



Havering

LONDON BOROUGH

AUDIT COMMITTEE AGENDA

1.30 pm	Thursday 23 February 2023	Council Chamber - Town Hall
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Members 7: Quorum 3

COUNCILLORS:

Conservative Group (3)	Havering Residents' Group (3)	Labour Group (1)	East Havering Residents Group
Judith Holt Keith Prince Michael White	Julie Wilkes (Chairman) David Godwin (Vice-Chair) Sarah Edwards	Jane Keane	TBC

**For information about the meeting please contact:
Christine Elasser 01708 433675
christine.elsasser@OneSource.co.uk**

Under the Committee Procedure Rules within the Council's Constitution the Chairman of the meeting may exercise the powers conferred upon the Mayor in relation to the conduct of full Council meetings. As such, should any member of the public interrupt proceedings, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room and may adjourn the meeting while this takes place.

Excessive noise and talking should also be kept to a minimum whilst the meeting is in progress in order that the scheduled business may proceed as planned.

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

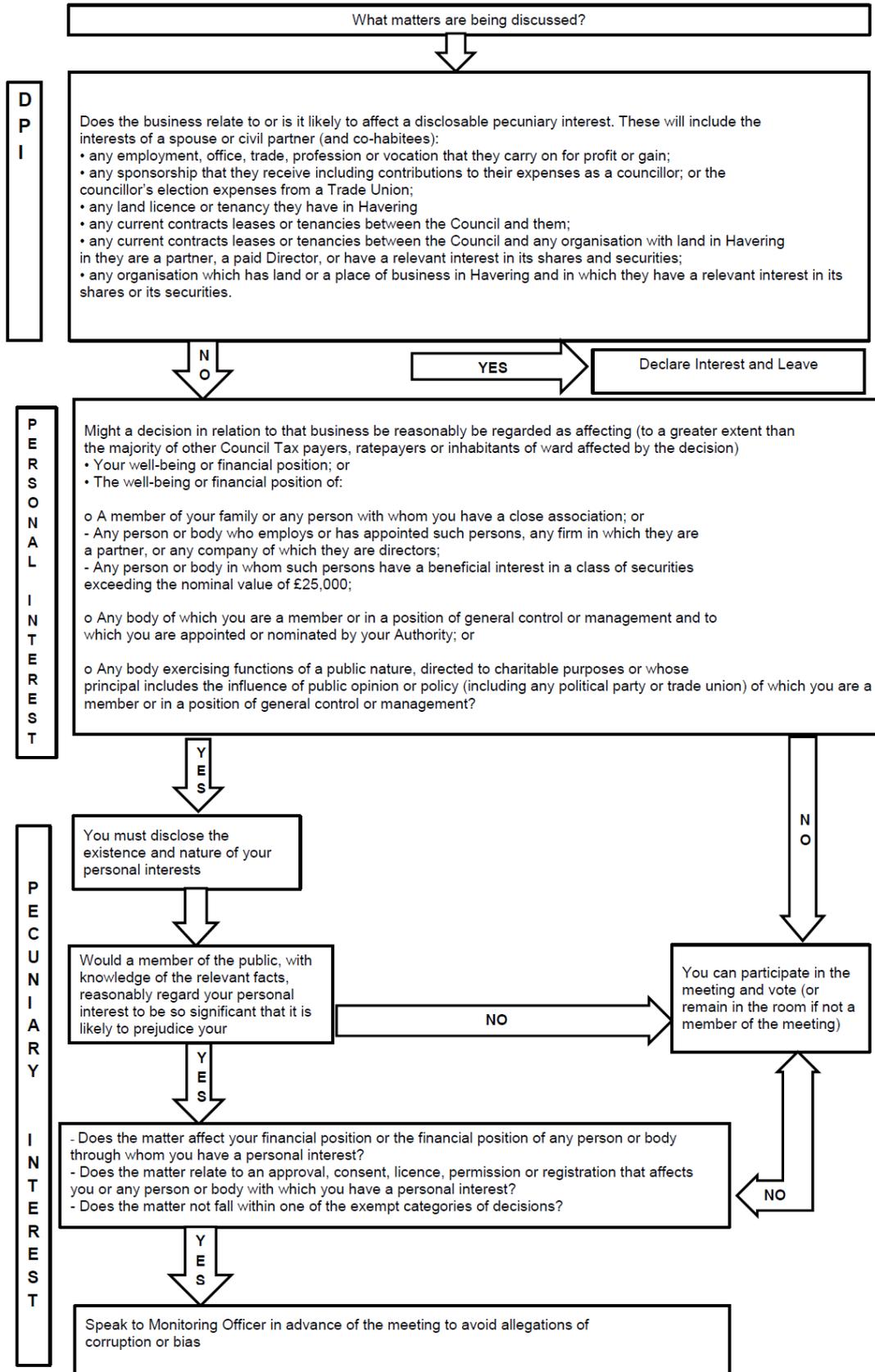
- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF



AGENDA ITEMS

1 CHAIRMAN'S ANNOUNCEMENTS

The Chairman will announce details of the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS

(if any) – received.

3 DISCLOSURE OF INTERESTS

Members are invited to declare any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in any item at any time prior to the consideration of the matter.

4 EXCLUSION OF THE PUBLIC

To consider whether the public should now be excluded from the remainder of the meeting on the grounds that it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public were present during those items there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972; and, if it is decided to exclude the public on those grounds, the Committee to resolve accordingly on the motion of the Chairman.

5 MLH - QUESTIONS AND ANSWERS (Pages 1 - 68)

Report and appendices attached. Appendix B, the presentation and questions/answers relating to the last meeting, are not available for public inspection as it contains or relates to exempt information within the meaning of paragraph of Schedule 12A to the Local Government Act 1972. They are exempt because they refer to [reason for exemption], and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Zena Smith
Democratic and Election
Services Manager



AUDIT COMMITTEE **24th January 2023**

Subject Heading:	Report on Mercury Land Holdings
SLT Lead:	Neil Stubbings, Director of Regeneration
Report Author and contact details:	Kirsty Moller, Head of Programme & Support (Regeneration) Tel: 01708 434707 E-mail: kirsty.moller@havering.gov.uk Paul Walker, Assistant Director of Development (Regeneration) Tel: 01708 434282 E-mail: Paul.Walker@havering.gov.uk
Policy context:	To provide the committee with information relating to the purpose and activity of Mercury Land Holdings.
Financial summary:	There are no financial implications arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

The subject matter of this report deals with the following Council Objectives

People - Things that matter for residents

Place - A great place to live, work and enjoy

Resources - A well run Council that delivers for People and Place

SUMMARY

This report advises the Committee on the background, activity and financial status of Mercury Land Holdings, the Council-owned development company. This report is presented in six sections:

Section 1: Purpose and Background

Section 2. Company Structure

Section 3. Governance

Section 4. Delivery to Date

Section 5. Costs & Income

Section 6. Future Plans

Appendices: Provide supporting detail for Member's information:

Appendix A – Mercury Land Holding accounts for year ending 31st March 2022

EXEMPT Appendix B – Further financial information relating to Mercury Land Holdings

The report will be supported by a PowerPoint presentation to Committee.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise any issues of concern and ask specific questions of officers where required.

REPORT DETAIL

Section 1: Purpose and Background

- 1.1.1 MLH was incorporated in November 2015 following the May 2015 Cabinet decision to establish a commercially focused company that would deliver housing for private rent and sale.
- 1.1.2 The Council's main objectives for entering into the private sector housing market were:
- To contribute to, and where possible accelerate the provision of housing supply in the borough
 - To ensure a mix of housing, in terms of type, size and tenure, best matched to the needs of Havering;
 - To support the Council's regeneration and growth aims, bringing forward high quality development on regeneration sites in key parts of the borough.
 - To generate an acceptable financial return to the Council by operating a business.
- 1.1.3 The Council borrows capital funding and provides funding to MLH through either equity or onward lending with interest via loan arrangements. The loan repayments are usually scheduled over 50 years and the interest generates an income to the general fund.
- 1.1.4 The company has a portfolio of private sector rented (PRS) homes that provide an income to cover debt and company running costs.
- 1.1.5 The Council, as sole shareholder, will receive dividends from MLH equity in future.

Section 2. Company Structure

2.1 Mercury Land Holdings

- 2.1.1 Mercury Land Holdings Limited is a private limited company that is wholly owned by the Council, which is the sole shareholder.
- 2.1.2 It is subject to UK Company Law and is required to make returns to Companies House and submit annual audited accounts. All statutory filings are currently up to date. The accounts for the year ending 31st March 2021 are included as Appendix A.
- 2.1.3 Mercury Land Holdings is staffed by three full time staff and a non-executive director and is managed by a Board of Directors. The board directors are: Andrew Blake-Herbert, Garry Green, Anthony Huff and Ian Rhodes. The Company Secretary is Shahana Jeewa.
- 2.1.4 The nominated Council Shareholder Representatives at Member level are the Leader and Lead Member for Finance.

2.2 Mercury Design & Build Ltd

- 2.2.1 Mercury Design and Build is a limited company and subsidiary of Mercury Land Holdings. It was formed to undertake design and construction activities, such as Winterberry Court. This company can manage and reclaim VAT charges incurred in the development process.
- 2.2.2 Mercury Design and Build is subject to the same UK law and accounting practices as MLH, consolidated accounts are filed annually at Companies House. The company directors are also the same as those of Mercury Land Holdings Limited.

Section 3. Council Governance

- 3.1.1 Whilst the company is staffed and managed independently of the Council, the level of strategic Council control is high. This is because the Council is the exclusive funder to the company and in deciding whether to provide working capital and development loans – all at commercial rates – the Council reviews company business plans and individual development business cases, using appropriate legal, financial, and regeneration/property expertise.
- 3.1.2 The financial activities of Mercury are monitored in depth on a monthly basis by the Council and the integration and liaison of the company's activities into the overall regeneration activities of the Council is achieved under a close liaison role provided by the Regeneration Service. MLH attend various meetings and report on finances and activity every six weeks at the Regeneration Officer Board (chaired by the Council's Section 151 Officer).
- 3.1.3 MLH's operation and funding is regulated by its business plan, which sets out the funding required and developments to be brought forward. Approval of the business plan has to follow the usual Council executive decision process and ultimately has to be approved by Cabinet.
- 3.1.4 Before development activity can start, further governance steps are undertaken to set out the terms of lending and provide funding against approved business cases. Development schemes are considered as commercial investments.

Section 4. Delivery to Date

4.1.1 North Street, Hornchurch – 44 PRS homes in operation



4.1.2 Cathedral Court, Romford – 65 PRS homes in operation



- 4.1.3 Victory Place, Romford (previously Crow Lane)
MLH facilitated the delivery of 38 larger affordable homes for the HRA, there are also 34 PRS homes in operation and 10 market homes sold.



- 4.1.4 The units that MLH have in operation have proved popular with Havering residents, achieving very high rates of occupation and excellent rates for rent collection.

Section 5. Costs & Income

5.1 Financing Developments

- 5.1.1 The Council funds the development costs of Mercury through equity and loans.
- 5.1.2 Development loans are made on commercial terms to be within the Subsidy Control Act (formally state aid compliance). The interest on loans generates an income to the Council's general fund, bank fees are also paid by MLH.
- 5.1.3 If the units from the development are kept for PRS stock, then the development loans and capitalised interest is refinanced as fixed interest operational loans, usually repaid over 50 years.

5.2 Company Costs

5.2.1 MLH uses rental income from PRS to fund running costs and debt repayments.

5.2.2 The company structure is designed to work in a controlled deficit during early years of growth until economies of scale on rented stock and development profits from sales place the company in a long-term sustainable position. This arrangement is endorsed by Auditors for the Company (reporting also to the Council as shareholder).

5.2.3 MLH currently own 143 PRS units. Another 20 units have secured funding. A portfolio of 400+ units is assessed to be the benchmark where returns from its rental portfolio cover all company costs. Until then, the business plan requires development profit from sales to balance investment and management costs.

5.2.4 At current costs, based on a 2-bed property, £100m of Council funding would be required to increase the portfolio to 400 units. The approved MLH capital budget is currently £204m.

5.2.5 A summary of company assets, liabilities and equity is as follows:

- 3 schemes in operation – Cathedral Court, Winterberry Court, Victory Place
- Current debt level equals £30.9m
- Equity equals £11.3m
- Value of Portfolio equals £47.2m

5.3 Council Finance for MLH

Details of MLH payments to the Council, capital profiling and loan repayments can be found within Exempt Appendix B

5.4 Financial Risks for Development

5.4.1 As with all commercial activity, there are risks to regeneration and development, which are closely monitored to ensure that developments remain viable. The key risks to highlight include:

- Interest Rates Affecting Costs & Financing – current uncertainty around the rate of inflation could impact on construction prices and borrowing rates.
- Housing Market Conditions – sales can be at risk of fluctuating market conditions. If the cost of living goes up and wages stagnate, people could find saving for a deposit and securing a mortgage become more challenging. This is less of a problem for PRS housing

- Changing Planning and Building Requirements – can be more expensive, requires additional work during the design phase which can extend the programme – upside is safer, better insulated and more energy-efficient buildings.
- Availability & Cost of Suitable Land – cost of land for residential development can change and requires regular market testing, professional advice, early engagement, mitigation plans to adjust tenure mix if required.

5.5 Business Planning and Sensitivity Analysis

A refresh of the Mercury Land Holdings business plan is currently underway, to be brought forward for Cabinet consideration in Spring 2023.

Each Business Plan review incorporates a comprehensive set of sensitivity analysis to assess the robustness of the proposed plans. Sensitivity analysis provides an indication of how potential market volatility would impact on viability. The following stress tests are modelled: -

- Interest rate (PWLB) volatility
- Construction costs
- Sales values (impairment)
- Combination of factors

Section 6. Future Plans

MLH have a number of schemes in the development process or under investigation, including:

- Quarles College Campus – 120 homes, 47 affordable units (for LBH), 53 open market sale and 20 PRS
- St Georges, Hornchurch – Facilitating 14 affordable rent and 22 shared ownership for LBH housing department

Further opportunities for Mercury Land Holdings to provide residential units on Council-owned sites are due to be considered by Cabinet in February 2023.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are none arising directly from this report which is for noting and/or providing an opportunity for questions to be raised.

Any requested financial support towards Mercury Land Holdings' activities is assessed via the Council's established governance processes.

The company is liable to provide regular filings to HMRC and annual audited accounts to Companies House. All filings are currently up to date.

Climate Change implications and risks:

None arising directly from this report.

Legal implications and risks:

None arising directly from this report.

Human Resources implications and risks:

None arising directly from this report.

Equalities implications and risks:

None arising directly from this report.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- (i) The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

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**REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022
FOR
MERCURY LAND HOLDINGS LIMITED**

THP Limited
Chartered Accountants
and Statutory Auditors
34-40 High Street
Wanstead
London
E11 2RJ

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Consolidated Income Statement	7
Consolidated Other Comprehensive Income	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Consolidated Cash Flow Statement	13
Notes to the Consolidated Financial Statements	14

DIRECTORS:	A Blake-Herbert G K Green A V Huff I P Rhodes
SECRETARY:	S Jeewa
REGISTERED OFFICE:	Town Hall Main Road Romford Essex RM1 3BB
REGISTERED NUMBER:	09878652 (England and Wales)
SENIOR STATUTORY AUDITOR:	Shahid Hameed ACA FCCA
AUDITORS:	THP Limited Chartered Accountants and Statutory Auditors 34-40 High Street Wanstead London E11 2RJ

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022**

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the renting and operating of owned or leased real estate.

CORONAVIRUS

As at the date of signing these accounts, England has come out of all significant Coronavirus related restrictions and there is hope that the situation will continue to improve as we move into Winter 2022 and beyond. There does however remain some degree of uncertainty as to how the situation will evolve in the future.

The main financial risks to the group during the pandemic have been the restrictions imposed by the UK Government on the eviction of tenants in rent arrears and the increase in void periods due to issues in the letting and re-letting of rental properties. Overall there has however been minimal variance against the existing budgets and Directors will continue to monitor and manage the situation.

The group is also able to draw on the support of its main funders and ultimate controlling party "The London Borough of Havering" to ensure that cash flow is supported through periods of uncertainty.

The Directors are confident that the decisions the group has made so far and the support it has received will ensure that it can continue as a going concern.

GOING CONCERN

The group continued to generate significant operating cash flows and continued to increase operations year-on-year. Despite this, the balance sheet as at 31 March 2022 shows net current liabilities of £3,883,343 (2021: £538,834 net current assets) and negative retained earnings of £2,490,182 (2021: £2,340,190) due to significant investments in properties during the past number of years. The result of this investment is that the group has an exceptionally strong balance sheet position with net assets of £13,908,678 (2021: £14,851,715). The group also has a number of future schemes in hand that are expected to deliver significant profits in future years.

The group continues to meet its day to day working capital requirements through operating cash flows and finances all significant refurbishments via the loans from the ultimate controlling party "The London Borough of Havering".

The ultimate controlling party continues to give financial support to the group by injecting funds as necessary for the group to continue trading and it has confirmed that it will continue to support its subsidiary for at least 12 months from the date of approving these accounts.

Having considered all the relevant facts the directors consider it is appropriate to prepare the financial statements on a going concern basis.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2021 to the date of this report.

A Blake-Herbert
G K Green
A V Huff
I P Rhodes

REDUCTION IN SHARE CAPITAL

During the year, the company reduced its share capital by £1,000,000 (2021: £nil). This resulted in a payment of £1m being made to The London Borough of Havering following the sale of 10 investment properties at Crow Lane.

The shares represented 8% of the Ordinary £1 shares in issue prior to their cancellation.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2022**

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Report of the Directors 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 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, THP Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

G K Green - Director

16 November 2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MERCURY LAND HOLDINGS LIMITED

Opinion

We have audited the financial statements of Mercury Land Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 March 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has 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 Report of the Directors.

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

- adequate accounting records have not been kept 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page three, 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 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.

Auditors' 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 a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group through discussions with directors and other management, and from our commercial knowledge and experience of the sector in which the group operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, planning regulations, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and any other relevant regulators as required.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MERCURY LAND HOLDINGS LIMITED**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.

Shahid Hameed ACA FCCA (Senior Statutory Auditor)
for and on behalf of THP Limited
Chartered Accountants
and Statutory Auditors
34-40 High Street
Wanstead
London
E11 2RJ

16 November 2022

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
TURNOVER			2,285,373		1,847,489
Property related costs		653,076		558,010	
Administrative expenses		431,577		<u>325,525</u>	
			1,084,653		883,535
OPERATING PROFIT	4		1,200,720		963,954
Profit on sale of investment property	5		170,898		761,562
			1,371,618		1,725,516
Interest receivable and similar income			-		723
			1,371,618		1,726,239
Gain on revaluation of investment property			255,500		5,629,451
			1,627,118		7,355,690
Interest payable and similar expenses			1,984,414		2,039,682
(LOSS)/PROFIT BEFORE TAXATION			(357,296)		5,316,008
Tax on (loss)/profit	6		(369,919)		1,146,088
PROFIT FOR THE FINANCIAL YEAR			12,623		4,169,920
Profit attributable to: Owners of the parent			12,623		4,169,920

MERCURY LAND HOLDINGS LIMITED (REGISTERED NUMBER: 09878652)

**CONSOLIDATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
PROFIT FOR THE YEAR		12,623	4,169,920
OTHER COMPREHENSIVE INCOME			
Pension scheme deficit movement		47,000	(125,000)
Income tax relating to other comprehensive income		<u>(2,660)</u>	<u>25,650</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>44,340</u>	<u>(99,350)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>56,963</u>	<u>4,070,570</u>
Total comprehensive income attributable to: Owners of the parent		<u>56,963</u>	<u>4,070,570</u>

MERCURY LAND HOLDINGS LIMITED (REGISTERED NUMBER: 09878652)

CONSOLIDATED BALANCE SHEET
31 MARCH 2022

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Tangible assets	8		-		1,313
Investments	9		-		-
Investment property	10		<u>47,546,071</u>		<u>47,953,389</u>
			47,546,071		47,954,702
CURRENT ASSETS					
Debtors	11	<u>273,752</u>		347,485	
Cash at bank		<u>693,498</u>		<u>4,841,413</u>	
		967,250		5,188,898	
CREDITORS					
Amounts falling due within one year	12	<u>4,850,593</u>		<u>4,650,064</u>	
NET CURRENT (LIABILITIES)/ASSETS			(3,883,343)		538,834
TOTAL ASSETS LESS CURRENT LIABILITIES					
			43,662,728		48,493,536
CREDITORS					
Amounts falling due after more than one year	13		(28,879,871)		(32,386,383)
PROVISIONS FOR LIABILITIES					
			(753,179)		(1,120,438)
PENSION LIABILITY					
	17		(121,000)		(135,000)
NET ASSETS			<u>13,908,678</u>		<u>14,851,715</u>
CAPITAL AND RESERVES					
Called up share capital	15		11,305,950		12,305,950
Revaluation reserve	16		5,092,910		4,885,955
Retained earnings			(2,490,182)		(2,340,190)
SHAREHOLDERS' FUNDS			<u>13,908,678</u>		<u>14,851,715</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 16 November 2022 and were signed on its behalf by:

G K Green - Director

MERCURY LAND HOLDINGS LIMITED (REGISTERED NUMBER: 09878652)

**COMPANY BALANCE SHEET
31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Tangible assets	8		-		1,313
Investments	9		100		100
Investment property	10		<u>48,113,842</u>		<u>48,479,907</u>
			<u>48,113,942</u>		<u>48,481,320</u>
CURRENT ASSETS					
Debtors	11	<u>273,720</u>		346,455	
Cash at bank		<u>685,430</u>		<u>4,795,501</u>	
		<u>959,150</u>		5,141,956	
CREDITORS					
Amounts falling due within one year	12	<u>4,894,576</u>		<u>4,632,946</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(3,935,426)</u>		<u>509,010</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>44,178,516</u>		<u>48,990,330</u>
CREDITORS					
Amounts falling due after more than one year	13		<u>(28,879,871)</u>		<u>(32,386,383)</u>
PROVISIONS FOR LIABILITIES			<u>(753,179)</u>		<u>(1,120,438)</u>
PENSION LIABILITY	17		<u>(121,000)</u>		<u>(135,000)</u>
NET ASSETS			<u>14,424,466</u>		<u>15,348,509</u>
CAPITAL AND RESERVES					
Called up share capital	15		<u>11,305,950</u>		12,305,950
Revaluation reserve	16		<u>5,092,910</u>		4,885,955
Retained earnings			<u>(1,974,394)</u>		<u>(1,843,396)</u>
SHAREHOLDERS' FUNDS			<u>14,424,466</u>		<u>15,348,509</u>
Company's profit for the financial year			<u>31,617</u>		<u>4,613,097</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 16 November 2022 and were signed on its behalf by:

G K Green - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 April 2020	12,305,950	(1,927,397)	402,592	10,781,145
Changes in equity				
Total comprehensive income	-	(412,793)	4,483,363	4,070,570
Balance at 31 March 2021	<u>12,305,950</u>	<u>(2,340,190)</u>	<u>4,885,955</u>	<u>14,851,715</u>
Changes in equity				
Reduction in share capital	(1,000,000)	-	-	(1,000,000)
Total comprehensive income	-	(149,992)	206,955	56,963
Balance at 31 March 2022	<u>11,305,950</u>	<u>(2,490,182)</u>	<u>5,092,910</u>	<u>13,908,678</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 April 2020	12,305,950	(1,873,780)	402,592	10,834,762
Changes in equity				
Total comprehensive income	-	30,384	4,483,363	4,513,747
Balance at 31 March 2021	<u>12,305,950</u>	<u>(1,843,396)</u>	<u>4,885,955</u>	<u>15,348,509</u>
Changes in equity				
Reduction in share capital	(1,000,000)	-	-	(1,000,000)
Total comprehensive income	-	(130,998)	206,955	75,957
Balance at 31 March 2022	<u>11,305,950</u>	<u>(1,974,394)</u>	<u>5,092,910</u>	<u>14,424,466</u>

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	20	1,756,452	(3,133,231)
Interest paid		(1,984,414)	(2,039,682)
Net cash from operating activities		(227,962)	(5,172,913)
Cash flows from investing activities			
Purchase of investment property		(174,304)	(3,363,505)
Sale of investment property		837,122	3,412,878
Interest received		-	723
Net cash from investing activities		662,818	50,096
Cash flows from financing activities			
Movement in loan from group undertakings		(3,582,771)	9,664,471
Reduction in share capital		(1,000,000)	-
Net cash from financing activities		(4,582,771)	9,664,471
(Decrease)/increase in cash and cash equivalents		(4,147,915)	4,541,654
Cash and cash equivalents at beginning of year	21	4,841,413	299,759
Cash and cash equivalents at end of year	21	693,498	4,841,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. **STATUTORY INFORMATION**

Mercury Land Holdings Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements and going concern

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

The group continued to generate significant operating cash flows and continued to increase operations year-on-year. Despite this, the balance sheet as at 31 March 2022 shows net current liabilities of £3,883,343 (2021: £538,834 net current assets) and negative retained earnings of £2,490,182 (2021: £2,340,190) due to significant investments in properties during the past number of years. The result of this investment is that the group has an exceptionally strong balance sheet position with net assets of £13,908,678 (2021: £14,851,715). The group also has a number of future schemes in hand that are expected to deliver significant profits in future years.

The group continues to meet its day to day working capital requirements through operating cash flows and finances all significant refurbishments via the loans from the ultimate controlling party "The London Borough of Havering".

The ultimate controlling party continues to give financial support to the group by injecting funds as necessary for the group to continue trading and it has confirmed that it will continue to support its subsidiary for at least 12 months from the date of approving these accounts.

Having considered all the relevant facts the directors consider it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. All accounting policies as detailed below are applied consistently across the Group.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services supplied, net of returns, discounts and value added taxes.

Revenue is recognised in the accounting period in which the services were rendered.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 25% on cost
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Investment properties

Investment properties are shown at fair values determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Any aggregate surplus or deficit that arises from a change in fair value is recognised in the Consolidated Income Statement, net of deferred tax. On an annual basis this surplus or deficit is transferred from retained profits into a separate, non-distributable reserve called the "Revaluation Reserve".

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Development costs

Development expenditure is capitalised in accordance with company's accounting policy. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

(i) Defined Contribution Scheme

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit and loss in the period to which they relate.

(ii) Defined Benefit Scheme

The group also operates a defined benefit scheme, as further explained in Note 17.

Finance costs

Finance costs are charged to the Consolidated Income Statement over the term of the debt using the effective interest method so that amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 4 (2021 - 3) .

The average number of employees by undertakings that were proportionately consolidated during the year was 4 (2021 - 3) .

4. **OPERATING PROFIT**

The operating profit is stated after charging:

	2022	2021
	£	£
Depreciation - owned assets	<u>1,313</u>	<u>9,677</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

5. **EXCEPTIONAL ITEMS**

	2022	2021
	£	£
Profit on sale of investment property	<u>170,898</u>	<u>761,562</u>

6. **TAXATION**

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2022	2021
	£	£
Deferred tax	<u>(369,919)</u>	<u>1,146,088</u>
Tax on (loss)/profit	<u>(369,919)</u>	<u>1,146,088</u>

Tax effects relating to effects of other comprehensive income

	Gross	2022	Net
	£	Tax	£
		£	
Pension scheme deficit movement	<u>47,000</u>	<u>(2,660)</u>	<u>44,340</u>
	Gross	2021	Net
	£	Tax	£
		£	
Pension scheme deficit	<u>(125,000)</u>	<u>25,650</u>	<u>(99,350)</u>

It is group policy that no charge is made between group companies for group relief claims and the surrender of taxable losses.

Factors that may affect future tax charges

The deferred tax liability includes £1,194,633 which is the theoretical corporation tax that would be due if the properties were to be sold at their current revalued amount.

The group also has property business tax losses of £2,202,442 (2021: £1,665,212) available to carry forward and utilise against future property business profits and a deferred tax asset of £418,464 on these losses has been recognised and netted off with the liability noted above.

A net deferred tax liability of £753,179 has therefore been provided at 31 March 2022. This tax would only be payable in the event that the properties were actually sold.

7. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

8. TANGIBLE FIXED ASSETS

Group

COST

At 1 April 2021
and 31 March 2022

Fixtures
and
fittings
£

38,709

DEPRECIATION

At 1 April 2021

37,396

Charge for year

1,313

At 31 March 2022

38,709

NET BOOK VALUE

At 31 March 2022

-

At 31 March 2021

1,313

Company

Fixtures
and
fittings
£

COST

At 1 April 2021
and 31 March 2022

38,709

DEPRECIATION

At 1 April 2021

37,396

Charge for year

1,313

At 31 March 2022

38,709

NET BOOK VALUE

At 31 March 2022

-

At 31 March 2021

1,313

9. FIXED ASSET INVESTMENTS

Company

Shares in
group
undertakings
£

COST

At 1 April 2021
and 31 March 2022

100

NET BOOK VALUE

At 31 March 2022

100

At 31 March 2021

100

9. **FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiary

Mercury Design & Build Limited

Registered office: Town Hall, Main Road, Romford RM1 3BB

Nature of business: Development of Real Estate

Class of shares:	%
Ordinary	holding 100.00

10. **INVESTMENT PROPERTY**

Group

	Total £
FAIR VALUE	
At 1 April 2021	47,953,389
Additions	174,304
Disposals	(837,122)
Revaluations	255,500
At 31 March 2022	<u>47,546,071</u>
NET BOOK VALUE	
At 31 March 2022	<u>47,546,071</u>
At 31 March 2021	<u>47,953,389</u>

The investment properties were valued by Savills and Glenny Estate Agents at 31 March 2022 at an open market value. This includes properties of £936,342 that were in the course of construction at that date.

The difference between the investment properties in the group and that in the company (in consolidated accounts) relates to the Mark Up from the subsidiary (Mercury Design & Build Ltd) which is eliminated on consolidation.

Fair value at 31 March 2022 is represented by:

	£
Valuation in 2018	333,061
Valuation in 2020	69,531
Valuation in 2021	5,629,451
Valuation in 2022	255,500
Cost	<u>41,258,528</u>
	<u>47,546,071</u>

Company

	Total £
FAIR VALUE	
At 1 April 2021	48,479,907
Additions	215,557
Disposals	(837,122)
Revaluations	255,500
At 31 March 2022	<u>48,113,842</u>
NET BOOK VALUE	
At 31 March 2022	<u>48,113,842</u>
At 31 March 2021	<u>48,479,907</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

10. INVESTMENT PROPERTY - continued

Company

The investment properties were valued by Savills and Glenny Estate Agents at 31 March 2022 at an open market value. This includes properties of £936,342 that were in the course of construction at that date.

The difference between the investment properties in the group and that in the company (in consolidated accounts) relates to the Mark Up from the subsidiary (Mercury Design & Build Ltd) which is eliminated on consolidation.

Fair value at 31 March 2022 is represented by:

	£
Valuation in 2018	333,061
Valuation in 2020	69,531
Valuation in 2021	5,629,451
Valuation in 2022	255,500
Cost	<u>41,826,299</u>
	<u>48,113,842</u>

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	216,863	182,655	216,863	182,655
VAT	5,490	109,524	5,458	108,494
Prepayments and accrued income	51,399	55,306	51,399	55,306
	<u>273,752</u>	<u>347,485</u>	<u>273,720</u>	<u>346,455</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	161,957	49,600	161,957	47,575
Amounts owed to group undertakings	3,997,736	4,073,995	4,048,769	4,065,002
Social security and other taxes	7,963	8,355	7,963	8,355
Accruals and deferred income	682,937	518,114	675,887	512,014
	<u>4,850,593</u>	<u>4,650,064</u>	<u>4,894,576</u>	<u>4,632,946</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts owed to group undertakings	<u>28,879,871</u>	32,386,383	<u>28,879,871</u>	32,386,383

14. SECURED DEBTS

Amounts owed to group undertakings are secured by fixed and floating charges over the investment properties of the group.

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	£	£	Class	Nominal value	2022	2021
11,305,950 (2021: 12,305,950)			Ordinary	£1	<u>11,305,950</u>	<u>12,305,950</u>

16.	RESERVES	
	Group	Revaluation reserve
		£
	At 1 April 2021	4,885,955
	Deferred tax on revaluation	(48,545)
	Transfer of revaluation surplus	255,500
	At 31 March 2022	5,092,910
	Company	Revaluation reserve
		£
	At 1 April 2021	4,885,955
	Deferred tax on revaluation	(48,545)
	Transfer of revaluation surplus	255,500
	At 31 March 2022	5,092,910

17. **EMPLOYEE BENEFIT OBLIGATIONS**

One of the company's employees is a member of a defined benefit pensions scheme, Local Government Pension Scheme Fund: London Borough of Havering Pension Fund. The assets of the scheme are held separately from those of participating group companies. A complete valuation of the scheme is undertaken by independently qualified actuaries at the year end and annual contributions to the schemes are required to be made in accordance with their recommendations.

The pension liability under FRS 102 at the year end relates to the scheme is as follows:

	£	£	31 March 2022	31 March 2021
Assets			107,000	89,000
Obligations			(228,000)	(224,000)
Net asset/(liability)			(121,000)	(135,000)

The major categories of plan assets as a percentage of total plan assets

The actuaries have used the most recent asset split provided to them and allowed for index returns, where required, on each asset category to determine the estimated split of assets as at 31 March 2022.

	31 March 2022	31 March 2021
Equities	40%	54%
Bonds	33%	25%
Property	24%	16%
Cash	3%	5%

Financial Assumptions

The financial assumptions are summarised below:

	31 March 2022	31 March 2021
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.15%	2.80%
Salary Increase Rate	3.85%	3.50%
Discount Rate	2.75%	2.05%

As at the date of the most recent valuation, the duration of the Employer's funded liabilities is 42 years.

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.6 years	24.0 years
Future Pensioners*	22.6 years	25.7 years

* Figures assume members aged 45 as at the last formal valuation date.

18. **POST BALANCE SHEET EVENTS**

Subsequent to the year end, the company was required to earmark £200,000 of cash at bank due to a breach of a loan covenant whereby the Loan to Value Ratio (LTVR) exceeded the required minimum ratio. This retention will be released in part or in full on the basis that the market valuation increases in future valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

19. **ULTIMATE CONTROLLING PARTY**

The ultimate parent undertaking and ultimate controlling party is considered to be The London Borough of Havering. Group financial statements can be obtained from:

London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BD

20. **RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	2022	2021
	£	£
(Loss)/profit before taxation	(357,296)	5,316,008
Depreciation charges	1,313	9,677
Gain on revaluation of fixed assets	(255,500)	(5,629,451)
CIS tax refund	-	429,007
Pension deficit charge	33,000	10,000
Finance costs	1,984,414	2,039,682
Finance income	-	(723)
	1,405,931	2,174,200
Decrease/(increase) in trade and other debtors	73,733	(197,147)
Increase/(decrease) in trade and other creditors	276,788	(5,110,284)
Cash generated from operations	<u>1,756,452</u>	<u>(3,133,231)</u>

21. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2022

	31.3.22	1.4.21
	£	£
Cash and cash equivalents	<u>693,498</u>	<u>4,841,413</u>

Year ended 31 March 2021

	31.3.21	1.4.20
	£	£
Cash and cash equivalents	<u>4,841,413</u>	<u>299,759</u>

22. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.4.21	Cash flow	At 31.3.22
	£	£	£
Net cash			
Cash at bank	<u>4,841,413</u>	<u>(4,147,915)</u>	<u>693,498</u>
	<u>4,841,413</u>	<u>(4,147,915)</u>	<u>693,498</u>
Total	<u>4,841,413</u>	<u>(4,147,915)</u>	<u>693,498</u>

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