Red Door Ventures Limited

Report and Financial Statements

Year Ended

31 March 2018

Company Number 08956137

Red Door Ventures Limited

Company Information

Directors	David Edward Christie Sarah Elizabeth Gaventa Joseph Montgomery John Andrew Swinney Christopher Wood
Company secretary	Robin James Atkin-House
Registered number	08956137
Registered office	373 High Street Stratford London E15 4QZ

Red Door Ventures Limited

Contents

	Page
Group strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10
Company statement of financial position	11 - 12
Consolidated statement of changes in equity	13
Company statement of changes in equity	14
Consolidated Statement of cash flows	15
Company Statement of cash flows	16
Notes to the consolidated financial statements	17 - 44

Business review

During the year RDV saw a lot activity in preparation for our growth. 17 units at Gregory House came into management. We also acquired 97 units at Cheviot House in LB Tower Hamlets. Both schemes are operating very successfully and proving very popular. We now have 156 units in management.

The Cheviot House development was one of many pursued through our acquisitions programme, embarked to give LB Newham (LBN) a more immediate return than through developing new homes. Due to changes in the use of local authorities' borrowings we have had to stop this programme, and we continue to focus on our development programme in Newham.

We have secured full planning consent for 130 homes and a further 402 have received resolution to grant planning, meaning we are in a great position to go on site in 2018/19 with most of these schemes. The organisation's staff team has also grown in this time from 9 in April 2017 to 21 today, in readiness for going on site.

In May 2018 Kent Taylor, CEO, and Lesley-Ann Alexander, Chair, left the organisation, and were replaced by Aniekan Umoren, Interim CEO, and Chris Wood stepped up to be Chair.

We also moved office during the year, making use of one of our future sites, The Rex, which has also seen the remainder of this property converted to meanwhile uses as a trampoline park and street food area.

In May 2018 we saw a change 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, in which we look forward to playing a major part.

During the year the turnover was £1.2m (2017 : £0.7m) from rental income. Before the fair value adjustment the group made a loss of £2.7m (2017 : £0.4m), the increase in loss is largely due to abortive costs on acquisitions. We saw the fair value of our investment property increase by £1.9m (2017 : £2.6m) during the year as more units came into management. Overall the company made a loss after tax of £2.2m (2017 : profit of £1.4m).

In order to improve the quality of our housing management service we have developed an in-house team and will be migrating the service from the current managing agents over the course of 2018/19.

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. 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;

Regulatory and political

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

We also face a risk of change to the political environment within the London Borough of Newham and in particular, the effect of these changes on housing priorities, which may impact RDV's current programme.

Mitigation: We have planning permission or resolution to grant on the majority of our Wave 1 schemes, which accounts for c.700 units. Our delivery of affordable housing within these planning permissions has been agreed by the GLA where they have had to be referred.

We continue to have discussions with LBN around the political environment and the effect this will have on RDV's current programme. A report is due to be considered by the Council's Cabinet later in 2018 setting out a revised Housing Strategy, of which RDV will be an element.

While the review is still to be concluded, the expected outcome of the review is that RDV will continue to develop and manage accommodation on its identified sites in its balance sheet, and will receive the necessary financial support from LBN to do so.

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 deliver investment value and return a dividend at previously forecasted values.

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 work with external advisers 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.

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.

Mitigation: 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, to position RDV to be the PRS partner of choice in Newham. Given our relationship to LBN and the availability of development land to RDV, we are having positive conversations with developers.

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.

Mitigation: 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 priced contracts whilst building sufficient contingencies and inflation assumptions into all stages of appraisal modelling.

Key performance indicators

One of the main reasons for creating our in-house housing management team is to get more control over the quality of the service we deliver to our customers. Our key performance indicators (KPIs) in 2017/18 were tracked and monitored by our external managing agents. The KPIs we used were as follows:

Customer Satisfaction

67% of customers surveyed were either extremely satisfied or satisfied with the service provided by external managing agents. As a business we strive for a much higher return than this and as such we are bringing our management service in-house in 2018/19 so we have more control over the service we deliver to our customers.

Void loss on rent

Our void loss as a % of annual rent was 5% (£71k). We would usually expect better performance than this but the result is skewed by the fact that we had a new scheme, Cheviot House, come into management during the year, which was vacant on possession. In 2018/19 we have budgeted void loss to be 3%.

Revenue

As a commercial property business, RDV aims to maximise its revenue from its property portfolio. We performed better than budget on rental income revenue (40%) due to the purchase of Cheviot House. We also achieved an average of £15 more rental income per property per month, than was expected when we purchased the scheme.

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

....
Christopher Wood
Director

Date:

Red Door Ventures Limited

Directors' Report
for the Year Ended 31 March 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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;
- 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.

Results and dividends

The loss for the year, after taxation, amounted to £2,248,031 (2017 - profit of £1,351,902).

During the year no dividends were paid (2016 - £nil).

Directors

The directors who served during the year were:

David Edward Christie
Sarah Elizabeth Gaventa
Joseph Montgomery
Patrick David Shaw (appointed 6 April 2017, resigned 14 September 2018)
John Andrew Swinney
Christopher Wood
Lesley-Ann Alexander (resigned 5 April 2018)
Kent Taylor (resigned 31 May 2018)

Transition in reporting framework

The directors have decided to report under IFRS, rather than FRS 101, as the user will benefit from the additional completeness, comparability and transparency. A key user of the financial statements are external financial investors, from whom the directors may decide to seek investment directly in the future.

Directors' Report (continued)
for the Year Ended 31 March 2018

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.

....

Christopher Wood
Director

Date:

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

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 2018 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2018 and of the group's loss for the year then ended;
- the group and company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Material uncertainty related to going concern

We draw attention to note 2.3 to the financial statements, which indicates that a review by the London Borough of Newham on the options to provide new homes throughout the borough is yet to be concluded. As such, there is currently no certainty over the Company's ongoing role within the London Borough of Newham's Housing Strategy. As stated in note 2.3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. We draw attention to note 2.3 of the financial statements concerning the company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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 statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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
1/11/2018

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 2018

	Notes	2018 £	2017 £
Revenue		**1,241,119**	699,545
Cost of sales		**(373,046)**	(103,736)
Gross profit		**868,073**	595,809
Administrative expenses		**(3,565,847)**	(990,911)
Fair value movements		**1,879,502**	2,668,992
(Loss)/profit from operations	5	**(818,272)**	2,273,890
Finance income		**597**	-
Finance expense	9	**(1,448,058)**	(600,800)
(Loss)/profit before tax		**(2,265,733)**	1,673,090
Tax credit/(expense)	11	**17,702**	(321,188)
(Loss)/profit for the financial year		**(2,248,031)**	1,351,902

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited
Registered number: 08956137

Consolidated Statement of Financial Position
as at 31 March 2018

	Notes	2018 £	2017 £	2016 £
Non-current assets				
Intangible assets	12	**383,524**	412,021	270,274
Property, plant and equipment	13	**1,297,068**	61,480	31,911
Investment property	15	**56,740,000**	25,206,357	18,697,000
Deferred tax	16	**673,405**	215,113	175,641
		59,093,997	25,894,971	19,174,826
Current assets				
Trade and other receivables	16	**18,678,412**	8,063,086	4,586,708
Bank and cash balances		**2,755,904**	1,731,427	720,920
		21,434,316	9,794,513	5,307,628
Total assets		**80,528,313**	35,689,484	24,482,454
Equity				
Share capital	21	**11,507,332**	4,082,802	4,082,802
Retained earnings	22	**4,689,223**	6,937,254	5,585,352
		16,196,555	11,020,056	9,668,154
Current liabilities				
Trade and other payables	17	**2,490,041**	1,853,087	1,964,672
		2,490,041	1,853,087	1,964,672
Non-current liabilities				
Borrowings	18	**59,640,468**	21,055,681	11,449,628
Deferred tax liabilities	20	**2,201,249**	1,760,660	1,400,000
		61,841,717	22,816,341	12,849,628
Total equity and liabilities		**80,528,313**	35,689,484	24,482,454

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

....
Christopher Wood
Director

Date:

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited
Registered number: 08956137

Company Statement of Financial Position
as at 31 March 2018

	Notes	2018 £	2017 £	2016 £
Non-current assets				
Intangible assets	12	**383,524**	412,021	270,274
Property plant and equipment	13	**1,297,068**	61,480	31,911
Investments	14	**1**	1	1
Investment property	15	**56,740,000**	25,206,357	18,697,000
Deferred tax	16	**673,405**	215,113	175,641
		59,093,998	25,894,972	19,174,827
Current assets				
Trade and other receivables	16	**24,718,107**	10,597,642	4,372,864
Bank and cash balances		**2,024,581**	1,203,379	720,920
		26,742,688	11,801,021	5,093,784
Total assets		**85,836,686**	37,695,993	24,268,611
Equity				
Share capital	21	**11,507,332**	4,082,802	4,082,801
Retained earnings	22	**4,487,116**	6,688,679	5,371,510
		15,994,448	10,771,481	9,454,311
Current liabilities				
Trade and other payables	17	**8,000,521**	4,108,171	1,964,672
		8,000,521	4,108,171	1,964,672
Non-current liabilities				
Borrowings	18	**59,640,468**	21,055,681	11,449,628
Deferred tax liabilities	20	**2,201,249**	1,760,660	1,400,000
		61,841,717	22,816,341	12,849,628
Total equity and liabilities		**85,836,686**	37,695,993	24,268,611

Red Door Ventures Limited
Registered number: 08956137

Company Statement of Financial Position (continued)
as at 31 March 2018

During the year the company made a loss of £2,201,563 (2017 - profit of £1,317,169).

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

....
Christopher Wood
Director

Date:

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited

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
Loss for the year	-	(2,248,031)	(2,248,031)
Shares issued during the year	7,424,530	-	7,424,530
At 31 March 2018	**11,507,332**	**4,689,223**	**16,196,555**

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

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	4,082,802	5,585,352	9,668,154
Profit for the year	-	1,351,902	1,351,902
At 31 March 2017	**4,082,802**	**6,937,254**	**11,020,056**

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited

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
Loss for the year	-	(2,201,563)	(2,201,563)
Shares issued during the year	7,424,530	-	7,424,530
At 31 March 2018	11,507,332	4,487,116	15,994,448

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

	Share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	4,082,802	5,371,510	9,454,312
Profit for the year	-	1,317,169	1,317,169
At 31 March 2017	4,082,802	6,688,679	10,771,481

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited

Consolidated Statement of Cash Flows
for the Year Ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	**(2,248,031)**	1,351,902
Adjustments for:		
Amortisation of intangible assets	**41,417**	-
Depreciation of property, plant and equipment	**369,561**	23,298
Interest charged to the income statement	**1,448,058**	600,800
Interest credited to the income statement	**(597)**	-
Taxation charged to the income statement	**(17,702)**	321,188
Decrease/(increase) in trade and other receivables	**(312,607)**	1,335,790
Increase in trade and other payables	**532,626**	(127,430)
Increase in fair value of investment property	**(1,879,502)**	(2,668,992)
Corporation tax (paid)/received	**(24,478)**	-
Net cash (used in)/generated from operating activities	**(2,091,255)**	836,556
Cash flows from investing activities		
Purchase of intangible assets	**(12,920)**	(141,747)
Purchase of property, plant and equipment	**(1,605,149)**	(52,867)
Purchase of investment properties	**(29,654,141)**	(3,840,365)
Pre-construction costs	**(9,775,924)**	(4,553,191)
Interest received	**597**	-
Net cash used in investing activities	**(41,047,537)**	(8,588,170)
Cash flows from financing activities		
Issue of ordinary shares	**7,424,530**	-
New secured loans	**37,334,000**	9,043,557
Repayment of loans	**(30,501)**	(14,658)
Interest paid	**(564,760)**	(266,778)
Net cash from financing activities	**44,163,269**	8,762,121
Net increase in cash and cash equivalents	**1,024,477**	1,010,507
Cash and cash equivalents at beginning of year	**1,731,427**	720,920
Cash and cash equivalents at the end of year	**2,755,904**	1,731,427

The notes on pages 17 to 44 form part of these financial statements.

Red Door Ventures Limited

Company Statement of Cash Flows
for the Year Ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	**(2,201,563)**	1,317,169
Adjustments for:		
Depreciation of property, plant and equipment	**369,561**	23,298
Amortisation of intangible fixed assets	**41,417**	-
Interest charged to the income statement	**1,448,058**	600,800
Interest credited to the income statement	**(597)**	-
Tax charged to the income statement	**(17,702)**	321,188
Decrease/(increase) in trade and other receivables	**(3,842,224)**	(1,412,608)
Increase in trade and other payables	**3,788,022**	2,127,653
Increase in fair value of investment property	**(1,879,502)**	(2,591,360)
Net cash generated from operating activities	**(2,294,530)**	386,140
Cash flows from investing activities		
Purchase of intangible assets	**(12,920)**	(141,747)
Purchase of property, plant and equipment	**(1,605,149)**	(52,867)
Purchase of investment property	**(29,654,141)**	(3,917,997)
Pre-construction costs	**(9,775,924)**	(4,553,191)
Interest received	**597**	-
Net cash used in investing activities	**(41,047,537)**	(8,665,802)
Cash flows from financing activities		
Issue of ordinary shares	**7,424,530**	-
New secured loans	**37,334,000**	9,043,557
Repayment of loans	**(30,501)**	(14,658)
Interest paid	**(564,760)**	(266,778)
Net cash generated from financing activities	**44,163,269**	8,762,121
Net increase in cash and cash equivalents	**821,202**	482,459
Cash and cash equivalents at the beginning of the year	**1,203,379**	720,920
Cash and cash equivalents at the end of the year	**2,024,581**	1,203,379

The notes on pages 17 to 44 form part of these financial statements.

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 (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 proprety (see note 14).

2. Accounting policies

2.1 First time adoption of IFRS

These financial statements for the year ended 31 March 2018, are the first consolidated financial statements prepared by the group. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The group has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 March 2018, together with comparative data as at and for the year ended 31 March 2017. In preparing these financial statements the group's opening statement of financial position was prepared as at 1 April 2016, the group's date of transition to IFRS. An explanation of how the transition has affected the reporting financial position and financial performance of the group has been provided in note 29.

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 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.

The recently elected Mayor of London Borough of Newham is considering options for the Council to provide new homes throughout the borough with a variety of tenures. A report is due to be considered by the Council's Cabinet later in 2018 setting out a revised Housing Strategy, of which RDV will be an element.

While the review is still to be concluded, the expected outcome of the review is that RDV will continue to develop and manage accommodation on its identified sites in its balance sheet, and will receive the necessary financial support from the London Borough of Newham to do so. The Company has obtained a letter of comfort from the London Borough of Newham indicating that the company is deemed by them to be a going concern. The letter also states that should a request be made for an increase in working capital, the Council would be able to agree it. Subject to the provisions of a suitably robust supporting business case, the Council would be able to increase the total working capital payment to RDV to £35million.

Whilst the company has received a letter of comfort from the council confirming the above, the review is yet to be concluded and as such, there is no certainty over the Company's ongoing role within the London Borough of Newham's Housing Strategy. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company were unable to continue as a going concern.

2.4 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. The following criteria must also be met before revenue is recognised:

Turnover 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.

2.5 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. Accounting policies (continued)

2.6 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.

2.7 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:

Fixtures and fittings	-	20% straight-line method
Office equipment	-	33% straight-line method
Scheme furniture packages	-	20% straight-line method

2.8 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.

2.9 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. Accounting policies (continued)

2.10 Financial assets

The group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity or available for sale.

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

Fair value through the income statement

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Other than derivative financial instruments, the group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through the income statement. Fair value measurements are categorised in accordance with the following levels ("the fair value hierarchy"):

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

Loans and receivables

These assets 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 services to customers, 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 group 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 consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

2. Accounting policies (continued)

2.11 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.

2.12 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)

2.13 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.

2.14 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.

2.15 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)

2.16 Income from investments

Income from investments is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.17 Borrowing costs

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

2.18 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.

2. Accounting policies (continued)

2.19 Changes in accounting policies

New standards, interpretations and amendments effective from 1 April 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 April 2017. None of the amendments to Standards that are effective from that date had a significant effect on the group's financial statements.

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and will effect when revenue on contracts is recognised in relation to contracts. This will result in differences revenue recongnised under IAS 18 Revenue. The group plans to adopt the new standard on the required effective date. The group has not yet completed an initial impact assessment of this standard.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous version of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The group plans to adopt the new standard on the required effective date. The group has not yet completed an initial impact assessment of this standard.

IFRS 16 Leases

IFRS 16 Leases applies to accounting periods on or after 1 January 2019 but has not yet been endorsed for use by those entities applying EU IFRS. It requires lessees to bring all leases within its scope on the statement of financial position, showing an asset for the right of use and a liability for the discounted amount of future payments. The directors of the company have not yet considered the impact of this standard. The group plans to adopt the new standard on the required effective date. The group has not yet completed an initial impact assessment of this standard.

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. 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 utilitised. In estimating the amount of the deferred tax asset that may be recognisedm 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 2.12 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 fo 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 £18,801,008 (2017 - £8,007,408) with no impairment loss recognised in 2017 or 2018.

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. (Loss)/profit from operations

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

	2018 £	2017 £
Depreciation on property, plant and equipment	**369,561**	23,298
Amortisation of intangible assets, including goodwill	**41,417**	-
Operating lease rentals	**39,671**	29,635

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	**35,000**	22,857
Fees payable to the group's auditor and its associates in respect of:		
All other services	**6,250**	1,855

7. Employee benefit expense

Employee benefit expenses, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	**1,004,393**	571,812
Social security costs	**106,983**	47,919
Cost of defined contribution scheme	**71,708**	19,042
	1,183,084	638,773

Wages and salaries include £56,625 (2017 - £146,066) of consultancy fees. Included in total employee costs are capitalised wages, salaries and fees of £611,827 (2017 - £350,798), capitalised social security costs of £66,141 (2017 - £42,390) and capitalised other pension costs of £45,008 (2017 - £22,006).

The average number of employees, including directors, during the year was 14 (2017 - 10).

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**322,153**	252,450

The highest paid director received remuneration of £181,904 (2017 - £112,060).

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 costs

	2018 £	2017 £
Other finance costs payable	**1,448,058**	600,800

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

	2018 £	2017 £
Analysis of tax expense in the year		
Current tax expense		
Current tax on profits for the year	-	-
Total current tax	-	-
Deferred tax charge		
Origination and reversal of timing differences	**(38,698)**	321,188
Adjustment in respect of prior periods	**20,996**	-
Total deferred tax	**(17,702)**	321,188
Total tax expense	**(17,702)**	321,188

11. Tax expense (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	**(2,265,733)**	1,673,090
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(430,489)**	334,618
Effects of:		
Expenses not deductible for tax purposes	**82,808**	-
Fixed asset differences	**66,987**	-
Transfer pricing adjustments	**228,330**	-
Adjustments to tax charge in respect of prior periods - deferred tax	**20,996**	-
Deferred tax not recognised	**84,102**	-
Profits chargeable at lower rates	**14,513**	(57,727)
Capitalised interest deductible	**(136,370)**	-
Group relief	**51,421**	44,297
Total tax expense for the year	**(17,702)**	321,188

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 20% to 19% from April 2017, with a further reduction 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 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

In respect of prior year:

Group and company

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

13. Property, plant and equipment

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 2018	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 2018	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

13. Property, plant and equipment (continued)

In respect of prior year:

Group and company

	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation			
At 1 April 2016	23,845	13,990	37,835
Additions	34,666	18,201	52,867
At 31 March 2018	58,511	32,191	90,702
Depreciation			
At 1 April 2016	834	5,090	5,924
Charge for the year	16,216	7,082	23,298
At 31 March 2018	17,050	12,172	29,222
Net book value			
At 31 March 2017	41,461	20,019	61,480
At 31 March 2016	23,011	8,900	31,911

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 April 2017 and 31 March 2018	1
Net book value	
At 31 March 2018	1
At 31 March 2017	1

The following were subsidiary undertakings of the company:

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

15. Investment property

Group

	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

In respect of prior year:

Group

	Freehold investment property £
Valuation	
At 1 April 2016	18,697,000
Additions at cost	3,840,365
Surplus on revaluation	2,668,992
At 31 March 2017	25,206,357

The 2018 valuations were completed as at 31 March 2018 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 2018 represents the highest and best use.

15. Investment property (continued)

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

In respect of prior year:

Company

	Freehold investment property £
Valuation	
At 1 April 2016	18,697,000
Additions at cost	4,131,839
Surplus on revaluation	2,377,518
At 31 March 2017	25,206,357

The 2018 valuations were completed as at 31 March 2018 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 2018 represents the highest and best use.

16. Trade and other receivables

	Group 2018 £	Group 2017 £	Group 2016 £	Company 2018 £	Company 2017 £	Company 2016 £
Non-current						
Deferred taxation (see note 20)	**673,405**	215,113	175,641	**673,405**	215,113	175,641

	Group 2018 £	Group 2017 £	Group 2016 £	Company 2018 £	Company 2017 £	Company 2016 £
Current						
Amounts owed by group undertakings	-	-	-	**5,559,407**	323,079	1,189,747
Called up share capital not paid	-	100	100	-	100	100
Trade debtors	**346,787**	-	425,495	**346,790**	-	-
Accrued income	-	-	-	-	2,024,727	-
Total financial assets other than cash and cash equivalents classified as loans and receivables	**346,787**	100	425,595	**5,906,197**	2,347,906	1,189,847
Other debtors	-	44,982	4,655	-	44,982	4,655
Corporation tax repayable	**24,478**	-	-	-	-	-
VAT repayable	-	-	950,622	-	-	-
Prepayments	**18,307,147**	8,018,004	3,205,836	**18,811,910**	8,204,754	3,178,363
	18,678,412	8,063,086	4,586,708	**24,718,107**	10,597,642	4,372,865

17. Current trade and other payables

	Group 2018 £	Group 2017 £	Group 2016 £	Company 2018 £	Company 2017 £	Company 2016 £
LBN loan	**134,831**	30,501	14,658	**134,831**	30,501	14,658
Trade payables	**191,605**	907,820	1,080,211	**69,476**	718,319	1,080,211
Amounts owed to group undertakings	**-**	-	-	**2,827,070**	-	-
Other payables	**58,598**	31,593	18,794	**49,815**	31,593	18,794
Accruals	**1,780,901**	632,087	372,002	**4,363,324**	3,045,623	372,002
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**2,165,935**	1,602,001	1,485,665	**7,444,516**	3,826,036	1,485,665
Other taxation and social security	**324,106**	251,086	479,007	**556,005**	282,135	479,007
	2,490,041	1,853,087	1,964,672	**8,000,521**	4,108,171	1,964,672

18. Non-current borrowings

	Group 2018 £	Group 2017 £	Group 2016 £	Company 2018 £	Company 2017 £	Company 2016 £
Loans	**59,640,468**	21,055,681	11,449,628	**59,640,468**	21,055,681	11,449,628

19. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Other loans	**134,831**	30,501	**134,831**	30,501
Amounts falling due in one to two years				
Other loans	**168,592**	134,882	**168,592**	134,882
Amounts falling due in two to five years				
Other loans	**564,919**	500,464	**564,919**	500,464
Amounts falling due after more than five years				
Other loans	**58,906,957**	20,420,335	**58,906,957**	20,420,335
	59,775,299	21,086,182	**59,775,299**	21,086,182

The loan comprises an unsecured loan along with property specific loans totalling £34,396,589 (2017 - £10,635,463, 2016 - £6,016,906) 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 £740,375 (2017 - £435,000, 2016 - £455,000) which was incurred in relation to the development of the company's properties was capitalised.

20. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	**(1,545,547)**	(1,224,359)
Charged to profit or loss	**17,702**	(321,188)
At end of year	**(1,527,845)**	(1,545,547)

20. Deferred taxation (continued)

Company

	2018 £	2017 £
At beginning of year	(1,545,547)	(1,224,359)
Charged to profit or loss	17,702	(321,188)
At end of year	**(1,527,845)**	(1,545,547)

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	**(121,016)**	-	**(121,016)**	-
Tax losses carried forward	**663,274**	215,113	**663,274**	215,113
Short term temporary differences	**10,131**	-	**10,131**	-
Investment property revaluations	**(2,080,234)**	(1,760,660)	**(2,080,234)**	(1,760,660)
	(1,527,845)	(1,545,547)	**(1,527,845)**	(1,545,547)
Comprising:				
Asset - due after one year	**673,405**	215,113	**673,405**	215,113
Liability	**(2,201,249)**	(1,760,660)	**(2,201,249)**	(1,760,660)
	(1,527,844)	(1,545,547)	**(1,527,844)**	(1,545,547)

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
11,507,332 (2017 - 4,082,802) Ordinary shares of £1 each	**11,507,332**	4,082,802

During the year, the company issued 7,424,530 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
- Cash and cash equivalents
- Trade and other payables
- LBN loan

Financial instruments by category

	2018 £	2017 £	2016 £
Financial assets classified as loans and receivables			
Cash and cash equivalents	**2,755,904**	1,731,427	720,920
Trade and other receivables	**346,787**	44,982	430,150
Total financial assets	**3,102,691**	1,776,409	1,151,070

	2018 £	2017 £	2016 £
Financial liabilities at amortised cost			
Trade and other payables	**1,901,845**	1,571,500	1,923,974
Loans and borrowings	**59,775,300**	21,086,182	11,464,286
Total financial liabilities	**61,677,145**	22,657,682	13,388,260

No financial instruments are carried at fair value. Due to their short-term nature, the carrying value of cash and cash equivalents, 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 £3,102,691 (2017 - £1,776,409) (2016 - £1,151,070) 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 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**

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2017				
Trade and other payables	1,571,500	-	-	-
Loans and borrowings	595,261	799,270	3,480,218	34,765,343
	2,166,761	799,270	3,480,218	34,765,343

	Up to one year £	Between one and two years £	Between two and five years £	Over five years £
At 31 March 2016				
Trade and other payables	1,923,974	-	-	-
Loans and borrowings	281,436	595,261	1,082,830	23,894,646
	2,205,410	595,261	1,082,830	23,894,646

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. Prior year adjustment

In the prior years financial statements the company's approach to calculating the recovery of overhead VAT was incorrectly applied which resulted in applying a higher recovery of overhead VAT. During the year, the company consulted its advisors and concluded the Standard Method Override should apply. As a result, an exercise was performed on all previous financial years which concluded £422,255 of input VAT being over claimed and therefore profits being overstated by that amount.

The overall effect of the adjustment is to increase current and trade payables by £422,255 and reduce retained earnings by that amount.

25. 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 £71,708 (2017 - £18,759) . Contributions totalling £18,967 (2017 - £Nil) were payable to the fund at the reporting date and are included in creditors

26. Leases

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

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Within one year	**591**	19,814	**591**	19,814
Between one and five years	**1,015**	-	**1,015**	-
Later than five years	**-**	-	**-**	-
	1,606	19,814	**1,606**	19,814

Commitments under operating leases represents lease of office premises.

Lessor commitments are as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Not later than one year	**2,031,064**	442,232	**2,031,064**	442,232
Later than one year and not later than five years	**1,512,373**	382,165	**1,512,373**	382,165
	3,543,437	824,397	**3,543,437**	824,397

27. Related party transactions

During the year, Altair, of which Chris Wood is a partner, was paid £nil (2017 -£175,279). This included all consultancy services provided in the year.

28. 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.

29. First time adoption of IFRS

The policies applied under the entity's previous accounting framework are not materially different to IFRS and have not impacted on equity or profit or loss.