

Company Registration No. 07451258 (England and Wales)

**AUXESIA HOMES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

# AUXESIA HOMES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	D J Hudson	
	G Metcalf	
	D Palmer	
	B Baldwin	(Appointed 24 October 2019)
	J Kelley-Quinn	(Appointed 24 October 2019)
	R Blair	(Appointed 16 October 2020)

<b>Secretary</b>	W J Gill
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<b>Company number</b>	07451258
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<b>Regulator of Social Housing registration number</b>	4765
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<b>Registered office</b>	128 Buckingham Palace Road London United Kingdom SW1W 9SA
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<b>Auditor</b>	Azets Audit Services 2nd Floor Regis House 45 King William Street London United Kingdom EC4R 9AN
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# AUXESIA HOMES LIMITED

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# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The directors present their annual report and financial statements for the year ended 30 September 2020.

### Principal activities

The principal activity of the company continued to be that of providing affordable new homes for both sale and rental, with preference given to British Armed Forces and Emergency Services personnel (past and present) through a primary user group.

### Review of the business model

Auxesia Homes Limited (Auxesia) was registered as a Private Limited Company (Company number 07451258) on 5 November 2010 by Guildhouse UK Limited (Guildhouse), then the 100% owner of the company. Auxesia was established to enable Guildhouse to increase the supply of affordable homes and to this end Auxesia sought and attained registration with the Regulator of Social Housing (RSH) on 2 May 2013 as a for profit registered provider.

Guildhouse secured Investment Partner Status with Homes England to enable it to attract grant to facilitate the delivery of affordable homes. Initial plans to deliver new homes were frustrated and in early 2018 Auxesia met with several community organisations to look at new ways of delivering affordable homes. One of these organisations was Step Forward RP Limited.

Gary Metcalf, a former serving soldier, had identified a need to help former and current British Armed Forces personnel secure appropriate, affordable housing. He saw that although many housing associations had signed up to the Military Covenant, little evidence of support for Armed Forces personnel could be seen on the ground. Therefore, Gary set up Step Forward RP Limited as a not for profit organisation (company limited by guarantee, company number 09962652). The company's core focus was to provide affordable new homes for both sale and rental to British Armed Forces and Emergency Services personnel (past and present) through a primary user group.

The Auxesia Board was impressed by the Step Forward RP mission and team, and with what had been accomplished by the organisation. Step Forward RP had initially entered into partnership arrangements with established housing associations, acquiring s106 properties through them, but it had always wanted to acquire an in-house registered provider. Gary set up Step Forward Group Holdings Limited (Step Forward Group) in May 2018 to provide a parent company for various entities, including a for profit registered provider.

In May 2018 heads of terms were agreed between Step Forward Group and Guildhouse for Step Forward Group to acquire a majority interest in Auxesia. The Auxesia Board took expert legal advice on the sale to ensure the maintenance of its necessary independence and ringfencing of its assets as required within its regulatory obligations.

The company remained dormant until 25 September 2018, on which date Step Forward acquired an initial 45% shareholding and the company commenced trading. Step Forward Group now hold 90% of the shares in Auxesia (the additional 45% holding was acquired on 30 September 2019), with Guildhouse holding the remaining 10% of the shares. A Ringfencing Agreement is in place between Auxesia and Step Forward Group to ensure Auxesia maintains its independence and is supported in its regulatory requirements.

## AUXESIA HOMES LIMITED

### DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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#### **Fair review of the business**

The Auxesia Board has sought to establish a clear vision and strategy that sets it apart from an increasingly crowded marketplace of housing providers. Although a for profit registered provider, with a need to meet the requirements of its shareholders and other funders, Auxesia believes in being more than just a landlord and plans to offer ongoing support to its customers. For instance, through its parent, 11 Group Holding, Auxesia has links with Leon House, which provides support to armed services veterans battling addiction and mental health issues. During the coronavirus pandemic, Leon House has offered rooms at Leon House to NHS staff, whilst it has been unable to offer services to armed forces personnel.

Auxesia has established its Vision as:

- To responsibly provide affordable homes of choice for those in need and to support those who have previously, or continue to, serve their community or country to access and thrive in such homes.

To support this, the Company has a clear mission:

- To use the structure, skills, resources and partnerships available to Auxesia to procure additional affordable homes of choice for those in housing need.
- To work with others to support former services personnel, those working for the health service and other emergency 'blue light' professions to access and succeed in our homes.

Auxesia has a straightforward business model with three strategic objectives:

- To acquire properties via s106 planning agreements without grant, tax subsidy or donations, to be made available for various tenures such as shared ownership, affordable rent, social rent and rent to buy.
- To make properties available to current or former members of the Armed Forces and Emergency Services as a primary user group. In addition, properties will be made available to qualifying purchasers from local communities.
- To provide ongoing support to purchasers and make a difference in local communities by leveraging in additional resources and focusing on community activity.

Auxesia has clear targets and a workable delivery model. The planned areas of operation are the North West and Yorkshire. These areas benefit from a high level of demand for all forms of affordable, social housing whether that be shared ownership or rented units. There is a significant pipeline of private developments across this region, as house builders continue to see a buoyant market despite the economic uncertainties arising from the coronavirus pandemic and the UK's departure from the European Union.

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### Principal risks and uncertainties

The management team have significant knowledge in the S106 sector of social housing, with access to a variety of support platforms for prospective homeowners and tenants. Auxesia Homes seeks to expand and add further regions where it both enjoys similar support and demand exists for affordable homes from its Primary User Group. The Auxesia business has built upon the previous year's successful trading with a key focus on S106 properties being acquired from well established housebuilders, expanding its pipeline of transactions beyond the North West and into the Yorkshire and Midlands regions. It has remained focused on providing homes to members past and present of the NHS, Armed Forces and Emergency Service Personnel. In addition, the business continues to work in collaboration with local authorities allocating properties to individuals and families on local authority housing lists. It also seeks to collaborate with local not for profit organisations such as Torus and Jigsaw, often submitting joint bids to housebuilders.

The company has continued to sell existing balance sheet assets to financial institutions and REIT companies acting for pension fund investors, seeking to secure long term income that is linked to inflation. The recycling and selling of assets ensures the company operates without government grant and does not rely on long term debt.

During the course of the year, the coronavirus had a negative impact on the business as new home construction was halted in March 2020, with all development sites closed for a three month period and in June 2020 sites were re-opened for a limited time period but with many restrictions in place. The impact of such measures resulted to the delay in delivery of some 30 new homes across several developments with practical completion of some homes being pushed back to quarter 4 2019/20 and quarter 1 2020/21. As such the number of properties acquired and sold was less than forecast, although these properties will now be included in the following year's pipeline.

With initiatives announced by Government to Stamp Duty savings and a core focus on its Primary User Group, the company continues to see a healthy demand from first time buyers for new homes across developments. Building a strong new home pipeline for the business is a key priority and as such the business has built on its growing reputation. Currently over 200 properties have been secured for delivery in 2022, 2023 and 2024, with an average tenure mix of 50% shared ownership and 50% affordable rental properties together with a small number of properties for social rent. Negotiations for additional properties continue with housebuilders throughout the UK.

The management team therefore remain confident that the five year target of delivering 500 homes by 2025 will be met in addition to achieving a significant social impact. During the course of the year, as part of its current strategy to negate sales risk assumed on shared ownership properties, the company converted a number of unsold properties to Rent To Buy tenures. This tenure conversion resulted in 15 properties across three separate developments being made available via affordable rental levels, with an option to purchase at some point within a five year period. The launch of the Rent to Buy product resulted in a ten fold increase in general enquiries and all properties being let within 48 hours of initial marketing.

Throughout the year, the company also completed on nine affordable rental properties, which again evidenced significant demand from its Primary User Group by providing an increased variety of tenures. The Company believes this will appeal to those not able to purchase at this time for a variety of reasons.

A major highlight of the year was the sale of 24 properties to a stock market listed REIT vehicle, Resi Housing Ltd for £1.9m in July 2020, which set a new industry benchmark for yield pricing at 3.2% and evidences further the increased appetite for the asset class from registered providers backed by institutional funding. An additional sale of 13 properties was concluded in February 2020 to HS Property Group, a Manchester based Social Impact Property investor, resulting in a sale price achieved of £671,000, again at a yield of 3.2% The company also expanded its panel of lenders, adding to Together Finance Ltd with Phoenix Money Ltd and Goldcrest Finance Ltd, providing a variety of revolving credit facilities.

## AUXESIA HOMES LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 30 SEPTEMBER 2020

##### Development and performance

The Board sets the risk attitude for Auxesia and risk tolerances and appetites are established for specific activities. The Board also has overall responsibility for the management of risk within Auxesia. Within its terms of reference, the Board must establish and oversee a framework for the identification, management and reporting of risk, in order to safeguard the assets of the organisation, which contributes towards the Company's risk appetite.

The Board is open to risk taking and the management team have developed strong mitigations for dealing with the risks of its main activities. The Board review the risk register every six months, as well as undertaking regular horizon scanning reviews linked to current opportunities and sales progress.

The Board currently considers its key strategic risks to include:

Risk	Gross Risk Score	Mitigations	Net Risk Score
Asset sales	16	a) Auxesia has an ongoing relationship with ReSI Housing to provide a pipeline of properties to them, once sold to shared owners (I/L)	16
Obtaining funding	20	a) Auxesia has developed a panel of lenders including Together, Goldcrest and Phoenix Finance (I/L)	12
Shared ownership sales	16	a) The business plan sets out a prudent sales period of three months (I) b) Auxesia has a Priority User Group that provides a captive market for the products (I) c) Homebuyer incentives offered (I) d) As properties are secured at between 65-70% OMV, prices can be dropped by 5% per quarter to stimulate sales (I) e) Auxesia has developed a Rent to Buy product for shared ownership properties than remain unsold (I) f) Step Forward RP undertakes a 10 step due diligence review of any prospective acquisitions, including a detailed review of their marketability (I)	12
G D P R compliance	20	a) GDPR policy has been produced (I/L) b) Housing management software 10/90 reduces the need for the retention of manual records (L) c) Auxesia uses OneDrive cloud storage which reduces the need to email round documents (L) d) Increased staffing levels has resulted in closer levels of management and review (L)	9
Breaching regulatory requirements	25	a) A suite of governance documents produced (L) b) Additional NEDs recruited (L) c) Process established for priority disposal notifications (L) d) Self-assessment against the Regulatory Standards completed to evidence compliance (L) d) Policy Review Schedule identifies when policies are due for renewal (L) e) A compliance calendar is reported to the Board annually to confirm the meeting of regulatory deadlines (L)	9

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Principle risks and uncertainties (continued)

Risk	Gross Risk Score	Mitigations	Net Risk Score
Falling property values	16	a) Step Forward RP contract to purchase the properties so the risk lies with them before purchase (L) b) Step Forward RP will renegotiate the contract price before completion based on the discount against current valuation (I)	9
Reduced S106 opportunities	16	a) Auxesia is open to diversifying its activities (I) b) Auxesia has a current pipeline of s106 acquisitions (I/L) c) Auxesia uses its links with the Armed Forces to secure favourable contacts with developers and ensure an ongoing relationship. (I)	9
Competition from other providers	12	a) Auxesia has developed good relationships with developers (I/L) b) Auxesia often works with smaller developers who are not considering establishing their own RP (L) c) Board informed of summary pipeline details in performance reports (L)	8
Low data integrity	16	a) Process established to ensure all purchased properties are maintained on an asset register (L) b) Auxesia has acquired 10/90 as its housing software which will maintain a central database of tenancies and properties (L)	6
Increased rent arrears	12	a) Auxesia has detailed processes for identifying and chasing arrears promptly (I) b) If shared owners get into financial difficulties they will be referred to debt counselling (L) c) A specialist Housing Manager has been appointed to deal with this (L)	6

Key:

Low risk (green) – 1-6

Medium risk (yellow) – 7-15

High risk (red) – 16-25

The Board has ensured that appropriate mitigations and controls are in place to minimise either the likelihood of the risk occurring or the potential impact if the risk materialises. The Company has managed the issues arising from the coronavirus pandemic well. Certain elements, such as the closure of construction sites, were outside of its control. Auxesia has managed to maintain the well being of its staff and customers during the pandemic. Any vulnerable customers were identified and offered additional support, although the vast majority of Auxesia's customers have been front-line workers during the pandemic.

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### Key performance indicators

Auxesia Homes had not developed any formal performance indicators for the financial year beyond the business plan target of acquiring 75 properties. The appointment of a Sales and Marketing Director after the year end has resulted in significant advances being made in terms of the operational systems and reporting. This has seen a greater move towards sales off-plan and a more robust pipeline of reservations.

During 2019-20, Auxesia has not suffered any voids once a property has been initially let and across the portfolio, there has only been one instance of a rent arrear at the year end and a payment plan is now in place. With the Company having just a portfolio of 9 affordable rentals and 15 rent to buy properties at the year end, management of the stock currently has been relatively straightforward.

The Board have been provided with clear operational targets on bids, acquisitions and sales for the 2020-21 year. The management team now produce detailed weekly and monthly reporting that will allow greater monitoring of performance by the Board. The Board had expressed some concern over the pepper-potted nature of the Company's stock portfolio and the management team at the year end were investigating the potential to use a regional/national property management company, which would reduce the risks of a small team managing a varied and geographically spread portfolio.

Significant investment has been made in IT and software applications which has led to improvements with data, communication and information flow within the business. This has proved invaluable as the company transitioned successfully from a traditional office environment to remote working during coronavirus restrictions.

The Company's ambition and clear focus remains to become the UK market leader in the provision of new build affordable homes to its Primary User Group over the coming years.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

D J Hudson	
L J McNickle	(Resigned 14 April 2020)
G Metcalf	
D Palmer	
B Baldwin	(Appointed 24 October 2019)
J Kelley-Quinn	(Appointed 24 October 2019)
S Forster	(Appointed 24 October 2019 and resigned 12 December 2019)
R Blair	(Appointed 16 October 2020)

R Blair was appointed as director after 30 September 2020 but prior to the date of this report.

G M Gatty ceased to be Company Secretary on 24 October 2019. W J Gill was appointed Company Secretary on 24 October 2019.

## AUXESIA HOMES LIMITED

### DIRECTORS' REPORT (CONTINUED)

#### FOR THE YEAR ENDED 30 SEPTEMBER 2020

##### Assessment of how the company is achieving value for money

It has already been noted that Auxesia remains to develop performance targets with having limited performance data due to its lack of historical data and the impact of the coronavirus pandemic. Performance targets have now been established for the 2020-21 financial year covering a range of operational areas. The Company's focus on shared ownership properties has negated establishing any meaningful metrics but with the expansion of the portfolio into rented accommodation, this will now need to be done to provide the Board with the oversight of Auxesia's operational performance.

As a for profit provider, the Company has built value for money into its business plan. The organisation has continued to be supported throughout the year by its Group parent, with the Chief Executive not taking a salary and the shareholders not taking a dividend for the second year running. Sharing office costs with the Group parent and its other subsidiaries has meant lower overheads for the Company. This has resulted in low management costs for a company with a small operational base. It is acknowledged that these circumstances cannot continue and the Company has the financial funds behind it now to cover all the expected costs of being a small registered provider. After the year-end, the staff that had been delivering Auxesia's services from Step Forward RP and 11 Group Holding joined Auxesia and a small staff team has been developed since the year-end.

Auxesia continues its connections with Leon House, a CQC registered mental health clinic. Auxesia has been able to support the work of Leon House, which provides support for its members of the armed forces battling addiction and mental health issues, by offering a rental property to one of its former patients.

Auxesia is aware that it can deliver more and the increased staffing complement within the organisation will allow for greater social value to be generated by the organisation. The Board are aware of this need and will challenge the management team to develop a broader array of social value targets for the organisation to meet going forward. Although the Company has taken great pride in the support that it has been able to offer its primary user group, members of which have been on the frontline of the UK's response to the global pandemic.

The table below sets out the Company's regulator VFM metrics for this financial year.

RSH VFM Metrics	Auxesia Homes	Global Accounts Median	CHANW Median	Auxesia Homes
	2019	2019	2019	2020
Reinvestment %	61.01	6.2	2.42	58.52
New supply delivered (Social housing units) %	100	1.3	0	53.33
New supply delivered (Non-social housing units) %	0	0	0	0
Gearing %	80.38	44.1	17.07	74.73
EBITDA MRI interest cover %	2,804	183	231	242
Headline social housing cost per unit	£8,879	£3,620	£4,358	£5,992
Operating Margin (social housing lettings) %	18.26	29.7	22.74	-201
Operating Margin (overall) %	65.82	27.2	21.98	27.19
Return on capital employed (ROCE)	18.26	3.8	2.72	7.93

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### Assessment of how the company is achieving value for money (continued)

The analysis of this year's metrics will focus on explaining Auxesia's metrics in the context of its current business performance. Auxesia is a unique business and despite its small size is not really comparable to many registered providers. Auxesia has sought to benchmark against fellow 'for profit' registered providers but as most of these are under 1,000 units like Auxesia they are not analysed in the Regulator's Global Accounts. Trying to obtain financial and VFM information from their websites and Companies House did not reveal sufficient detail to compare actual metrics. Further analysis of other small providers will be undertaken in future years. As Auxesia develops its portfolio of stock and builds up a sizeable stock holding, it will be easier and more relevant to benchmark against other not for profit providers, as well as the for profit sector.

To partly evidence Auxesia's uniqueness, the 2020 results have been benchmarked against the median from the Global Accounts and also the median of the Community Housing Associations North West Group (a group of small community based associations in the North West, all of who are larger than Auxesia at present). Unfortunately, the 2020 data had not yet been published and so the prior year comparators have had to be used.

Reinvestment – The impact of the coronavirus pandemic on construction sites in the initial lockdown period delayed Auxesia's acquisition programme. The acquisition of 32 properties against a business plan target of 75 resulted in a small increase in the metric from the previous year. The current planned acquisition programme, including the current's year's pipeline, will ensure that Auxesia maintains a healthy Reinvestment metric going forward as it focuses on the delivery of new stock.

New supply delivered – The new supply metric has fallen from last year as expected because of the nil base that the Company was starting from. This metric is expected to continue to fall, as although Auxesia is ramping up its acquisition programme, the proposed change in its business plan to retaining stock, rather than to recycle stock through sales to other for profit RPs, will reduce the metric over time. Due to Auxesia's low stock base though, this metric will comfortably exceed the norm in the sector as Auxesia actively works to achieve its acquisition targets. Auxesia has not delivered any non-social housing units and there are currently no plans for the Company to do this.

Gearing – Auxesia's gearing ratio has slightly fallen as it has expanded its acquisition programme. With starting from a nil position, Auxesia was always going to have high gearing ratios in the early years but by building up its asset base, helped by having a policy of annual revaluations, the gearing ratio should continue to reduce in the future. The Board are aware that revaluations can go down as well as up but Auxesia's stock is carefully selected in high value locations and the Board believe this risk is well mitigated.

EBITDA MRI interest cover – Although the EBITDA metric has reduced significantly from the previous year, the Company still maintains a healthy EBITDA of 242%. The increased level of debt has seen a rise in the level of interest payable. The gain made on the disposal of stock to ReSI also impacted upon the metric.

Headline social housing cost per unit – The Company has been able to reduce its headline social housing cost per unit by just over 30% by increasing the asset base over which the costs are spread. Improved analysis of costs by the Company's new accountants has helped generate more detailed financial information around cost codes. Although management costs will increase as the Company grows, this year has also seen some one-off professional fees which should not occur going forward. As the balance sheet assets grow, the Company is looking to further reduce its headline social housing cost per unit.

Operating margin (social housing lettings) – The Auxesia model is currently not geared towards its rental stock, so the Company has a small income from rental units but a significant cost base. This level of loss on the social housing lettings will continue until the Company is able to achieve a more substantial income stream from its rented units. The Company is mainly focused on its acquisition of shared ownership units and this generates significant margins to cover the losses on the social housing lettings.

## **AUXESIA HOMES LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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Operating margin (overall) – The overall margin has fallen from 66% to 27%. This is still a healthy margin but Auxesia is aware of the margins being achieved by other organisations in the sector. There have been a number of one-off costs incurred by the business during 2019/20 that have impacted upon its cost base and margins. The acquisition of its first affordable rental property was a positive step for Auxesia but did result in the need to establish software, systems, policies and procedures to deal with the complexities of rental units as well as shared ownership units. The limited staffing resources available to Auxesia through its parent meant that much of this work was provided by external companies. A consultancy provided a suit of policies whilst a law firm set up all of Auxesia's tenancy agreements. Although the company continues to invest in new technology, ongoing costs are unlikely to be at the level of 2019/20.

Return on capital employed – The return on capital employed has more than halved to 7.93%. This was expected as Auxesia built up its balance sheet value. The percentage is still very strong and significantly above the median in the sector. Further growth to the asset base, will see this percentage continue to reduce over time before stabilising. The revaluation policy has helped Auxesia boost its asset values further, which reduces a number of the metrics.

The VFM metrics are difficult to analyse because of Auxesia's particular business model. Although costs have increased this year, some elements of the costs are still covered by the parent, 11 Group Holdings. From 1 October 2020, Auxesia will bear all its costs but an increasing cost base will allow it to spread these costs over more units. The Board acknowledges the support of its parent Company to cover a substantial part of its cost base during its first two years of trading activity to allow it to build up its asset base.

The cost per unit of managing such a small portfolio was assessed by the Board after the year end and work was started to identify a suitable property manager to provide management and maintenance services to Auxesia's geographically dispersed stock. This will provide the Company with a set cost per unit for the provision of the bulk of services.

As the Company develops its software solutions, it is beginning to expand its performance monitoring. With such a small but varied portfolio, benchmarking of core performance is difficult. The Board monitors the performance around acquisitions, reservations, sales and social media to a greater degree than arrears and voids on nine affordable rentals, as these are the areas of risk for the business. The Board does accept that benchmarking and comparisons within the sector are important and as the suite of performance indicators expands and is further developed, it will look to seek out suitable peer groups to benchmark against.

#### **Future developments**

In June 2020, the company appointed leading registered provider debt advisory firm Centrus Advisors to facilitate discussions with leading financial institutions interested in assisting Auxesia Homes scale up the business model, expand nationwide and provide increased capital facilities. Centrus approached a number of financial institutions off market and showcased the business model and management team.

This resulted in four offers being received over a six month period with various discussions taking place throughout 2020 with all interested parties. All offers were then analysed by Centrus Advisors, with findings shared with the board.

In January 2021, further discussions took place with one company and an exclusivity period granted for an eight week period, during which time feasibility studies, business plans and financial forecasts have been modelled and shared with the board for review. Should this transaction proceed further, it is likely to complete in quarter 4 2020/21.

## **AUXESIA HOMES LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 SEPTEMBER 2020***

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#### **Auditor**

On 7 September 2020 Group Audit Services Limited, trading as Wilkins Kennedy Audit Services, changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

The external audit service is to be re-procured during 2021, Azets Audit Services will remain in office until the exercise is completed.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing Regeneration Act 2008 and the Accounting Direction for Private Registered Providers for Social Housing 2019. 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.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### Corporate governance

The key driver of effective governance within Auxesia is the Board. The Board has adopted the 2015 NHF Code of Governance, which requires the highest levels of probity and ethics in the way that the Board operates.

The Board acknowledges that, having initially been dormant for a number of years, it now needs to strengthen its membership to ensure it has sufficient skills and experience to deliver the strategic objectives set out in the business plan. A successful recent recruitment process in 2019 resulted in new non-executive directors being recruited to add a breadth of skills and experience. The Board has identified further skills that would benefit the board dynamic but recruitment has been on hold during the discussions with potential investors. The Board has strengthened its skills in the fields of finance and property management. The new board recruitments also are heavily invested in Auxesia's ethos and primary user group through connections with the Armed Forces.

During the year, the Company undertook its second self-assessment against the NHF Code of Governance 2015, which the Board has adopted as its governance code, and the Board noted that it was compliant with the NHF Code of Governance 2015. As a 'for profit' registered provider, some governance structures are different to 'not for profit' registered providers and it has been a challenge for Auxesia to meet all these requirements, some of which are supported by the Ringfencing Agreement between Auxesia and its parent.

Although the Board accept that the Company is still growing and developing, and therefore there is a need to consider additional governance requirements dependent upon these factors, it was felt that the further developments in the NHF Code of Governance 2020 would prove too challenging for a small for profit provider. It has been noted that the majority of for profit registered providers have adopted the Corporate Code of Governance. The Board believe that the Corporate Code will also be more suitable for Auxesia going forward, especially with the proposed introduction of further investors.

Therefore, it is the intention of the Board to adopt the Corporate Code of Governance during the 2020/21 financial year and to undertake self-assessments against that Code going forward. The Board will be minded to consider the principles of the NHF Code of Governance and the Board is already considering issues such as diversity on the board and the tenants' voice.

Auxesia also undertook a full self-assessment against the Regulatory Standards and the Board noted that Auxesia is compliant with the Governance and Financial Viability Standard and the other regulatory standards. As the Company acquired rental units during the year, in addition to its shared ownership units, all aspects of the Standards were considered this time. In advance of the acquisition of its first rental units, the Company had produced a suite of policies and procedures. With such a young company, the self-assessment again identified further improvements that could be made to the Company's processes. Improvements around stress testing and financial planning are being addressed as part of the due diligence work with prospective investors. An action plan is being worked through and the Board are reviewing progress.

# AUXESIA HOMES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### Reference to Board's annual review of internal control

The Board acknowledges its overall responsibility for establishing and maintaining the Company's system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has adopted a risk-based approach to establishing and maintaining internal controls, appropriate for the size and complexity of the organisation. The process for identifying, evaluating and managing significant risks is embedded within the organisation. The Board review the strategic risk register bi-annually and discuss their appetite for taking on risk.

The key elements of the control framework include:

- A clear delegation framework approved by the Board;
- A streamlined Board structure due to the organisation's small size;
- Bi-annual review of the strategic risk register by the Board;
- Corporate planning and budgeting process which sets clear objectives, agrees plans and allocates resources;
- Robust performance monitoring by the Board;
- Regular compliance monitoring;
- Clearly established authorisation and appraisal procedures for significant new initiatives;
- A strong anti-fraud culture supported by whistleblowing and anti-fraud policies;
- Detailed policies and procedures covering all aspects of the Company's diverse activities;
- Formal recruitment, retention and training policies.

The small size of the Company and its current limited portfolio of properties, which are mostly shared ownership, does make formal resident scrutiny arrangements difficult but the Company is reviewing various methods of hearing the leaseholders' voice by increased feedback mechanisms. The potential change in the business strategy to retain stock and build up the asset base, will allow Auxesia to deliver more in this area.

Although the Company does not have an internal audit function due to its small size, the External Audit function provides feedback to the Board through its management letter on the operation of the internal financial controls reviewed as part of the annual audit of the financial statements. The planned internal compliance programme has been delayed due to the pandemic and changed working practises but it is hoped that at some point during the forthcoming year, this can be developed and operate, which will provide the Board with additional assurance over the key operational activities.

The Company maintains a fraud register and reports to Board any occurrences. No frauds have been reported this year. The Company has robust business continuity arrangements in place and further work is being undertaken to ensure adequate controls around GDPR and cyber security. The Company utilises mostly cloud-based software systems and reviews the protocols around these systems to ensure they meet the highest levels of security.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

D Palmer  
**Director**

31 March 2021

# AUXESIA HOMES LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF AUXESIA HOMES LIMITED

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#### Opinion

We have audited the financial statements of Auxesia Homes Limited (the 'company') for the year ended 30 September 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing Regeneration Act 2008 and the Accounts Direction for Private Registered Social Housing 2019.

#### 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### Other information

The 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 our audit:

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

## AUXESIA HOMES LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AUXESIA HOMES LIMITED

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#### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; 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 in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

#### **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 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 company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

## **AUXESIA HOMES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AUXESIA HOMES LIMITED**

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#### **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 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.

**Nicholas Parrett (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

31 March 2021

**Chartered Accountants**  
**Statutory Auditor**

2nd Floor  
Regis House  
45 King William Street  
London  
United Kingdom  
EC4R 9AN

# AUXESIA HOMES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	1,911,515	1,299,019
Cost of sales		(1,032,186)	(413,482)
<b>Gross profit</b>		879,329	885,537
Administrative expenses		(359,535)	(30,463)
Other operating income		457,029	-
<b>Operating profit</b>		976,823	855,074
Interest payable and similar expenses	<b>8</b>	(214,653)	(30,491)
<b>Profit before taxation</b>		762,170	824,583
Tax on profit	<b>9</b>	(141,530)	(160,000)
<b>Profit for the financial year</b>		620,640	664,583
<b>Other comprehensive income</b>			
Revaluation of tangible fixed assets		1,190,056	1,535,174
Tax relating to other comprehensive income		(7,500)	(261,000)
<b>Total comprehensive income for the year</b>		1,803,196	1,938,757

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# AUXESIA HOMES LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	10	6,710,714		4,776,114	
Investments	11	100		100	
		<u>6,710,814</u>		<u>4,776,214</u>	
<b>Current assets</b>					
Stocks	13	1,117,310		939,319	
Debtors	14	269,762		48	
Cash at bank and in hand		512,050		3,041	
		<u>1,899,122</u>		<u>942,408</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(1,920,751)</u>		<u>(1,036,858)</u>	
<b>Net current liabilities</b>			(21,629)		(94,450)
<b>Total assets less current liabilities</b>			<u>6,689,185</u>		<u>4,681,764</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(3,855,663)		(2,481,997)
<b>Provisions for liabilities</b>					
Deferred tax liability	18	<u>268,500</u>	<u>(268,500)</u>	<u>261,000</u>	<u>(261,000)</u>
<b>Net assets</b>			<u><u>2,565,022</u></u>		<u><u>1,938,767</u></u>
<b>Capital and reserves</b>					
Called up share capital	19		10		10
Revaluation reserve			1,279,789		1,274,174
Profit and loss reserves			<u>1,285,223</u>		<u>664,583</u>
<b>Total equity</b>			<u><u>2,565,022</u></u>		<u><u>1,938,767</u></u>

These 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 31 March 2021 and are signed on its behalf by:

G Metcalf  
Director

D Palmer  
Director

Company Registration No. 07451258

# AUXESIA HOMES LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 October 2018</b>	10	-	-	10
<b>Year ended 30 September 2019:</b>				
Profit for the year	-	-	664,583	664,583
Other comprehensive income:				
Revaluation of tangible fixed assets	-	1,535,174	-	1,535,174
Tax relating to other comprehensive income	-	(261,000)	-	(261,000)
Total comprehensive income for the year	-	1,274,174	664,583	1,938,757
<b>Balance at 30 September 2019</b>	10	1,274,174	664,583	1,938,767
<b>Year ended 30 September 2020:</b>				
Profit for the year	-	-	620,640	620,640
Other comprehensive income:				
Revaluation of tangible fixed assets	-	1,190,056	-	1,190,056
Tax relating to other comprehensive income	-	(7,500)	-	(7,500)
Total comprehensive income for the year	-	1,182,556	620,640	1,803,196
Transfers	-	(1,176,941)	-	(1,176,941)
<b>Balance at 30 September 2020</b>	10	1,279,789	1,285,223	2,565,022

# AUXESIA HOMES LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	23		(154,831)	2,588,987	
Interest paid			(214,653)	(30,491)	
Income taxes paid			(9,017)	-	
<b>Net cash (outflow)/inflow from operating activities</b>			(378,501)	2,558,496	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(3,900,094)		(3,240,940)	
Proceeds on disposal of tangible fixed assets		1,978,609		-	
Proceeds on disposal of subsidiaries		-		(100)	
<b>Net cash used in investing activities</b>			(1,921,485)	(3,241,040)	
<b>Financing activities</b>					
Repayment of borrowings		2,808,995		685,585	
<b>Net cash generated from financing activities</b>			2,808,995	685,585	
<b>Net increase in cash and cash equivalents</b>			509,009	3,041	
Cash and cash equivalents at beginning of year			3,041	-	
<b>Cash and cash equivalents at end of year</b>			512,050	3,041	

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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### **1 Accounting policies**

#### **Company information**

Auxesia Homes Limited is a private company limited by shares incorporated in England and Wales, a private registered provider of social housing in the United Kingdom. The registered office is 128 Buckingham Palace Road, London, United Kingdom, SW1W 9SA.

The company constitutes a public benefit entity as defined by FRS 102.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, the Statement of Recommended Practice for Social Housing Providers 2018, and with the Accounting Direction for private registered providers of social housing in England 2019. The financial statements are also prepared under the requirements of the Housing Regeneration Act 2008 and the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

The directors have considered the emerging impact of the COVID 19 pandemic on the future viability of the company. The company has the continued support of the parent company and fellow subsidiaries for any future funding requirements should that be considered necessary. The directors have a reasonable expectation that the company will have sufficient funds to continue to meet its liabilities as they fall due for the foreseeable future and have therefore prepared the accounts on a going concern basis.

#### **1.3 Turnover**

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the government (local authorities) and the Homes England.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point of legal completion. The second and subsequent tranches are accounted for in administrative expenditure / operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

---

### 1 Accounting policies

(Continued)

#### *Rendering of services*

When the outcome of a transaction can be estimated reliably, turnover from insert detail such as support services is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is measured by reference to insert detail.

Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

#### *Property Managed by Agents*

Where the company carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of comprehensive income.

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the company.

### 1.4 Tangible fixed assets

#### *Housing properties*

Social housing properties are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended such as the cost of acquiring land and buildings, developments costs, interest charges on loans during the development period and expenditure on improvements. Expenditure on improvements will only be capitalised when it results in incremental future benefits such as increasing rental income, reducing maintenance costs or resulting in a significant extension of the useful economic life of the property.

Shared ownership properties (including those under construction) are split between housing properties in fixed assets and current assets. The split is determined by the expected percentage of the property to be sold under a first tranche disposal.

#### *Affordable Housing properties*

Affordable housing properties are stated at cost based on their restricted value in use.

### 1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

---

### 1 Accounting policies

(Continued)

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Stocks

Stocks, including property developed for outright sale or shared ownership is stated 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 stock to its present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **1.10 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### **1.11 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### **Social housing property valuations**

The company used valuations performed by the directors for the basis of the fair value of its investment properties. The investment property valuations as at 30 September 2020, reflect its existing use value for social housing (EUV-SH).

### 3 Turnover and other revenue

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Rental income	82,993	37,270
Proceeds from the sale of share ownership properties	1,098,649	721,175
Lease premium	670,760	540,574
Rent to buy income	59,113	-
	<u>1,911,515</u>	<u>1,299,019</u>

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

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 4 Particulars of turnover, operating costs, cost of sales and operating surplus

	Turnover	Operating costs	Cost of sales	Operating surplus
	£	£	£	£
<b>Social housing lettings</b>	137,350	(359,535)		(222,185)
<b>Other social housing activities</b>				
Shared ownership property sales	1,100,149		(1,135,361)	(35,212)
Lease premium	670,760			670,760
Management costs	3,256		103,175	106,431
<b>Total</b>	<b>1,911,515</b>	<b>359,535</b>	<b>1,032,186</b>	<b>519,794</b>

### Income and expenditure from social housing lettings

	2020 General needs and affordable rent £	Total £	2019 Total £
<b>Turnover from social housing lettings</b>			
Rent receivable	137,350	137,350	37,270
	<u>137,350</u>	<u>137,350</u>	<u>37,270</u>
<b>Operating costs on social housing lettings</b>			
Management costs	(359,535)	(359,535)	(30,463)
	<u>(359,535)</u>	<u>(359,535)</u>	<u>(30,463)</u>
<b>Operating (deficit)/ surplus on lettings</b>	<b>(222,185)</b>	<b>(222,185)</b>	<b>6,807</b>

### 5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	11,100	7,500
	<u>11,100</u>	<u>7,500</u>
<b>For other services</b>		
Taxation compliance services	-	1,250
	<u>-</u>	<u>1,250</u>

## AUXESIA HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

#### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Total	-	-

During the year, no staff were employed by the company, all staff costs in relation to the management of the properties was met by the parent company 11 Group Holdings Limited (formerly Step Forward Group Holdings Limited).

#### 7 Directors' remuneration

During the year, the non-executive directors were paid £15,100 (2019: £nil) in respect of board attendance, which is disclosed as non-executive directors fees in administrative costs. The non-executive directors elected to waive their fees from 1 October 2019 to 30 April 2020.

The fees paid to non -executive directors was a follows:

	2020 £	2019 £
D Palmer	6,000	-
B Baldwin	4,100	-
J Kelley-Quinn	3,000	-
D J Hudson	2,000	-
	15,100	-

#### 8 Interest payable and similar expenses

	2020 £	2019 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	196,955	5,917
Other interest on financial liabilities	17,698	24,574
	214,653	30,491

## AUXESIA HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

#### 9 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	144,812	160,000
Adjustments in respect of prior periods	(3,282)	-
	<u>141,530</u>	<u>160,000</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
Profit before taxation	762,170	824,583
	<u>762,170</u>	<u>824,583</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	144,812	156,671
Tax effect of expenses that are not deductible in determining taxable profit	-	3,329
Adjustments in respect of prior years	(3,282)	-
	<u>141,530</u>	<u>160,000</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £	2019 £
Deferred tax arising on:		
Revaluation of property	7,500	261,000
	<u>7,500</u>	<u>261,000</u>

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 10 Tangible fixed assets

	Housing properties	Investment properties	Affordable Housing properties	Shared ownership held as rent to buy	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 October 2019	3,936,919	839,195	-	-	4,776,114
Additions	2,005,252	-	1,090,070	804,772	3,900,094
Disposals	(3,155,550)	-	-	-	(3,155,550)
Revaluation	843,348	-	-	346,708	1,190,056
Transfers	(748,250)	-	-	748,250	-
Transfer to investment property	(839,488)	839,488	-	-	-
At 30 September 2020	2,042,231	1,678,683	1,090,070	1,899,730	6,710,714
<b>Depreciation and impairment</b>					
At 1 October 2019 and 30 September 2020	-	-	-	-	-
<b>Carrying amount</b>					
At 30 September 2020	2,042,231	1,678,683	1,090,070	1,899,730	6,710,714
At 30 September 2019	3,936,919	839,195	-	-	4,776,114

The carrying value of land and buildings comprises:

	2020 £	2019 £
Freehold	4,716,463	2,401,745
Long leasehold	1,678,683	839,195
	6,395,146	3,240,940

The carrying value of land and buildings comprises:

Housing properties comprise social housing properties and are valued on an existing use value for social housing (EUV-SH) basis. The total number of social housing properties owned and managed by the company at 30 September 2020 was 60 (2019: 34).

Investment properties comprise shared ownership properties which are under a sale and leasehold arrangement with Dorset County Council Pension Fund and LWI Homes Limited under a 250 year lease. The properties have been valued on an existing use value for social housing (EUV-SH) basis. The number of properties managed for external investors at 30 September 2020 is 19 (2019:6).

Affordable rental properties have been valued on a restricted use valuation (RUV) basis. The number of affordable properties was 9 (2019: nil).

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 11 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	12	100	100

#### Movements in fixed asset investments

	Shares in group undertakings	£
<b>Cost or valuation</b>		
At 1 October 2019 & 30 September 2020		100
<b>Carrying amount</b>		
At 30 September 2020		100
At 30 September 2019		100

### 12 Subsidiaries

Details of the company's subsidiaries at 30 September 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Auxesia Rent to Buy Limited	PoBox 648287, Booths Hall, Chelford Road, Cheshire WA16 8QZ	Ordinary	100.00

### 13 Stocks

	2020 £	2019 £
Shared ownership properties held for sale	1,117,310	939,319

First tranche shared ownership properties are included at the existing use value for social housing (EUV-SH), based on the net realisable value based on the net sales proceeds which is expected on the sale of the property. The directors have reviewed the valuations of the properties and consider no provision is necessary against the carrying value of the stock.

### 14 Debtors

	2020 £	2019 £
<b>Amounts falling due within one year:</b>		
Trade debtors	38	38
Other debtors	269,724	10
	269,762	48

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 15 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Other borrowings	17	1,435,469	685,585
Trade creditors		-	10,500
Corporation tax		292,513	160,000
Other creditors		180,919	172,023
Accruals and deferred income		11,850	8,750
		<u>1,920,751</u>	<u>1,036,858</u>

The other loans with Goldcrest Finance, Together Finance and Phoenix Loans bear interest at 10%, 6.49%, 12% and 8.25% per annum payable on a monthly basis. The loans are repayable between 12 months and 240 months from the drawdown date and upon the sale of the properties to which the loans are secured.

### 16 Creditors: amounts falling due after more than one year

	Notes	2020 £	2019 £
Other borrowings	17	2,059,111	-
Other creditors		1,796,552	2,481,997
		<u>3,855,663</u>	<u>2,481,997</u>

The other creditors bears interest at 1% per annum and is repayable three years from the drawdown date.

The other loans with Goldcrest Finance, Together Finance and Phoenix Loans bear interest at 10%, 6.49%, 12% and 8.25% per annum payable on a monthly basis. The loans are repayable between 12 months and 240 months from the drawdown date and upon the sale of the properties to which the loans are secured.

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	826,282	-
	<u>826,282</u>	<u>-</u>

### 17 Loans and overdrafts

	2020 £	2019 £
Other loans	3,494,580	685,585
	<u>3,494,580</u>	<u>685,585</u>
Payable within one year	1,435,469	685,585
Payable after one year	2,059,111	-
	<u>3,494,580</u>	<u>685,585</u>

## AUXESIA HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

#### 17 Loans and overdrafts

(Continued)

The other loans totalling £3,494,580 (2019: £685,585) are secured by debentures including a fixed and floating charge over all assets of the company. The floating charge covers all the property and undertakings of the company, including a negative pledge.

#### 18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
<b>Balances:</b>		
Revaluations	268,500	261,000
	<u>268,500</u>	<u>261,000</u>
<b>Movements in the year:</b>		2020 £
Liability at 1 October 2019		261,000
Charge to other comprehensive income		7,500
		<u>268,500</u>
Liability at 30 September 2020		<u>268,500</u>

The deferred tax liability set out above related to revaluation gains in respect of the company's social housing properties. The deferred tax liability is expected to reverse in future periods as the association recovers the carrying amount of the building through use over time.

#### 19 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary of £1 each	10	10	10	10
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

#### 20 Events after the reporting date

At the time of the signing of the financial statements, Auxesia had entered into an exclusivity agreement with a financial institution. This will see the financial institution take a majority shareholder position and a key feature of the deal would be that Auxesia would obtain the debt funding to be able to retain its acquisitions, rather than sell-on assets to other for profit providers.

# AUXESIA HOMES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 21 Related party transactions

#### Remuneration of key management personnel

Key management personnel neither received or waived any remuneration during the year.

During the year, non- executive directors were paid £15,100 (2019: £nil) in respect of board attendance from May 2020. The non - executive directors waived their fees to 31 April 2020.

During the year, consultancy fees totalling £25,675 (2019: £nil) to Mr W J Gill in respect of governance services.

#### Transactions with related parties

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

During the year, the company was charged loan interest of £17,698 (2019: £24,574) by Step Forward RP Limited. Step Forward RP Limited is a company in which Mr G Metcalf is also a director.

At the balance sheet date, the company owed £1,796,552 (2019: £2,481,977) to Step Forward RP Limited in respect of properties transferred for social housing purposes. The loan balance is repayable three months from the drawdown date and bears interest of 1% per annum.

At the balance sheet date, the company owed £nil (2019: £82,477) to Step Forward RP Limited as a trading balance.

### 22 Ultimate controlling party

The company is considered to be under the control of 11 Group Holdings Limited (formerly Step Forward Group Holdings Ltd), the parent company.

### 23 Cash (absorbed by)/generated from operations

	2020 £	2019 £
Profit for the year after tax	620,640	664,583
<b>Adjustments for:</b>		
Taxation charged	141,530	160,000
Finance costs	214,653	30,491
<b>Movements in working capital:</b>		
Increase in stocks	(177,991)	(939,319)
Increase in debtors	(269,714)	(38)
(Decrease)/increase in creditors	(683,949)	2,673,270
<b>Cash (absorbed by)/generated from operations</b>	<b>(154,831)</b>	<b>2,588,987</b>

## AUXESIA HOMES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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24 Analysis of changes in net debt

	1 October 2019	Cash flows	30 September 2020
	£	£	£
Cash at bank and in hand	3,041	509,009	512,050
Borrowings excluding overdrafts	(685,585)	(2,808,995)	(3,494,580)
	<u>(682,544)</u>	<u>(2,299,986)</u>	<u>(2,982,530)</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.