Red Door Ventures Limited

Report and Financial Statements

Year Ended

31 March 2019

Company Number 08956137

Red Door Ventures Limited

Company Information

Directors	S E Gaventa J Montgomery J A Swinney S M Forster N P Taylor
Company secretary	Robin James Atkin-House
Registered number	08956137
Registered office	373 High Street Stratford London E15 4QZ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Red Door Ventures Limited

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Red Door Ventures Limited

Group Strategic Report
for the Year Ended 31 March 2019

Business review

In May 2018 we saw a change to the Mayor of Newham, with Rokhsana Fiaz (OBE) succeeding Sir Robin Wales. Councillor Fiaz has an exciting and ambitious agenda for housing in the Borough, with RDV being a key player in these plans.

During the year RDV has been repurposed from being a predominantly PRS developer; providing up to 80% of its total programme as market rented properties; to one where the aim is to deliver an average of 50% genuinely affordable homes across our programme.

This change in strategic direction has seen the business go through a period of significant change, but it has not stopped RDV from starting on the construction of 232 new homes in the Borough, 118 (51%) of which are genuinely affordable. The first of these homes will come into management early in 2020/21 and will add to the 156 market rented homes we currently have in our portfolio.

Another strategic shift has been the decision to own and manage the affordable homes RDV delivers. The previous business plan outlined the sale of these units to another provider. As a result of this change in strategy, RDV proposes to set up a Registered Provider (RP) as part of the Group in 2019/20.

To deliver on the new strategy and ensure we offer a quality service to RDV's existing and future residents, we have brought the management and lettings function of our 156 homes in-house in the year. We have also started preparing for the management of our new tenures. RDV is very excited to work with residents and the Regulator of Social Housing (RSH) to deliver what it considers to be the most important aspect of its business; a great service back to the residents of Newham.

Staff numbers have remained relatively stable in the year, but a mixture of new skills and additional resource have been employed to adequately manage our changing environment. During the year, the Interim CEO, Aniekan Umoren, was replaced by Deborah Heenan on an interim basis, with the appointment being made permanent in June 2019. In April 2019, the Interim Chair, Chris Wood, left the organisation and was succeeded by Nigel Taylor on a permanent basis. Plans are under way to recruit more Non-Executive Directors to the appropriate Boards in 2019/20, particularly to adhere to governance standards in the social housing sector, as set out by the RSH.

During the year the turnover was £2.7m (2017/18: £1.2m) from rental income. The increase in the year is due to a full year of rental income for the 97 homes at Cheviot House, which were purchased partway through the 2017/18 financial year. Before the fair value adjustment, interest and tax, the group made a loss of £0.1m (2017/18: £2.7m). The reduction in losses is largely due to abortive costs on acquisitions in the prior year, as well as increased rental income in the current year. Overall, the company made a loss after tax of £2.8m (2017/18: £2.2m).

Principal risks and uncertainties

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

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:

Regulatory and political
The business has been through significant change over the last 12 months in response to a change in Mayoral leadership within the Borough. This has caused delays in delivery. Although the housing priorities in the new administration are understood and achievable, and remain stable in the short-medium term, the business will always be at risk of another change in political priority by nature of its ownership, which may impact RDV's future programme.

RDV is also venturing into the delivery and management of social housing, and as a result proposes to set up a RP in 2019/20. This changes the risk profile of the business, with much more focus on governance (as well as viability) from the RSH.

Mitigation: In the short to medium term, we have demonstrated that we can deliver in line with the housing priorities of the new administration. This argument is strengthened by the start-on-site of 232 homes in March 2019, 51% of which are genuinely affordable, which are funded by a mixture of grant, equity and debt totalling £66m. We also anticipate starting on site with another 294 homes in 2019/20, which will include 38% genuinely affordable homes as well as the provision of a community centre to LBN, free of charge.

For potential changes in the longer-term, we have shown that we are an agile business that can react quickly to change and deliver on new priorities, and we now have the experience to do this even more efficiently.

We have sought professional advice to undertake the registration of the new RP. A company that is experienced in the requirements from a regulatory, governance, financial and legal point of view has been appointed to guide RDV through the process in order to mitigate risk.

Whatever the future looks like, we would expect RDV to remain as a significant developer and manager of accommodation, and we will receive the necessary financial support from LBN to do so.

Scheme viability

Since repurposing, RDV has committed to its shareholder, The London Borough of Newham, to deliver an average of 50% of its programme as genuinely affordable homes. This makes achieving viability on our schemes more challenging. It also impacts on the value of our work-in-progress and creates potential impairment risk.

Mitigation: For existing schemes, we have focussed heavily on driving out as much value as possible whilst protecting the quality of the homes we are delivering. Furthermore, the basis of our repurposing proposal was for LBN to trade dividend return in the long-term for genuinely affordable homes in the short-term, using GLA grant awarded to LBN. The grant helps us achieve viability even when delivering 50% affordable homes. Finally, our new strategy of keeping 100% of the homes we deliver in RDV's management will see us return more back to LBN by way of interest margin, improving some of the metrics that we use to assess viability.

For new schemes identified, we have introduced new policies and procedures to control costs in line with our new strategy and make sure that design, cost and operational management go hand-in-hand early on in the process. By getting this balance right, we will gain significant value from our new schemes, ensuring we can achieve viability whilst delivering on our social objectives.

With regards to impairment risk, we have taken a 'package' approach to funding schemes; using the more valuable market property to cross-subsidise lower-value affordable property in the programme. This enables us to meet our viability hurdles and get schemes on site. We are also setting up an RP within the Group to own and manage all affordable property, which will see different accounting rules about how to value stock. We have sought external professional advice to support this approach.

Economic downturn

The failure to monitor and track the impact of a downturn in the economy, including the effect Brexit may have on the housing market, would greatly impact RDV. This may affect our ability to achieve viability, generate investment value, and deliver on our social objectives.

The potential effects of Brexit may also see a shortage of construction labour, which in turn may drive up costs, increasing construction costs during the pre-construction phase and impacting on viability and investment return.

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 Brexit and the uncertainty of the outcome. We will continue to monitor the economy using recognised sources of data. We will consider adaptation of the build product and processes to suit any recognised economic stresses and will continue to develop stress testing scenarios and seek to mitigate against risks. We will also investigate means of cost reduction and value-added engineering and continue to seek long-term fixed rate finance to fund schemes.

Within the current climate, our ability to borrow is strong. This wouldn't change as drastically as it might for our competitors should there be an economic downturn. This puts us in a unique position in the market and we are already thinking about how we can take advantage of such a situation. Options include buying surplus properties at a discount and holding them for the long-term. This option would be in line with our business model as it would generate potentially significant capital returns for our shareholder and enable us to improve the delivery of our social objectives.

On development costs specifically, we use 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-price contracts whilst building sufficient contingencies and inflation assumptions into all stages of appraisal modelling.

Health and safety

Our health and safety (H&S) risk has increased significantly in the year now that construction has begun on 232 homes across 8 different sites. Failure to adequately resource and police H&S across multiple sites increases the risk of an incident, which would cause reputational damage, loss of political support, as well as legal and cost implications. We must also consider our moral obligation as a responsible developer and property manager, and the impact that our failure to take H&S seriously may have on an individual(s).

Mitigation: We have adopted H&S policies and procedures that are suitable for our business and sought professional advice where necessary. H&S is regularly discussed at Executive and Board level and filtered down to make other staff aware of their responsibilities. For all staff regularly attending site visits, it will be company policy for them to hold the relevant H&S awareness accreditation. We have ensured all construction contracts impose responsibility and accountability onto our Contractors and regular monitoring will take place to make sure they are complying with our standards.

Key performance indicators

We have brought the management and lettings function of our 156 homes in-house in the year and as a result, are starting to collect a more comprehensive database of performance information. We continue to develop our KPI monitoring and reporting. The KPIs we used for the 2018/19 year were as follows:

Void loss on rent
Our rental void loss as a % of annual rent was 1.5% (£41k) against a target of 3%. We continue to perform well on lettings which demonstrates the quality of our stock and the benefits of having an in-house management team.

Average void turnaround

Since the management of our homes was brought in-house, the average time it takes us to re-let a property is 10 days. The national average, set by the Association of Residential Letting Agents (ARLA), is 30 days.

Occupancy rate

On average, 98% of our properties were let at any one time since we started collecting our own data. This is above our target of 97%.

Revenue

RDV aims to maximise its revenue from its market rented property portfolio. We performed better than budget on rental income revenue (£57k: 2%). This was achieved by re-letting each vacant property during the year at an average of £30 per month more than budget.

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

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N P Taylor
Director

Date: 11/9/19

Red Door Ventures Limited

Directors' Report
for the Year Ended 31 March 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' responsibilities

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 International Financial and Reporting Standards (IFRSs) as adopted by the European Union. 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 the group 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 for the group's financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is the development and management of residential buildings.

Results and dividends

The loss for the year, after taxation, amounted to £2,786,523 (2018 - £2,248,031).

During the year no dividends were paid (2018 - £Nil).

Directors

The directors who served during the year were:

D E Christie (resigned 31 October 2018)
S E Gaventa
J Montgomery
P D Shaw (resigned 14 September 2018)
J A Swinney
C Wood (resigned 30 April 2019)
L Alexander (resigned 5 April 2018)
K Taylor (resigned 31 May 2018)
S M Forster (appointed 2 January 2019)

After the year end, N P Taylor was appointed Chair on 1 April 2019.

Red Door Ventures Limited

Directors' Report (continued)
for the Year Ended 31 March 2019

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 and the group'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 and the group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the group since the year end.

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.

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N P Taylor
Director

Date: 11|9|19

Red Door Ventures Limited

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

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Opinion

We have audited the financial statements of Red Door Ventures Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated statement of cash flows and the Company statement of cash flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 the 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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Group strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's 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, 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 Group's and 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 Group or 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Christopher Young (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
18/09/2019

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

Red Door Ventures Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2019

	Notes	2019 £	2018 £
Revenue		**2,665,726**	1,241,119
Cost of sales		**(800,165)**	(373,046)
Gross profit		**1,865,561**	868,073
Administrative expenses		**(1,997,935)**	(3,565,847)
Fair value movements		**367,184**	1,879,502
Loss from operations	5	**234,810**	(818,272)
Finance income		**2,020**	597
Finance expense	9	**(2,976,426)**	(1,448,058)
Loss before tax		**(2,739,596)**	(2,265,733)
Tax (charge)/credit	11	**(46,927)**	17,702
Loss for the financial year		**(2,786,523)**	(2,248,031)

All amounts relate to continuing operations.

There were no amounts of other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited
Registered number: 08956137

Consolidated Statement of Financial Position
as at 31 March 2019

	Note	2019 £	2018 £
Non-current assets			
Intangible assets	12	**307,063**	383,524
Property, plant and equipment	13	**682,801**	1,297,068
Investment property	15	**56,740,000**	56,740,000
Deferred tax	20	**629,924**	673,405
		58,359,788	59,093,997
Current assets			
Trade and other receivables	16	**24,191,299**	18,678,412
Bank and cash balances		**2,705,401**	2,755,904
		26,896,700	21,434,316
Total assets		**85,256,488**	80,528,313
Equity			
Share capital	21	**15,807,332**	11,507,332
Profit and loss account	22	**1,902,700**	4,689,223
		17,710,032	16,196,555
Current liabilities			
Trade and other payables	17	**2,329,500**	2,490,041
		2,329,500	2,490,041
Non-current liabilities			
Borrowings	18	**63,012,260**	59,640,468
Deferred tax liabilities	20	**2,204,696**	2,201,249
		65,216,956	61,841,717
Total equity and liabilities		**85,256,488**	80,528,313

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

11/9/19

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N P Taylor
Director

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited
Registered number: 08956137

Company Statement of Financial Position
as at 31 March 2019

	Notes	2019 £	2018 £
Non-current assets			
Intangible assets	12	**307,063**	383,524
Property, plant and equipment	13	**682,801**	1,297,068
Investments	14	**1**	1
Investment property	15	**56,740,000**	56,740,000
Deferred tax	20	**629,924**	673,405
		58,359,789	59,093,998
Current assets			
Trade and other receivables	16	**33,449,686**	24,718,107
Bank and cash balances		**2,347,292**	2,024,581
		35,796,979	26,742,688
Total assets		**94,156,767**	85,836,686
Capital and reserves			
Share capital	21	**15,807,332**	11,507,332
Profit and loss account	22	**1,773,321**	4,487,115
		17,580,653	15,994,447
Current liabilities			
Current Trade And Other Payables	17	**11,359,158**	8,000,521
		11,359,158	8,000,521
Non-current liabilities	17		
Borrowings	18	**63,012,260**	59,640,468
Deferred tax liabilities	20	**2,204,696**	2,201,249
		65,216,956	61,841,717
Total equity and liabilities		**94,156,767**	85,836,685

Red Door Ventures Limited
Registered number: 08956137

Company Statement of Financial Position (continued)
as at 31 March 2019

During the year, the company made a loss of £2,713,794 (2018 - £2,201,564).

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

NPT

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N P Taylor
Director

Date: 11/9/19

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2019

	Share capital £	Profit and loss account £	Total equity £
At 1 April 2018	11,507,332	4,689,223	16,196,555
Comprehensive income for the year			
Loss and total comprehensive income for the year	-	(2,786,523)	(2,786,523)
Contributions by and distributions to owners			
Shares issued during the year	4,300,000	-	4,300,000
At 31 March 2019	15,807,332	1,902,700	17,710,032

Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018

	Share capital £	Profit and loss account £	Total equity £
At 1 April 2017	4,082,802	6,937,254	11,020,056
Comprehensive income for the year			
Loss and total comprehensive income for the year	-	(2,248,031)	(2,248,031)
Contributions by and distributions to owners			
Shares issued during the year	7,424,530	-	7,424,530
At 31 March 2018	11,507,332	4,689,223	16,196,555

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited

Company Statement of Changes in Equity
for the Year Ended 31 March 2019

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2018	11,507,332	4,487,115	15,994,447
Comprehensive income for the year			
Loss and total comprehensive income for the year	-	(2,713,794)	(2,713,794)
Contributions by and distributions to owners			
Shares issued during the year	4,300,000	-	4,300,000
At 31 March 2019	15,807,332	1,773,321	17,580,653

Company Statement of Changes in Equity
for the Year Ended 31 March 2018

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2017	4,082,802	6,688,679	10,771,481
Comprehensive income for the year			
Loss and total comprehensive income for the year	-	(2,201,564)	(2,201,564)
Contributions by and distributions to owners			
Shares issued during the year	7,424,530	-	7,424,530
At 31 March 2018	11,507,332	4,487,115	15,994,447

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited

Consolidated Statement of Cash Flows
for the Year Ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	**(2,786,523)**	(2,248,031)
Adjustments for:		
Amortisation of intangible assets	**85,092**	41,417
Depreciation of property, plant and equipment	**639,889**	369,561
Interest charged to the income statement	**2,976,426**	1,448,058
Interest credited to the income statement	**(2,020)**	(597)
Taxation charged/(credited) to the income statement	**46,927**	(17,702)
Decrease/(increase) in trade and other receivables	**16,875**	(312,607)
(Decrease)/increase in trade and other payables	**(782,962)**	532,626
Increase in fair value of investment property	**(367,184)**	(1,879,502)
Corporation tax received/(paid)	**24,478**	(24,478)
Net cash used in operating activities	**(149,002)**	(2,091,255)
Cash flows from investing activities		
Purchase of intangible assets	**(8,631)**	(12,920)
Purchase of property, plant and equipment	**(25,622)**	(1,605,149)
Movement in investment properties	**-**	(29,654,141)
Interest received	**2,020**	597
Pre-construction costs	**(4,187,159)**	(9,775,924)
Net cash used in investing activities	**(4,219,392)**	(41,047,537)
Cash flows from financing activities		
Issue of ordinary shares	**4,300,000**	7,424,530
New secured loans	**6,500,000**	37,334,000
Repayment of loans	**(4,422,981)**	(30,501)
Interest paid	**(2,059,128)**	(564,760)
Net cash generated from financing activities	**4,317,891**	44,163,269
Net (decrease)/increase in bank and cash balances	**(50,503)**	1,024,477
Bank and cash balances at beginning of year	**2,755,904**	1,731,427
Bank and cash balances at the end of year	**2,705,401**	2,755,904

The notes on pages 18 to 44 form part of these financial statements.

Red Door Ventures Limited

Company Statement of Cash Flows
for the Year Ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit/(loss) for the financial year	**(2,713,794)**	(2,201,563)
Adjustments for:		
Depreciation of property, plant and equipment	**639,889**	369,561
Amortisation of intangible assets	**85,092**	41,417
Interest charged to the income statement	**2,976,426**	1,448,058
Interest credited to the income statement	**(2,020)**	(597)
Tax charged/(credited) to the income statement	**46,927**	(17,702)
Increase in trade and other receivables	**(3,177,339)**	(3,842,224)
Increase in trade and other payables	**2,736,215**	3,788,022
Increase in fair value of investment property	**(367,184)**	(1,879,502)
Net cash generated from/(used in) operating activities	**224,212**	(2,294,530)
Cash flows from investing activities		
Purchase of intangible assets	**(8,631)**	(12,920)
Purchase of property, plant and equipment	**(25,622)**	(1,605,149)
Movement in investment property	**-**	(29,654,141)
Pre-construction costs	**(4,187,159)**	(9,775,924)
Interest received	**2,020**	597
Net cash used in investing activities	**(4,219,392)**	(41,047,537)
Cash flows from financing activities		
Issue of ordinary shares	**4,300,000**	7,424,530
New secured loans	**6,500,000**	37,334,000
Repayment of loans	**(4,422,981)**	(30,501)
Interest paid	**(2,059,129)**	(564,760)
Net cash generated from financing activities	**4,317,890**	44,163,269
Net increase in bank and cash balances	**322,711**	821,202
Bank and cash balances at the beginning of the year	**2,024,581**	1,203,379
Bank and cash balances at the end of the year	**2,347,292**	2,024,581

The notes on pages 18 to 44 form part of these financial statements.

1. General information

Red Door Ventures Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is stated on the company information page and the nature of the group's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out in note 2. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in pounds sterling, which is also the company's functional currency.

Amounts are rounded to the nearest pound, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations as adopted by the EU (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for investment property (see note 15).

2.2 Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may have been a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

2. Accounting policies (continued)

2.3 Impact of revision to International Financial Reporting Standards

The following standards have been issued by the IASB and IFRIC with effective dates falling after the date of these financial statements. The General Partner has chosen not to adopt early any of the revisions contained within these standards in the preparation of these financial statements:

Standards and Interpretations not adopted by the EU

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 2 (amendments)	Classification and Measurement of Share-Based Payment Transactions
IAS 40 (amendments)	Transfers of Investment Property
Annual Improvements to IFRSs:	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures and IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
IFRS 9 (amendments)	Prepayment Features with Negative Compensation
IAS 28 (amendments)	Long-Term Interests in Associates and Joint Ventures

The company does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the group in future periods.

IFRS 16 - Leases (mandatorily effective for periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The impact of IFRS 16 is not expected to have and material impact on the reporting results and financial position of the company.

The directors are currently evaluating the impact of the adoption of this standard on future periods on the treatment as lessee of the group's short leasehold properties which are currently being accounted for as operating leases under IAS 17.

2. Accounting policies (continued)

2.4 Adoption of new or revised standards and interpretations

New standards impacting the company that have been adopted in the annual financial statements for the year ended 31 March 2019, and which have given rise to changes in the company's accounting policies are:

- IFRS 9 - Financial Instruments (IFRS 9); and
- IFRS 15 - Revenue from Contracts with Customers (IFRS 15).

Details of the impact these two standard have had are given below.

Adoption of IFRS 9: Financial Instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. Following the company's assessment, and whilst certain financial instruments have been reclassified in line with the new categories, no financial instruments are expected to require re-measurement.

The below table highlights the key financial instruments and their reclassification:

Financial instrument	IAS 39 classification	IFRS 9 classification
Bank and cash balances	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Trade and other payables	Amortised cost	Amortised cost
Investments at fair value through profit or loss*	Financial assets at fair value through profit or loss	Fair value through profit and loss

*there are none

Impairment model

IFRS 9 replaces the incurred loss model in IAS 29 with an expected credit loss model. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The company has performed an assessment of the impact of the transition to the expected credit loss model for financial instruments held at amortised cost and no material lifetime expected credit losses have been recognised on transition.

Adoption of IFRS 15: Revenue from Contracts with Customers

The standard provides a comprehensive new model for revenue recognition and is applicable to all contracts with customers except for lease contracts (covered by IFRS 16), financial instruments (IFRS 9) and insurance contracts (IFRS 4). The company has adopted the new standard with a date of transition of 1 April 2018. The company has undertaken an assessment and there is no material financial impact on the financial statements of the group and company.

2.5 Going concern

The directors have made an assessment of the group and company's ability to continue as a going concern and are satisfied that the company has the resources to continue in business for the foreseeable future.

2. Accounting policies (continued)

2.6 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group 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.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for rental income and is stated net of value added tax. Rental income received in advance is recognised as deferred income on the balance sheet and recognised as turnover over the rental contract term to which it relates to.

2.7 Intangible assets

Intangible assets include acquired intellectual property rights and customer relationships. These are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight line basis over their estimated useful lives to administrative expenses within the consolidated statement of comprehensive income over the directors' estimate of its useful economic life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each year.

2.8 Impairment of intangible assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in the statement of comprehensive income, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

2.9 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs.

Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives.

Depreciation is provided on the following basis:

Leasehold property	-	25% straight-line method
Fixtures and fittings	-	33% straight-line method
Office equipment	-	20% straight-line method
IT equipment	-	33% straight-line method

2.10 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. Accounting policies (continued)

2.11 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 the shares issued together with the fair value of any additional consideration paid.

2.12 Financial assets

The classification of financial assets at initial recognition depends on the purpose for which the financial asset was acquired and its characteristics.

All financial assets are initially recognised at fair value. All purchases of financial assets are recorded at trade date, being the date on which the company becomes party to the contractual requirements of the financial asset.

The company's financial assets consist of trade and other receivables which include rents due, accrued income, cash and cash equivalents.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income ('FVOCI') - debt instrument;
- FVOCI- equity investment; or
- Fair value through profit or loss ('FVTPL').

Financial Assets held at amortised cost

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to their acquisition, unless it is a trade receivable without a significant financing component which is initially measured at its transaction price. They principally comprise trade and other receivables and cash and cash equivalents.

These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses as detailed below.

Impairment of financial assets:

IFRS 9 has introduced the expected credit loss ('ECL') model which potentially brings forward the timing of impairments. Under IFRS 9 for receivables the company elected to apply the simplified approach. Under the simplified approach the requirement is to always recognise lifetime ECL's. Under the simplified approach practical expedients are available to measure lifetime ECLs but forward looking information must still be incorporated. Under this approach there is no need to monitor significant increases in credit risk and entities will be required to measure lifetime ECLs at all times.

2. Accounting policies (continued)

2.12 Financial assets (continued)

As at 31 March 2018 and 31 March 2019, the company has concluded that any ECL on receivables would be highly immaterial to the financial statements due to the low credit risk of the relevant counterparties. Accordingly there has been no change to the opening retained earnings at 1 April 2017 on transition to IFRS 9, or any ECLs raised in the current year.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when it has either transferred or retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired

Fair Value Measurement Hierarchy

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole. Inputs used in determining fair value measurements, where applicable, are categorised into different levels based on how observable the inputs used in the valuation technique are (the 'fair value hierarchy'):

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Where long term loans are provided as an integral part of the investment, they are also held at fair value through profit or loss. Gains or losses resulting from the revaluation of investment properties are recognised in the statement of comprehensive income.

2. Accounting policies (continued)

2.13 Financial liabilities

The group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The group's accounting policy for each category is as follows:

Fair value through the income statement

This category comprises only out of the money derivatives. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. The group does not hold or issue derivative instruments for speculative purposes, but for hedging purposes. Other than those derivative financial instruments, the group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through the income statement.

Other liabilities

Other liabilities include the following items:

- 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 in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.14 Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

2. Accounting policies (continued)

2.15 Current and deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. In respect of deferred tax assets arising from investment property measured at fair value, the presumption that recovery will be through sale rather than use has not been rebutted.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has 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 on either:

- The same taxable group company, or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

2.16 Finance costs

Finance costs associated with the issue of convertible loan notes are deducted from the proceeds of the issue and released to the statement of comprehensive income over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs associated with the issue of the bank loan are deducted from the proceeds of the issue and released to the statement of comprehensive income over the term of the loan on a straight line basis. Finance costs associated with the issue of share capital are debited to the share premium account.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated 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 group in independently administered funds.

2. Accounting policies (continued)

2.18 Income from investments

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.19 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2.20 Share capital

Financial instruments issued by the group are classified as equity only to the extent that they do not meet the definition of a financial liability or a financial asset.

The group's ordinary shares are classified as equity instruments.

3. Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- 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 arms length transaction. Properties have been valued on an individual basis.

- 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 utilitised. 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 2.15 on current and deferred taxation).

- Impairment of receivables

Determining whether the value of the group's pre-construction costs, carried as prepayments, should be impaired requires judgement from the directors in respect of the expected viability and profitability of the schemes and so required estimation 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 £23,209,069 (2018 - £18,801,008) with no impairment loss recognised in 2018 or 2019.

4. Segment reporting

The management team considers that there is only one business segment, based in the UK. Further information on the geographical split of turnover, and the turnover concentration between customers has not been given, as the directors consider it to be commercially sensitive.

5. Profit/(loss) from operations

The profit/(loss) from operations is stated after charging:

	2019 £	2018 £
Depreciation of property, plant and equipment	**639,889**	369,561
Amortisation of intangible assets, including goodwill	**85,092**	41,417
Operating lease rentals	**41,459**	39,671

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	**44,000**	35,000

Fees payable to the group's auditor and its associates in respect of:

	2019 £	2018 £
All other services	**7,875**	6,250

7. Employee benefit expense

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	**1,637,970**	1,004,393	**1,756,007**	558,025
Social security costs	**147,939**	106,983	**85,069**	62,368
Cost of defined contribution scheme	**115,669**	71,708	**60,502**	42,030
	1,901,578	1,183,084	**1,901,578**	662,423

Wages and salaries include £235,635 (2018 - £56,625) of consultancy fees. Included in total employee costs are capitalised wages, salaries and fees of £888,162 (2018 - £611,827), capitalised social security costs of £87,781 (2018 - £66,141) and capitalised other pension costs of £118,735 (2018 - £45,008).

The average number of employees, including directors, during the year was 16 (2018 - 14).

8. Directors' remuneration

	2019	2018
	£	£
Directors' emoluments	**238,043**	322,153
Company contributions to defined contribution pension schemes	**8,180**	-

During the year retirement benefits were accruing to 2 directors (2018 - Nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £118,183 (2018 - £181,904).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,726 (2018 - £Nil).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, and comprise the directors of the company listed on page 4 and senior managers within the business.

9. Finance cost

	2019	2018
	£	£
Other finance costs payable	**2,976,426**	1,448,058

10. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the parent company is disclosed on the company statement of financial position.

11. Tax expense

	2019 £	2018 £
Analysis of tax expense in the year		
Current tax expense		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	**(148,742)**	(38,698)
Adjustment in respect of prior periods	**195,669**	20,996
Total deferred tax	**46,927**	(17,702)
Total tax expense	**46,927**	(17,702)

11. Tax expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	**(2,739,596)**	(2,265,733)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(520,523)**	(430,489)
Effects of:		
Expenses not deductible for tax purposes	**83,652**	82,808
Capital allowances for year in excess of depreciation	**100,039**	66,987
Transfer pricing adjustments	**157,123**	228,330
Income not taxable for tax purposes	**(5,011)**	-
Adjustments to tax charge in respect of prior periods - deferred tax	**195,669**	20,996
Deferred tax not recognised	-	84,102
Profits chargeable at lower rates	-	14,513
Effect of chage in rate	**17,499**	-
Capitalised interest deductible	-	(136,370)
Group relief	**18,479**	51,421
Total tax charge for the year	**46,927**	(17,702)

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015-16 on 26 October 2015, reducing the effective tax rate from 19% to 17% from April 2020. Deferred taxes at the statement of financial position have been measured using these enacted tax rates and reflected in these financial statements.

12. Intangible assets

Group and company

	IT Systems £
Cost	
At 1 April 2018	**424,941**
Additions	**8,631**
At 31 March 2019	**433,572**
Amortisation	
At 1 April 2018	**41,417**
Charge for the year	**85,092**
At 31 March 2019	**126,509**
Net book value	
At 31 March 2019	**307,063**
At 31 March 2018	383,524

12. Intangible assets (continued)

In respect of prior year:

Group and company

	IT systems £
Cost	
At 1 April 2017	**412,021**
Additions	**12,920**
At 31 March 2018	**424,941**
Amortisation	
Charge for the year	**41,417**
At 31 March 2018	**41,417**
Net book value	
At 31 March 2018	**383,524**
At 31 March 2017	412,021

13. Property, plant and equipment

Group and Company

	Leasehold property £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 April 2018	1,346,201	228,740	120,910	1,695,851
Additions	12,759	10,515	2,348	25,622
At 31 March 2019	1,358,960	239,255	123,258	1,721,473
Depreciation				
At 1 April 2018	314,556	53,597	30,630	398,783
Charge for the year	526,520	77,830	35,539	639,889
At 31 March 2019	841,076	131,427	66,169	1,038,672
Net book value				
At 31 March 2019	517,884	107,828	57,089	682,801
At 31 March 2018	1,031,645	175,143	90,280	1,297,068

13. Property, plant and equipment (continued)

In respect of prior year:

Group and company

	Leasehold property £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 April 2017	-	58,511	32,191	90,702
Additions	1,346,201	170,229	88,719	1,605,149
At 31 March 2019	1,346,201	228,740	120,910	1,695,851
Depreciation				
At 1 April 2017	-	17,050	12,172	29,222
Charge for the year	314,556	36,547	18,458	369,561
At 31 March 2019	314,556	53,597	30,630	398,783
Net book value				
At 31 March 2018	1,031,645	175,143	90,280	1,297,068
At 31 March 2017	-	41,461	20,019	61,480

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost and net book value	
At 1 April 2018	1
At 31 March 2019	1

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
RDV Design and Build Limited	Property construction	Ordinary	100%
RDV Abbey Limited*	Dormant company	Ordinary	100%
RDV Carpenters Limited*	Dormant company	Ordinary	100%
RDV Bridge and Broadway Limited*	Dormant company	Ordinary	100%
RDV Custom House Limited*	Dormant company	Ordinary	100%
RDV Chobham Farm Limited*	Dormant company	Ordinary	100%
RDV Cyprus Limited*	Dormant company	Ordinary	100%
RDV Grange Limited*	Dormant company	Ordinary	100%
RDV Earlham Grove Limited*	Dormant company	Ordinary	100%
RDV High Street South Limited*	Dormant company	Ordinary	100%
RDV Manor Road Limited	Dormant company	Ordinary	100%
RDV Gregory and Nelson Limited*	Dormant company	Ordinary	100%
RDV Plaistow Hub Limited*	Dormant company	Ordinary	100%
RDV Stratford Limited*	Dormant company	Ordinary	100%
RDV Romford and Stracey Limited*	Dormant company	Ordinary	100%
RDV The Old Fire Station Limited*	Dormant company	Ordinary	100%
RDV The River Christian Centre Limited*	Dormant company	Ordinary	100%
RDV The Rex Limited*	Dormant company	Ordinary	100%
RDV The Tanneries Limited*	Dormant company	Ordinary	100%
RDV The Triangle Limited*	Dormant company	Ordinary	100%
RDV Town Hall Annexe Limited*	Dormant company	Ordinary	100%
RDV Living Limited	Dormant company	Ordinary	100%
Red Door Living Limited*	Dormant company	Ordinary	100%
RDV Cheviot House Limited*	Dormant company	Ordinary	100%
RDV Old Oak Limited*	Dormant company	Ordinary	100%
RDV Willesden Limited*	Dormant company	Ordinary	100%

* These companies were dissolved post year end on 18 June 2019.

15. Investment property

Group and company

	Freehold investment property £
Valuation	
At 1 April 2018	56,740,000
Other movement	(367,184)
Surplus on revaluation	367,184
At 31 March 2019	56,740,000

In respect of prior year:

Group and company

	Freehold investment property £
Valuation	
At 1 April 2017	25,206,357
Additions at cost	29,654,141
Surplus on revaluation	1,879,502
At 31 March 2018	56,740,000

The 2019 valuations were completed as at 31 March 2019 by independent professionally qualified valuers in accordance with RICS Professional Standards on the basis of fair value. Fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

All of the company's properties are classified as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the period under review and the fair value at 31 March 2019 represents the highest and best use.

16. Trade and other receivables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Non-current				
Deferred taxation(see note 20)	**629,924**	673,405	**629,924**	673,405

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Current				
Amounts owed by group undertakings	-	-	**8,673,038**	5,559,407
Trade receivables	**49,953**	346,787	**49,953**	346,790
Total financial assets other than cash and cash equivalents classified as loans and receivables	**49,953**	346,787	**8,722,990**	5,906,197
Other receivables	**27**	-	**28**	-
Corporation tax repayable	-	24,478	-	-
VAT repayable	**55,761**	-	-	-
Prepayments	**24,085,558**	18,307,147	**24,726,667**	18,811,910
	24,191,299	18,678,412	**33,449,686**	24,718,107

17. Current trade and other payables

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
LBN loans	**170,669**	134,831	**170,669**	134,831
Trade payables	**273,724**	191,605	**27,589**	69,476
Amounts owed to group undertakings	-	-	**9,478,115**	2,827,070
Other payables	**19,594**	58,598	**19,596**	49,815
Accruals	**1,827,722**	1,780,901	**1,636,159**	4,363,324
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**2,291,709**	2,165,935	**11,332,128**	7,444,516
Other taxation and social security	**37,791**	324,106	**27,030**	556,005
	2,329,500	2,490,041	**11,359,158**	8,000,521

18. Non-current borrowings

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
LBN loans	**63,012,260**	59,640,468	**63,012,260**	59,640,468

19. Loans

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due within one year				
LBN loan	**170,669**	134,831	**170,669**	134,831
Amounts falling due 1-2 years				
Loans	**178,211**	168,592	**178,211**	168,592
Amounts falling due 2-5 years				
Loans	**385,886**	564,919	**385,886**	564,919
Amounts falling due after more than 5 years				
Loans	**62,448,163**	58,906,957	**62,448,163**	58,906,957
	63,182,929	59,775,299	**63,182,929**	59,775,299

The LBN loans comprise an unsecured loan along with property specific loans totalling £34,760,988 (2018 -£34,396,589) secured against the company's investment properties. The secured loans have fixed rates of interest varying from 4.9% to 10% whilst the unsecured loan is a floating rate of interest linked to the higher LIBOR related rate, and the parent company's consolidated rate of borrowing.

During the year interest of £986,121 (2018 - £740,375) which was incurred in relation to the development of the company's properties was capitalised.

20. Deferred taxation

Group and company

	2019 £	2018 £
At beginning of year	**(1,527,845)**	(1,545,547)
Charged to profit or loss	**(46,927)**	17,702
At end of year	**(1,574,772)**	(1,527,845)

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	**(124,462)**	(121,016)	**(124,462)**	(121,016)
Tax losses carried forward	**628,859**	663,274	**628,859**	663,274
Short term temporary differences	**1,065**	10,131	**1,065**	10,131
Investment property revaluations	**(2,080,234)**	(2,080,234)	**(2,080,234)**	(2,080,234)
	(1,574,772)	(1,527,845)	**(1,574,772)**	(1,527,845)
Comprising:				
Asset - due after one year	**629,924**	673,405	**629,924**	673,405
Liability	**(2,204,696)**	(2,201,249)	**(2,204,696)**	(2,201,249)
	(1,574,772)	(1,527,844)	**(1,574,772)**	(1,527,844)

21. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
15,807,332 (2018 - 11,507,332) Ordinary shares of £1 each	**15,807,332**	11,507,332

During the year, the company issued 4,300,000 ordinary £1 shares at par.

22. Reserves

Profit and loss account

Retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

23. Financial instruments and financial risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Liquidity risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Principal financial instruments

The principal financial instruments used by the group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Bank and cash balances
- Trade and other payables
- LBN loan

Financial instruments by category

	2019 £	2018 £
Financial assets classified as loans and receivables		
Bank and cash balances	**2,705,401**	2,755,904
Trade and other receivables	**49,953**	346,787
Total financial assets	**2,755,354**	3,102,691

	2019 £	2018 £
Financial liabilities at amortised cost		
Trade and other payables	**2,329,500**	(1,901,845)
Loans and borrowings	**63,182,929**	59,775,300
Total financial liabilities	**65,512,429**	57,873,455

No financial instruments are carried at fair value. Due to their short-term nature, the carrying value of bank and cash balances, trade and other receivables, trade and other payables and bank loans approximates their fair value.

23. Financial instruments and financial risk management (continued)

General objectives, policies and processes

The board has an overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board regularly reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from credit sales. It is a company policy to assess the credit risk of new customers before entering contracts. Each new customer is analysed individually for creditworthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer.

Concentrations of credit risk are determined by monitoring the creditworthiness rating of existing customers and through a regular review of the trade receivables' ageing analysis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 16.

The group's maximum exposure to credit risk is £2,753,608 (2018 - £3,102,691) being the total value of the financial assets held as disclosed above. The board monitors the credit ratings of counterparties regularly and at the reporting date does not expect any material losses from non-performance by counterparties.

Interest rate risk

The board consider the exposure of the group to interest rate risk is not significant.

23. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The board receives rolling cash flow projections on a regular basis as well as information regarding cash balances. At the end of the financial period, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk is managed centrally by the group's treasury function, which sets budgets which are agreed by the board in advance, enabling the group's cash requirements to be anticipated.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2019				
Trade and other payables	**2,329,500**	**-**	**-**	**-**
Loans and borrowings	**1,973,735**	**2,074,459**	**4,157,726**	**97,048,847**
	4,303,235	**2,074,459**	**4,157,726**	**97,048,847**

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2018				
Trade and other payables	1,901,846	-	-	-
Loans and borrowings	1,628,645	2,062,496	6,370,396	95,302,618
	3,530,491	2,062,496	6,370,396	95,302,618

23. Financial instruments and financial risk management (continued)

Capital disclosures

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefit for other stakeholders; and
- to provide an adequate return to the shareholder by pricing products and services commensurately with the level of risk.

The board consider that the group is currently meeting its capital management objectives.

There are no externally imposed capital requirements.

24. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £115,669 (2018 - £71,708) . Contributions totalling £12,505 (2018 - £18,967) were payable to the fund at the reporting date and are included in creditors

25. Commitments under operating leases

The total future value of minimum lease payments under non-cancellable operating leases fall due as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Within one year	**1,097**	591	**1,097**	591
Between one and five years	**1,960**	1,015	**1,960**	1,015
	3,057	1,606	**3,057**	1,606

Commitments under operating leases represents lease of office premises.

Lessor commitments are as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Not later than one year	**1,792,975**	2,031,064	**1,792,975**	2,031,064
Later than one year and not later than five years	**834,840**	1,512,373	**834,840**	1,512,373
	2,627,815	3,543,437	**2,627,815**	3,543,437

26. Related party transactions

The company has not entered into any transactions with related parties during the year.

27. Controlling party

The immediate and ultimate parent undertaking is the London Borough of Newham, a local Authority whose principal place of business is Town Hall, Barking Road, East Ham, London E6 2RP.

The largest group of undertaking 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.