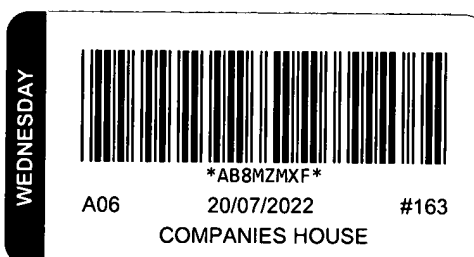


Company registration number 04538848 (England and Wales)

POCKET LIVING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



POCKET LIVING LIMITED

COMPANY INFORMATION

Directors	Mr P Harbard Mr M Vlessing Mr K Wong
Secretary	Mr P Harbard
Company number	04538848
Registered office	Tower House 10 Southampton Street London WC2E 7HA
Auditor	King & King Chartered Accountants & Statutory Auditors 5th Floor Watson House 54-60 Baker Street United Kingdom W1U 7BU

POCKET LIVING LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Group statement of comprehensive income	10
Group statement of financial position	11
Company statement of financial position	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 33

POCKET LIVING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Recent trading conditions within the construction and development market have been challenging, including as a result of the pandemic, labour shortages, and rampant cost inflation. Despite this, the underlying performance of the business has been in line with expectations and we achieved 3 successful planning consents during the year and 4 in early 2022.

The reported loss is primarily due to asset impairment. As we continue to invest in active schemes we expect the 2022 financial year to be loss making before the majority of our committed pipeline sales come on to the market in 2023-2025 which will see the group return to profitability.

The group reported a total loss for the year of £17,428,761 (2020: £5,079,193). Net assets moved from a net deficit of £4,970,839 to a net deficit of £22,399,600

Challenges: Contractor Performance, Insolvency, and Planning

1. Addiscombe Grove

Addiscombe Grove is a 153 home scheme located in Croydon with an expected Gross Development Value of c£45m. The contractor started on site in March 2018 with a contracted Practical Completion date of March 2020. The contractor delivered Practical Completion in March 2022, a delay of 24 months.

The delay to this scheme generated a significant increase in finance costs which has resulted in a scheme loss of £11.8m. This loss is reflected as an impairment charge in the statement of comprehensive income across FY20 £4.1m and FY21 £7.7m.

2. Harbard Close

Harbard Close is a 78 home scheme located in Barking with an expected Gross Development Value of £16.5m. In June 2019 the original contractor became insolvent resulting in a previously profitable scheme becoming loss making. This loss £1.3m is reflected in this years statement of comprehensive income as an impairment charge.

3. Aborted Schemes

During the year we were unsuccessful in obtaining planning for two schemes. The aborted planning costs associated with both planning applications is c£1.3m.

The above challenges have resulted in a combined impairment charge across FY20 and FY21 of £14.4m.

Environmental, Social, and Governance (ESG)

Pocket was founded in 2005 to work with local and national government and help solve the affordable housing crisis in London through the delivery of well-designed and sustainable affordable homes for Londoners. We have delivered over 1,000 affordable homes with more than 1,600 currently in development.

Pocket is focused on influencing positive change through its constant commitment to ESG through the delivery of social infrastructure in London. This includes careful carbon monitoring and management, the use of cradle-to-cradle certified products, and working with carbon-neutral supply chain partners where possible.

POCKET LIVING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Equity Structure

A large element of project and working capital investment is advanced from the Company's majority shareholder, Related London Pocket Holdings Limited, via a coupon bearing shareholder loan. As a result, both the principal and interest accrued are recognised as liabilities on the Company and Group statement of financial position.

These loans and interest are fully subordinated to all secured debt in the group. Recognising the characteristics of this debt, if this were to be recognised as equity the net assets of the group would be £24,482,713 (2020: £28,940,906) as illustrated in the table below:

	2021	2020
Fixed Assets	3,794,199	991,601
Current Assets	115,605,856	138,706,205
Current liabilities	(32,705,714)	(55,999,536)
Net Current Assets / (Liabilities)	82,900,142	82,706,669
Long Term Liabilities	(62,211,604)	(54,757,364)
Net Assets	24,482,737	28,940,806

We are currently in discussions with Related London Pocket Holdings Limited to restructure both current and future investor loans. This is likely to result in a mixed debt/equity funding structure which will convert part of the current inter-company debt to equity with the corresponding impact on the statement of financial position.

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include changes in liquidity risk and interest rate risk.

Interest rate cash flow risk

The group has various interest bearing loans. The interest rate risk is managed by having a mixture of fixed and floating interest rates on these loans.

Liquidity risk

The board actively manages cash, bank and overdraft balances to ensure that the group has sufficient funds for operations and any planned expansion.

Development and performance

The group's principal focus during the financial year was to deliver existing and future affordable homes whilst managing the operating environment and, in particular, cost pressures.

Other performance indicators

The directors have identified the following Key Performance Indicators to help understand and measure the performance of the company:

	2021	2020
	£'000	£'000
Revenue	17,664	56,241
Gross profit	1,117	5,641
Gross profit margin (%)	6.32%	10.03%
Operating (Loss)/Profit	(15,549)	(4,589)

Directors Statement of Compliance with duty to promote the success of the group - Section 172(1) Statement

Our People

The group is dedicated to being a responsible business. Our business strategy is aligned with the expectation of our staff, clients, communities, and society. For our business to succeed we aim to manage our people's performance by providing appropriate training and coaching while ensuring we operate as efficiently as possible.

POCKET LIVING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Business Relationships


The group is operating for the benefit of the shareholders having regard to the stakeholders in the business.

We recognize the social, environmental and governance impact on the people and resources we work with. We are constantly updating, managing and reviewing our processes to ensure the needs of our staff, suppliers, clients on which our business depends, are met. We always try to be reasonable in our dealings and we take all feedback seriously.

Environmental liabilities

The group conducts its operations in such a manner as to ensure compliance with environmental laws and regulations. If events occur where actions are necessary to maintain compliance, the group will devote suitable resources to the issue in order to remedy the situations.

On behalf of the board

A handwritten signature in black ink, consisting of a large loop at the top and several horizontal strokes below it.

Mr M Vlessing
Director

30 June 2022

POCKET LIVING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Results and dividends

The results for the year are set out on page 10.

No interim dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr P Harbard
Mr M Vlessing
Mr D Partridge
Mr K Wong

(Resigned 10 June 2021)

Qualifying third party indemnity provisions

The group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Future developments

The group has chosen to set out the group future development details in the strategic report.

Auditor

The auditor, King & King, Chartered Accountants & Statutory Auditor is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon report

As the group has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

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 group 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 group is aware of that information.

On behalf of the board


Mr M Vlessing
Director

30 June 2022

POCKET LIVING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual Report and the group 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.

POCKET LIVING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POCKET LIVING LIMITED

Opinion

We have audited the financial statements of Pocket Living Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 December 2021 and of the group's loss and the group's cash flows for the year 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 group and parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

POCKET LIVING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF POCKET LIVING LIMITED

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 year 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

POCKET LIVING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF POCKET LIVING LIMITED

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the market within which the company operates, the control environment and business performance including the design of group's remuneration policies, key drivers for remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of its policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or avoid a material penalty. This included health and safety law.

Audit response to the risk identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statements disclosures testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management on actual and potential litigation and claims;
- in addressing the risk of fraud through management override of controls, testing appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

POCKET LIVING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF POCKET LIVING LIMITED

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.



Milankumar Patel (Senior Statutory Auditor)

For and on behalf of King & King

Chartered Accountants & Statutory Auditor

30 June 2022

5th Floor
Watson House
54-60 Baker Street
London
United Kingdom
W1U 7BU

POCKET LIVING LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	17,664,247	56,240,532
Cost of sales		(16,547,126)	(50,599,426)
Gross profit		1,117,121	5,641,106
Administrative expenses		(6,646,830)	(6,505,923)
Other operating income		263,799	372,835
Impairment charge		(10,283,022)	(4,096,692)
Operating loss	4	(15,548,932)	(4,588,674)
Interest receivable and similar income	8	1,150	15,230
Interest payable and similar expenses	9	(3,376,383)	(1,697,164)
Loss before taxation		(18,924,165)	(6,270,608)
Tax on loss	10	1,495,404	1,191,415
Loss for the financial year	21	(17,428,761)	(5,079,193)
Loss for the financial year is attributable to:			
- Owners of the parent company		(17,428,235)	(5,077,913)
- Non-controlling interests		(526)	(1,280)
		(17,428,761)	(5,079,193)
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(17,428,235)	(5,077,913)
- Non-controlling interests		(526)	(1,280)
		(17,428,761)	(5,079,193)

POCKET LIVING LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	11	864,933		991,601	
Investments	12	2,929,266		-	
		<u>3,794,199</u>		<u>991,601</u>	
Current assets					
Stocks	14	94,312,192	105,648,001		
Debtors	15	7,173,997	3,405,613		
Cash at bank and in hand		3,953,212	25,555,899		
		<u>105,439,401</u>	<u>134,609,513</u>		
Creditors: amounts falling due within one year	16	(69,421,596)	(85,805,089)		
Net current assets		<u>36,017,805</u>		<u>48,804,424</u>	
Total assets less current liabilities		<u>39,812,004</u>		<u>49,796,025</u>	
Creditors: amounts falling due after more than one year	17	(62,211,604)	(54,757,364)		
Provisions for liabilities					
Deferred tax liability	18	-	9,500		
		<u>-</u>	<u>9,500</u>		
Net liabilities		<u>(22,399,600)</u>		<u>(4,970,839)</u>	
Capital and reserves					
Called up share capital	20	1,079	1,079		
Share premium account	21	4,998	4,998		
Profit and loss reserves	21	(22,405,677)	(4,977,442)		
Equity attributable to owners of the parent company		<u>(22,399,600)</u>	<u>(4,971,365)</u>		
Non-controlling interests		<u>-</u>	<u>526</u>		
		<u>(22,399,600)</u>	<u>(4,970,839)</u>		

The financial statements were approved by the board of directors and authorised for issue on 30 June 2022 and are signed on its behalf by:

Mr M Vlessing
Director



POCKET LIVING LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	11	864,933		991,601	
Investments	12	3,042,171		112,804	
		<u>3,907,104</u>		<u>1,104,405</u>	
Current assets					
Stocks	14	-	540,180		
Debtors	15	44,327,408	31,437,525		
Cash at bank and in hand		1,449,322	11,401,225		
		<u>45,776,730</u>	<u>43,378,930</u>		
Creditors: amounts falling due within one year	16	(40,355,874)	(33,131,393)		
Net current assets		<u>5,420,856</u>		<u>10,247,537</u>	
Total assets less current liabilities		<u>9,327,960</u>		<u>11,351,942</u>	
Creditors: amounts falling due after more than one year	17	(1,206,000)		(1,266,500)	
Provisions for liabilities					
Deferred tax liability	18	-	9,500		
		<u>-</u>	<u>(9,500)</u>		
Net assets		<u>8,121,960</u>		<u>10,075,942</u>	
Capital and reserves					
Called up share capital	20	1,079	1,079		
Share premium account	21	4,998	4,998		
Profit and loss reserves	21	8,115,883	10,069,865		
Total equity		<u>8,121,960</u>	<u>10,075,942</u>		

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes. The company's loss for the year was £1,953,982 (2020: Profit £6,357,585)

The financial statements were approved by the board of directors and authorised for issue on 30 June 2022 and are signed on its behalf by:

Mr M Vlessing
Director

Company Registration No. 04538848

POCKET LIVING LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 1 January 2020		1,002	4,998	100,471	106,471	1,806	108,277
Year ended 31 December 2020:							
Loss and total comprehensive income for the year		-	-	(5,077,913)	(5,077,913)	(1,280)	(5,079,193)
Issue of share capital	20	77	-	-	77	-	77
Balance at 31 December 2020		1,079	4,998	(4,977,442)	(4,971,365)	526	(4,970,839)
Year ended 31 December 2021:							
Loss and total comprehensive income for the year		-	-	(17,428,235)	(17,428,235)	(526)	(17,428,761)
Balance at 31 December 2021		1,079	4,998	(22,405,677)	(22,399,600)	-	(22,399,600)

POCKET LIVING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020		1,002	4,998	3,712,280	3,718,280
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	6,357,585	6,357,585
Issue of share capital	20	77	-	-	77
Balance at 31 December 2020		1,079	4,998	10,069,865	10,075,942
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(1,953,982)	(1,953,982)
Balance at 31 December 2021		1,079	4,998	8,115,883	8,121,960

POCKET LIVING LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	26		(1,217,919)		11,201,901
Interest paid			(2,777,198)		(440,538)
Net cash (outflow)/inflow from operating activities			(3,995,117)		10,761,363
Investing activities					
Purchase of tangible fixed assets		-		(32,075)	
Payments to joint ventures		(2,929,266)		-	
Interest received		1,150		15,230	
Net cash used in investing activities			(2,928,116)		(16,845)
Financing activities					
Proceeds from issue of shares		-		77	
Proceeds from borrowings		24,782,293		26,543,976	
Repayment of borrowings		(39,464,491)		(33,566,558)	
Net cash used in financing activities			(14,682,198)		(7,022,505)
Net (decrease)/increase in cash and cash equivalents			(21,605,431)		3,722,013
Cash and cash equivalents at beginning of year			25,555,899		21,833,886
Cash and cash equivalents at end of year			3,950,468		25,555,899
Relating to:					
Cash at bank and in hand			3,953,212		25,555,899
Bank overdrafts included in creditors payable within one year			(2,744)		-

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Pocket Living Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Tower House, 10 Southampton Street, London, WC2E 7HA.

The group consists of Pocket Living 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.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The parent company has therefore taken advantage of exemptions from the following disclosures requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues'- the information is provided within the consolidated financial statements of the group in which the entity is consolidated and the relevant disclosures are included in; and
- Section 33 'Related Party Disclosures'- Compensation for key management personnel.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Pocket Living Limited together with all subsidiary undertakings made up to 31 December 2021 controlled by the parent company and the group's share of its interests in joint ventures and associates.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Going concern

The directors have prepared detailed group financial projections for the period ending 30 September 2023. These projections are based on assumptions that the directors consider to be reasonable and achievable.

In preparing these projections, the directors have also considered the potential impact of COVID-19. As at the date of approving these financial statements the group's trading volumes and client base have not been significantly affected by the pandemic, although it is difficult to evaluate all of the potential implications on the group's trade, customers and the wider economy.

The group incurred a operating loss of £15,548,932 during the year and the statement of financial position shows a net deficit of £22,399,600. The group's immediate parent Related London Pocket Holdings Limited has given assurance of financial support to the group that it will provide necessary financial support to ensure that the group and the company continues to operate as a going concern in the foreseeable future.

After considering the above matters and current trading levels, the directors believe that the group will have adequate resources to meet its liabilities as they fall due so as to operate as a going concern for at least twelve months following the date of approval of these financial statements. The directors therefore consider it appropriate to continue to apply the going concern basis for preparing the financial statements.

1.4 Turnover

Revenue from the sale of residential properties is recognised at legal completion in respect of total proceeds of building and development. Revenue is measured at fair value of consideration received or receivable and represents amounts receivable for property, net of discounts and VAT.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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. Cost includes the original purchase price, cost directly attributable to bringing the assets to it's working condition for its intended use, dismantling and restoration costs.

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:

Leasehold improvements : Straight line over the life of the lease

Fixtures & fittings : 3 years straight line

Plant & Equipment : 3 years straight line

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any changes is accounted for prospectively.

1.7 Fixed asset investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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.

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.

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

Inventories are valued at the lower of cost and net realisable value. Cost of work in progress comprises of land held for development, direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The group also has to estimate costs to complete on such developments. In making these assessments, there is a degree of uncertainty. The group has developed internal controls to assess and review carrying values and appropriateness of estimates made.

The group's principal activity is housebuilding. The group's internal controls are designed to identify any developments where the balance sheet value of land and work in progress is more than the projected net realisable value. During the year, the group has conducted quarterly reviews of the net realisable value of specific sites identified as at high risk of impairment, based upon a number of criteria including low site profit margins and sites with no forecast completions. Where the estimated net realisable value of a site was less than its current carrying value the group has impaired the land and work in progress value.

During the year, due to performance variations, changes in assumptions and changes to viability of individual sites, there were gross impairment charges of £10,283,022 (2020: £4,096,692) and gross impairment reversals of £Nil (2020: £Nil), resulting in impairment charges of £10,283,022 (2020: £4,096,692) included within profit from operations.

The key estimates in these reviews are those used to estimate the realisable value of a site, which is determined by forecast sales rates, expected sales prices and estimated cost to complete.

The directors consider all inventories to be essentially current in nature, although the group's operational cycle is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of variables such as consumer demand and planning permission delays.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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 statement of financial position 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.

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.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares 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 income statement 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.

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 income statement, 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.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

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.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Annual bonus plan

The group operates a discretionary annual bonus plan for employees. An expense is recognised in profit and loss account when the group has legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

1.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.19 Investments - Company

(i) Investments in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(ii) Investment in Joint Ventures

Investment in a joint venture is held at cost less accumulated impairment losses.

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.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment of investment in group undertakings

The company makes an estimate of the recoverable value of investment in group undertakings. When assessing impairment of group undertaking investments, management considers whether there is objective evidence of the impairment including:

- a. economic or legal reasons relating to the group undertaking's financial difficulty; and
- b. observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

Stock Provisioning

The company's stock is carried in the statement of financial position at the lower of cost and estimated selling price less costs to complete and sell. Provision is made to write down stock to fair value if this is below cost.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of properties	17,664,247	56,240,532

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

4 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Research and development costs	16,051	28,903
Depreciation of owned tangible fixed assets	126,668	118,048
Operating lease charges	159,229	399,287

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the group and company	19,600	19,600
Audit of the financial statements of the company's subsidiaries	77,400	74,400
	<u>97,000</u>	<u>94,000</u>

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2021 Number	2020 Number
Administrative staff	41	44
Management staff	4	4
	<u>45</u>	<u>48</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,118,997	3,848,417
Social security costs	502,996	456,783
Pension costs	141,194	154,963
	<u>4,763,187</u>	<u>4,460,163</u>

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	<u>277,200</u>	<u>317,275</u>

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

	2021 £	2020 £
Remuneration for qualifying services	<u>241,200</u>	<u>285,000</u>

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	1,150	14,978
Other interest income	-	252
Total income	<u>1,150</u>	<u>15,230</u>

9 Interest payable and similar expenses

	2021 £	2020 £
Other finance costs:		
Other interest	<u>3,376,383</u>	<u>1,697,164</u>

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	<u>(1,495,404)</u>	<u>(1,191,415)</u>

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

	2021 £	2020 £
Loss before taxation	<u>(18,924,165)</u>	<u>(6,270,608)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(3,595,591)	(1,191,416)
Tax effect of expenses that are not deductible in determining taxable profit	(24,067)	(22,430)
Unutilised tax losses carried forward	2,110,373	10,009
Permanent capital allowances in excess of depreciation	13,881	12,422
Taxation credit	<u>(1,495,404)</u>	<u>(1,191,415)</u>

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

11 Tangible fixed assets

Group	Leasehold Property £	Leasehold Improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2021 and 31 December 2021	382,000	693,053	184,237	113,270	1,372,560
Depreciation and impairment					
At 1 January 2021	-	176,045	117,756	87,158	380,959
Depreciation charged in the year	-	64,983	38,608	23,077	126,668
At 31 December 2021	-	241,028	156,364	110,235	507,627
Carrying amount					
At 31 December 2021	382,000	452,025	27,873	3,035	864,933
At 31 December 2020	382,000	517,008	66,481	26,112	991,601
Company					
	Leasehold Property £	Leasehold Improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost					
At 1 January 2021 and 31 December 2021	382,000	693,053	184,237	113,270	1,372,560
Depreciation and impairment					
At 1 January 2021	-	176,045	117,756	87,158	380,959
Depreciation charged in the year	-	64,983	38,608	23,077	126,668
At 31 December 2021	-	241,028	156,364	110,235	507,627
Carrying amount					
At 31 December 2021	382,000	452,025	27,873	3,035	864,933
At 31 December 2020	382,000	517,008	66,481	26,112	991,601

12 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	13	-	-	112,905	112,804
Investments in joint ventures		2,929,266	-	2,929,266	-
		2,929,266	-	3,042,171	112,804

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Fixed asset investments

(Continued)

Movements in fixed asset investments Group

Shares in
joint ventures
£

Cost or valuation

At 1 January 2021

-

Additions

2,929,266

At 31 December 2021

2,929,266

Carrying amount

At 31 December 2021

2,929,266

At 31 December 2020

-

Movements in fixed asset investments Company

Shares in
subsidiaries
and joint
ventures
£

Cost or valuation

At 1 January 2021

112,804

Additions

2,929,367

At 31 December 2021

3,042,171

Carrying amount

At 31 December 2021

3,042,171

At 31 December 2020

112,804

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Subsidiaries

(Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct/ Indirect
Pocket Living (Q1 2015) Plc	UK	Property development	Ordinary	100.00
Pocket Living Mapleton Limited	UK	Property development	Ordinary	100.00
Pocket Living (Addiscombe Grove) Ltd	UK	Property development	Ordinary	100.00
Pocket Living Gainsford Road Ltd	UK	Property development	Ordinary	100.00
Pocket Living The Heights Ltd	UK	Property development	Ordinary	100.00
Pocket Leigham Court Ltd	UK	Property development	Ordinary	100.00
Pocket Living West Green Place Ltd	UK	Property development	Ordinary	100.00
Credon House Ltd	UK	Property development	Ordinary	100.00
Pocket Living Osier Way Ltd	UK	Property development	Ordinary	100.00
Pocket Living Bollo Lane Ltd	UK	Property development	Ordinary	100.00
Pocket Living Gardner Close Ltd	UK	Property development	Ordinary	100.00
Pocket Living Varcoe Road Ltd	UK	Property development	Ordinary	100.00
Pocket Living Whiting Avenue Ltd	UK	Property development	Ordinary	100.00
Pocket Living 2017 Ltd	UK	Holding company	Ordinary	100.00
Pocket Living 2017 Holdco Ltd	UK	Holding company	Ordinary	100.00
Pocket Living Pledgeco Ltd	UK	Holding company	Ordinary	100.00
Pocket Living Pledgeco Holdings Ltd	UK	Holding company	Ordinary	100.00
Pocket Living Mezzanine Ltd	UK	Holding company	Ordinary	100.00
Pocket Living Mezzanine Holdings Ltd	UK	Holding company	Ordinary	100.00
Pocket Living Kerswell Close Ltd	UK	Property development	Ordinary	100.00
Pocket Living KX Ltd	UK	Dormant	Ordinary	100.00
Pocket Living Sudbury Ltd	UK	Property development	Ordinary	100.00
Pocket Living Woodside Ltd	UK	Property development	Ordinary	100.00
Pocket Living Ossory Road Ltd	UK	Property development	Ordinary	100.00
Ossory Road Developments Ltd	UK	Dormant	Ordinary	100.00
Pocket Living Sheepcote Road Ltd	UK	Property development	Ordinary	100.00
Pocket Money Ltd	UK	Dormant	Ordinary	100.00
Pocket Living Snaresbrook Ltd	UK	Property development	Ordinary	100.00
Pocket Living Bollo Commercial Ltd	UK	Property development	Ordinary	100.00
Pocket Living Keston Depot Ltd	UK	Dormant	Ordinary	100.00
Pocket Living (2013) LLP	UK	Property development	Ordinary	100.00
Pocket Living Mandeville Street Ltd	UK	Property development	Ordinary	100.00
Pocket Living Blanmerle Road Ltd	UK	Property development	Ordinary	100.00
Pocket Living Atlas Road Limited	UK	Holding company	Ordinary	100.00
Pocket Living Dolman Close Limited	UK	Holding company	Ordinary	100.00
Pocket Living Development Management Limited	UK	Holding company	Ordinary	100.00

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Subsidiaries

(Continued)

All subsidiaries are registered in England and Wales.

14 Stocks

	Group 2021 £	2020 £	Company 2021 £	2020 £
Work in progress	94,312,192	105,648,001	-	540,180

Work in progress is stated after provision for impairment of £10,283,022 (2020: £4,096,692). Included in work in progress is interest capitalised of £3,516,075 (2020: £5,470,160).

Company

The company had no impairment at 31 December 2021 (2020: £Nil)

15 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade debtors	536,982	566,837	-	48,765
Corporation tax recoverable	-	1,146,755	-	1,146,755
Amounts owed by group undertakings	-	-	33,382,269	22,527,252
Other debtors	5,859,663	1,313,170	3,481,305	717,367
Prepayments and accrued income	638,500	239,999	7,324,982	6,858,534
	7,035,145	3,266,761	44,188,556	31,298,673
Deferred tax asset (note 18)	138,852	138,852	138,852	138,852
	7,173,997	3,405,613	44,327,408	31,437,525

Amounts due from group undertaking are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Creditors: amounts falling due within one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts		6,517,930	30,098,976	-	-
Other borrowings		38,199,337	31,415,627	38,199,337	31,415,627
Trade creditors		2,663,110	1,900,394	548,092	832,379
Other taxation and social security		152,962	339,106	122,280	334,346
Other creditors		2,317,071	6,426,143	85,597	549,041
Accruals and deferred income		19,571,185	15,624,843	1,400,568	-
		<u>69,421,595</u>	<u>85,805,089</u>	<u>40,355,874</u>	<u>33,131,393</u>

Bank loans and other loans which are included in other creditors are secured by way of fixed and floating charges over all the assets of the borrowing entities.

Included in other borrowings is shareholder's loans of £36,598,763 (2020: £29,815,054) payable to the immediate parent company Related London Pocket Holdings Limited. The loan is repayable on demand and interest charged on the loan is 15% per annum.

Included in other borrowings are loans from Company directors of £800,000 (2020: £800,000) payable to Mr M Vlessing and £800,000 (2020: £800,000) payable to Mr P Harbard. Both loans are unsecured and repayable on demand. The interest is charged on both loans at 10% per annum. The total amount of interest paid was £160,000 (2020: £120,000)

17 Creditors: amounts falling due after more than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other creditors	<u>62,211,604</u>	<u>54,757,364</u>	<u>1,206,000</u>	<u>1,266,500</u>

Greater London Authority loan which is included in other creditors due after more than one year is secured by way of fixed and floating charge over all the assets of the borrowing entities. The interest charged on the loan varies between 8.4% to 11.93% per annum.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Group				
Revaluations	-	9,500	-	-
Investments	-	-	138,852	138,852
	<u>-</u>	<u>9,500</u>	<u>138,852</u>	<u>138,852</u>

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18 Deferred taxation

(Continued)

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Company				
Revaluations	-	9,500	-	-
Investments	-	-	138,852	138,852
	<u>-</u>	<u>9,500</u>	<u>138,852</u>	<u>138,852</u>

	Group 2021 £	Company 2021 £
Movements in the year:		
Asset at 1 January 2021	129,352	129,352
Credit to profit or loss	9,500	9,500
Asset at 31 December 2021	<u>138,852</u>	<u>138,852</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

19 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>141,194</u>	<u>154,963</u>

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.

20 Share capital

Group and company	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary B Shares of 1p each	240	240	2	2
Ordinary A1 Shares of 1p each	30,000	30,000	300	300
Ordinary A2 Shares of 1p each	70,000	70,000	700	700
Deferred Shares of 1p each	1	1	-	-
Ordinary C Shares of 1p each	7,700	7,700	77	77
	<u>107,941</u>	<u>107,941</u>	<u>1,079</u>	<u>1,079</u>

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Share capital

(Continued)

Ordinary A1 and A2 shares have full rights in the company with respect to voting, dividends and distributions.

Ordinary B shares, C shares and Deferred shares do not have rights to vote.

21 Reserves

Share premium

This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Profit and loss reserves

This reserve records retained earnings and accumulated losses.

22 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 2021 £	2020 £	Company 2021 £	2020 £
Within one year	324,922	455,000	324,922	455,000
Between two and five years	1,456,000	1,591,877	1,456,000	1,591,877
In over five years	424,667	983,548	424,667	983,548
	<u>2,205,589</u>	<u>3,030,425</u>	<u>2,205,589</u>	<u>3,030,425</u>

23 Related party transactions

Company

The Company has taken advantage of the exemption available in FRS102 S.33 1A, whereby it has not disclosed transactions with its wholly owned subsidiaries.

During the year the company received loans from its immediate parent company Related London Pocket Holdings Limited, 70% shareholder of the company, amounting to £6,783,709 (2020: £3,898,181). The total loan payable as at year end was £36,598,763 (2020: £29,815,054). The loan is payable on demand and interest applicable to this loan is 15% per annum.

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24 Directors' transactions

Description	% Rate	Opening balance £	Closing balance £
Mr P Harbard -	10.00	800,000	800,000
Mr M Vlessing -	10.00	800,000	800,000
		<u>1,600,000</u>	<u>1,600,000</u>

25 Controlling party

The immediate parent company is Related London Pocket Holdings Limited, a company incorporated in England and Wales. The registered office address is 31 Hill Street, London, W1J 5LS.

The largest and smallest groups in which the results are consolidated are headed by Related London Pocket Holdings Limited. The financial statements are publicly available at Companies House, Crownway, Cardiff, CF14 3UZ

The ultimate parent company is Related L.P, an entity registered in the US, and is controlled by Mr Stephen Ross.

26 Cash (absorbed by)/generated from group operations

	2021 £	2020 £
Loss for the year after tax	(17,428,761)	(5,079,193)
Adjustments for:		
Taxation credited	(1,495,404)	(1,191,415)
Finance costs	3,376,383	1,697,283
Investment income	(1,150)	(15,230)
Depreciation and impairment of tangible fixed assets	126,668	118,048
Impairment of Stock	10,283,022	4,096,692
Movements in working capital:		
Decrease in stocks	6,884,937	23,152,921
(Increase)/decrease in debtors	(7,935,202)	1,969,237
Increase/(decrease) in creditors	4,971,588	(13,546,442)
Cash (absorbed by)/generated from operations	<u>(1,217,919)</u>	<u>11,201,901</u>

POCKET LIVING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

27 Analysis of changes in net debt - group

	1 January 2021 £	Cash flows £	31 December 2021 £
Cash at bank and in hand	25,555,899	(21,602,687)	3,953,212
Bank overdrafts	-	(2,744)	(2,744)
	<u>25,555,899</u>	<u>(21,605,431)</u>	<u>3,950,468</u>
Borrowings excluding overdrafts	(61,514,603)	16,800,080	(44,714,523)
	<u>(35,958,704)</u>	<u>(4,805,351)</u>	<u>(40,764,055)</u>