

COMPANY REGISTRATION NUMBER: 04538848

Pocket Living Limited
Financial Statements
31 December 2017



KING & KING
Chartered accountant & statutory auditor
First Floor Roxburghe House
273-287 Regent Street
London
W1B 2HA

Pocket Living Limited
Financial Statements
Year ended 31 December 2017

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Pocket Living Limited
Officers and Professional Advisers

The board of directors

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

Registered office

First Floor
14 Floral Street
London
WC2E 9DH

Auditor

King & King
Chartered accountant & statutory auditor
First Floor Roxburghe House
273-287 Regent Street
London
W1B 2HA

Pocket Living Limited
Strategic Report
Year ended 31 December 2017

The directors present their strategic report for the year ended 31st December 2017.

The principal activity of the group continued to be that of property development.

Fair review of the company business:

The group performed well with revenues increasing by 82.5% and gross profit increasing by 190.3%. Profit after tax for the year improved to £4.3m (2016: loss of £0.8m).

Description of the principal risks and uncertainties of the company:

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

Exchange rate risk

The group currently operates entirely in the United Kingdom and in £ sterling, therefore it is not exposed to currency rate risk.

Interest rate cash flow risk

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

Liquidity risk

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

Analysis of the development and performance of the company over the year:

The group's principal focus during the financial year was to increase sales whilst maintaining the gross profit margin on those sales.

Position of the company's business at the year end:

The group finished the year having increased revenues and profit in an expanding trading environment.

The group continues manage its pipeline of future developments in order to achieve its strategic goals.

Key Performance Indicators:

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

	2017	2016
	£'000	£'000
Revenue	46,345	25,934
Gross profit	11,259	3,879
Gross profit margin (%)	24.3%	15.3%
Operating profit / (loss)	5,123	(696)
Operating margin (%)	11.1%	(2.7%)

Pocket Living Limited

Strategic Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 15 March 2018 and signed on behalf of the board by:



Mr P Harbard
Director

Registered office:
First Floor
14 Floral Street
London
WC2E 9DH

Pocket Living Limited
Directors' Report
Year ended 31 December 2017

The directors present their report and the financial statements of the group for the year ended 31 December 2017.

Directors

The directors who served the company during the year were as follows:

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

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

The company has chosen to set out in the company's future development details in the strategic report.

Directors' responsibilities statement

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

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

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

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

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

Pocket Living Limited

Directors' Report *(continued)*

Year ended 31 December 2017

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 15 March 2018 and signed on behalf of the board by:



Mr P Harbard
Director

Registered office:
First Floor
14 Floral Street
London
WC2E 9DH

Pocket Living Limited

Independent Auditor's Report to the Members of Pocket Living Limited

Year ended 31 December 2017

Opinion

We have audited the financial statements of Pocket Living Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

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 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Pocket Living Limited

Independent Auditor's Report to the Members of Pocket Living Limited *(continued)*

Year ended 31 December 2017

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Pocket Living Limited

Independent Auditor's Report to the Members of Pocket Living Limited *(continued)*

Year ended 31 December 2017

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

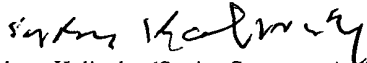
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
 - Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
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Pocket Living Limited

Independent Auditor's Report to the Members of Pocket Living Limited *(continued)*

Year ended 31 December 2017

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Sydney Kalinsky (Senior Statutory Auditor)

For and on behalf of
King & King
Chartered accountant & statutory auditor
First Floor Roxburghe House
273-287 Regent Street
London
W1B 2HA

15 March 2018

Pocket Living Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	Note	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Turnover	4	46,344,808	25,394,101
Cost of sales		35,085,458	21,515,580
Gross profit		<u>11,259,350</u>	<u>3,878,521</u>
Administrative expenses		6,163,803	4,574,340
Other operating income	5	27,740	-
Operating profit/(loss)	6	<u>5,123,287</u>	<u>(695,819)</u>
Other interest receivable and similar income	10	-	3,606
Interest payable and similar expenses	11	856,773	131,613
Profit/(loss) before taxation		<u>4,266,513</u>	<u>(823,826)</u>
Tax on profit/(loss)	12	-	-
Profit/(loss) for the financial year and total comprehensive income		<u><u>4,266,513</u></u>	<u><u>(823,826)</u></u>
Profit for the financial year attributable to:			
The owners of the parent company		4,266,321	(823,826)
Non-controlling interests		192	-
		<u><u>4,266,513</u></u>	<u><u>(823,826)</u></u>

All the activities of the group are from continuing operations.

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Consolidated Statement of Financial Position
31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	21,476	32,073
Current assets			
Stocks	15	85,893,139	55,550,923
Debtors	16	871,334	695,160
Cash at bank and in hand		6,588,585	8,636,087
		<u>93,353,058</u>	<u>64,882,170</u>
Creditors: amounts falling due within one year	17	59,689,813	14,732,453
Net current assets		<u>33,663,245</u>	<u>50,149,717</u>
Total assets less current liabilities		<u>33,684,721</u>	<u>50,181,790</u>
Creditors: amounts falling due after more than one year	18	35,102,282	55,870,864
Net liabilities		<u>(1,417,561)</u>	<u>(5,689,074)</u>
Capital and reserves			
Called up share capital	20	1,002	1,000
Share premium account	21	4,998	-
Profit and loss account	21	(1,423,753)	(5,690,074)
Equity attributable to the owners of the parent company		<u>(1,417,753)</u>	<u>(5,689,074)</u>
Non-controlling interests		<u>192</u>	<u>-</u>
		<u>(1,417,561)</u>	<u>(5,689,074)</u>

These financial statements were approved by the board of directors and authorised for issue on 15 March 2018, and are signed on behalf of the board by:



Mr P Harbard
 Director

Company registration number: 04538848

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Company Statement of Financial Position
31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	21,476	32,073
Investments	14	<u>6,972,804</u>	<u>6,972,502</u>
		6,994,280	7,004,575
Current assets			
Debtors	16	8,038,898	6,985,163
Cash at bank and in hand		<u>3,643,438</u>	<u>939,112</u>
		11,682,336	7,924,275
Creditors: amounts falling due within one year	17	<u>18,169,798</u>	<u>9,494,471</u>
Net current liabilities		6,487,462	1,570,196
Total assets less current liabilities		506,818	5,434,379
Creditors: amounts falling due after more than one year	18	<u>2,491,500</u>	<u>2,499,500</u>
Net (liabilities)/assets		<u>(1,984,682)</u>	<u>2,934,879</u>
Capital and reserves			
Called up share capital	20	1,002	1,000
Share premium account	21	4,998	–
Other reserves, including the fair value reserve	21	6,860,000	6,860,000
Profit and loss account	21	<u>(8,850,682)</u>	<u>(3,926,121)</u>
Shareholders (deficit)/funds		<u>(1,984,682)</u>	<u>2,934,879</u>

The loss for the financial year of the parent company was £4,924,561 (2016: £2,569,657).

These financial statements were approved by the board of directors and authorised for issue on 15 March 2018, and are signed on behalf of the board by:



Mr P Harbard
 Director

Company registration number: 04538848

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2017

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non controlling interests £	Total £
At 1 October 2015	1,000	–	(4,866,248)	(4,865,248)	–	(4,865,248)
Loss for the year	—	—	(823,826)	(823,826)	–	(823,826)
Total comprehensive income for the year	–	–	(823,826)	(823,826)	–	(823,826)
At 31 December 2016	1,000	–	(5,690,074)	(5,689,074)	–	(5,689,074)
Profit for the year	—	—	4,266,321	4,266,321	192	4,266,513
Total comprehensive income for the year	–	–	4,266,321	4,266,321	192	4,266,513
Issue of shares	2	4,998	–	5,000	–	5,000
Total investments by and distributions to owners	2	4,998	–	5,000	–	5,000
At 31 December 2017	<u>1,002</u>	<u>4,998</u>	<u>(1,423,753)</u>	<u>(1,417,753)</u>	<u>192</u>	<u>(1,417,561)</u>

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Company Statement of Changes in Equity
Year ended 31 December 2017

	Called up share capital £	Share premium account £	Other reserves, including the fair value reserve £	Profit and loss account £	Total £
At 1 October 2015	1,000	-	4,860,000	(1,356,464)	3,504,536
Loss for the year	—	—	—	(2,569,657)	(2,569,657)
Total comprehensive income for the year	-	-	-	(2,569,657)	(2,569,657)
Revaluation of investments	-	-	2,000,000	-	2,000,000
Total investments by and distributions to owners	-	-	2,000,000	-	2,000,000
At 31 December 2016	1,000	-	6,860,000	(3,926,121)	2,934,879
Profit for the year	—	—	—	(4,924,561)	(4,924,561)
Total comprehensive income for the year	-	-	-	(4,924,561)	(4,924,561)
Issue of shares	2	4,998	-	-	5,000
Total investments by and distributions to owners	2	4,998	-	-	5,000
At 31 December 2017	1,002	4,998	6,860,000	(8,850,682)	(1,984,682)

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit/(loss) for the financial year	4,266,513	(823,826)
<i>Adjustments for:</i>		
Depreciation of tangible assets	21,062	46,897
Other interest receivable and similar income	-	(3,605)
Interest payable and similar expenses	856,773	123,064
Tax on profit/(loss)	-	-
Accrued expenses	1,252,574	(178)
Amortisation	-	(496,500)
<i>Changes in:</i>		
Stocks	(30,342,216)	(35,231,657)
Trade and other debtors	(176,174)	(294,508)
Trade and other creditors	6,887,481	4,704,066
Other operating cash flow changes	-	-
Cash generated from operations	<u>(17,233,987)</u>	<u>(31,976,247)</u>
Interest paid	(856,773)	(123,064)
Interest received	-	3,605
Net cash from/(used in) operating activities	<u>(18,090,760)</u>	<u>(32,095,706)</u>
Cash flows from investing activities		
Purchase of tangible assets	(10,464)	(9,272)
Proceeds from sale of tangible assets	-	178
Net cash used in investing activities	<u>(10,464)</u>	<u>(9,094)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	5,000	-
Proceeds from borrowings	64,409,347	55,131,102
Repayments of borrowings	(48,360,625)	(14,982,194)
Net cash (used in)/from financing activities	<u>16,053,722</u>	<u>40,148,908</u>
Net (decrease)/increase in cash and cash equivalents	(2,047,501)	8,044,108
Cash and cash equivalents at beginning of year	8,636,087	591,979
Cash and cash equivalents at end of year	<u>6,588,586</u>	<u>8,636,087</u>

The notes on pages 16 to 27 form part of these financial statements.

Pocket Living Limited
Notes to the Financial Statements
Year ended 31 December 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is First Floor, 14 Floral Street, London, WC2E 9DH.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Pocket Living Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. *Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.*

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from sale of residential properties is recognised on date of completion. Deposits are also recognised on completion.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold Property	-	Straight line over the life of the lease
Fixtures & Fittings	-	3 years straight line
Equipment	-	3 years straight line

Investments

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

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Sale of residential properties	<u>46,344,808</u>	<u>25,394,101</u>

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

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

5. Other operating income

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Other operating income	<u>27,740</u>	<u>–</u>

6. Operating profit

Operating profit or loss is stated after charging/(crediting):

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Amortisation of intangible assets	–	(496,500)
Depreciation of tangible assets	21,062	46,897
Impairment of trade debtors	–	(633)
	<u>–</u>	<u>–</u>

7. Auditor's remuneration

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Fees payable for the audit of the financial statements	<u>60,000</u>	<u>20,000</u>
Fees payable to the group's auditors and its associates for the non-audit services	<u>36,500</u>	<u>12,950</u>

8. Staff costs

The average number of persons employed by the group and the company during the year, including the directors, amounted to:

	2017 No.	2016 No.
Administrative staff	29	24
Management staff	<u>4</u>	<u>4</u>
	<u>33</u>	<u>28</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Wages and salaries	2,858,719	2,406,560
Social security costs	352,691	274,570
Other pension costs	66,645	57,335
	<u>3,278,055</u>	<u>2,738,465</u>

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Remuneration	<u>500,244</u>	<u>1,667</u>

Remuneration of the highest paid director in respect of qualifying services:

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Aggregate remuneration	<u>270,085</u>	<u>1,667</u>

10. Other interest receivable and similar income

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Interest on cash and cash equivalents	<u>-</u>	<u>3,606</u>

11. Interest payable and similar expenses

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Interest on banks and other loans	<u>856,773</u>	<u>131,613</u>

12. Tax on profit/(loss)

Major components of tax expense

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Current tax:		
UK current tax expense	-	-
Tax on profit/(loss)	<u>-</u>	<u>-</u>

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

12. Tax on profit/(loss) *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19% (2016: 20%).

	Year to 31 Dec 17 £	Period from 1 Oct 15 to 31 Dec 16 £
Profit/(loss) on ordinary activities before taxation	4,266,514	(823,826)
Profit/(loss) on ordinary activities by rate of tax	810,601	(164,765)
Utilisation of tax losses	(810,601)	-
Unused tax losses	-	164,765
Tax on profit/(loss)	-	-

13. Tangible assets

Group and company	Long leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 January 2017	49,051	41,742	61,226	152,019
Additions	-	1,232	9,232	10,464
At 31 December 2017	<u>49,051</u>	<u>42,974</u>	<u>70,458</u>	<u>162,483</u>
Depreciation				
At 1 January 2017	32,148	38,703	49,094	119,945
Charge for the year	9,659	1,949	9,454	21,062
At 31 December 2017	<u>41,807</u>	<u>40,652</u>	<u>58,548</u>	<u>141,007</u>
Carrying amount				
At 31 December 2017	<u>7,244</u>	<u>2,322</u>	<u>11,910</u>	<u>21,476</u>
At 31 December 2016	<u>16,903</u>	<u>3,039</u>	<u>12,132</u>	<u>32,073</u>

14. Investments

The group has no investments.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

14. Investments *(continued)*

Company	Shares in group undertakings £
Cost	
At 1 January 2017	6,972,502
Additions	302
At 31 December 2017	<u>6,972,804</u>
Impairment	
At 1 January 2017 and 31 December 2017	<u>-</u>
Carrying amount	
At 31 December 2017	<u>6,972,804</u>
At 31 December 2016	<u>6,972,502</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Pocket Living (Holdings) II Limited	Ordinary	100
Pocket Money Limited	Ordinary	100
Pocket Living (Q1 2015) PLC	Ordinary	100
Pocket Living (2013) LLP	Ordinary	100
Pocket Living 2017 Holdco Ltd	Ordinary	100
Pocket Leigham Court Ltd	Ordinary	100
Pocket Living Rosina St Limited	Ordinary	90
Credon House Limited	Ordinary	100
Pocket Living KX Limited	Ordinary	100
Pocket Living Mapleton Limited	Ordinary	100
Pocket Living 2017 Ltd	Ordinary	100
Pocket Living Mezzanine Ltd	Ordinary	100
Pocket Living Mezzanine Holdings Ltd	Ordinary	100
Pocket Living Pledgeco Ltd	Ordinary	100
Pocket Living Pledgeco Holdings Ltd	Ordinary	100
Pocket Living (Addiscombe Grove) Limited	Ordinary	100
Pocket Living Gainsford Road Ltd	Ordinary	100
Pocket Living West Green Place Ltd	Ordinary	100
Pocket Living Osier Way Limited	Ordinary	100
Pocket Living Bollo Lane Ltd	Ordinary	100
Pocket Living Gardner Close Ltd	Ordinary	100
Pocket Living Varcoe Road Ltd	Ordinary	100
Pocket Living Whiting Avenue Ltd	Ordinary	100

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Stocks

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Work in progress	<u>85,893,139</u>	<u>55,550,923</u>	<u>-</u>	<u>-</u>

16. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	60,394	8,912	14,247	8,912
Amounts owed by group undertakings	-	-	7,775,913	6,808,462
Prepayments and accrued income	80,462	66,032	80,462	66,032
Other debtors	730,478	620,216	168,276	101,757
	<u>871,334</u>	<u>695,160</u>	<u>8,038,898</u>	<u>6,985,163</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank and other loans	36,817,305	-	-	-
Trade creditors	3,298,931	4,457,375	518,373	257,158
Amounts owed to group undertakings	-	-	1,913,874	1,741,519
Accruals and deferred income	1,868,024	32,950	846,189	8,500
Corporation tax	1	-	-	-
Social security and other taxes	82,600	112,311	82,600	112,311
Director loan accounts	1,163,076	1,163,076	1,163,076	1,163,076
Other creditors	16,459,876	8,966,741	13,645,686	6,211,907
	<u>59,689,813</u>	<u>14,732,453</u>	<u>18,169,798</u>	<u>9,494,471</u>

Bank loans and other loans which are included in creditors due within one year are secured by way of fixed and floating charge over all the assets of the company.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank and other loans	<u>35,102,282</u>	<u>55,870,864</u>	<u>2,491,500</u>	<u>2,499,500</u>
	<u>35,102,282</u>	<u>55,870,864</u>	<u>2,491,500</u>	<u>2,499,500</u>

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Bank loans and other loans which are included in creditors due after more than one year are secured by way of fixed and floating charge over all the assets of the company.

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £66,645 (2016: £57,335).

20. Called up share capital

Authorised share capital

	2017		2016	
	No.	£	No.	£
Deferred Shares shares of £0.01 each	1	–	1	–
Ordinary A1 Shares shares of £0.01 each	50,000	500	50,000	500
Ordinary A2 Shares shares of £0.01 each	50,000	500	50,000	500
B Ordinary Shares shares of £0.01 each	240	2	–	–
	<u>100,241</u>	<u>1,002</u>	<u>100,001</u>	<u>1,000</u>

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Deferred Shares shares of £0.01 each	1	–	1	–
Ordinary A1 Shares shares of £0.01 each	50,000	500	50,000	500
Ordinary A2 Shares shares of £0.01 each	50,000	500	50,000	500
B Ordinary Shares shares of £0.01 each	240	2	–	–
	<u>100,241</u>	<u>1,002</u>	<u>100,001</u>	<u>1,000</u>

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior period.

21. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

22. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Not later than 1 year	60,237	125,638	60,237	125,638
Later than 1 year and not later than 5 years	1,671,658	60,237	1,671,658	60,237
Later than 5 years	2,046,877	–	2,046,877	–
	<u>3,778,772</u>	<u>185,875</u>	<u>3,778,772</u>	<u>185,875</u>

23. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	2017		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr P Harbard	(581,538)	–	(581,538)
Mr M Vlessing	(581,538)	–	(581,538)
	<u>(1,163,076)</u>	<u>–</u>	<u>(1,163,076)</u>

	2016		
	Balance brought forward	Advances/ (credits) to the directors	Balance outstanding
	£	£	£
Mr P Harbard	(302,515)	(279,023)	(581,538)
Mr M Vlessing	(302,515)	(279,023)	(581,538)
	<u>(605,030)</u>	<u>(558,046)</u>	<u>(1,163,076)</u>

24. Related party transactions

Group

No transactions other than the company transactions disclosed below.

Pocket Living Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

24. Related party transactions *(continued)*

Company

During the year the company entered into the following transactions with related parties:

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

During the year, the company paid rent of £28,350 (2016: £Nil) to Pocket Living (Holdings) Limited, a company in which P Harbard and M Vlessing are directors and shareholders. At the year end, the company owed an amount of £241,000 (2016: £241,000) to Pocket Living (Holdings) Limited. Loan is payable on demand and no interest is charged.

At the year end, the company owed shareholders loan of £722,500 (2016: £1,062,500) to P Harbard and £722,500 (2016: £1,062,500) to M Vlessing. Loans are repayable on demand and no interest is charged.

At the year end, the company owed an amount of £11,574,611 (2016: £3,977,660) to Related London Pocket Holdings Limited, 50% shareholder of the company. Loan is payable on demand and interest applicable to this loan is yet to be agreed and charged.

25. Going concern

The Board has a reasonable expectation having reviewed budgets and cashflow forecasts, that the firm has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

26. Controlling party

The group is jointly controlled by it's shareholders and no one shareholder has control.