

Red Door Ventures Limited

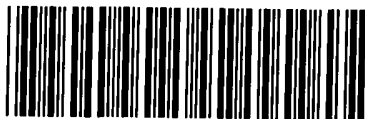
Report and Financial Statements

Year Ended

31 March 2017

Company Number 08956137

FRIDAY



L6LSNRHK

L14

22/12/2017

#238

COMPANIES HOUSE

Red Door Ventures Limited

Company Information

Directors	C Wood J A Swinney D E Christie C L Alexander K Taylor S Gaventia J Montgomery P D Shaw
Company secretary	K Taylor
Registered number	08956137
Registered office	Unit 319 Burford Business Centre 11 Burford Road London E15 2ST
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Red Door Ventures Limited

Contents

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 26

Red Door Ventures Limited

Strategic Report for the Year Ended 31 March 2017

Business and financial review

During the year Red Door Ventures ("RDV") saw a lot of change and increase in activity. Chris Wood stood down as Managing Director, and Kent Taylor, previously the Finance Director, succeeded him. Chris' skills are retained by the organisation, however, as he remains a non-executive director.

We have also strengthened our Board further with the appointment of Sarah Gaventia and Joe Montgomery during the year.

During the year we completed one scheme to add to our 36 units at the Tanneries. These were six apartments at Nelson Street in East Ham, and in April 2017 we completed 17 apartments at Gregory House in Plaistow.

Our total stock is now 59 units, however, during the year we approved a business plan that would bring our total stock to 3,140 units by 2022. All these sites will be developed in partnership with LB Newham and have been identified. Planning permission for 558 units will be sought during the coming financial year, and in October 2017 we completed the purchase of 97 completed units in London Borough of Tower Hamlets.

In addition to these sites we are also considering further sites in partnership with other land owners and developers to provide more quality homes in Newham and Greater London. The Mayor of Newham has stated he wants RDV to eventually own 15,000 homes.

To achieve all this, we have had to review our current resource levels and in the coming year will be moving to new office accommodation, installing new housing management and finance IT systems, and strengthening our team.

During the year the turnover was £9.5m (2015/16 £7.2m); £700k from rent (2015/16 £23k). The remainder of the income relates to a recharge of development costs to subsidiaries and before the fair value adjustment on investment property RDV made a loss of £852k (2015/16 loss £1.8m), but ahead of the budgeted loss of £1.37m. We saw the value of our investment property increase by £2.6m during the year as more units were completed. Overall the company made a profit after tax of £1.7m.

We are delighted that 89% of our tenants were satisfied with RDV as their landlord in a recent survey.

Red Door Ventures Limited

Strategic Report (continued) for the Year Ended 31 March 2017

Principal risks and uncertainties

Red Door Ventures is a wholly owned subsidiary of the London Borough of Newham. The company operates independently from the Council, with its own Board of Directors and management team. The Board has established an effective framework for identifying, monitoring and managing risks. The executive management team prepare the risk register for discussion and approval of the Board at their meetings.

Risks are identified that could be detrimental to the Company's ability to achieve its strategic goals and business plan objectives. Appropriate controls and mitigation actions are identified and implemented to reduce the potential adverse impact to the achievement of these targets.

The key risks identified at the year-end, and the mitigation strategy to combat these risks, are as follows:

Affordable Housing Contribution

GLA has a requirement for 35% of any development to be an affordable product on "day 1" before the scheme will be approved.

Mitigation: We are in discussion with the GLA to see if an agreement can be reached based on RDV's approach to providing affordable housing on PRS schemes as agreed with Newham.

Loss of London as a World City

London's residential property market is closely related to London as a world city therefore the loss of London as a city would greatly impact RDV.

Mitigation: London's growth is key to the growth of the UK economy and therefore its global status is a matter of national priority. The long-term impact on London's status is now uncertain as a result of the referendum to exit the EU. Therefore, as a result of the uncertainty the likelihood risk has been increased from a rating of 1 to 3 in the short term. We will continue to monitor the research and forecasts for the economic future for London and shape our business plan accordingly.

Increased competition and potential oversupply of PRS properties in Newham

Recognising the adverse impact in demand from individual/small investors for "buy to let" properties due to recent tax legislation, Developers are entering partnership agreements with Housing Associations and Investment Funds to pre-sell blocks of new build properties for PRS. This will increase competition for our product, potentially creating areas of oversupply and driving down rental incomes.

Whilst recognising this as a risk, we believe this to be an opportunity to expand our portfolio of properties and discussions have commenced with several major developers who have schemes within the Borough, and other areas of London, to position RDV to be the PRS partner of choice in Newham and Greater London.

Increasing Construction Costs

Estimated construction costs may increase during the pre-construction stage due to build cost inflation, shortage of available labour and/or due to the impact of Brexit. This may also result in an increase in the pre-construction professional fees.

The development of a robust cost control mechanism, with Gateway approval points for authorisation. We have also increased the number of approved contractors to increase competition in the tender process. We seek to tender on the basis of fixed priced contracts whilst building sufficient contingencies and inflation assumptions into all stages of appraisal modelling.

Red Door Ventures Limited

Strategic Report (continued) for the Year Ended 31 March 2017

Key performance indicators

The Company used the following key performance indicators to manage the performance of its property letting and management service during the year: -

Rent Collection

- Current arrears of gross rental income (0.61%).
- Collection rate (101.3%)
- Current arrears (£3,248)

Complaints

- No. of complaints received quarter and year (1)

Repairs

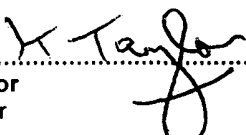
- No. of repairs completed within target (100%)
- No. of defects (46)
- Average number of repairs per unit (0.03)
- Max no. of repairs per unit (2)

Lettings and Void Management

- Average void turnaround time (0 days)
- Void rent loss (£52)

The board intends to monitor KPI's in more detail when out of the expansion phase of the business.

This report was approved by the board and signed on its behalf.


.....
K Taylor
Director

Date: 20.12.17

Red Door Ventures Limited

Directors' Report for the Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Principal activities

The principal activity of the company is that of the construction and investment in private rental sector properties.

Directors

The directors who served during the year were:

C Wood
J A Swinney
D E Christie
C L Alexander
K Taylor (appointed 25 April 2016)
S Gaventa (appointed 28 July 2016)
J Montgomery (appointed 2 February 2017)

Post year end there were the following appointments of directors:

P D Shaw (appointed 6th April 2017)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Red Door Ventures Limited

Directors' Report (continued) for the Year Ended 31 March 2017

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
K Taylor
Director

Date: 20.12.17

Red Door Ventures Limited

Independent Auditor's Report to the Members of Red Door Ventures Limited

We have audited the financial statements of Red Door Ventures Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting in Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statements of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 directors' report has been prepared in accordance with applicable legal requirements.

Red Door Ventures Limited

Independent Auditor's Report to the Members of Red Door Ventures Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

BDO LLP

Christopher Young (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 22/12/2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Red Door Ventures Limited

Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 £	As restated 2016 £
Turnover	4	9,512,271	7,151,081
Cost of sales		(8,916,461)	(7,184,258)
Gross profit/(loss)		595,810	(33,177)
Administrative expenses		(525,758)	(553,395)
Increase in fair value of investment property		2,591,360	6,648,458
Operating profit	5	2,661,412	6,061,886
Interest payable and expenses	9	(600,800)	(89,290)
Profit before tax		2,060,612	5,972,596
Tax on profit	10	(321,188)	(1,100,889)
Profit for the financial year		1,739,424	4,871,707
Other comprehensive income:			
Other comprehensive income net of tax		-	-
Total comprehensive income for the year		1,739,424	4,871,707

All amounts relate to continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

Red Door Ventures Limited

Registered number: 08956137

Statement of Financial Position as at 31 March 2017

	Note	2017 £	As restated 2016 £
Fixed assets			
Intangible assets	11	412,021	270,274
Tangible assets	12	61,480	31,911
Investments	13	1	1
Investment property	14	25,206,357	18,697,000
		<u>25,679,859</u>	<u>18,999,186</u>
Current assets			
Debtors: amounts falling due after more than one year	15	215,113	175,641
Debtors: amounts falling due within one year	15	10,749,847	4,372,865
Cash at bank and in hand	16	1,203,379	720,920
		<u>12,168,339</u>	<u>5,269,426</u>
Creditors: amounts falling due within one year	17	(3,807,620)	(1,950,014)
Net current assets		<u>8,360,719</u>	<u>3,319,412</u>
Total assets less current liabilities		<u>34,040,578</u>	<u>22,318,598</u>
Creditors: amounts falling due after more than one year	18	(21,086,182)	(11,464,286)
		<u>12,954,396</u>	<u>10,854,312</u>
Provisions for liabilities			
Deferred taxation	19	(1,760,660)	(1,400,000)
Net assets		<u>11,193,736</u>	<u>9,454,312</u>
Capital and reserves			
Share capital	20	4,082,802	4,082,802
Retained earnings	21	7,110,934	5,371,510
		<u>11,193,736</u>	<u>9,454,312</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


K Taylor
Director

The notes on pages 11 to 26 form part of these financial statements.

Red Door Ventures Limited

Statement of Changes in Equity for the Year Ended 31 March 2017

	Share capital £	Retained earnings £	Total equity £
At 1 April 2016	4,082,802	5,371,510	9,454,312
Comprehensive income for the year			
Profit for the year	-	1,739,424	1,739,424
Total comprehensive income for the year	-	1,739,424	1,739,424
At 31 March 2017	4,082,802	7,110,934	11,193,736

Statement of Changes in Equity for the Year Ended 31 March 2016

	Share capital £	Retained earnings £	Total equity £
At 1 April 2015	2,164,690	499,803	2,664,493
Comprehensive income for the year			
Profit for the year	-	4,871,707	4,871,707
Total comprehensive income for the year	-	4,871,707	4,871,707
Shares issued during the year	1,918,112	-	1,918,112
At 31 March 2016	4,082,802	5,371,510	9,454,312

The notes on pages 11 to 26 form part of these financial statements.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

1. General information

Red Door Ventures Limited is a private limited company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the group's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

2. Accounting policies (continued)

2.3 Going concern

The directors are required to consider whether at the date of signing the financial statements they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As part of this analysis the directors have reviewed the company's forecasts for the foreseeable future along with the availability of financing to fund both the company's development activities and its working capital requirements, and based on this analysis, at the date of approval of the financial statements, have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rental recognition is accounted for on a daily basis.

Contract income

Once the company considers that the outcome of a construction contract can be reliably estimated, revenue and profit is recognised on the basis of the proportion of the contract that is completed.

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, with amortisation commencing once the asset is ready for use.

The estimated useful lives range as follows:

IT systems	-	5	years
------------	---	---	-------

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	- 20% straight line method
Office equipment	- 33.33% straight line method
Scheme furniture packages	- 20% straight line method

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.7 Investment property

The company applies the fair value accounting model to investment property. Investment property comprises property held by the company for the purpose of earning rental income (including investment property under construction). Investment property is stated at fair value at the reporting date with changes in fair value being recognised in the statement of comprehensive income.

2.8 Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the company (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of shares issued together with the fair value of any additional consideration paid.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

2. Accounting policies (continued)

2.12 Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

Amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the statement of financial position.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

2. Accounting policies (continued)

2.14 Borrowing costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. Where finance costs are incurred in relation to the construction of a qualifying asset, the relevant costs are capitalised into the cost of the asset.

2.15 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

2. Accounting policies (continued)

2.17 Prior year adjustment

It has come to the attention of the directors that errors were made in the prior year financial statements, the effect of which is set out below.

The financial statements to the year-ended 31 March 2016 had expensed a cumulative amount of £270,274 in relation to IT modelling costs, which was a cost that had to be incurred to enable an assessment of the economic viability of schemes and so should have been capitalised as an intangible asset. The overall effect of the adjustment is to increase intangible assets by £270,274, decrease the deferred tax asset by £48,649, increase net assets by £221,625, reduce administrative expenses by £270,274, increase the tax charge by £48,649, and increase profit after tax by £221,625.

The financial statements to the year-ended 31 March 2016 had expensed a cumulative amount of interest of £92,831 which met the criteria for capitalisation on a qualifying asset and so should have been capitalised onto the preconstruction costs. The effect of this adjustment is to increase prepayments by £92,831, decrease the deferred tax asset by £16,710, increase net assets by £76,121, reduce interest payable by £92,831, increase the tax charge by £16,710, and increase profit after tax by £76,121.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Fair value of investment property

The fair value of investment property is determined, by the directors, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The fair value of investment properties under construction is estimated as the fair value of the completed asset less any costs payable in order to complete the asset and an appropriate developer's margin.

Deferred tax asset

At each financial period end judgement is required in respect of the deferred tax asset. The amount of the deferred tax asset included in the Statement of Financial Position is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised, the directors make judgements based on current budgets and forecasts about the amount of future taxable profits and the timings of when these will be realised (see accounting policy 2.16 on current and deferred taxation).

Preconstruction costs

Determining whether the value of the Company's pre-construction costs, carried as prepayments, should be impaired requires judgment from the directors in respect to the expected viability and profitability of the schemes and so requires estimations of the future value of investment properties. This requires management to estimate the future cash flows expected to arise from the investment property. The carrying amount of pre-construction costs at the reporting date was £8,007,408 (2016: £3,061,602) with no impairment loss recognised in 2017 or 2016.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Recharge of development costs to subsidiaries	8,812,725	7,128,060
Rental income	699,546	23,021
	<u>9,512,271</u>	<u>7,151,081</u>

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	23,298	5,326
Defined contribution pension cost	9,764	6,856
Rental expenses	67,833	-
Operating lease expense	<u>29,635</u>	<u>14,248</u>

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2017 £	2016 £
Fees for the audit of the company	17,510	17,000
Fees for the accounts preparation of the company	<u>1,854</u>	<u>1,800</u>

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	477,458	574,533
Social security costs	36,308	11,086
Cost of defined contribution scheme	9,764	6,856
	<u>523,530</u>	<u>592,475</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
	<u>8</u>	<u>3</u>

Wages and salaries include £146,066 (2016 - £312,951) of consultancy fees. Included in total employee costs are capitalised wages, salaries and fees of £254,889 (2016 - £285,550), capitalised social security costs of £30,779 (2016 - £8,202) and capitalised other pension costs of £12,728 (2016 - £2,316).

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	<u>252,450</u>	<u>147,895</u>

London Borough of Newham Councillors received no remuneration from Red Door Ventures Limited.

9. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	<u>600,800</u>	<u>89,290</u>

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

10. Taxation

	2017 £	2016 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	321,188	1,100,889
Total deferred tax	321,188	1,100,889
Taxation on profit on ordinary activities	321,188	1,100,889

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,060,612	5,972,596
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	412,122	1,194,519
Effects of:		
Group relief surrendered	44,297	42,768
Profits chargeable at lower rates	(135,231)	(136,398)
Total tax charge for the year	321,188	1,100,889

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

11. Intangible assets

	IT systems £
Cost	
At 1 April 2016	270,274
Additions	141,747
At 31 March 2017	<u>412,021</u>
Net book value	
At 31 March 2017	<u>412,021</u>
At 31 March 2016	<u>270,274</u>

12. Tangible fixed assets

	Fixtures & fittings £	Office equipment £	Total £
Cost			
At 1 April 2016	23,845	13,990	37,835
Additions	34,666	18,201	52,867
At 31 March 2017	<u>58,511</u>	<u>32,191</u>	<u>90,702</u>
Depreciation			
At 1 April 2016	834	5,090	5,924
Charge for the year	16,216	7,082	23,298
At 31 March 2017	<u>17,050</u>	<u>12,172</u>	<u>29,222</u>
Net book value			
At 31 March 2017	<u>41,461</u>	<u>20,019</u>	<u>61,480</u>
At 31 March 2016	<u>23,011</u>	<u>8,900</u>	<u>31,911</u>

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 April 2016	1
At 31 March 2017	<u>1</u>
Net book value	
At 31 March 2017	<u>1</u>
At 31 March 2016	<u>1</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
RDV Design and Build Limited	Ordinary	100 %	Provision of design and build contracting services

The registered office of RDV Design and Build Limited is Unit 319 Burford Business Centre, 11 Burford Road, London, E15 2ST.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

14. Investment property

	Freehold investment property £
Valuation	
At 1 April 2016	18,697,000
Additions at cost	3,917,997
Surplus on revaluation	2,591,360
At 31 March 2017	25,206,357

The 2017 valuations were made by the directors, on an open market value for existing use basis.

The total finance costs capitalised during the year amounted to £133,306 (2016 - £353,886).

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2017 £	2016 £
Historic cost	14,849,189	10,931,192

15. Debtors

	2017 £	As restated 2016 £
Due after more than one year		
Deferred taxation (see note 19)	215,113	175,641

The deferred tax asset represents unutilised tax losses carried forward for offset against future taxable profits.

	2017 £	As restated 2016 £
Due within one year		
Amounts owed by group undertakings	323,079	1,189,747
Other debtors	197,186	4,655
Called up share capital not paid	100	100
Prepayments and accrued income	10,229,482	3,178,363
	10,749,847	4,372,865

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

15. Debtors (continued)

Included in prepayments and accrued income are 'preconstruction costs'. Within these borrowing costs of £301,256 were capitalised during the year (2016 - £91,885).

16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	<u>1,203,379</u>	<u>720,920</u>

17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	718,319	1,080,211
Other taxation and social security	12,085	479,007
Other creditors	31,593	18,794
Accruals and deferred income	3,045,623	372,002
	<u>3,807,620</u>	<u>1,950,014</u>

18. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Amounts owed to group undertakings	<u>21,086,182</u>	<u>11,464,286</u>

The amounts owed to group undertakings represent amounts loaned by the company's parent. The loans comprise an unsecured loan along with property specific loans totalling £10,635,463 (2016: £6,016,906) secured against the company's investment properties. The secured loans have fixed rates of interest varying from 6% to 12% whilst the unsecured loan is a floating rate of interest linked to the higher of a LIBOR related rate, and the parent company's consolidated rate of borrowing.

During the year interest of £435,000 (2016: £455,000) which was incurred in relation to the development of the company's properties was capitalised.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

19. Deferred taxation

	2017 £	2016 £
At beginning of year	1,224,359	123,470
Charged to income statement (see note 10)	321,188	1,100,889
At end of year	1,545,547	1,224,359
	2017 £	2016 £
Comprising:		
Deferred tax asset on unutilised losses (note 15)	(215,113)	(175,641)
Deferred tax liability on investment property revaluation	1,760,660	1,400,000
	1,545,547	1,224,359

20. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
4,082,802 Ordinary shares of £1 each	4,082,802	4,082,802

Ordinary shares carry equal rights of dividend, voting and return of capital on the winding up of the company.

21. Reserves

Retained Earnings

The retained earnings reflect all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

22. Commitments under operating leases

At 31 March 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	19,814	27,028
Later than 1 year and not later than 5 years	-	19,814
	<u>19,814</u>	<u>46,842</u>

Commitments under operating leases represents lease of office premises.

	2017 £	2016 £
Lessor commitments are as follows:		
Not later than 1 year	442,232	275,044
Later than 1 year and not later than 5 years	382,165	281,307
	<u>824,397</u>	<u>556,351</u>

23. Related party transactions

The company has taken advantage of the exemption available under FRS 101 Reduced Disclosure Framework not to disclose transactions with other wholly owned members of the Group.

Altair, of which Susan Kane (former interim FD; September 2015 – April 2016) and Chris Wood (former interim MD; October 2014 - December 2016, and Board Member) are both Partners, were paid £175,279 during the year. This included all consultancy services provided in the year.

24. Subsequent events

In October 2017 we bought 97 complete units in LB Tower Hamlets which are now in management.

Red Door Ventures Limited

Notes to the Financial Statements for the Year Ended 31 March 2017

25. Controlling party

The immediate and ultimate parent undertaking is the London Borough of Newham, a Local Authority whose principal place of business is Newham Dockside, 1000 Dockside Road, London E16 2QU.

The largest and smallest group of undertaking for which group accounts are drawn up and of which the company is a member is the group headed by the London Borough of Newham.

Copies of the group financial statements of the London Borough of Newham are available from Newham Dockside, 1000 Dockside Road, London, E16 2QU.

The company is controlled by the London Borough of Newham.