating leases

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.

Trade receivables

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

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

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

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

Impairment of financial assets

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

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

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

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

Inventories

Inventories are valued at the lower of cost and net realisable value.

(a) Land held for and under development

Land held for and under development includes land purchase costs and costs directly attributable to enhancing land value.

Land may be acquired at a reduced cost, with a commitment to subsequently sell plots at a similarly reduced selling price to the vendor of the land. In such cases the value of the land is adjusted to reflect its fair value, while the discount on the sale of plots is recognised as deferred income within development land payables.

(b) House building developments in progress

House building developments in progress are valued at the lower of cost and net realisable value. Cost comprises direct expenditure, together with an appropriate proportion of production overheads. Net realisable value represents the estimated amount at which inventory could be realised after allowing for costs of completion and realisation.

Cash and cash equivalents

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

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, 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.

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

Loans and borrowings

Interest bearing bank 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.

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 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 purchase of assets are recognised against assets and unwound over the useful lives of the related assets.

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.

(b) Defined benefit plans

For defined benefit plans the Group's retirement benefit obligation is recognised on the balance sheet and represents the deficit or surplus in the Group's defined benefit scheme. The calculation is performed by a qualified actuary on an annual basis. The scheme assets are measured using market values. Pension scheme 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 increase in the present value of the liabilities of the Group's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. Finance income on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest cost. Actuarial gains and losses 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.

Principal consolidated accounting policies for the 7 month period ended 31 October 2018

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.

- **Goodwill and intangible assets**

IFRS 3 requires the identification of acquired tangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates. Future results are impacted by the length of amortisation periods adopted, and changes to the estimated useful lives which would result in different effects on the income statement and balance sheet.

Goodwill is not amortised but is tested annually for impairment, along with finite life intangible assets and other assets of the Group's cash generating units. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing of cash flows and growth prospects) which are inherently subjective.

- **Fair value on land acquired at a discount to market value**

Where the Group enters into specific arrangements with partners who provide discounted land in return for the provision of social housing, the fair value of the housing units provided, which equates to the open market value of the discount to land, is reflected in the financial statements. Land value in the balance sheet is therefore reflected at its fair value with this fair value being released to revenue and cost of sales as the land is sold.

- **Estimation of costs to complete, work in progress and contract provisions**

In order to determine the profit and loss that the Group is able to recognise on its developments in a specific period, the Group has to allocate total costs to the developments between the proportion completing in the period and the proportion to complete in a future period. The assessment of total costs to be incurred requires a degree of estimation. However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual site basis.

- **Discounting of development land payables**

Where the Group enters into long-term payable arrangements with vendors of land, the Group discounts the value of land acquired to reflect the time value of money. The Group relies on forecast future land payment dates and an estimated cost of the Group's incremental capital cost to perform the discounting calculation.

Keystone Midco Limited

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

1 Group revenue

Continuing operations	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Open Market	265,877	403,557
Registered social landlord	58,363	123,662
Group revenue	324,240	527,219
Timing of revenue recognition		
At a point in time:		
Opening market	265,877	403,557
Registered social landlord	-	-
	265,877	403,557
Over time:		
Registered social landlord	58,363	123,662
	58,363	123,662
Total	324,240	527,219

All revenue is generated in the United Kingdom. There are no single major customers that account for 10% or more of the Group's revenue.

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied as at the end of the period was £9,120,000. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to unsatisfied performance obligations at 31 March 2018 is not disclosed.

Management expects that 100% (31 March 2018: 100%) of the transaction price allocated to the unsatisfied contracts as of 31 October 2018 will be recognised as revenue during the next reporting period.

2 Employees and directors

Comparative figures include employee costs and average monthly number relating to discontinued operations.

Employee benefit expense during the year	7 month Period ended 31 October 2018 £'000	Year ended ended 31 March 2018 £'000
Continuing and discontinued operations		
Wages and salaries	32,401	52,501
Social security costs	3,687	5,782
Other pension costs	759	1,204
Staff costs	36,847	59,487

Keystone Midco Limited

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

2 Employees and directors (continued)

Average monthly number of people (including executive directors) employed by activity	7 month Period ended 31 October 2018 Number	Year ended 31 March 2018 Number
Continuing and discontinued operations		
Production	441	412
Selling and distribution	139	128
Administration	549	558
	1,129	1,098

At 31 October 2018 the Group directly employed 1,134 (31 March 2018: 1,094) people across the UK.

Directors' emoluments

	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Aggregate emoluments	1,141	572
Pension contributions	14	1
	1,155	573

Highest paid director

Aggregate emoluments	429	555
Pension contributions	5	-
	434	555

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 (note 25).

	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Salaries and short-term employee benefits	1,141	1,958
Retirement benefit costs	14	41
	1,155	1,999

Included in the 7 month period ended 31 October 2018 is £272,000 (31 March 2018: £409,000) in respect of termination costs.

Keystone Midco Limited

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

3 Operating profit

Operating profit for the year includes the following:

Continuing operations	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Depreciation of property, plant and equipment	489	880
Profit on disposal of property, plant and equipment	-	(2,319)
Inventories expensed through cost of sales	264,157	397,900
Amortisation of intangible assets	1,086	5,658
Operating lease rentals – plant & machinery	473	690
Operating lease rentals – land & buildings	665	797
Exceptional items (note 4)	-	17,554

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

Continuing operations	7 month Period ended 31 October 2018 £'000	Restated Year ended 31 March 2018
Operating profit	21,575	15,179
Exceptional items	-	17,554
Shareholder monitoring fee	1,248	2,033
Amortisation of acquisition intangible assets	863	5,056
Impairment losses of investments in associated companies	511	642
Acquisition fair value adjustment to inventory*	-	890
Adjusted EBIT	24,197	41,354
Depreciation	489	880
Amortisation of computer software	224	602
Adjusted EBITDA	24,910	42,836

*As a result of the acquisition of MCI Developments Limited in January 2017, inventory was acquired, which included a fair value adjustment to its book value of £890k. All of the inventory relating to the fair value adjustment was sold during the prior year.

Comparatives have been restated for the adoption of new accounting standards, as stated in 26 to the financial statements.

Keystone Midco Limited

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

3 Operating profit (continued)

Contribution is calculated as follows:

Continuing operations	7 month Period ended 31 October 2018 £'000	Restated Year ended 31 March 2018
Gross profit	54,034	68,679
Amortisation of intangible assets	863	5,056
Exceptional items	-	13,220
Acquisition fair value adjustment to inventory*	-	890
Contribution	54,897	87,845

*As a result of the acquisition of MCI Developments Limited in January 2017, inventory was acquired, which included a fair value adjustment to its book value and the income statement of £890k. All of the inventory relating to the fair value adjustment was sold during the prior year.

Auditor's remuneration	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Audit of the Company's annual report	25	20
Audit of the financial statements of the Group's subsidiaries	312	274
Audit of the financial statements of the Group's joint ventures and associates	-	38
Total audit services	337	332
Tax advisory services	67	149
Other non-audit non-assurance services	558	393
Other non-audit assurance services	8	9
Fees payable to the Company's auditor in respect of associated pension schemes	-	12
Total other services	633	563
Total	970	895

The auditors' remuneration relates to continuing operations during the current financial period and continuing and discontinued operations during the previous year.

Keystone Midco Limited

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

4 Exceptional items

Continuing operations	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Included within cost of sales:		
Site losses	-	(13,220)
	-	(13,220)
Included within administrative expenses:		
Restructuring costs	-	(4,237)
Onerous lease provision	-	(1,608)
Costs associated with the Sale of Regeneration business (note 8)	-	-
Acquisition related fees	-	(1,058)
Deferred receipt on sale of the shared equity portfolio	-	250
Gain on disposal of property	-	2,319
	-	(4,334)
Included within finance expenses:		
Early repayment penalty on senior secured notes (note 5)	-	(7,743)
Total	-	(25,297)

Site losses

Exceptional site losses related to a number of sites arising within the West Midlands region where significant trading issues, including significant cost over-runs that were not adequately managed, resulted in site losses which, by size of loss and nature, warrant a separate presentation as exceptional items. Losses on sites were fully provided against in the year ended March 2018, with trading on all such sites completed no later than the end of the current financial period. To ensure profitable on-going trading, following detailed review, the decision was taken to close the West Midlands regional office, with the site portfolio rationalised and the management of on-going profitable sites successfully transferred to other regional offices, fully sustaining the presence of the Group within the Midlands region as a whole.

Restructuring costs

Following the disposal of the Regeneration division a corporate restructuring exercise, including redundancies, was undertaken during the year ended March 2018 to reflect the significant change in the size and focus of the Group. As part of this a one-off supply-chain re-engineering process was undertaken supported by external consultants. In addition, the West Midlands regional office was closed, as described above. Exceptional restructuring costs relate to redundancy costs and consultancy fees associated with these actions.

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 has become surplus to on-going operational requirements.

Acquisition related fees

During the year ended 31 March 2018 the Group incurred advisor fees related to abortive merger and acquisition activity

Disposal of shared equity portfolio

During the year ended 31 March 2016 the Group disposed of its entire shared equity portfolio. During the prior year the Group received £250,000 of deferred consideration.

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

4 Exceptional items (continued)

Gain on disposal of property

During the year ended 31 March 2018 the Group disposed of its Church Street office, its Conquest House office, its Beecham Court office and its Vallum house office for total cash consideration of £3,838,000 making a gain on disposal of £2,319,000. Vallum House had been held as an investment property.

Early repayment penalty on senior secured notes

During year ended 31 March 2018 the Group repaid £163.0m of its senior secured loan notes, incurring an associated early repayment penalty of £7,743,000.

5 Finance income and expense

Continuing operations	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Other interest income	23	59
Interest receivable from joint venture partners	236	
Finance income	259	59
Interest payable on bank loans and overdrafts	(1,730)	(2,851)
Finance charge on senior secured notes	(6,259)	(14,221)
Early repayment penalty on senior secured notes (note 4)	-	(7,743)
Unamortised issue costs including settlement write-off of senior secured notes	-	(4,677)
Interest payable on 12% preference shares	(291)	(410)
Interest payable to parent undertaking	(1,013)	(954)
Unwind of discount on deferred land payments	(2,581)	(3,003)
Unwind of discount on provisions	(444)	(1,203)
Finance expense	(12,318)	(35,062)
Net finance expense	(12,059)	(35,003)

Finance expense on the senior secured notes comprises interest, issue costs and unwinding of discount calculated using the effective interest rate method.

Keystone Midco Limited

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

6 Income tax charge/(credit)

	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Current tax		
UK corporation tax on loss for the period at 19% (31 March 2018: 19%)	1,145	(698)
Adjustment in respect of prior years	1,114	-
Current tax charge/(credit)	2,259	(698)
Deferred tax		
Origination and reversal of timing differences	(1,281)	(3,902)
Adjustment in respect of prior years	(40)	530
Difference in applicable tax rates	12	300
Deferred tax credit	(1,309)	(3,072)
Income tax charge/(credit) for the year	950	(3,770)

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

	7 month Period ended 31 October 2018 £'000	Restated Year ended 31 March 2018 £'000
Profit/(loss) before tax from continuing operations	9,516	(19,824)
Income tax charge/(credit) at UK corporation tax rate at 19% (31 March 2018: 19%)	1,808	(3,767)
Effects of:		
Expenses not deductible for tax purposes	367	516
Non-taxable income	-	(806)
Adjustment for joint venture	66	141
Utilisation of tax losses	(730)	-
Adjustments for transfer pricing	(172)	(231)
Land remediation relief	(304)	-
Group relief not paid for	168	245
Deferred tax previously not recognised	(1,374)	-
Adjustment in respect of prior year	1,074	(168)
Tax charged to equity	35	-
Difference in applicable tax rates	12	300
Income tax charge/(credit) for the period/year	950	(3,770)

Factors affecting current and future tax charges

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

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 17% (31 March 2018: 19%).

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

6 Income tax charge/(credit) (continued)

The position at period/year end was:

	31 October 2018 £'000	31 March 2018 £'000
Deferred tax assets	(5,257)	(3,961)
Deferred tax liabilities	217	265
	(5,040)	(3,696)

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

	31 October 2018 £'000	31 March 2018 £'000
At 1 April	(3,696)	(679)
Credit to income statement	(1,309)	(3,072)
Charge/(credit) to other comprehensive income	(35)	55
	(5,040)	(3,696)

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

Deferred tax assets

	Property, plant and equipment £'000	Tax losses £'000	Interest deductibility £'000	Other £'000	Total £'000
At 1 April 2017	642	902	-	-	1,544
Credit/(charge) to income statement	302	(28)	2,143	-	2,417
At 1 April 2018	944	874	2,143	-	3,961
Credit/(charge) to income statement	(279)	1,663	(189)	101	1,296
At 31 October 2018	665	2,537	1,954	101	5,257

Deferred tax liabilities

	Fair value adjustments £'000	Retirement benefit obligations £'000	Total £'000
At 1 April 2017	668	197	865
(Credit)/charge to income statement	(655)	-	(655)
Charge to other comprehensive income	-	55	55
At 1 April 2017	13	252	265
Credit to income statement	(13)	-	(13)
Credit to other comprehensive income	-	(35)	(23)
At 31 October 2018	-	217	217

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

6 Income tax charge (continued)

Unprovided deferred tax	31 October 2018 £'000	31 March 2018 £'000
Tax losses	20,537	22,047
	20,537	22,047

A deferred tax asset amounting to £20,537,000 (31 March 2018: £22,047,000) 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 Non-current assets held for sale and discontinued operations

Disposal of Regeneration business

On 30 April 2017, the Group disposed of 100% of its Regeneration business. The proceeds of the sale substantially exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the classification of these operations as held for sale.

Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the year are set out below.

	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Revenue	-	48,109
Expenses	-	(49,018)
(Loss)/profit before interest and tax of discontinued operations	-	(909)
Finance income	-	19
Tax	-	-
(Loss)/profit for the year from discontinued operations	-	(890)
Profit on disposal of Regeneration business (note 8)	-	132,435
Profit for the year from discontinued operations	-	131,545
Other comprehensive expense	-	-
Total comprehensive income from discontinued operations	-	131,545

Cash flows from the discontinued operations

	7 month Period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Operating cash flows	-	(7,037)
Investing cash flows	-	302,219
Financing cash flows	-	(13,886)
Total cash flows	-	281,296

Keystone Midco Limited

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

8 Disposal of a subsidiary

On 30 April 2017, the Group disposed of its Regeneration business. Details of the assets and liabilities disposed of and a calculation of the gain on disposal is set out below:

	Year ended 31 March 2018 £'000
Consideration received	
Cash and cash equivalents	313,124
Inter-company balances written off	29,712
Legal fees associated with the disposal	(3,132)
Total consideration received	339,704
Analysis of assets and liabilities over which control was lost	
Current assets	
Trade receivables	155,944
Non-current assets	
Property, plant and equipment	497
Goodwill and other intangible assets	231,394
Trade receivables	6,875
Current liabilities	
Trade and other payables	(180,771)
Provisions for liabilities	(349)
Non-current liabilities	
Trade and other payables	(3,510)
Retirement benefit liability	(2,011)
Provisions for liabilities	(800)
Total net assets disposed of	207,269
Gain on disposal	132,435

The gain on disposal is included in the profit for the year from discontinued operations (note 8).

Net cash inflow on disposal of a subsidiary

Consideration received in cash and cash equivalents	313,124
Less: cash and cash equivalent balances disposed of	-
	313,124

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

9 Goodwill and other intangible assets

	Goodwill	Contracted customer relationships	Land development rights	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	27,288	6,366	3,503	1,828	38,985
Additions	2,256	-	-	378	2,634
At 1 April 2018	29,544	6,366	3,503	2,206	41,619
Additions	-	-	-	-	-
At 31 October 2018	29,544	6,366	3,503	2,206	41,619
Accumulated amortisation					
At 1 April 2017	-	1,290	1,000	996	3,286
Charge for the year	-	4,415	641	602	5,658
At 1 April 2018	-	5,705	1,641	1,598	8,944
Charge for the year	-	599	264	224	1,087
At 31 October 2018	-	6,304	1,905	1,822	10,031
Net book amount					
At 31 October 2018	29,544	62	1,598	384	31,588
At 31 March 2018	29,544	661	1,862	608	32,675
At 31 March 2017	27,288	5,076	2,503	832	35,699

The prior year addition to Goodwill relates to a hindsight adjustment on the Group's acquisition of MCI Developments Limited in January 2017.

Impairment review of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. In testing goodwill and other intangible assets for impairment, the recoverable amount 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 March 2018: 2%) per annum. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the Group operates. A pre-tax discount rate of 10.3% (31 March 2018: 10.5%) has been applied, being the estimated weighted average cost of capital of the Group.

In view of the uncertainty surrounding the UK's decision to leave the European Union 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 headroom which was materially above the carrying value, so the directors are of the opinion that no impairment of goodwill is required.

Keystone Midco Limited

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

10 Property, plant and equipment

	Leasehold property improvements	Freehold land & property	Plant, equipment, fixtures and fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017	-	1,745	3,827	5,572
Additions	174	-	810	984
Disposals	-	(1,745)	(1,200)	(2,945)
At 1 April 2018	174	-	3,437	3,611
Additions	-	-	758	758
Disposals	-	-	-	-
At 31 October 2018	174	-	4,195	4,369
Accumulated depreciation				
At 1 April 2017	-	155	2,393	2,548
Charge for the year	10	22	848	880
Disposals	-	(177)	(894)	(1,071)
At 1 April 2018	10	-	2,347	2,357
Charge for the year	14	-	475	489
Disposals	-	-	-	-
At 31 October 2018	24	-	2,822	2,846
Net book amount				
At 31 October 2018	150	-	1,373	1,523
At 31 March 2018	164	-	1,090	1,254
At 31 March 2017	-	1,590	1,434	3,024

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

No freehold properties are subject to fix charges in connection with the Group's revolving credit facilities. There are floating charges over all remaining assets.

Keystone Midco Limited

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

11 Investment property

	Investment Property £'000
Fair Value	
31 March 2017	600
Disposals	(540)
31 March 2018	60
Additions	-
At 31 October 2018	60

During the year ended 31 March 2018 the Group disposed of Vallum House office and land at Stanley Road for cash consideration of £570,000 making a net gain on disposal of £30,000.

Investment property is stated at the directors' assessment of fair value as at 31 October 2018. This reflects, amongst other things, rental income from current leases and assumptions about rental income from future leases, in the light of current market conditions and consideration of market evidence for similar property if appropriate.

As the amount is not material to the Group, it is not considered necessary to provide the fair value disclosures from IFRS 13.

12 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	Proportion of voting rights held by Group	Accounting year end
Durham Villages Regeneration Limited	A class ordinary shares of £1 each (51% held)	50%	50%	31 March
Sheffield Housing Company Limited	Ordinary shares of £1 each (45% held)	45%	45%	31 March
BK Scotswood LLP	Members' capital (50% held)	50%	50%	31 December
New Tyne West Development Company LLP	Members' capital (25% held)	25%	25%	31 December
Osmaston Regeneration Partnership LLP	Members' capital (50% held)	50%	50%	31 March
Ilke Homes Holdings Limited	Ordinary shares of £0.01 each (5% held)	5%	5%	31 March

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: Sheffield Town Hall, Pinstone Street, Sheffield, S1 2HH.

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

12. Investments in joint ventures and associates (continued)

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 March 2018. The principal activity of the company will be procurement 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 M Budd, E Hawkes and S Robertson are board members of both Companies and therefore Keystone JVco Limited is viewed as having significant influence over Ilke Homes Holdings Limited. Ilke Homes Holdings Limited's principal activity is the construction of modular housing. The development of the modular housing product is carried out in partnership with Keepmoat Homes 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 of share capital of which the Group did not participate, consequently the Group's voting rights in Ilke Homes Holdings Limited reduced to 5% from 10%.

Details of transactions with these companies are set out in note 25.

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

	Joint ventures	Associates	Total
	£'000	£'000	£'000
At 1 April 2017	-	513	513
Additions		1,735	1,735
Equity accounted share of net losses	-	(493)	(493)
At 1 April 2018	-	1,755	1,755
Equity accounted share of net losses	-	(350)	(350)
As at 31 October 2018	-	1,405	1,405

During the year ended 31 March 2018 the Group acquired 1,000,000 ordinary shares of £0.01 in Ilke Homes Holdings Limited for consideration of £1,735,000.

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

13 Inventories

	31 October 2018	31 March 2018
Restated		
Land held for and under development	171,752	158,332
House building developments in progress	213,645	181,862
	385,397	340,194

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

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 £400,000 (31 March 2018: £900,000). 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 £9,875,000 (31 March 2018: £6,687,000) and to reduce cost of sales in the income statement by £2,011,000 (31 March 2018: £1,281,000).

14 Trade and other receivables

	31 October 2018	31 March 2018
Restated		
Non-current:		
Amounts due from related party undertakings (note 25)	3,670	3,669
Current:		
Trade receivables	17,040	20,948
Less: provision for impairment of receivables	(1,569)	(1,519)
Trade receivables – net of provision for impairment	15,471	19,429
Amounts due from parent undertakings (note 25)	823	685
Amounts due from related party undertakings (note 25)	1,900	3,996
Other receivables	7,391	8,182
Prepayments and accrued income	4,617	4,543
Contract assets	10,034	9,759
	40,236	46,594

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

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

14 Trade and other receivables (continued)

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

	31 October 2018 £'000	31 March 2018 £'000
As at 1 April	1,519	746
Charged to the income statement	50	773
	1,569	1,519

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 23.

15 Cash and cash equivalents

	31 October 2018 £'000	31 March 2018 £'000
Cash at bank and in hand	35,034	41,227

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

	31 October 2018 £'000	31 March 2018 £'000
Cash at bank and in hand	35,034	41,227
Bank overdrafts (note 17)	(29,155)	(1,868)
Cash and cash equivalents	5,879	39,359

Keystone Midco Limited

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

16 Trade and other payables

	31 October 2018 £'000	Restated 31 March 2018 £'000
Non-current:		
Trade payables	10,695	9,200
Development land payables	58,616	51,945
Amounts due to parent undertaking (note 25)	3,470	3,470
	72,781	64,615
Current:		
Trade payables	66,276	71,992
Amounts due to related party undertakings (note 25)	118	300
Amounts due to parent undertaking (see note 25)	11,623	13,622
Other tax and social security	2,126	1,675
Other payables	520	208
Development land payables	54,807	30,938
Contract Liabilities	17,589	14,154
Accruals and deferred income	28,719	55,708
	181,778	188,597

Comparatives have been restated for the adoption of new accounting standards, as stated in note 26 to the financial statements.

The maturity profile of 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, is as follows:

	Trade payables £'000	Development land payables £'000	31 October 2018 £'000
Period ended 31 October 2018			
More than one year and less than two years	10,695	23,390	34,085
More than two years and less than five years	-	29,432	29,432
More than five years	-	8,761	8,761
	10,695	61,583	72,278
	Trade payables £'000	Development land payables £'000	Restated 31 March 2018 £'000
Year ended 31 March 2018			
More than one year and less than two years	8,293	21,949	30,242
More than two years and less than five years	-	24,610	24,610
More than five years	-	10,863	10,863
	8,293	57,422	65,715

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

17 Loans and borrowings

	31 October 2018 EIR ¹ %	31 March 2018 EIR1 %	31 October 2018 £'000	31 March 2018 £'000
Current				
Bank overdraft	5.0%	5.0%	29,155	1,868
Bank loans	3.8%	3.8%	37,500	37,500
Senior secured notes	10.9%	n/a	99,776	-
Unamortised issue costs on senior secured noted	10.9%	n/a	(1,052)	-
Other loans	6.6%	6.6%	8,134	6,275
			173,513	45,643
Non-current				
Senior secured notes	n/a	10.9%	-	99,648
Unamortised issue costs on senior secured notes	n/a	10.9%	-	(1,642)
			-	98,006
			173,513	143,649
Maturity of financial liabilities				
Less than one year			173,513	45,643
Between two and five years			-	98,006
After more than five years			-	-
			173,513	143,649

¹ Effective interest rate %

At 31 October 2018 the Group had bank borrowings under a revolving credit facility of £37,500,000 (31 March 2018: £37,500,000). The had a date of maturity of 31 August 2019 but was renewed on 11 December 2018. 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. The new facility is secured via a floating charge over the assets of the Group Companies. On the same day the Group repaid its overdraft and drew down a new overdraft as part of the super senior revolving credit facility giving a combined total facility of £55,000,000.

As at 31 October 2018 the Group held £100,000,000 of senior secured loan notes. These were originally issued on 3 October 2014, when the Group issued senior secured notes due 2019 with an aggregate principal amount of £263,000,000m at 99.02% of their par value, resulting in proceeds of £260,400,000m. The senior secured notes are listed on the Luxembourg Stock Exchange and bear interest at 9.5%, payable semi-annually in arrears commencing 15 April 2015. On 15 June 2017, the Group redeemed £163,000,000 of its senior secured notes incurring early repayment charges of £7,743,000.

Existing senior secured notes, bank loans and overdrafts are secured by a floating charge over the other assets of the Group and are subject to cross guarantees with other companies (see note 22). Interest, issue costs and the unwinding of discount on the bond are being charged to the income statement applying an effective interest rate of 10.8%.

The senior secured notes were redeemed at par, subsequent to the year end 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.

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.

Keystone Midco Limited

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

18 Provisions for liabilities

	Deferred consideration £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2017	8,142	167	321	8,630
Charged to the income statement	1,179	51	3,589	4,819
On acquisition of subsidiary	2,256	-	-	2,256
Utilised during year	(2,189)	-	(186)	(2,375)
At 1 April 2018	9,388	218	3,724	13,330
Charged to the income statement	402	169	-	571
Utilised during year	(9,790)	-	(1,801)	(11,591)
At 31 October 2018	-	387	1,923	2,310
Current	-	136	421	557
Non-current	-	251	1,502	1,753
At 31 October 2018	-	387	1,923	2,310
Current	9,388	136	2,116	11,640
Non-current	-	82	1,608	1,690
At 31 March 2018	9,388	218	3,724	13,330

Deferred consideration

Deferred consideration arose in connection with the acquisition of MCI Developments Limited during the year ended 31 March 2017. The consideration was discounted to present value at 31 March 2017, the current period charge to the income statement is the unwind of that discount. The provision was settled during the period.

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 comprise redundancy provisions, legal fees in relation to claims and onerous lease provisions relating to the Group's leased estate. The onerous lease provision is calculated on a property by property basis and is calculated up to the next available break date or end of lease, whichever is earlier.

Dilapidations and other provisions are stated at expected cost as the effects of discounting are considered to be immaterial.

19 Share capital

	31 October 2018		31 March 2018	
	Number	£	Number	£
Authorised, allotted, called up and fully paid				
Ordinary shares of £1 each	1	1	1	1

All issued ordinary shares rank pari passu in all respects.

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

20 Financial commitments

At 31 October 2018, the Group has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery. The leases have various terms, escalation clauses and renewal rights. The minimum commitments for payments under these contracts are as follows:

	31 October 2018 £'000	31 March 2018 £'000
Continuing operations		
Within one year	1,650	1,476
Later than one year and less than five years	4,098	3,480
Later than five years	4,784	3,491
Total financial commitment	10,532	8,447

These relate to operational leasing of land and buildings and plant, machinery and vehicles.

21 Retirement benefit schemes

Keepmoat Pension Plan

The Group operates the Keepmoat Limited Group Pension Plan ("KPP"), with assets held in independently administered funds. Some members of the KPP have a defined benefit promise, 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 KPP also holds assets not attributable to individual members ("Contingency Fund") which can be returned to the Group and therefore has been accounted for as a current receivable within other receivables (note 14).

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

	7 month period ended 31 October 2018 %	Year ended 31 March 2018 %
Discount rate	2.8%	2.6%

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

21 Retirement benefit schemes (continued)

	31 October 2018 Years	31 March 2018 Years
<i>The mortality assumptions used were as follows:</i>		
Pensioner age at 65:		
- Men	22.5	22.5
- Women	24.6	24.6
Current member age at 45:		
- Men	24.7	24.7
- Women	26.9	26.9

	31 October 2018 £'000	31 March 2018 £'000
<i>The net funding status of the plan is as follows:</i>		
Present value of scheme liabilities	(13)	(23)
Retirement benefit liability	(13)	(23)
Contingency Fund receivable (amount included in other receivables - note 14)	2,510	2,712
Net funding status	2,497	2,689

	31 October 2018 £'000	31 March 2018 £'000
<i>Analysis of amounts (charged)/credited to the consolidated statement of comprehensive income</i>		
Actuarial (loss)/gain arising on retirement benefit obligations	(192)	1,652

Defined contribution schemes

The pension cost charged to the income statement in respect of the defined contribution scheme during the period was £759,000 (31 March 2018: £1,204,000 includes discontinued operations) representing contributions payable in the year. Contributions due to the defined contribution schemes at the period end were £98,000 (31 March 2018: £92,000).

22 Contingent liabilities

The Group has entered into performance guarantees in the normal course of business which, at 31 October 2018, amounted to £8.7m (31 March 2018: £14.1m). 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 2018 the Group had bank borrowings under the revolving credit facility of £37,500,000 (31 March 2018: £37,500,000) and bank overdrafts of £29,155,000 (31 March 2018: £1,868,000). The Group therefore had undrawn facilities totalling £8,345,000 (31 March 2018: £35,632,000). The guarantees are in the form of floating charges over the assets of certain Group companies. Following the Group's refinancing on 11 December 2018 the Group has a revolving credit facility of £27,500,000 and overdraft facility of £27,500,000 secured by a floating charge over the assets of certain group companies.

The Group is party to the Keystone Midco Limited Group ("Midco Group") senior facility agreement whereby the Midco Group had a revolving credit facility with a maximum facility of £75,000,000, following the Group's refinancing subsequent to period end the revolving credit facility had a maximum facility of £55,000,000. At 31 October 2018 the Midco Group was in a net cash position (31 March 2018: net cash position).

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

23 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 2018, the ratio of 2.94 for the year was within the required ratio of 4.30 (at 31 March 2018, the ratio of 2.45 for the year was within the required ratio of 4.20).

Financial risks and management

The Group's principal financial instruments comprised senior secured notes, bank loans, subordinated shareholder loan notes, and cash. The Group refinanced its debt post year end, for more details see note 27. The main purpose of these financial instruments and the new financial instruments following the Group's refinancing post year end is 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.

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 14) is as follows:

	31 October 2018 £'000		31 March 2018 £'000	
	Gross trade receivables £'000	Provision for impairment £'000	Gross trade receivables £'000	Provision for impairment £'000
Number of days past due date:				
Not past due	8,986	-	12,226	-
Past due 1 to 30 days	2,359	-	3,069	-
Past due 31 to 90 days	1,320	-	1,436	-
Past due 91 to 365 days	2,508	25	2,618	-
Past due greater than one year	1,867	1,544	1,599	1,519
	17,040	1,569	20,948	1,519

**Notes to the consolidated financial statements
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23 Financial instruments (continued)

Following the adoption of IFRS 9 the Group has applied an effective credit loss model to its recoverability of its receivables, but most of which are from housing associations which are government funded. Given the nature of the Group's receivables and lack of significant exposure to expected credit loss, the impact of the effective credit loss model has been minimal.

Included within the Group's trade receivable balance are receivables with a carrying amount of £3.7m (31 March 2018: £7.2m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable.

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 17.

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 the refinancing of the senior secured notes and the refinancing of the revolving credit facility the Group has released a further £22m of liquidity. See note 23 for more details on the Group's refinancing subsequent to year end.

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 to compare to the facilities available 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; continuous monitoring of working capital levels and contract profitability and the review of 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

The Group's exposure to changes in market interest rates is significantly mitigated as its long term borrowings comprise exclusively fixed interest rate instruments. The committed bank facilities are at floating interest rates at a margin over the London Interbank Borrowing Rate (LIBOR) and management continually keeps this exposure under review. Following the refinancing post year end the Group now holds an additional £150m of floating rate debt, so its exposure to interest risk has increased.

At 31 October 2018, 59% (31 March 2018: 70%) of the Group's borrowings were at a fixed rate of interest.

Housing market risk

The Group is affected by price fluctuations of 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

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.

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

23 Financial instruments (continued)

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 2018 £'000		31 March 2018 £'000	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Loans and receivables				
Cash at bank and in hand (note 15)	35,034	35,034	41,227	41,227
Trade and other receivables (note 14)	35,840	35,840	40,412	40,412
	70,874	70,874	81,639	81,639
Financial liabilities at amortised cost				
Trade and other payables (note 16)	208,251	208,251	183,350	183,350
Loans and borrowings:				
Bank overdraft (note 17)	29,155	29,155	1,868	1,868
Bank loans (note 17)	37,500	37,500	37,500	37,500
Other loans (note 17)	8,134	8,134	6,275	6,275
Senior secured notes (note 17)	99,776	98,130	99,648	102,290
	382,816	381,170	328,641	331,283

Prepayments and contract assets are excluded from the trade and other receivables balances. Accruals, 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 2018, the Group had committed borrowing facilities totalling £75,000,000 (31 March 2018: £75,000,000) representing revolving credit facilities and overdraft, which following an extension of the facility, are due for renewal on 31 August 2019. At 31 October 2018 the Group had bank borrowings under the revolving credit facility of £37,500,000 (31 March 2018: £37,500,000) and bank overdrafts of £29,155,000 (31 March 2018: £1,868,000). The Group therefore had undrawn facilities totalling £8,345,000 (31 March 2018: £35,632,000). Revolving credit facilities bear interest at 3.25% over LIBOR whilst cash overdrafts are 3.75% over Bank of England base rate. Performance bonds attract interest at a flat rate of 1.875%.

Keystone Midco Limited

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

25 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 2018	Sales to £'000	Purchases from £'000	Management Fees/ recharges £'000	Finance Income/ (expense) £'000
Parent undertaking				
Keystone Topco Limited	-	-	-	(372)
Joint ventures				
Durham Villages Regeneration Limited	48	-	3	-
Associates				
Sheffield Housing Company Limited	9,642	-	-	-
New Tyne West Development Company LLP	1,010	-	-	-
Ilke Homes Holdings Limited	-	-	-	-
	10,700	-	3	(372)

Trading transactions

Year ended 31 March 2018	Sales to £'000	Purchases from £'000	Management Fees/ recharges £'000	Finance Income/ (expense) £'000
Parent undertaking				
Keystone Topco Limited	-	-	-	(574)
Joint ventures				
Durham Villages Regeneration Limited	163	-	10	-
Associates				
Sheffield Housing Company Limited	23,993	-	-	-
New Tyne West Development Company LLP	4,930	-	-	-
Ilke Homes Holdings Limited	-	250	-	-
	29,086	250	10	(574)

Transactions with connected parties

The investment funds that control the Company's ultimate UK based parent, Keystone JVco limited have significant influence over Drone surveying limited. During the period the Company made purchases of £15,720 from Drone surveying limited. Included within trade payables at 31 October 2018 was £3,960 owed to Drone Surveying Limited.

Keystone Midco Limited

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

25 Related party disclosures (continued)

The outstanding balances between the Group and these related parties as at 31 October 2018 was as detailed below:

Balances outstanding	Trade and other receivables		Trade and other payables	
	31 October 2018	31 March 2018	31 October 2018	31 March 2018
	£'000	£'000	£'000	£'000
Parent undertakings				
Keystone JVco	-	-	8,982	11,354
Keystone Topco Limited	823	685	6,111	5,738
Joint ventures				
Durham Villages Regeneration Limited	62	25	-	156
BK Scotswood LLP	2,073	2,073	-	-
Associates				
Sheffield Housing Company Limited	3,427	5,425	-	63
New Tyne West Development Company LLP	-	322	108	81
Ilke Homes Limited	8	-	10	-
Total	6,393	8,350	15,211	17,392
Current (receivables note 14, payables note 16)	2,723	4,681	11,741	13,922
Non-current (receivables note 14, payables note 16)	3,670	3,669	3,470	3,470
Total	6,393	8,350	15,211	17,392

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 £1,597,000 (31 March 2018: £1,597,000) bearing interest at 7% and secured on the assets of SHC.
- Loan receivable from BK Scotswood LLP of £2,073,000 (31 March 2018: £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 85% of the issued share capital of the Company whilst Sun Capital Partners has effective control of the remaining 15%. During the period, TDR Capital LLP and SUN Capital Partners have charged the Group for monitoring fees totalling £1,248,000 (31 March 2018: £2,053,000). The charges were split equally between the two investors.

Keystone Midco Limited

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

25 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

Name of Company	Principal activities	Group's effective shareholding
Keepmoat Site Services Limited	Provision of corporate services	100%
Force Solutions Limited	Dormant	100%
Conquest Bidco Limited	Intermediate holding company	100%
Apollo Support Services Group Limited	Intermediate holding company	100%
Apollo Holdco Limited	Intermediate holding company	100%
Toucan Holdings Limited	Property management	100%
Goldhall Electrical Limited	Housing regeneration	100%

26 Adoption of new standards

IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 from 1 April 2018. The Group has applied IFRS15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c), but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, ie 1 April 2017.

Under IFRS 15, 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 of housing, revenue will be recognised based on stage of completion rather than on legal completion. The majority of the Group's revenue and profit, including revenue from open market sales, will continue to be recognised on legal completion.

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

26 Adoption of new standards (continued)

The standard also sets out the requirements for recognition of non-cash consideration as revenue. Previously, where the Group entered into arrangements to provide housing to registered providers at below open market value in exchange for discounted land from partners, the associated housing unit revenue is recorded at open market value. IFRS 15 does not permit this, as the exchange transaction (land discount from partner) is not received directly from the customer (registered provider) and so does not meet the criteria of non-cash consideration. This will reduce reported revenue. Accordingly, the revenue recognised in respect of these housing units will be equal to the cash consideration received from registered providers, with no open market value adjustment. There are a limited number of developments where the eventual buyer of the affordable units is the same entity as the land vendor. In these instances the discount received represents non-cash consideration, which continues to be recognised as revenue.

The table below shows the impact of adoption of IFRS 15 on the previously reported year ended 31 March 2018 income statement and balance sheet.

Income statement for year ended 31 March 2018

	Note	As previously reported £'000s	IFRS 15	Restated £'000s
Group revenue	[1]	555,588	(28,369)	527,219
Cost of sales	[1]&[4]	(486,607)	28,067	(458,540)
Gross profit	[4]	68,981	(302)	68,679
Administrative expenses		(53,299)	-	(53,299)
Other operating income		292	-	292
Share of results of equity accounted joint ventures and associates		(493)	-	(493)
Operating profit from continuing operations		15,481	(302)	15,179
Finance income		59	-	59
Finance expense		(35,062)	-	(35,062)
Loss before tax		(19,522)	(302)	(19,824)
Income tax credit		3,770	-	3,770
Loss for the year from continuing operations		(15,752)	(302)	(16,054)
Discontinued operations				
Profit for the year from discontinued operations		131,545	-	131,545
Profit for the year		115,793	(302)	115,491
 Gross profit margin		 12.4%		13.0%

Reconciliation of equity

	Note	31 March 2018 £'000s	1 April 2017 £'000s
Total equity as previously reported		64,057	117,054
Restatement of registered provider revenue	[4]	937	1,239
Total adjustment to equity		937	1,239
Total equity under IFRS 15		64,944	118,293

Keystone Midco Limited

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

26 Adoption of new standards (continued)

Balance Sheet as at 31 March 2018

	Note	As previously reported £'000s	IFRS 15	Restated £'000s
Assets				
Goodwill and other intangible assets		32,675	-	32,675
Property, plant and equipment		1,254	-	1,254
Investment property		60	-	60
Investments in joint ventures and associates		1,755	-	1,755
Trade and other receivables		3,669	-	3,669
Deferred tax asset		3,961	-	3,961
Total non-current assets		43,374	-	43,374
Inventories	[1],[4]&[5]	374,472	(34,278)	340,194
Trade and other receivables	[2]&[4]	41,286	5,308	46,594
Income tax recoverable		4,084	-	4,084
Cash and cash equivalents (excluding bank overdrafts)		41,227	-	41,227
Total current assets		461,069	(28,970)	432,099
Total assets		504,443	(28,970)	475,473
Equity				
Share capital		-	-	-
Capital reserve		108,140	-	108,140
Accumulated losses		(44,083)	937	(43,146)
Total equity		64,057	937	64,994
Liabilities				
Trade and other payables	[1],[3]&[5]	80,368	(15,753)	64,615
Loans and borrowings		98,006	-	98,006
Provisions for liabilities		1,690	-	1,690
Retirement benefit liability		23	-	23
Deferred tax liability		265	-	265
Non-current liabilities		180,352	(15,753)	164,599
Trade and other payables	[1],[3]&[5]	202,751	(14,154)	188,597
Income tax payable		-	-	-
Loans and borrowings		45,643	-	45,643
Provisions for liabilities		11,640	-	11,640
Current liabilities		260,034	(14,154)	245,880
Total liabilities		440,386	(29,907)	410,479
Total equity and liabilities		504,443	(28,970)	475,473

Keystone Midco Limited

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

26 Adoption of new standards (continued)

Balance Sheet as at 31 March 2017

	Note	As previously reported £'000s	IFRS 15	Restated £'000s
Assets				
Goodwill and other intangible assets		35,699	-	35,699
Property, plant and equipment		3,024	-	3,024
Investment property		600	-	600
Investments in joint ventures and associates		513	-	513
Trade and other receivables		3,432	-	3,432
Deferred tax asset		1,544	-	1,544
Total non-current assets		44,812	-	44,812
Inventories	[1],[4]&[5]	293,374	(30,451)	262,923
Trade and other receivables	[2]&[4]	66,621	5,667	72,288
Cash and cash equivalents (excluding bank overdrafts)		41,427	-	41,427
Total current assets		401,422	(24,784)	376,638
Assets classified as held for sale		385,491		385,491
Total assets		831,725	(24,784)	806,941
Equity				
Share capital		-	-	-
Capital reserve		108,140	-	108,140
Retained earnings		8,194	1,239	9,433
Total equity		117,054	1,239	118,293
Liabilities				
Trade and other payables		34,445	-	34,445
Loans and borrowings		255,500	-	255,500
Provisions for liabilities		6,360	-	6,360
Retirement benefit liability		329	-	329
Deferred tax liability		865	-	865
Non-current liabilities		297,499	-	297,499
Trade and other payables	[1],[3]&[5]	186,903	(26,023)	160,880
Income tax payable		2,405	-	2,405
Loans and borrowings		31,641	-	31,641
Provisions for liabilities		2,270	-	2,270
Current liabilities		223,219	(26,023)	197,196
Liabilities classified as held for sale		193,953		193,953
Total liabilities		714,671	(26,023)	688,648
Total equity and liabilities		831,725	(24,784)	806,941

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

26 Adoption of new standards (continued)

- [1] The standard sets out the requirements for recognition of non-cash consideration as revenue. Previously, where the Group entered into arrangements to provide housing to registered providers at below open market value in exchange for discounted land from partners, the associated housing unit revenue was recorded at open market value. IFRS 15 does not permit this, as the exchange transaction (land discount from partner) is not received directly from the customer (registered provider) and so does not meet the criteria of non-cash consideration, except in the case when the land vendor and buyer of affordable units are the same. Accordingly, the revenue recognised in respect of these housing units will be equal to the cash consideration received from registered providers, with no open market value adjustment.
- [2] Under IFRS 15, revenue recognised prior to the date on which it is invoiced to the customer is recognised as a contract asset. This balance was previously recognised within trade receivables and has so been reclassified. There was no impact on the income statement as a result of these reclassifications.
- [3] For registered provider sales there is a timing difference between payment for the houses and when control passes to the customer. A contract liability has been recognised for this amount, that was previously recognised within accruals and deferred income. There was no impact on the income statement as a result of these reclassifications.
- [4] Prior to the Group adopting IFRS 15 revenue from registered providers was recognised on legal completion. Under IFRS 15, revenue is recognised based on indicators of control, rather than solely when risks and rewards are transferred. This leads 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 of housing, revenue will be recognised based on stage of completion rather than on legal completion. The impact would be to recognise revenue earlier and the impact is shown above. The balance sheet impact of this is to decrease contract liabilities and increase contract assets. At the same time this adjustment reduces the value of inventories as cost of sales increases as revenue is recognised earlier.
- [5] Prior to the introduction of IFRS 15 a land commitment creditor was recognised for the fair value of housing due to registered providers. Going forward, following the change discussed in [1] above, the Group will only recognise a development land payable balance when the land vendor and buyer of affordable units are the same. The effect will be to reduce development land payables and land held for and under development by the same amount.

IFRS 9 'Financial Instruments'

IFRS 9 came into effect on 1 January 2018 replacing IAS39 Financial instruments: Recognition and measurement and requires changes to the classification and measurement of certain financial instruments from that under IAS 39. On review the majority of the Group's financial assets and liabilities will continue to be accounted for on an identical basis under IFRS 9 as they were under IAS 39.

Impairment of financial assets

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

At 1 April 2018 the directors have reviewed and assessed the existing financial assets and amounts due from customers to determine the credit risk of each item and concluded that there is no financial impact on the Group. 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 relating to registered provider sales depends on the individual characteristics of the contract 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.

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

27 Post balance sheet events

On 11 December 2018, Keystone Financing Plc, a Group subsidiary undertaking redeemed, its senior secured notes at par. On the same day Keystone Bidco Limited, a Group subsidiary company drew down a £150,000,000 term loan facility attracting interest of 6.5% plus Libor due for repayment in December 2024.

On 11 December 2018, Castle 1 Limited, a Group subsidiary undertaking repaid in full its £37,500,000 revolving credit facility. On the same day, Keystone Bidco Limited, a Group subsidiary undertaking drew down new debt in the form of a £27,500,000 revolving credit facility. The new facility is a super senior revolving credit facility with a limit of £27,500,000 due for renewal in June 2025 attracting interest at a rate of 3.0% plus Libor. On the same day the Group repaid its overdraft and drew down a new overdraft as part of the super senior revolving credit facility giving a combined limit of £55,000,000. The new facility is secured via a floating charge over the assets of the Group Companies.

The Group incurred total issue costs of £8,300,000 as a result of issuing the two new debt facilities.

On 1 December 2017 the Group received a loan from its shareholders with principal amount of £10.0m. The loan bore interest at 2.5% payable quarterly in arrears and was for repayment no later than 31 October 2018. The loan was repaid subsequent to period end and the Group received a further four loans from its shareholders. The new loans were made up of £8,612,000 due for repayment on 30 April 2019 and £1,843,000 due for repayment on 30 November 2019. The loans were split in proportion of the ownership of the Group's shareholders. The new shareholder loans attract interest at 2.5%

28 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

**Independent Auditors' Report
to the members of Keystone Midco Limited - Company**

Report on the audit of the company financial statements

Opinion

In our opinion, Keystone Midco Limited's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 October 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the company balance sheet as at 31 October 2018; the company statement of changes in equity for the 7 month period then ended; the principal company accounting policies; and the notes to the financial statements.

Basis for opinion

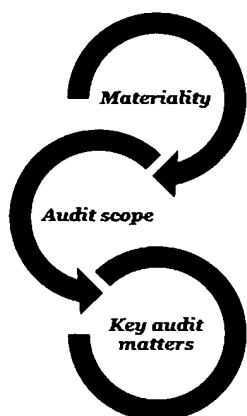
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the 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, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: £820,000 (12 month period ended 31 Mar 2018: £1,260,000), based on 1% of total assets.
 - All material balances within the Company's financial statements have been subject to a full scope audit
 - Carrying value of investments and intercompany receivables.
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent Auditors' Report to the members of Keystone Midco Limited - Company

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Carrying value of investments and intercompany receivables</i> We focused upon this area because the underlying value in the Company is represented by balances due from the wider group and the investment held by the Company in its subsidiaries. The key judgement is the underlying cash generation and profitability of the wider group which can be affected by market conditions and unexpected events.	We assessed the adequacy of controls over the forecasting of the group and underlying controls over site valuations, including costs to complete, site budget approvals, and the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. We assessed the accuracy of management's forecasting of site development profit against actual profits recorded. We performed sensitivity analysis over the forecasts of the group, specifically a decline in EBITDA (focusing on a downturn in revenue and increase in build costs) and increase in discount rate. We noted no concerns with the carrying value.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is managed by the Keystone JVco Limited group's head office function. All balances within the Company's financial statements have been subject to a full scope audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£820,000 (12 month period ended 31 Mar 2018: £1,260,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	The key objective of the company is to hold investments in the various group companies. As a result, we believe total assets is the primary measure used by the shareholders in assessing the performance of the parent company and is therefore the appropriate benchmark to use in setting materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 (12 month period ended 31 Mar 2018: £63,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

**Independent Auditors' Report
to the members of Keystone Midco Limited - Company**

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 October 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities in respect of the financial statements set out on page 16, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Independent Auditors' Report
to the members of Keystone Midco Limited - Company**

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Keystone Midco Limited for the 7 month period ended 31 October 2018.



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

Keystone Midco Limited

Company balance sheet as at 31 October 2018

	Note	31 October 2018 £'000	31 March 2018 £'000
Assets			
Investments in subsidiaries	31	108,140	108,140
Trade and other receivables	32	3,470	3,470
Total non-current assets		111,610	111,610
Current assets			
Trade and other receivables: amounts falling due within one year	32	9,628	12,268
Total current assets		9,628	12,268
Total assets		121,238	123,878
Equity			
Share capital	35	-	-
Capital reserve		108,140	108,140
Accumulated losses		(1,020)	(379)
Total equity		107,120	107,761
Liabilities			
Loans and borrowings	34	3,470	3,470
Total non-current liabilities		3,470	3,470
Trade and other payables	33	10,648	12,647
Total current liabilities		10,648	12,647
Total liabilities		14,118	16,117
Total equity and liabilities		121,238	123,878

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 loss during the period ended 31 October 2018 of £641,325 (31 March 2018: £170,009,000 profit).

The financial statements on pages 71 to 75 of Keystone Midco Limited, registered number 09050684, were approved by the Board of Directors on 26 February 2019 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 2018

	Note	Share Capital £'000	Capital Reserve £'000	Accumulated losses £'000	Total £'000
At 31 March 2017		-	108,140	-	108,140
Profit for the year		-	-	170,009	170,009
Other comprehensive expense		-	-	-	-
Total comprehensive expense for the year		-	-	170,009	-
Dividend				(170,387)	(170,387)
At 31 March 2018		-	108,140	(379)	107,761
Loss for the period		-	-	(641)	(641)
Other comprehensive expense		-	-	-	-
Total comprehensive expense for the period		-	-	(641)	(641)
At 31 October 2018		-	108,140	(1,020)	107,120

Principal company accounting policies for the year ended 31 October 2018

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 2018 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).
Comparative information	Exemption from comparative disclosure for movements on share capital, property, plant and equipment, intangibles and investment property.
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 28 to 35 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.

Keystone Midco Limited

Notes to the financial statements - Company for the year ended 31 October 2018

29 Employees and directors

The Company does not have any employees (31 March 2018: nil).

Directors' emoluments

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

30 Operating costs

Operating costs for the year include the following:

Auditor's remuneration	7 month period ended 31 October 2018 £'000	Year ended 31 March 2018 £'000
Audit of the Company's annual report	25	20
Total auditor's remuneration	25	20

Fees payable to the Company's auditors were met by Keepmoat Homes Limited, a Group company, without recharge to the Company.

31 Investments in subsidiaries

	31 October 2018 £'000	31 March 2018 £'000
Cost and net book value		
At 1 April 2018 and 31 October 2018	108,140	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.

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 25 to the consolidated financial statements.

32 Trade and other receivables

	31 October 2018 £'000	31 March 2018 £'000
Trade and other receivables: amounts falling due after more than one year		
Amounts due from subsidiary undertakings	3,470	3,470
	3,470	3,470
Trade and other receivables: amounts falling due within one year		
Amounts due from subsidiary undertakings	9,038	11,678
Other receivables	590	590
	9,628	12,268

In respect of the non-current amount due from subsidiary undertakings, this comprises 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 comprises the accrued fixed dividend arising on the 12% preference shares.

Keystone Midco Limited

Notes to the financial statements - Company for the year ended 31 October 2018

33 Trade and other payables

Current:

	31 October 2018 £'000	31 March 2018 £'000
Amounts owed to subsidiary undertakings	10,648	12,647
	10,648	12,647

Accruals and deferred income represents interest accruing on the subordinated shareholder loan notes (note 34).

34 Loans and borrowings: amounts falling due after more than one year

Non-current:

	31 October 2018 £'000	31 March 2018 £'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 2018 £'000	31 March 2018 £'000
After more than five years	3,470	3,470
	3,470	3,470

35 Share capital

See note 19 to the consolidated financial statements for details.

36 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, the Keystone Topco 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 14% owned by certain employees, or former employees, ("management") of Keepmoat Limited and its subsidiaries. This means 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 £590,000 (31 March 2018: £590,000), the balance is included within other receivables.

37 Ultimate controlling party

See note 27 to the consolidated financial statements.