STONEBOND
PROPERTIES
– EST. 1975 –

ANNUAL REPORT 2020

I'm extremely excited about the future at Stonebond, we have highly ambitious plans to grow the business and a quality leadership that combines many years of experience within listed housebuilders.

GRAHAM CHERRY
CO-CHAIRMAN

STONEBOND HOUSE
New London Road,
Chelmsford, Essex

The Directors present their Strategic Report together with the individual and consolidated financial statements for Stonebond Group Limited (the "Group") for the year ended 31 October 2020.

STONEBOND GROUP LIMITED

STONEBOND PROPERTIES (CHELMSFORD) LIMITED	STONEBOND PROPERTIES (ST ALBANS) LIMITED	STONEBOND PROPERTIES (SEVENOAKS) LIMITED	STONEBOND PROPERTIES (SOLIHULL) LIMITED
Incorporated April 2005	Incorporated February 2020	Incorporated February 2020	Incorporated February 2021

STRATEGIC REPORT

GOVERNANCE

FINANCIALS

INTRODUCTION

STONEBOND BUSINESS MODEL

Stonebond is a premium house-building business focused on building homes and communities across the South East. We employ a mixed tenure model allowing for the delivery of both private and affordable/build-to-rent homes.

Our business model is predicated on creating long-term sustainable value for all of our stakeholders and this is embedded within the Stonebond philosophy. Our purpose is to build quality homes, strengthen communities and improve people's lives utilising a mixed-tenure model that also enhances shareholder value.

PREMIUM DEVELOPER

High quality residential developer of both private and affordable/build-to-rent homes achieved at a competitive build cost £psf.

MIXED TENURE MODEL

Mixed tenure strategy delivering a 50:50 private: affordable split by revenue reducing market sales risk and enhancing ROCE.

NICHE MARKET POSITION

Typical developments sizes of 20-200 units with a 'sweet spot' of between 60-80 units. These schemes are not typically large enough for volume housebuilders but too large for SMEs.

EXPERIENCED BOARD & EXECUTIVE MANAGEMENT TEAM

The Board of Directors and executive management team have in excess of 150 years' experience within FTSE listed housebuilders.

STRONG BALANCE SHEET & SIMPLE ORGANISATIONAL STRUCTURE

The Group has over £40m of equity from shareholder investment and retained earnings. The business plan does not require external debt, the use of SPVs or third party finance which allows for a simple organisational structure.

REGIONAL GROWTH STRATEGY & SCALABLE PROPOSITION

Proven lower risk higher ROCE business model which is being successfully replicated across the Northern & Southern Home Counties with further regional expansion and growth opportunities.

REGIONAL GROWTH STRATEGY

Stonebond's medium-term strategy is to invest in opportunities with the right risk-adjusted returns, by expanding regionally from its Head Office in Chelmsford replicating the proven business model and its standardised approach to house types and operating procedures.

This has been successfully achieved with our second regional operational set-up in St Albans which is focused on land opportunities within Hertfordshire, Bedfordshire, Buckinghamshire & Berkshire and is currently on track to deliver an operating profit in its first full year of trading. Over the course of next year, further regional operations will commence in both Sevenoaks and Solihull.

The business objective within 5 years is to have five autonomous operating regions cumulatively delivering £60m of operating profit per annum with a gross asset value in excess of £140m. This will provide us with the ideal platform for our listing aspirations on AIM/FTSE SmallCap by October 2025.

With both Graham and Richard Cherry having served as Executive Board Directors of Countryside Properties plc and Andrew Cornelius having previously held the positions of Group Financial Controller and Divisional Finance Director at Countryside Properties plc, the Board has the requisite expertise and track-record of success within the industry to deliver its growth plans as outlined.

2020 KEY PERFORMANCE INDICATORS

The Directors use a number of financial and non-financial Key Performance Indicators ("KPIs") to track the performance of the business. These represent both short- and medium-term targets for the business and align with the Group's overall strategy.

FINANCIAL KPIS

GROSS MARGIN

19.5%

Target land opportunities in primary locations delivering a blended gross margin of 20% from both private-led and affordable/build-to-rent schemes.

ADJUSTED OPERATING PROFIT

£1M

Deliver year-on-year growth in operating profits to achieve the targets outlined in the Group's 5 Year Plan.

ADJUSTED OPERATING MARGIN

4.7%

Target delivery of an operating margin in excess of 15%, depending on the proportion of mixed-tenure delivery.

RETURN ON CAPITAL EMPLOYED ("ROCE")

5.2%

Focus on the capital efficiency of schemes being delivered to generate a ROCE in excess of 50%.

NON-FINANCIAL KPIS

HEALTH & SAFETY

ACCIDENT INJURY INCIDENT RATE ("AIIR")

Our primary focus is the health, safety and well-being of our team and all those who work with us. Through our carefully defined Health and Safety operating procedures, we aim to keep the AIIR well below the industry average and as close to zero as possible.

BUILD QUALITY

REPORTABLE INCIDENTS ("RIS")

Building homes to a high standard from the outset helps minimise customer care issues and maintains our reputation for high quality homes. We aim to keep our RIs well below the industry average.

CUSTOMER SATISFACTION

NHBC RECOMMEND A FRIEND SCORE %

We pride ourselves on the quality of the homes we deliver. Customer satisfaction, including those of our HA partners, is of paramount importance to us.

We are a member of the HBF/NHBC Recommend a Friend scheme which provides independent certification of private customer satisfaction. Our aim is to maintain our 5* Housebuilder rating.

5☆

PIPELINE

Securing land at optimum prices in strong locations is key to delivering our target returns whilst ensuring a supply of land for the future growth of the business. Our target is to achieve an owned and controlled pipeline in excess of 5 years delivery in the medium-term.

EMPLOYEE SATISFACTION

Our people are our greatest asset and we are conscious of the need to continue to attract and retain the best people to achieve our growth ambitions. In pursuit of this, we aim to be an upper quartile employer, benchmarked against the wider industry.

EXECUTIVE BOARD REVIEW

RICHARD CHERRY
CO-CHAIRMAN

We established Stonebond over 40 years ago and since then have secured an enviable reputation for developing high-quality new homes. Our approach to development focuses on the creation of quality properties with an individual sense of place.

GRAHAM CHERRY
CO-CHAIRMAN

Our model enables us to deliver new homes for housing associations and local authority partners, whilst also continuing to build desirable, high-quality open market homes.

We are pleased to report on the financial and operating results for the year ended 31 October 2020 in which, despite the impact of COVID-19, the Group delivered an adjusted operating profit in excess of £1m.

COVID-19 presented the business with unprecedented challenges and has been a key focus for the Board. In addition to the scheduled monthly Board meetings, the Board met virtually and more frequently this year dealing with the impacts of COVID-19 as they unfolded to protect and enhance the long-term sustainability of the business.

The health, safety and wellbeing of our employees, our supply chain, our customers and their families remains our number one priority. Our immediate response to the pandemic in March 2020 was to temporarily close our construction sites and sales outlets. An orderly and phased return to construction only began in May 2020 when it was safe to do so following the implementation of robust COVID-19 Operating Procedures and Processes. Sales outlets re-opened in May 2020 for customers on an appointment only basis with stringent safeguarding measures and enhanced cleaning regimes in place.

The Group acted decisively to put in place measures to protect its cash flow. A Revolving Credit Facility (“RCF”) of £5m, with an accordion facility of £5m, was agreed with NatWest Group which marks a significant milestone for Stonebond and highlights the confidence in our management team and the strength of our business model. Given the timely return to work and the effectiveness of internal measures to protect our cash flows, the Group has not drawn down on the RCF.

As part of our immediate measures to protect our cash flow position, the Group furloughed circa. 40% of its employees, with all furloughed employees returning to work by the end of June 2020. With the easing of lockdown measures the housing market has recovered strongly supported by Government policy with the extension of the Help To Buy scheme and stamp duty allowance. We were therefore delighted to return all furlough payments to HMRC from an ethical and moral perspective.

The Group revised its business strategy during the year with the ambition of delivering more affordable schemes with our Housing Association/Private Rental Sector partners which has improved cash generation and ROCE allowing funds to be recycled back into the business more efficiently. The Group completed on its first transaction of this nature at Springfield Road, Chelmsford working in partnership with Home Group, a national Housing Association, during the financial year. The Board also implemented further measures including restructuring land payment structures, WIP control measures and tightening controls around cash expenditure to protect its cash flows.

As part of the UK-wide national lockdown on 23 March 2020, all employees were required to work from home and were able to do so effectively given the Group’s advanced and robust IT systems which support remote working. Whilst offices re-opened in June 2020, many staff continued to work effectively from home on a full or part-time basis. During this difficult period for our employees, including those on furlough, the Board were very conscious of the physical health and well-being of all staff and have spent considerable time to ensure all staff were supported by introducing virtual exercise programmes, virtual social events, weekly Board updates and access to mental health support programmes.

TRADING PERFORMANCE AND FINANCIAL POSITION

The onset of COVID-19 had a significant impact on the business, which included a temporary closure of sites and adapting to new ways of working, in the financial year under review.

Private housing completions reduced by 13% from the prior year to 26 homes (2019: 30 homes) with a private Average Selling Price ("ASP") of £620,000 (2019: £622,000). Affordable housing completions increased to 26 affordable equivalent homes (2019: 11 affordable equivalent homes) with an affordable ASP of £197,000 (2019: 190,000). This has resulted in total revenue increasing by 2% from the prior year to £21.6m (2019: £21.1m).

We are however pleased to have delivered an operating profit during this challenging year with adjusted operating profit falling by 60% from the prior year to £1.0m (2019: £2.6m). Net assets increased to £36.5m (2019: £36.0m).

HEALTH AND SAFETY

Health and Safety is our number one priority and we are committed to delivering the highest standards in all health, safety and welfare matters, for all of those who are directly or indirectly involved with our operations. We have processes and procedures in place to manage these risks and we continually review and look to improve our processes. This has ensured that our AIIR was zero for the year ended 31 October 2020, well below the Health and Safety Executive national average of 416.

OUR PEOPLE

Our people are our greatest asset and we are conscious that we need to continue to attract and retain the best people to achieve our growth plans. We are committed to supporting the development of our employees, so that they can fully achieve their potential. We actively engage with our employees and our most recent annual employee survey, which was carried out post year-end, illustrated that 95% (2019: 93%) of our staff enjoy working for Stonebond. Headcount increased by 62% to 47 staff as at 31 October 2020 (2019: 29).

We invest in our people and have a strong track record in developing our people by taking on apprentices and graduates and giving them the opportunities to drive their career forwards. This is evidenced by 13% of our employees who are aged between 18 – 24 years.

OUR CUSTOMERS

Buying a new home and moving into a new community is one of the most important decisions a person makes, and we believe this should always be an exciting and enjoyable experience. This is why we aspire to be a NHBC 5* builder and ensure our customers' needs are continually exceeded. We are conscious of our legal requirements and ensure that we look after any personal data our customers provide us with or that we may hold. In the last survey year 2019/2020 we achieved the equivalent of a 5* Star rating from 13 completed surveys with 93% of customers prepared to 'recommend us to a friend' (2018/2019: 5* rating).

OUR SUPPLY CHAIN

At Stonebond, our supply chain of subcontractors and suppliers are selected through a detailed tendering process to ensure they meet our high standards of quality. We build strong relationships with our supply chain that help to deliver our business objectives. Stonebond have strong relationships with subcontractors in the local area and maintain regular contact on future workload requirements. The makeup of our subcontractors' workforce is predominantly of UK citizenship and therefore we consider that we are relatively immune to the effects of EU migration following Brexit. We actively engage with our supply chain throughout the construction process and are very proud of our commitment to pay our suppliers on time every time.

OUR PIPELINE

One of our KPIs is growing our pipeline to achieve an owned and controlled land supply of 5 years for future visibility of earnings in order to meet our medium-term growth plans. As at 31 October 2020, our owned and controlled land bank increased to 522 plots from 345 plots in the prior year. This represents c. 2 years' worth of output across our 5 year-plan. The focus will remain on securing sites at enhanced margins with lengthy long-stop dates to maximise flexibility. We will also be looking to increase the number of affordable/build-to-rent homes on our schemes as part of our strategy to reduce the level of private sales and market risk.

ST ALBANS OFFICE TIMELINE

FEB 20	APR 20	JUL 20	SEP 20	OCT 20
BUSINESS ESTABLISHED	FIRST EMPLOYEE	FIRST LAND TRANSACTION	OFFICE OPENED	MD APPOINTED

INCLUSION & DIVERSITY

At Stonebond, we believe in employing a diverse workforce by providing an inclusive working environment where everyone feels valued and respected. Stonebond is committed to attracting the right, skilled people into the organisation at all levels, regardless of their age, disability, gender reassignment, marriage or civil partnership, pregnancy and maternity, race, religion or belief (including lack of belief), sex and sexual orientation and pursues an equal opportunities policy through all areas of employment, including recruitment and selection. It is our policy to ensure employee related decisions are made on the basis of merit and capability regardless of disability.

On average, during the financial year, 30% of our employees are female and 10% are from a Black, Asian and Minority Ethnic ("BAME") background. We understand the benefits that a diverse workforce can bring and recognise that the industry as a whole faces underrepresentation of women as well as people from a broad range of backgrounds.

EXECUTIVE MANAGEMENT TEAM CHANGES

It has been a year of transition for the Board. Christopher Weedon, who had served as Managing Director of the Chelmsford business for 14 years, announced his retirement and departed the business at the end of October 2020. Under his stewardship, the business made great progress in terms of culture, quality and customer service, as well as undergoing significant growth to become the strong sustainable business we see today.

In January 2021, we announced the appointment of Robert Wilkinson as Managing Director of the Chelmsford business following Christopher's retirement. He most recently held the position of Managing Director for the East London Partnerships region at Countryside Properties plc, having joined Countryside Properties plc in 2012. He successfully grew the East London region, working predominantly with Joint Venture Partners to deliver mixed-tenure schemes. Robert has a strong track-record of achieving his business plan objectives whilst maintaining a high quality of build and excellent levels of customer satisfaction. He is a valuable asset to the team and will be key to the growth of the Chelmsford business.

During the year, we also welcomed Peter Williams who joined Stonebond in October 2020, bringing 16 years of experience from a successful career at Countryside Properties plc where he most recently held the position of Land & Planning and Development Director for the Housebuilding Central region. Peter was appointed as Managing Director of the St Albans business and will be responsible for establishing and growing regional operations in St Albans and will be another valuable addition to the Senior Management Team at Stonebond.

We also welcome Greg Lendrum who joined Stonebond in April 2021 as Managing Director of the Sevenoaks business. He most recently held the position of Land & Planning Director for the Housebuilding South region at Countryside Properties plc. His strong land, planning and development knowledge and skillset will be invaluable to the region in delivering its business plan.

OUTLOOK

We have started the new financial year strongly following on from the better than expected recovery of the housing market in the second half of 2020 which reflects the underlying strength of demand. We are over 80% forward sold for 2021 private completions, as at the date of signing these accounts, and have continued to grow our order book.

Whilst there remains a significant under-supply of new homes, the demand for new build homes is very much dependent upon the strength of the economy. The Government has recognised that the home building industry has a big role to play in the country's economic recovery. It is committed to tackling the chronic housing shortage and meeting its 300,000 new homes per year target by the mid 2020's.

The Government is committed to building a new generation of affordable homes with its Affordable Homes Programme 2021 to 2026 scheme. The £12bn programme will support Housing Associations to purchase a greater number of affordable and shared ownership homes. This commitment is aligned to ours and gives us confidence in delivering our mixed tenure strategy across our business plan.

We welcomed the announcement within the Chancellor's Budget 2021 of the extension to the Stamp Duty Land Tax holiday to 30 June 2021 and subsequent taper to 30 September, as well as the introduction of the Mortgage Guarantee Scheme. The Government's "Planning for the Future Consultation" is encouraging which proposes reforms of the planning system to streamline and modernise the planning process, bringing a new focus to design and sustainability, improving the system of developer contributions to infrastructure, and ensuring more land is available for development where it is needed.

STONEBOND ST ALBANS OFFICE
21 Verulam Road,
St Albans, Hertfordshire

The Brexit related friction and the ongoing impact of the COVID-19 pandemic may cause some disruption however the Group is well positioned to deliver its financial forecasts at the upper end of expectations for 2021. The Group has a robust balance sheet and a high quality pipeline of sites, which will enable it to grow whilst generating superior returns. With a continued focus on costs and efficiency, the Board believes the Group is well positioned for strong operational progress. The Group is committed to managing the business in the right way, ensuring all of its operations are carried out in an ethical, environmentally responsible and sustainable manner which we believe is fundamental to running a successful business.

We are confident in delivering on our 2021 business plan with a robust strategy in place underpinned by an exceptional management team which gives us the ideal platform for long-term sustainable growth of the business.

RS CHERRY,
CO-CHAIRMAN

GS CHERRY,
CO-CHAIRMAN

AAN CORNELIUS,
GROUP CHIEF OPERATING OFFICER

FINANCIAL REVIEW

ANDREW CORNELIUS
GROUP CHIEF OPERATING OFFICER

I am delighted with the strong operational progress we have achieved at Stonebond over the past few years with regional operations in Chelmsford, St Albans and Sevenoaks and we look forward to delivering much needed private and affordable homes across the Northern and Southern Home Counties.

We have very ambitious growth plans underpinned by our robust mixed tenure strategy and our exceptional team of people which provides us with the ideal operating platform for future success.

Operating through the challenges of the pandemic has highlighted opportunities for our business which includes delivering a mixed tenure model of both private and affordable/build-to-rent homes. This revised business strategy will allow us to improve cash generation and accelerate our growth plans.

52 NEW HOMES

27% INCREASE

Despite the impact of COVID-19, the Group delivered total completions of 52 homes, which reflects a 27% increase from prior year (2019: 41 homes). The total completions reflect a 50:50 split between private and affordable units.

Our revised business strategy delivers more land-led partnership deals with our HA/PRS partners. A mixed tenure strategy allows us to have a balanced business model.

PRIVATE COMPLETIONS BY SITE

15 PLOUGHMANS REACH STEBBING

2 CHURCHACRE TAKELEY

3 THE HEATHERS HATFIELD PEVEREL

2 BURNTMEWS BRENTWOOD

2 MEADOW GARDENS WIDFORD

2 SAXON MEADOWS STANDON

The Group's results were significantly affected by COVID-19 in a financial year which was budgeted to be disproportionately weighted to the second half. With the disruption to construction and working on site, programmes were elongated which delayed private unit completions from Q4 2020 to Q1 2021.

Key financial data compared to prior year is as follows –

	Period Ended 31 October 2020 £	Year Ended 31 October 2019 £
Turnover	21,629,906	21,125,783
Gross profit	4,212,711	5,077,776
Gross profit margin	19.5%	24.0%
Adjusted operating profit[1]	1,013,897	2,556,623
Adjusted operating profit margin	4.7%	12.1%
Cash	13,892,156	27,008,096
Net assets	36,471,980	35,975,597
ROCE[2]	5.2%	20.3%

1 Adjusted operating profit excludes exceptional items of £317k
2 Return on capital employed ("ROCE") is defined as operating profit for the last 12 months divided by average of opening and closing tangible net operating asset value ("TNOAV") for the 12-month period. TNOAV is calculated as net assets excluding net cash or debt.

We delivered 26 affordable equivalent homes (2019: 11 affordable equivalent homes). We successfully completed on our first back-to-back transaction with Home Group at Springfield Road, Chelmsford and this is representative of further land-led partnership deals we aim to achieve as part of our 5-year business plan. This scheme will deliver 61 units to Home Group, our Housing Association partner, delivering an enhanced ROCE% and cash generation through monthly valuations.

Turnover remained broadly similar to prior year at £21.6m (2019: £21.1m). Gross profit reduced by 17% to £4.2m (2019: £5.1m) with gross profit margin reducing to 19.5% from 24.0% which reflects the lower margin on our pre-sold scheme at Springfield Road, Chelmsford. ROCE decreased to 5.2% from 20.3% in the prior year, due to the temporary closure of our site operations as part of our COVID-19 response, which resulted in elongation of programmes due to employing social distancing measures and completions being delayed to the following financial year.

The Group had net assets of £36.5m with a cash balance of £13.9m as at 31 October 2020.

2020 KEY ACHIEVEMENTS

£1M
of Group adjusted operating profits delivered despite economic challenges due to COVID-19.

£40M
of Group net assets including shareholder loans.

£13.9M
of cash in the bank as at 31 October 2020.

47 EMPLOYEES
Group headcount increased from 27 to 47 by the end of the financial year.

522 PLOTS
Agreed terms on 12 new sites during the year (unconditional/ STP/options) totalling 522 plots.

2ND REGION
Set-up of our second regional office in St Albans.

AIIR OF ZERO
No reportable heath and safety incidents during the period.

92.9% RECOMMEND A FRIEND
Achieved 5* HBF/ NHBC customer service status for the second year in a row.

FURLOUGH REPAYMENT
Voluntary repayment of all furlough receipts to HMRC.

£5M
RCF with NatWest secured during the period for additional financing/liquidity.

3%
build costs savings vs budget delivered.

9 MONTHS
Implemented a new IT system within 9 months of business case approval to ‘go live’ date.

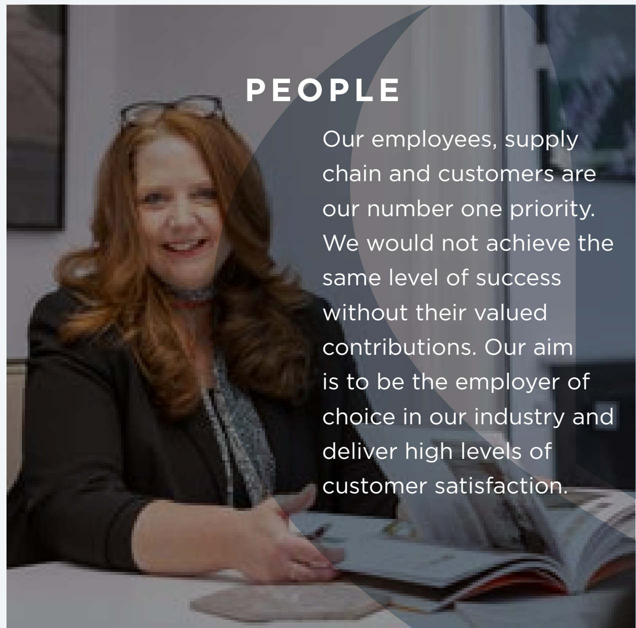
OUR VISION

Our vision is to build great homes and create thriving communities, generating long-term value and having a positive impact on society.

There are four areas of strategic focus under Our Vision at Stonebond, which we refer to as the "4 P's":

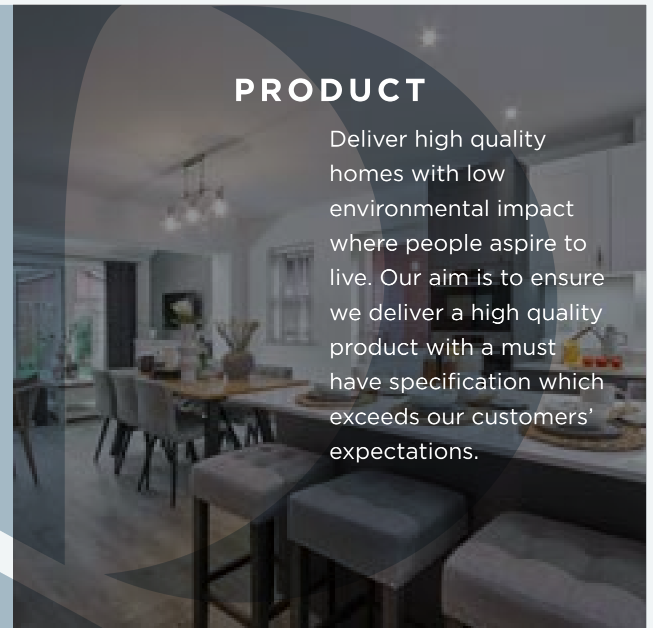
PEOPLE **PRODUCT** **PIPELINE** **PROFIT**

The 4 P's allows us to ensure that we continue to provide an exceptional service to our customers, whilst delivering high quality homes and places where communities can thrive. We also recognise the skills, knowledge and dedication of our people and supply chain, alongside the management of our operations which are fundamental to the ongoing success of our business.



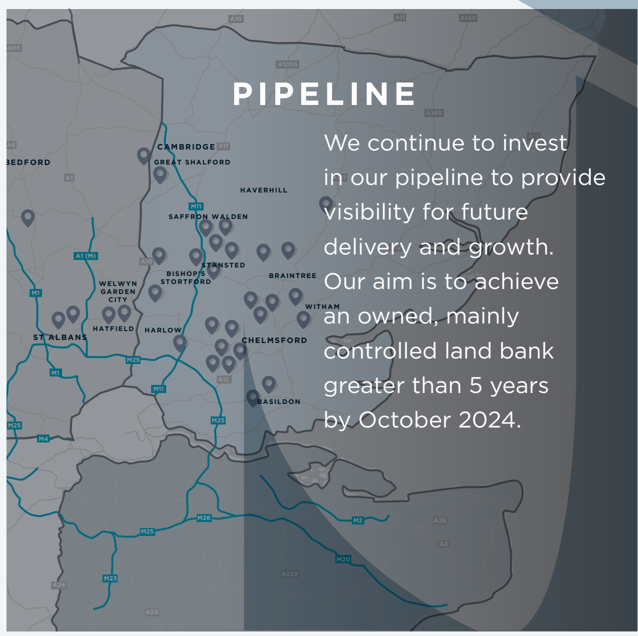
PEOPLE

Our employees, supply chain and customers are our number one priority. We would not achieve the same level of success without their valued contributions. Our aim is to be the employer of choice in our industry and deliver high levels of customer satisfaction.



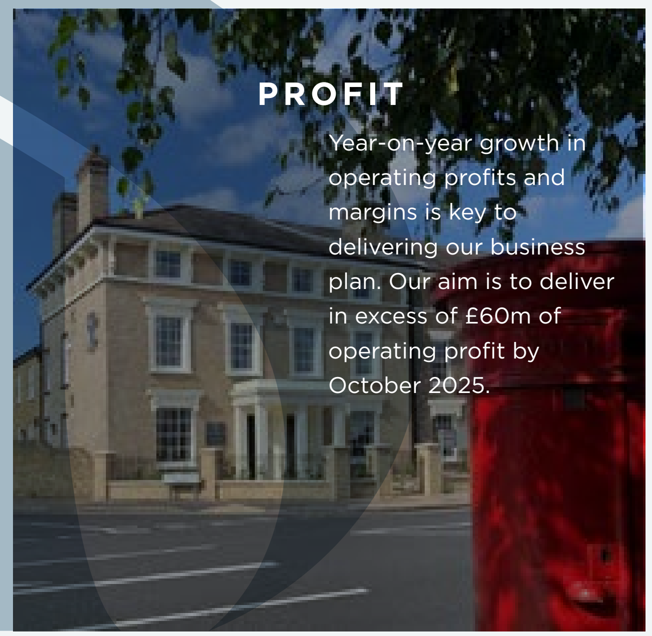
PRODUCT

Deliver high quality homes with low environmental impact where people aspire to live. Our aim is to ensure we deliver a high quality product with a must have specification which exceeds our customers' expectations.



PIPELINE

We continue to invest in our pipeline to provide visibility for future delivery and growth. Our aim is to achieve an owned, mainly controlled land bank greater than 5 years by October 2024.



PROFIT

Year-on-year growth in operating profits and margins is key to delivering our business plan. Our aim is to deliver in excess of £60m of operating profit by October 2025.

PEOPLE

Our people encompass our employees, our supply chain and our customers who are vital to our success as a business.

ANNETTE COLE
SALES & MARKETING DIRECTOR

OUR PEOPLE

Our staff are our greatest asset and therefore it is important that we attract, develop and retain talented people at every level. Our quality team of people differentiate us from our peers and provide the talent to build sustainable communities where people want to live. We therefore understand the importance of both developing and engaging with our employees to ensure we retain strong talent.

Shortly after the year end, we undertook our Annual Employee Survey with 95% of our staff enjoying working at Stonebond based on a 96% response rate. The survey results allowed us to understand what matters to our employees which revolve around training and development, flexible working and employee recognition.

We have updated our Group training matrix to incorporate the personal and professional development needs requested by our teams to ensure individuals receive the support and training that they need. The COVID-19 pandemic has shown us that we are able to work flexibly and collaboratively despite remote working. We promote flexible working and understand the benefits it can have when choosing an employer. Fortnightly Board Updates are held for all employees in which employee achievements are recognised and celebrated.

An intro about your background, how long you've been at Stonebond and your position.

Hi, my name is Alana, I am an Assistant Land Buyer in the St Albans region. I was the second employee to join the new region, so it's been a fantastic opportunity to be involved right from the outset.

I have just completed a BSc in Business and Management at Exeter University. Since leaving school I have undertaken several property related work experience placements and knew it was an industry I wanted to build a career in.

What would you say about the culture at Stonebond?

It's great. There is a real family feel in the office. Since I started in July I have been given the opportunity to be involved in a range of social activities, which really promotes a close team feel. Having joined just after the COVID lockdown it might have been difficult to get to know everyone, but Stonebond have gone above and beyond to organise social distanced activities, like a bi-weekly bootcamp and team building evening.

Do you feel supported in your role?

Absolutely, I have been given the opportunity to complete a Masters in Real Estate in order to achieve my RICS accreditation, which will help me achieve my goal to become a registered Chartered Surveyor.

I work really closely with our Senior Land Manager. She has been really supportive since I started at Stonebond. She mentors me daily with her knowledge of the industry and challenges me with new tasks, giving me a great deal of responsibility which has been really beneficial to my development.

Would you recommend Stonebond as an employer?

Yes, I was drawn to the company instantly and was really impressed throughout the application process. I had applied to larger corporations where I felt like a number. During my interview the company showed interest in my potential and really took the time to get to know me.

What makes you feel proud about working for Stonebond?

I am an ambitious person and my career has always been really important to me. Making the decision to work for Stonebond was easy. As a company they really push you to achieve your goals and give you all the support you need along the way. To be given that level of responsibility from day 1 has given me real drive in my role. A lot of it is new to me and I'm learning on the job, but being so involved and having been given a level of responsibility means I can really share in our successes, from winning a Land bid right through to when we sell one of our homes to a purchaser. Each win is shared by every individual in the business.

To me, buying a house is one of the biggest investments a person can make in their lifetime. The level of quality Stonebond are offering goes above and beyond our competitors. Playing a role in fulfilling such a significant moment in someone's life is really exciting.

ALANA GILLARD
ASSISTANT LAND BUYER

EMPLOYEE SURVEY RESULTS

95% I enjoy working at Stonebond and would recommend Stonebond as a great place to work.

93% I feel part of the Stonebond family.

98% I believe in the Stonebond Culture & Values.

90% I feel I can add value in my role through my creative contribution.

85% I feel I am trusted and my feedback is taken on board and actioned.

80% I have been given the appropriate training to perform effectively in my role.

98% I have a clear understanding of my career path and feel that I have a long-term future at Stonebond.

90% I receive the recognition from my line manager that I feel I deserve.

88% I am satisfied with my remuneration and staff benefits package.

OUR CUSTOMERS

Our customers are at the heart of every decision we make. We are always mindful that purchasing a home is one of the biggest decisions a person can make. We employ a "customer first" mindset and have our customers' needs at the forefront of our decisions. Delivering high levels of customer satisfaction enhances the reputation of our business and reduces the costs associated with rectifying poor quality work.

We are pleased to report for the most recent NHBC survey year ended 31 October 2020 we achieved 5* housebuilder status. We are proud of delivering high quality homes and exceptional levels of customer service and we continuously seek ways to improve on our performance. The Board regularly review customer satisfaction scores and considers various initiatives to enhance our customer's journey with Stonebond.

OUR SUPPLY CHAIN

Our supply chain is integral in building to the high quality standards that we and our customers expect. We need to maintain our relationships and support the development of our supply chain to ensure standards remain high, suppliers choose to work with us and costs are controlled. Our preference is to work with local & SME companies in order to support local employment and the communities where our sites are located.

Shortly after the year end we undertook our Annual Supply Chain Survey, the first in Stonebond's history. The anonymous survey highlighted that 98% of our supply chain enjoy working with us with key themes around what is most important to our supply chain being further engagement, quality of information provided and being paid on time.

We hold regular meetings and events to discuss our project pipeline and future work with our supply chain which allows our supply chain to be able to plan ahead and grow with us. We maintain continuous dialogue with our supply chain on supplier performance and areas for improvement, which also includes tender feedback to help improve transparency.

During January 2021, Stonebond signed up to the Prompt Payment Code furthering our commitment as a business to pay every supplier on time every time. As a signatory we undertake to pay suppliers on time within agreed terms, give clear guidance to suppliers on terms, dispute resolution and prompt notification of late payment and support good practice throughout their supply chain by encouraging adoption of the Code. We are proud of our average payment days, on a 12-month rolling basis, of 28 days. This compares favourably amongst the UK average and against the wider industry.

SUPPLY CHAIN SURVEY RESULTS

98%
I enjoy working in partnership with Stonebond and value them as a client.

95%
I am happy with the level of engagement and communication from Stonebond.

84%
I believe Stonebond prioritises Health & Safety in conducting its activities.

87%
I believe Stonebond prioritises quality in comparison with its competitors.

87%
I consider Stonebond to be a Company who pays on time, every time.

PRODUCT

We pride ourselves on building high quality homes for people at all stages of their life. We wish to create inspiring, stylish and unique homes that our customers can be proud of. In order to help develop our strategy on product we have developed the "4 C's".

CONTROL

With our standard floor plates coupled with different elevational styles we ensure each of our developments are unique and have a variety of housetypes that is in keeping with the local area.

We have rationalised the number of standard floorplates for both low- and high-rise buildings. This allows for greater efficiency which results in greater certainty over our build programme and delivering a good quality product on time for our customers. This will result in maintaining our cost base and increasing plot profitability.

CHARACTER

Our vision is to create inspiring homes which reflect simplicity and elegance throughout and across a family of housetypes. The key theme to achieving this will be around our "evolved traditional" approach where our homes will have characteristics rooted in tradition but evolved to modern living and styles.

CONSISTENCY

Maintaining a consistent theme will result in maintaining a high level of quality at all times and controlling build costs. We are able to drive this optimisation by following our Group operating processes and procedures, use of standard details, masterplan plotting guidance and use of character to add value.

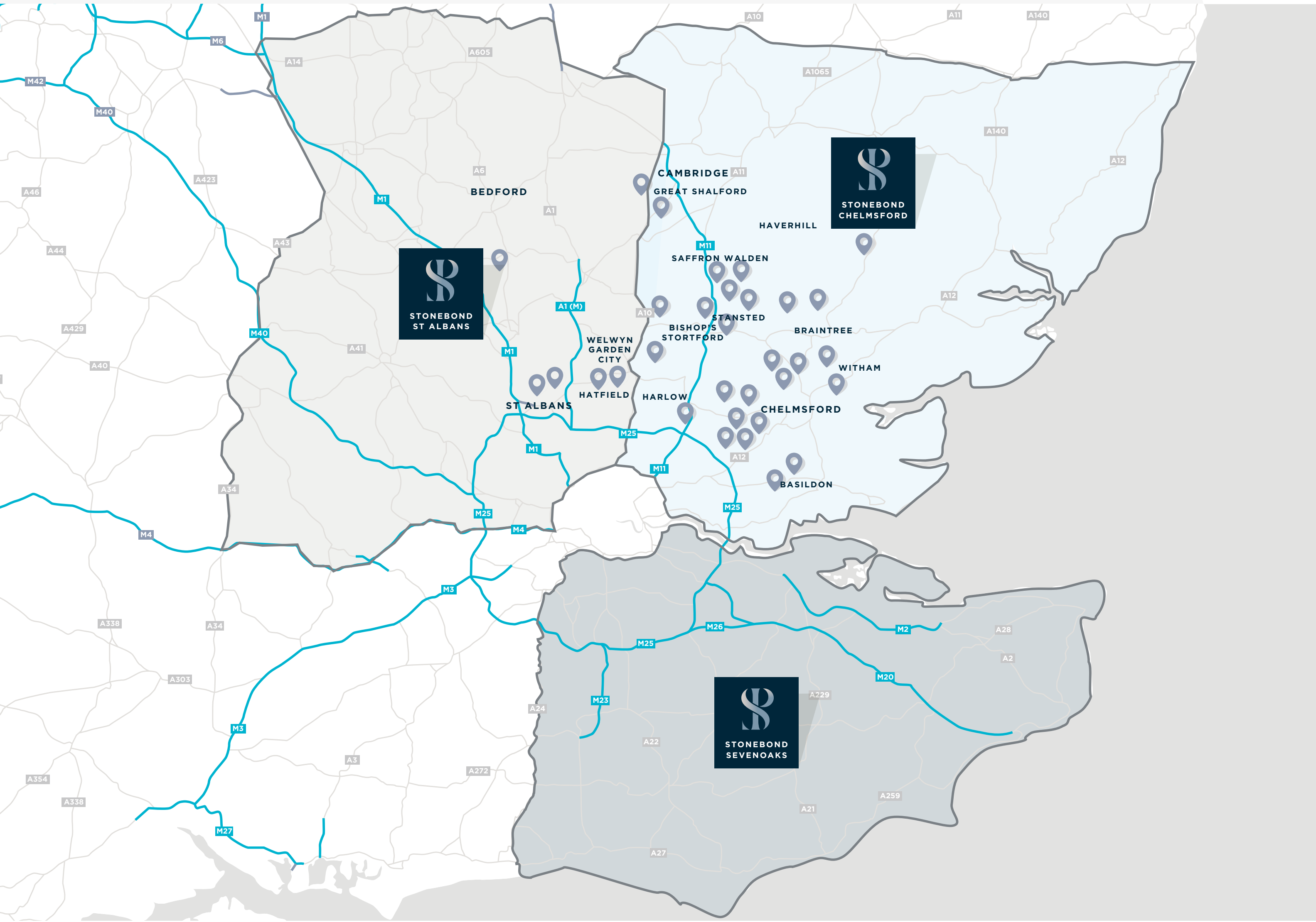
CONTENT

We seek to differentiate ourselves from our competitors by creating homes that are inspiring and by building homes that are suited to our customer's everchanging needs, which includes a greater focus on the environment and technology. We place great importance on our impact on the environment and seek ways to reduce our carbon footprint which includes integrating electric vehicle charging points on a number of our developments, use of energy efficient lightings and low water use fittings and fixtures. All homes are built 10% above building regulation standards from an energy and efficiency perspective.

PIPELINE

Our experienced land teams focus on investing in the right locations where there is strong demand for new homes, good transport links and the scope to create thriving communities.

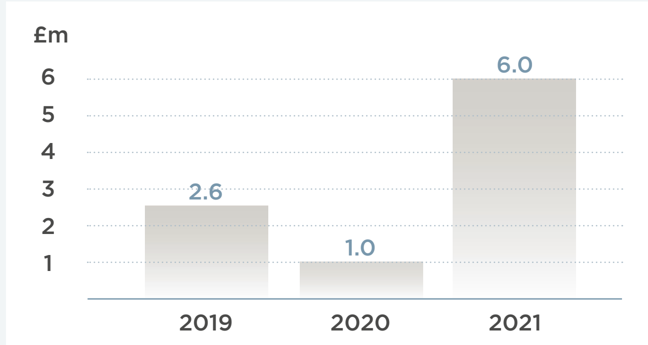
Our customers seek to live in exclusive developments and as a result we target sites which comprise of 20 – 200 units in strong economic locations and with limited planning risk. Our target is to achieve an owned and controlled pipeline in excess of 5 years within 4 years. In order to facilitate our mixed tenure business model, this will be split evenly between private and affordable/PRS units.



PROFIT

We aim to deliver sector leading growth from our mixed-tenure delivery achieving strong annual growth in profits, with our retained profits being re-invested into our business for future growth.

With a stronger focus on delivering land-led partnership schemes, we aim to increase our return on capital employed and improve cash generation which will assist our cash flow management and allow us to remain ungeared.



STONEBOND CHELMSFORD
132-136 New London Road,
Chelmsford, Essex
CM2 0RG

OUR COMMITMENTS

We are committed to managing our business in the right way and will not compromise the Health and Safety of our people and the quality of our homes.

We seek to deliver our operations in an ethical, safe, environmentally responsible and sustainable manner. These three key areas are of paramount importance to us and discussed in depth within our regional operational monthly board meetings.

HEALTH & SAFETY

Post 31 October 2020, we appointed a Group Health & Safety Manager allowing Stonebond to have an internal resource dedicated to increasing the Health & Safety standards across our sites and our offices.

QUALITY

During the year, we appointed a dedicated internal Customer Care Manager for the Group. We pride ourselves on being a premium housebuilder focused on quality and this philosophy is shared by our site management team, our supply chain and wider teams.

SUSTAINABILITY

We take a long-term view of our business and want it to be sustainable for the future which means doing things the right way for all stakeholders. We aim to create a net biodiversity gain across all our sites, with various initiatives considered from inception of purchasing the site through to the completion of the development.

Our top priority continues to be the health, safety & well-being of our employees, suppliers and customers. This has never been more important than the past year with the impact of COVID-19.

HEALTH & SAFETY

We temporarily closed our construction sites and sales outlets from March 2020 and only re-opened our sites in an orderly and phased return when it was safe to do so and following the implementation of our robust COVID-19 Operating Procedures and Processes.

Our focus on Health and Safety helps keep our sites safe whilst operating at the pace we need to grow the business.

Health and Safety matters are discussed at each regional operational Board meeting and we ensure that our AIIR, the number of accidents per 100,000 people during the financial year, is below the industry average compared to the Health and Safety Executive national average of 416 (2019: 405). Our 12 month rolling AIIR is at zero and is testament to the dedication of our teams in focusing on behavioural safety in addition to adhering to our own internal standards.

STUART GORDON
Group Health & Safety Manager

Stuart joined Stonebond in February 2021 as Group Health & Safety Manager. He is a Chartered Member of the Institution of Occupational Safety and Health and has over 20 years' of experience in the industry having worked at Bellway Homes, Telford Homes and NHBC. Stuart will be responsible for all Health & Safety matters across the Group and will be integral in rolling out our Health & Safety procedures for each of our new regions.

Following the appointment of our Group Health and Safety Manager we have introduced a new accident and safety observation reporting system to identify any trending issues more quickly. Additionally our Group Health and Safety policies and procedures have been updated which include our enhanced policy statement which further evidences our commitment to Health and Safety standards, a new suite of documentation for Health and Safety management on site, development of our existing CDM procedures and our site COVID-19 operating procedures.

The welfare of our employees is a top priority and we recognise that our mental health is just as important as our physical health. In recognition of this, post the financial year end we have trained two members of our team to become Mental Health First Aid Champions. Our Group Health & Safety Manager has also undertaken the training.

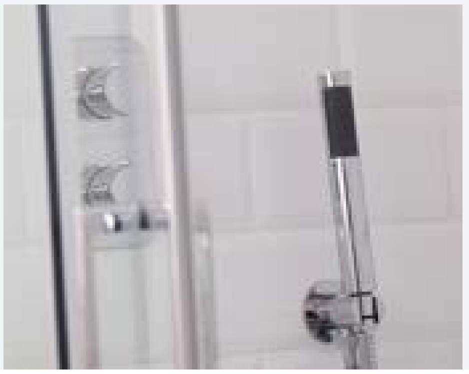
It is vital that we create a working environment with zero stigma around mental health and having employees on hand to help to support our people will be invaluable.

The quality of our homes is of paramount importance to our reputation and our construction teams always strive for the highest standards. We work collaboratively with our supply chain to implement enhanced and consistent arrangements to procure contractors on best overall value, rather than cost alone.

QUALITY

Our philosophy is quality on time every time and every discipline within our Group is involved in delivering a good quality home. In order to deliver our new homes to a high standard, a new quality control process has been implemented to eliminate defects on handover.

During 2020 we continued to focus on our customers' experience across all levels of the business. Overall 93% (2019: 94%) of our customers would recommend Stonebond to a friend which has resulted in Stonebond retaining 5* NHBC housebuilder status. This is an area we will continue to focus on going forwards with our customers at the heart of our business.



We take pride in our sustainable approach to housebuilding. Our homes are developed with care and built for life, not just for our homeowners, but with the environment and wider community in mind.

PROMOTING LOCAL SKILLS AND EMPLOYMENT

SUPPORTING GROWTH OF RESPONSIBLE REGIONAL BUSINESS

HEALTHIER, SAFER AND MORE RESILIENT COMMUNITIES

PROTECTING AND IMPROVING THE ENVIRONMENT

SUSTAINABILITY

Our commitments include protecting and rehoming wildlife, preserving and planting new trees, shrubs and wildflower meadows as well as recycling all our build waste and using local suppliers and sub-contractors.

We are committed to managing our business in the right way, ensuring all our operations are carried out in an ethical, safe, environmentally responsible and sustainable manner which we believe is fundamental to developing homes and communities. Our people and supply chain each have a role in behaving in a responsible manner and delivering sustainable outcomes for the communities in which we operate.

To enable this, we have developed processes that effectively communicate our policies and governance arrangement to all stakeholders.

ENVIRONMENTAL & SOCIAL GOVERNANCE (ESG)

All homes built 10% above building regulations from an energy efficiency perspective using a fabric first approach at minimal cost.

100% of contracts let include commitment to ethical procurement.

100% of build waste recycled and diverted from landfill.

35% of construction spend with local SME suppliers within a 30 mile radius from site.

CO_2

Reduction in carbon footprint and plastic usage during the construction process.

Prompt Payment Code

Commitment to pay every supplier on time every time.

Bio-diversity net gain across all Stonebond developments.

10% of Stonebond staff on apprenticeships/further education.

Stonebond have adopted 22 TOMS (Themes, Outcomes, Measures) from the UN National Framework to measure the £ social value generated from its operations.

During the year, 22 Themes, Outcomes and Measures (TOMs) have been adopted which fall into the following categories:

THEME	OUTCOMES	MEASURE
JOBS PROMOTE LOCAL SKILLS AND EMPLOYMENT	More local people in employment	No. of local direct employees (FTE) hired or retained (for re-tendered contract) on contract
		Percentage of local employees (FTE) on contract
	More opportunities for disadvantaged people	No. of employees (FTE) hired on the contract who are NEETs
		No. of disabled employees (FTE) hired on the contract
		Percentage of women (FTE) hired on the contract
		Percentage of employees (FTE) BAME hired on the contract
	Improved skills for local people	No. site visits for school children or local residents
		No. of weeks of training opportunities on the contract - Level 2, 3 or 4+
		No. of weeks of apprenticeships on the contract - Level 2, 3 or 4+
	Improved employability of young people	Weeks of work placements/pre-employment courses (students, 1-6 wks, unpaid)
GROWTH SUPPORTING GROWTH OF RESPONSIBLE REGIONAL BUSINESS	More Opportunities for local MSMEs & VCSEs	Meet the buyer events held to highlight local supply chain opportunities
		Total spent in the LOCAL supply chain through the contract
		Total amount (£) spent through the contract with LOCAL MSMEs
	Improving Staff Wellbeing & Mental Health	No. employees provided access to multidimensional wellbeing programmes
	Ethical Procurement is Promoted	Percentage of procurement contracts including commitments to ethical procurement
		Initiatives in the supply chain to identify & manage risks of modern slavery
		Percentage of invoices on the contract paid within 30 days
SOCIAL HEALTHIER, SAFER AND MORE RESILIENT COMMUNITIES	More working with the Community	Donations or in-kind contributions to local community projects (£ & materials)
		No. of hours volunteering time provided to support local community projects
ENVIRONMENT PROTECTING AND IMPROVING OUR ENVIRONMENT	Carbon Emissions are Reduced	Savings in CO_2 emissions on contract achieved through de-carbonisation
	Safeguarding the Natural Environment	Offsets/mitigation initiatives on biodiversity where restoration isn't available
	Resource Efficiency & Circular Economy Solutions are Promoted	Waste management verification policies (e.g. audit hierarchy)

These TOMs are being tracked and measured on a quarterly basis for our financial year ending 31 October 2021 and we will look to disclose the results in our annual report next year.

Reducing the usage of plastics through the construction process and in the office and promoting the use of recycled plastics has been adopted as the 'Environmental Initiative of the Year' for our financial year ending 31 October 2021. We will work with our supply chain to address plastic waste through the construction process. All of our construction waste is recycled or diverted from landfill.

SUSTAINABLE HOMES & ENVIRONMENT

We are committed to developing affordable homes in vibrant communities that create a long-term legacy. Through progressing our design standards, we will continue to prioritise the creation of places that provide social and economic value for customers and communities. All of our homes are built 10% above building regulation standards for energy efficiency and M4(2) compliant to ensure they are both accessible and adaptable. We aim to minimise any negative impacts our operations may have on the environment, and where possible, enhance the positive contributions we can make, including the introduction of electric car-charging points on a number of our schemes. During the financial year we planted 24 trees and over 1,500 shrubs, with 100% of our timber is sourced from sustainable sources.

NATURE AND BIODIVERSITY

We have always recognised the importance of biodiversity and the value that nature brings to people. That is why we incorporate open space and tree-lined streets across our developments. Our aim is to leave more nature behind when we have finished than what existed before we began, therefore furthering our commitment to create a net biodiversity gain on all our sites. We design ecological mitigation measures into each of our schemes and seek to rehome wildlife before building. This includes incorporating bird and bat boxes across many of our new developments. Our scheme at Woodside Place, Basildon required us re-homing the badger setts to ensure their well-being on site.

SOCIAL VALUE

As part of our ongoing commitment to provide value to the local communities, we have started to monitor the social value we add to new and evolving communities. During the year we contributed over £140,000 (2019: £90,000) in s106 costs used to enhance local services and infrastructure.

We seek to use local suppliers and sub-contractors where ever possible which allows the local community to benefit from our schemes with c. 30% of our construction spend with SMEs who live within 30 miles of our sites.

ETHICAL BUSINESS

Our policies and procedures are designed to ensure we and our supply chain comply with UK law and best practice guidelines in areas including business conduct, equal opportunities, anti-corruption, whistleblowing and countering modern slavery and human trafficking. We review the following policies on an annual basis to ensure they remain fit for purpose:

- Anti-Slavery, Human Trafficking and Human Rights Policy
- Anti-Bribery and Corruption Policy
- Whistleblowing Policy
- Recruitment Policy
- Code of Conduct

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

The strategic focus and purpose of the business is centred around creating new homes and communities that provide sustainable, social, economic and environmental value back to the community. Our long-term value added approach is key to the business' strategy and will lead to the long term success of the Group.

At the date of this report, the Main Board comprises of three Directors. The Board, alongside the Executive Management Team, has collective responsibility for promoting the long-term success of the Group in a safe and sustainable manner in order to create value for its stakeholders.

The Board provides leadership and sets the Group's long-term strategic objectives. The Board met formally four times during the year.

Good governance plays a significant role in a successful business strategy and the Board has undertaken a number of key activities across these areas during the year:

STRATEGY

A greater focus has now been placed on delivering land-led partnership schemes which allows our product portfolio to be diversified and gives a well balanced business model. We successfully completed on the first transaction of this type of scheme during the year at Springfield Road, Chelmsford with more in our pipeline.

FINANCE

In light of COVID-19 and the need to ensure the Group has sufficient cash resources, a £5m revolving credit facility was negotiated with our banking providers during the year. This is a significant milestone for the Group. The facility remains undrawn as at the date of signing these accounts.

GOVERNANCE

A number of executive management appointments were made during and post the financial year ended 31 October 2020. These appointments will add significant value to the Group. A review of the Group's internal controls and environment, as well as fraud considerations was undertaken during the year.

INTERNAL CONTROL ENVIRONMENT

In accordance with the UK Corporate Governance Code and 'Best Practice', management are required to assess the effectiveness of the internal control environment and risk management framework.

The Group Board currently performs the role of the Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee through the Quarterly Group Board Agenda items including discussions around Strategy, People, Remuneration and Risk.

The Group's internal control framework, which is designed to manage rather than eliminate risk, includes the following:

RISK ASSESSMENT & FRAUD

The Board oversees risk management and determines the Group's overall risk profile and appetite for risk in achieving its strategy. A Group Risk Register is maintained and updated by analysing the nature and extent of risks, as well as a re-assessment of their likelihood, impact and any mitigating controls. This is presented at each Group Board Meeting which considers wider strategic risk, as well as risks at an operational level.

Risk reporting is embedded within each operating company with management meetings and information packs, such as the monthly board and land acquisition & start on site meetings, structured around the key risks which include Health and Safety, sales, production (build cost and programme), land and planning, retaining key staff, regulatory and site-specific matters.

Policies and procedures are in place to deter/detect most types of fraud, which could have a detrimental effect on our reputation and future financial success of the Group.
A review of the key fraud risk areas as well as any mitigating controls is undertaken once a year at Group Board level.

REVIEW OF MANAGEMENT INFORMATION

Management information including both financial and non-financial performance is regularly reviewed at Board and regional levels. This includes a review of all Group KPI's which are integral to the overall strategy and performance of the business. Management information is regularly reviewed to ensure that the content remains relevant and continues to be fit for purpose to allow the Boards to make effective decisions. Financial results are reported monthly and compared with both budget and the previous month's forecast.

GROUP POLICIES AND PROCEDURES

There are defined Group policies and procedures, governing all aspects of the business including Health and Safety, Customer Service, Sales Approval, Procurement, Legal, Financial Reporting and Capital Expenditure. There are also governance structures in place for Investment Approval, Land Acquisition and Start on Site. There are Business Improvement Groups ('BIGs') across all disciplines with one of their key objectives to assess the current processes for that discipline to drive continuous improvements from an efficiency and risk management perspective.

The Staff Handbook sets out the office operating policies and procedures for all staff which includes our Anti-Bribery and Corruption, Gifts and Hospitality and Whistleblowing policies.

DEFINED ORGANISATIONAL STRUCTURE

There is a defined organisational structure in place with appropriate delegation of authority across all levels of the organisation. Group Delegated Authorities are reviewed on at least an annual basis by the Board. The Board considers that there is a good balance between governance (managing risks) and autonomy which does not have a negative impact on the efficiency of operations.

IT SYSTEMS

The Group has invested in a new IT system, EVision/Housebuilding, which is an integrated ERP solution. This has allowed for management to have a greater control and visibility of the Group's operations, as well as reducing the risk of error. We are continuing to invest in our new system to produce bespoke management reports, that will allow real time data and forecasting information to be more readily available.

The provision of our IT support services, including cyber security, is currently outsourced to an external third party. Their performance is reviewed as part of the IT BIG and the provision of IT services is re-tendered on an annual basis.

INTERNAL AUDIT

At present, the Group has not appointed a firm of internal auditors and does not plan to set-up an in-house internal audit function given the size of the Group, although this will be considered on an annual basis. Each regional Director is tasked with ensuring that their team are operating in-line with the Group operating policies and procedures. A peer review mechanism may be considered, once the regional operations are of sufficient size.

The Staff Handbook is provided to each new starter as part of their induction pack. An annual audit of the staff handbook is conducted by a third-party consultant to ensure that we remain compliant with all HR and other legislative requirements.

CURRENT ASSESSMENT OF PRINCIPAL RISKS

The Board of Directors oversee risk management within the Group. The Group's strategy, which is set by the Board, determines the Group's risk policy, overall appetite for risk and the procedures that are put in place. The Group's risks are regularly monitored and mitigating actions put in place to ensure the Group's risk profile is maintained.

Risk identification and management is built into every aspect of the Group's daily operations and is considered at every stage of the housebuilding process, ranging from the appraisal of new sites, assessment of the prospects of planning success, building safely and selling effectively to achieve long-term success through the property market cycle.

Financial risk is managed through maintenance of a strong balance sheet, forward selling new homes and the careful allocation of funds to the right projects with strict controls of working progress.

The Group's risk register is maintained to record all principal risks and uncertainties identified in the Group. An appropriate person is allocated as the "risk owner" for each risk.

The risks documented on the following pages are considered to be the Group's principal risks because either individually or in aggregate could have a material adverse effect on the implementation of the Group's strategy, financial performance, shareholder funds or the Group's reputation.

RISK	IMPACT	MITIGATION
Adverse macroeconomic conditions	A decline in macroeconomic conditions, or conditions in the UK residential property market, can reduce the propensity to buy homes. Higher unemployment, interest rates and inflation and one-off economic shocks affect consumer confidence and reduce affordability, which can reduce demand for new homes. This includes one-off economic shocks from health pandemics as illustrated by COVID-19.	• Select land in primary locations with good infrastructure and amenities. • A strong focus is maintained on the relevant housing market sector in terms of price, type and location. • Continually monitor committed expenditure against forecast income. • Forward sales, cashflow and WIP is monitored to allow the Group time to react to changing market conditions. • Strong financial discipline at land acquisition stage. • Schemes are considered if they are suitable for land-led partnership deals to reduce private for sale & market risk.

RISK	IMPACT	MITIGATION
Inability to source and develop suitable land	Insufficient land would affect our volume growth targets and inability to do so at the required margin would impact future returns.	• A robust land appraisal process ensures each project is financially viable and consistent with the Group's strategy. • The land team are in constant dialogue with our partners over the availability and suitability of land. • Close relationships maintained with local authorities and working collaboratively with our partners on planning requirements to ensure compliance.

RISK	IMPACT	MITIGATION
Supply Chain/Cost Inflation/Availability of Labour	Costs may increase beyond budget due to the reduced availability of skilled labour, or shortages of sub-contractors or building materials at competitive prices to support Stonebond's growth ambitions. The Group's strategic geographic expansion may be at risk if new supply chains cannot be established.	• Use of optimised standard floor plates, specifications, detailing to make best use of buying power. • Close relationships maintained with consultants, subcontractors and suppliers. • Bulk buying opportunities/rebates are maximised to leverage on price reductions. • Market data, such as BCIS indices, is regularly monitored and appropriate action taken when required. • An appropriate level of contingencies are allowed to cover price/design risk.

RISK	IMPACT	MITIGATION
Inability to attract and retain talented employees	Inability to attract and retain highly skilled, competent personnel at all levels could adversely affect Stonebond's operating performance and achievement of its growth plans.	• Retention rates are reviewed regularly and are assessed for the root cause of departures through structured exit interviews. • Competitive salary and benefits package offered which are regularly benchmarked against the wider market. • Staff are offered a combination of internal and external training opportunities. • Actively engage with our employees and obtain feedback through an annual employment survey.

RISK	IMPACT	MITIGATION
Failure of Group's IT infrastructure	A failure in, or cyber-attacks on Stonebond's infrastructure and information technology systems, could disrupt the Group's businesses or result in the disclosure of confidential information.	• Regular review and testing of our security measures against recognised frameworks is undertaken and our contingency plans and IT security policies are regularly reviewed. • A back-up IT server is in place.

RISK	IMPACT	MITIGATION
Inadequate health, safety and environmental procedures	A deterioration in the Stonebond's health, safety and environmental standards could put Stonebond's employees and contractors or the general public at risk of injury or death and could lead to litigation or penalties or damage the Group's reputation.	• Comprehensive safety strategy implemented which includes bringing safety to the forefront of our culture, measuring safety performance and strong risk management with these procedures. • Health and Safety issues considered at every Board meeting. • Regular visits to sites by senior management to monitor Health and Safety standards. • All site staff are provided with the required training. All workers on site are required to hold relevant competencies, knowledge and experience. • Appropriate insurance is in place to cover the risks associated with housebuilding.

RISK	IMPACT	MITIGATION
Poor Customer Service	NHBC Recommend a Friend rating falls below 90% (5*).	• Customer facing staff trained in providing an excellent level of service to our customers. • Completed NHBC surveys to be reviewed and feedback to be actioned as appropriate. • Director and Manager snagging review of each property prior to serving notice and legal completion.

RISK	IMPACT	MITIGATION
Programme Delay	Failure to secure timely planning permission on economically viable terms may cause delay or potential termination of projects or unforeseen delays due to technical/subcontractor issues.	• The budgeted programme for each site is approved by the Group Board before acquisition. • Senior management team undertake regular project reviews. • Close relationships maintained with key LPA members and officers so as to best understand underlying policy and political climate and influence.

RISK	IMPACT	MITIGATION
Adverse changes to Government policy and regulation	Adverse changes to Government policy in areas such as tax, housing, planning, environment and building regulations may result in increased costs and/or delays. Failure to comply with laws and regulations could expose the Group to penalties and reputational damage.	• Government policy is routinely monitored and communicated to management and the wider business. • The business actively participates in industry consultation and use membership of industry bodies to lobby government e.g HBF. • Heads of Departments keep up to date with legislation affecting their discipline.

POST-BALANCE SHEET EVENTS

FURTHER NATIONAL LOCKDOWN IN RESPONSE TO COVID-19

The Government imposed a third national lockdown from 5 January 2021 although construction was allowed to continue and letting agents and removal firms were allowed to continue to work.

Additionally, prospective purchasers were able to continue viewing properties. The key challenges to our business were around our on-site working arrangements, labour and material shortages. Actions have been taken to mitigate these which include leveraging on our strong relationships with our suppliers to ensure materials are delivered on time and appropriate labour can be sourced when required.

REGIONAL GROWTH

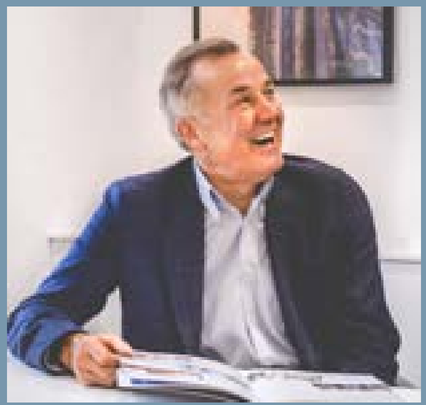
Stonebond Properties (Solihull) Limited, a wholly owned subsidiary of Stonebond Group Limited, was incorporated in February 2021. We expect to appoint a Managing Director by late Summer 2021 to commence operations in the West Midlands geography.

APPROVAL OF THE STRATEGIC REPORT

This strategic report was approved by the Board of Directors and signed on its behalf by:

GS CHERRY,
CO-CHAIRMAN

BOARD OF DIRECTORS



RICHARD CHERRY
CO-CHAIRMAN

Richard has extensive experience within the new homes market after a 35 year long career within the industry. Like Graham, Richard became passionate about building new homes when he started his career 35 years ago with Countryside Properties, a company founded by their father. He sat on the board in 1986 and progressed to Chief Executive of the Partnerships Division, before leaving Countryside Properties to focus on the growth of Stonebond.

GRAHAM CHERRY
CO-CHAIRMAN

Graham started his career over 40 years ago at Countryside Properties, where he was later joined by his brother, Richard. He held the position of Group Chief Executive from 1996 to 2013 before taking on the roles of Chief Executive of Housebuilding and then Partnerships. Throughout his career his focus was to build a company that set the standards for the industry and community building and this is evident in the culture at Stonebond today.

Grahams' aim for the future is to expand the business to create more sustainable homes people are proud to call home.

ANDREW CORNELIUS
GROUP CHIEF OPERATING OFFICER

Andrew joined Stonebond as Group CFO in June 2019 before being promoted to Group COO in November 2020 to lead the strategic direction and growth of the business. He is a chartered accountant by background and has over 15 years' worth of relevant financial and commercial experience in leading operations, implementing business strategy and managing financial performance. Andrew has previously held a number of senior finance roles including Group Financial Controller and Divisional Finance Director at Countryside Properties and Head of Finance for St James part of the Berkeley Group plc. Andrew has a wealth of experience in delivering schemes in partnership with HA/PRS providers having been a JV Board Member on 5 separate developments jointly delivered with L&Q, Notting Hill & Home Group whilst at Countryside Properties.

ROBERT WILKINSON
MANAGING DIRECTOR (CHELMSFORD)

Robert joined Stonebond in January 2021 as Managing Director of the Chelmsford business. Having joined Countryside Properties in 2012, he most recently held the position of Managing Director for the East London Partnerships region. He successfully grew the East London region, working predominantly with Joint Venture Partners to deliver mixed-tenure schemes.

Robert has a strong track-record of achieving his business plan objectives whilst maintaining a high quality of build and excellent levels of customer satisfaction. He is a valuable asset to the team and will be key to the growth of the business.

PETER WILLIAMS
MANAGING DIRECTOR (ST ALBANS)

Peter joined Stonebond in October 2020, bringing 16 years of experience from a successful career at Countryside Properties. He is a Chartered Surveyor and Town Planner by background and recently held the position of Land & Planning and Development Director.

Peter will be responsible for establishing and growing regional operations in St Albans and will be a valuable addition to the Senior Management Team at Stonebond.

GREG LENDRUM
MANAGING DIRECTOR (SEVENOAKS)

Greg joined Stonebond in April 2021 from Countryside Properties, where he was Land Director of the Housebuilding South division in Sevenoaks. He has over 10 years of experience in the housebuilding industry having previously worked at both FTSE 100 & 250 national housebuilders. Greg will be instrumental in establishing and growing our presence in Kent. His strong land, planning and development knowledge will be invaluable in delivering the regions' business plan.

FINANCIALS

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2020

The directors present their annual report and financial statements for the period ended 31 October 2020.

The company was incorporated on 26 February 2020 and acquired its subsidiaries Stonebond Properties (St Albans) Limited and Stonebond Properties (Sevenoaks) Limited on 27 February 2020 and Stonebond Properties (Chelmsford) Limited on 21 April 2020.

Principal activities

The principal activity of the Company is a holding company and the subsidiaries continued to be that of housebuilding.

Results and dividends

The results for the period are set out on page 52.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

AAN Cornelius
GS Cherry
RS Cherry

Auditor

Rickard Luckin Limited were appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Strategic report

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instrument disclosures and subsequent events.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

GS Cherry
Director

Date
6 July 2021

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 31 OCTOBER 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STONEBOND GROUP LIMITED

Opinion

We have audited the financial statements of Stonebond Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the period ended 31 October 2020 which comprise the Group profit and loss account, the Group statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of changes in equity, the company statement of changes in equity, the Group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 October 2020 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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.

Auditor's responsibilities for the audit of the financial

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 auditor's 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 Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Joanna Southon (Senior Statutory Auditor)
For and on behalf of Rickard Luckin Limited
Chartered Accountants Statutory Auditor

RickardLuckin
Chartered Accountants and Tax Advisers

Aquila House, Waterloo Lane, Chelmsford,
Essex CM1 1BN

GROUP PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 OCTOBER 2020

	Notes	Period ended 31 October 2020 £	Year ended 31 October 2019 £
Turnover	**3**	21,629,906	21,125,783
Cost of sales		(17,417,195)	(16,048,007)
Gross profit		4,212,711	5,077,776
Administrative expenses		(3,198,814)	(2,521,153)
Exceptional item	**4**	(317,290)	-
Operating profit	**5**	696,607	2,556,623
Interest receivable and similar income	**9**	65,457	118,094
Interest payable and similar expenses	**10**	(120,453)	-
Profit before taxation		641,611	2,674,717
Tax on profit	**11**	(137,887)	(456,630)
Profit for the financial period		503,724	2,218,087

Profit for the financial period is all attributable to the owners of the parent company.

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 OCTOBER 2020

	Period ended 31 October 2020 £	Year ended 31 October 2019 £
Profit for the period	503,724	2,218,087
Other comprehensive income	-	-
Total comprehensive income for the period	503,724	2,218,087

Total comprehensive income for the period is all attributable to the owners of the parent company.

GROUP BALANCE SHEET

AS AT 31 OCTOBER 2020

	Notes	2020 (£)		2019 (£)	
Fixed assets					
Intangible assets	**13**		162,074		-
Tangible assets	**14**		152,479		183,364
			314,553		183,364
Current assets					
Stocks	**17**	33,346,296		14,874,226	
Debtors	**18**	985,982		445,897	
Cash at bank and in hand		13,892,156		27,008,096	
		48,224,434		42,328,219	
Creditors: amounts falling due within one year	**19**	(12,067,007)		(6,535,986)	
Net current assets			36,157,427		35,792,233
Total assets less current liabilities			36,471,980		35,975,597
Capital and reserves					
Called up share capital	**22**		26,004,453		26,004,517
Share premium account			3,556,672		3,563,949
Profit and loss reserves			6,910,855		6,407,131
Total equity			36,471,980		35,975,597

The financial statements were approved by the board of directors and authorised for issue on 6 July 2021 and are signed on its behalf by:

GS Cherry
Director

COMPANY BALANCE SHEET

AS AT 31 OCTOBER 2020

	Notes	2020 (£)		2019 (£)	
Fixed assets					
Tangible assets	**14**		3,624		-
Investments	**15**		3		-
			3,627		-
Current assets					
Debtors	**18**	28,623,689		-	
Cash at bank and in hand		3,075		-	
		28,626,764		-	
Creditors: amounts falling due within one year	**19**	(2,647,089)		-	
Net current assets			25,979,675		-
Total assets less current liabilities			25,983,302		-
Capital and reserves					
Called up share capital	**22**		26,004,453		-
Profit and loss reserves			(21,151)		-
Total equity			25,983,302		-

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £21,151 (2019 - Nil).

The financial statements were approved by the board of directors and authorised for issue on 6 July 2021 and are signed on its behalf by:

GS Cherry
Director

Company Registration No. 12485436

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 OCTOBER 2020

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 November 2018		16,004,464	3,543,786	-	4,189,044	23,737,294
Year ended 31 October 2019:						
Profit and total comprehensive income for the year		-	-	-	2,218,087	2,218,087
Issue of share capital	**22**	10,000,053	20,163	-	-	10,020,216
Balance at 31 October 2019		26,004,517	3,563,949	-	6,407,131	35,975,597
Period ended 31 October 2020:						
Profit and total comprehensive income for the period		-	-	-	503,724	503,724
Issue of share capital	**22**	26,004,517	-	-	-	26,004,517
Reduction of shares	**22**	(26,004,581)	(7,277)	26,004,516	-	(7,342)
Dividend in specie		-	-	(26,004,516)	-	(26,004,516)
Balance at 31 October 2020		26,004,453	3,556,672		6,910,855	36,471,980

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 OCTOBER 2020

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 31 October 2019		-	-	-
Period ended 31 October 2020:				
Loss and total comprehensive income for the period		-	(21,151)	(21,151)
Issue of share capital	**22**	26,004,517	-	26,004,517
Reduction of shares	**22**	(64)	-	(64)
Balance at 31 October 2020		26,004,453	(21,151)	25,983,302

GROUP STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 OCTOBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	**26**		(10,760,108)		1,167,664
Interest paid			(7,194)		-
Income taxes paid			(503,148)		(223,364)
Net cash (outflow)/inflow from operating activities			(11,270,450)		944,300
Investing activities					
Purchase of intangible assets		(167,233)		-	
Purchase of tangible fixed assets		(83,550)		(141,616)	
Interest received		65,457		118,094	
Net cash used in investing activities			(185,326)		(23,522)
Financing activities					
Proceeds from issue of shares		3		10,020,216	
Redemption of shares		(7,341)		-	
Repayment of borrowings		(1,652,826)		(1,080,000)	
Net cash (used in)/generated from financing activities			(1,660,164)		8,940,216
Net (decrease)/increase in cash and cash equivalents			(13,115,940)		9,860,994
Cash and cash equivalents at beginning of period			27,008,096		17,147,102
Cash and cash equivalents at end of period			13,892,156		27,008,096

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 OCTOBER 2020

1 Accounting policies

Company information

Stonebond Group Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Stonebond House, 132-136 New London Road, Chelmsford, Essex, CM2 0RG.

The Group consists of Stonebond Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated Group financial statements consist of the financial statements of the parent company Stonebond Group Limited together with all entities controlled by the parent company (its subsidiaries) under the merger accounting method.

Under merger accounting, the consolidated financial statements merge the financial statements of those undertakings of Stonebond Group Limited as if they had always been owned. Accordingly in those years where mergers take place the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date, and corresponding figures for previous years are restated.

All financial statements are made up to 31 October 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

At the date these financial statements have been approved, there are various restrictions in force across the UK due to COVID-19, the coronavirus pandemic.

Any potential impact of COVID-19 on the company's future operations remains uncertain, however the directors have considered the potential impact it could have on the turnover and cashflow of the business and are confident that the company has sufficient reserves to continue operations.

1.4 Turnover

Turnover comprises sales of residential properties where building has been completed and the property has been legally transferred to the purchaser. Deposits received for properties not legally transferred by the year end or sold off plan are shown in creditors and reversed to turnover when legal completion takes place.

Turnover also comprises sale of land. The sale is recognised on legal completion.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer software	over four years
Website development	over four years

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings and equipment	over four years
Computer software	over four years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

1.8 Impairment of fixed assets continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost of stocks comprise land acquisition, construction and other development expenditure (including part exchange properties). The value of the stocks does not include any interest on monies borrowed to finance developments in hand. All interest is charged against income in the year in which it is incurred.

The estimated net realisable value is calculated based on projected future sales proceeds less costs to complete each development.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Financial instruments continued

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

1.11 Financial instruments continued

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans and loans from fellow Group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1.13 Taxation continued

Deferred tax
Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Work in progress

Work in progress and cost of sales is calculated with reference to the expected margin to be achieved on each project. The estimate of the work in progress of a plot of land is based on the percentage of turnover completed for each site. In turn the cost of sale is measured on the expected gross profit margin of that site in reference to the completion level of the project judged by the percentage of turnover achieved versus expected.

Deferred purchases

The company has material land purchases that have been part deferred for one year. The total cost has been recognised at present value and the deferred amount has been discounted assuming an interest rate of between 3.93% and 4.45% p.a.

3 Turnover and other revenue

	2020 £	2019 £
Turnover analysed by class of business		
Property sales	17,879,906	21,125,783
Land sales	3,750,000	-
	21,629,906	21,125,783
Other significant revenue		
Interest income	65,457	118,094
Turnover analysed by geographical market		
United Kingdom	21,629,906	21,125,783

4 Exceptional item

	2020 £	2019 £
Expenditure		
Exceptional costs	317,290	-

Exceptional items relate to reorganisation costs.

5 Operating profit

	2020 £	2019 £
Operating profit for the period is stated after charging:		
Depreciation of owned tangible fixed assets	77,294	78,248
Impairment of owned tangible fixed assets	37,141	-
Amortisation of intangible assets	5,159	-
Operating lease charges	47,845	105,000

6 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the Group and company	4,000	-
Audit of the financial statements of the company's subsidiaries	18,000	11,000
	22,000	11,000
For other services		
All other non-audit services	8,387	14,965

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

7 Employees

The average monthly number of persons (including directors) employed by the Group and Company during the period was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Site staff	6	5	-	-
Office staff	31	16	-	-
Directors	4	3	3	-
Total	41	24	3	-

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	2,906,412	1,882,225	8,901	-
Social security costs	294,786	187,815	956	-
Pension costs	100,234	52,065	-	-
	3,301,432	2,122,105	9,857	-

8 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	448,340	381,521
Compensation for loss of office	239,000	-
	687,340	381,521

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	225,742	268,720
Company pension contributions to defined contribution schemes	-	5,000

9 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	65,457	118,094
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	65,457	118,094

10 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	7,194	-
Other finance costs:		
Unwinding of discount on deferred land purchases	113,259	-
Total finance costs	120,453	-

11 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	125,000	490,261
Adjustments in respect of prior periods	12,887	(33,631)
Total current tax	137,887	456,630

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

11 Taxation continued

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	641,611	2,674,717
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	121,906	508,196
Tax effect of expenses that are not deductible in determining taxable profit	19,393	7,601
Permanent capital allowances in excess of depreciation	(18,205)	(12,649)
Under/(over) provided in prior years	12,887	(33,631)
Over/(under) provided in current year	1,906	(12,887)
Taxation charge	137,887	456,630

12 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2020 £	2019 £
In respect of:			
Property, plant and equipment	**14**	37,141	-
Recognised in:			
Administrative expenses		37,141	-

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

13 Intangible fixed assets

Group

	Computer software £	Website development £	Total £
Cost			
At 1 November 2019	-	-	-
Additions	164,733	2,500	167,233
At 31 October 2020	164,733	2,500	167,233
Amortisation and impairment			
At 1 November 2019	-	-	-
Amortisation charged for the period	5,159	-	5,159
At 31 October 2020	5,159	-	5,159
Carrying amount			
At 31 October 2020	159,574	2,500	162,074
At 31 October 2019	-	-	-

The company had no intangible fixed assets as at 31 October 2020 or 31 October 2019.

More information on impairment movements in the period is given in note 12.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

14 **Tangible fixed assets**

Group

	Computer equipment £	Fixtures, fittings and equipment £	Computer software £	Total £
Cost				
At 1 November 2019	69,096	123,393	123,000	315,489
Additions	34,214	49,336	-	83,550
Disposals	(14,886)	(14,839)	(123,000)	(152,725)
At 31 October 2020	88,424	157,890	-	246,314
Depreciation and impairment				
At 1 November 2019	32,928	43,463	55,734	132,125
Depreciation charged in the period	19,288	27,881	30,125	77,249
Impairment losses	-	-	37,141	37,141
Eliminated in respect of disposals	(14,886)	(14,839)	(123,000)	(152,725)
At 31 October 2020	37,330	56,505	-	93,835
Carrying amount				
At 31 October 2020	51,094	101,385	-	152,479
At 31 October 2019	36,168	79,930	67,266	183,364

Company

	Computer software £
Cost	
At 1 November 2019	-
Additions	3,624
At 31 October 2020	3,624
Depreciation and impairment	
At 1 November 2019 and 31 October 2020	-
Carrying amount	
At 31 October 2020	3,624

More information on impairment movements in the period is given in note 12.

15 **Fixed asset investments**

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	**16**	-	-	3	-

Movements in fixed asset investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 November 2019	-
Additions	26,004,519
At 31 October 2020	26,004,519
Impairment	
At 1 November 2019	-
Impairment losses	26,004,516
At 31 October 2020	26,004,516
Carrying amount	
At 31 October 2020	3
At 31 October 2019	-

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

16 Subsidiaries

Details of the company's subsidiaries at 31 October 2020 are as follows:

	Registered office	Class of shares held	% Held direct
Name of undertaking			
Stonebond Properties (Chelmsford) Limited	United Kingdom	Ordinary £1	100
Stonebond Properties (St Albans) Limited	United Kingdom	Ordinary £1	100
Stonebond Properties (Sevenoaks) Limited	United Kingdom	Ordinary £1	100

17 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Work in progress	33,346,296	11,356,888	-	-
Finished goods and goods for resale	-	3,517,338	-	-
	33,346,296	14,874,226	-	-

The carrying amount of stocks includes £11,740,000 (2019 - £Nil) pledged as security for liabilities.

18 Debtors

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade debtors	381,333	89,560	-	-
Amounts owed by Group undertakings	-	-	28,574,739	-
Other debtors	247,561	307,881	48,950	-
Prepayments and accrued income	357,088	48,456	-	-
	985,982	445,897	28,623,689	-

19 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Other borrowings	20	2,633,328	4,286,154	2,633,328	-
Trade creditors		580,398	1,086,249	-	-
Corporation tax payable		125,000	490,261	-	-
Other taxation and social security		422,189	65,597	2,822	-
Other creditors		6,623,360	331,525	3	-
Accruals and deferred income		1,682,732	276,200	10,936	-
		12,067,007	6,535,986	2,647,089	-

Included in other creditors is £6,510,745 (2019 - £Nil) which is secured by legal charges over land included in stock carried in subsidiary companies.

20 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Other loans	2,633,328	4,286,154	2,633,328	-
Payable within one year	2,633,328	4,286,154	2,633,328	-

The long-term loans are unsecured.
The loans carry no interest and are repayable on demand.

21 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	100,234	52,065

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

22 Share capital

	Group 2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 10p each	8,500	8,500	850	850
Ordinary B shares of £1 each	3,540	3,540	3,540	3,540
Ordinary C1 shares of £1 each	9,000,000	9,000,000	9,000,000	9,000,000
Ordinary C2 shares of £1 each	7,000,000	7,000,000	7,000,000	7,000,000
Ordinary C3 shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
Ordinary C4 shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
Growth shares of 10p each	636	1,272	63	127
	26,012,676	26,013,312	26,004,453	26,004,517

23 Financial commitments, guarantees and contingent liabilities

The company is party to unlimited cross guarantee and a fixed and floating charge over all current and future assets in favour of National Westminster Bank Plc. At the year end the maximum liability represented by Group borrowings was £Nil (2019: £Nil).

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Within one year	44,288	5,908	-	-
Between two and five years	17,057	10,476	-	-
	61,345	16,384	-	-

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2020 £	2019 £
Aggregate compensation	1,244,983	825,583

Transactions with related parties

The following amounts were outstanding at the reporting end date:

Amounts due to related parties

	2020 £	2019 £
Group		
Entities with control, joint control or significant influence over the Group	-	130,000
Entities over which the Group has control, joint control or significant influence	41,875	100,500

NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE PERIOD ENDED 31 OCTOBER 2020

26 Cash (absorbed by)/generated from Group operations

	2020 £	2019 £
Profit for the period after tax	503,724	2,218,087
Adjustments for:		
Taxation charged	137,887	456,630
Finance costs	120,453	-
Investment income	(65,457)	(118,094)
Amortisation and impairment of intangible assets	5,159	-
Depreciation and impairment of tangible fixed assets	114,435	78,248
Decrease in provisions	(113,259)	-
Movements in working capital:		
Increase in stocks	(18,472,070)	(768,009)
Increase in debtors	(540,088)	(147,821)
Increase/(decrease) in creditors	7,549,108	(551,377)
Cash (absorbed by)/generated from operations	(10,760,108)	1,167,664

27 Analysis of changes in net funds – Group

	1 November 2019 £	Cash flows £	31 October 2020 £
Cash at bank and in hand	27,008,096	(13,115,940)	13,892,156
Borrowings excluding overdrafts	(4,286,154)	1,652,826	(2,633,328)
	22,721,942	(11,463,114)	11,258,828

STONEBOND

PROPERTIES

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