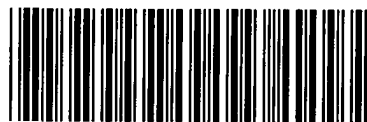


Report of the Directors and
Financial Statements
for the Year Ended 31 March 2019
for
Aequus Developments Limited

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for the Year Ended 31 March 2019

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Aequus Developments Limited

Company Information
for the Year Ended 31 March 2019

DIRECTORS:

C D Gerrish
L J Kew
R H Marshall
D P E Quilter
T Richens
D P Robathan

REGISTERED OFFICE:

20 Old Bond Street
Bath
BA1 1BP

REGISTERED NUMBER:

10060817 (England and Wales)

Report of the Directors
for the Year Ended 31 March 2019

The directors present their report with the financial statements of the company for the year ended 31 March 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an investment property company.

REVIEW OF BUSINESS

It gives me great pleasure to present this Annual Report to the shareholder, my third as Chairman. This report focusses on the business of Aequus Developments Limited (ADL) with the results for our 100% subsidiary, Aequus Construction Ltd (which deals with the construction and development sites) being reported separately in the Annual Report of ACL.

During this third full year of operation, I have had the opportunity to see the developing portfolio ADL will be managing, continuing to build on the successful start in 2016/17; we continue to create a sustainable business, to the benefit of our shareholder and most importantly bringing homes back into use for our wider community.

Operational progress during the year, further property refurbishments were completed. The additional thirteen units of accommodation bring the total number of units to 33. These properties, in particular the Homes of Multiple Occupancy (HMOs) are largely targeted at the young professional market and are relatively affordable.

The transfer of properties hasn't progressed as quickly as originally anticipated and we will continue to work with Bath & North East Somerset Council (the Council) to improve the process for transfer of these properties going forwards. ADL has agreed with the Council that, going forwards, new refurbishments of properties will be carried out by ADL rather than the Council, to further streamline the completion of the transfer process.

Underlying void levels were 2.76% over the year, after exclusion of new property void. We anticipate this void level remaining within the target of 5% as the size of the portfolio increases.

Rental income levels have remained healthy during the year. ADL has adopted a standard approach to revaluation of properties across the portfolio based on sector specific data from an independent source giving rise to a positive lease portfolio revaluation exercise. This will be reviewed annually and reflects the current state of the market and strong demand.

ADL continue to use the Deposit Protection Scheme for tenants and work closely with our property managing agent Stonier Hobbs who continue to support the relationships with our tenants and carry out the property management day to day activities, for which I thank them for their continuing input.

On top of the existing residential homes, ACL will be bringing forward sites, starting with Riverside View in Keynsham, which will also supply properties to ADL for letting. By the end of the financial year 2021/22 our aim is to have identified up to 200 new homes for delivery through both ADL and ACL.

We will need to continue to monitor the risks to the sector including potential impacts of Brexit.

Financial performance, the total turnover of ADL has decreased from £253,219 in 2017/18 to £239,256 in 2018/19, however during 2017/18 works were carried out setting up ACL and a management fee income of £109,651 was earned by ADL as a one-off income. The rental income increased from £143,568k in 2017/18 to £238,731 2018/19 and is forecast to increase further as the portfolio expands.

The profit before tax is £471,431, largely due to the lease revaluation in the year of £458,052; this is not in a position to be released as dividend as the lease revaluation is non-distributable; all capital appreciation is retained for the Council.

In total, £1,218,891 worth of capital receipts have been returned to the Council during the year together with interest, arrangement payments on loans and rental income from one exceptional holding outside the core portfolio to a total of £74,533.

The financial performance in the year has been solid which continues to give us confidence for the future. The opportunity Our executive team continues to look at opportunities to grow ADL in a sustained manner that delivers value to its shareholder and the wider community.

With the progress of the ACL developments we will explore options to expand our rental portfolio through investment in developments such as Riverside View in Keynsham. This will support plans to diversify from central Bath and provide good quality rental properties to other areas within Bath & North East Somerset.

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.

Aequus Developments Limited

Report of the Directors
for the Year Ended 31 March 2019

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2018 to the date of this report.

C D Gerrish
L J Kew
R H Marshall
D P E Quilter
T Richens
D P Robathan

Other changes in directors holding office are as follows:

M Shields - resigned 30 April 2018

FINANCIAL INSTRUMENTS

Aequus Developments' financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 17 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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. 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 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 company'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 company's auditors are aware of that information.

AUDITORS

The auditors, MHA Monahans, 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:



.....
C D Gerrish - Director

Date: 12 July 2019

Report of the Independent Auditors to the Members of
Aequus Developments Limited

Opinion

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 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 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 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.

Opinion 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 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, 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 take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Report of the Independent Auditors to the Members of
Aequus Developments Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities 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 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.

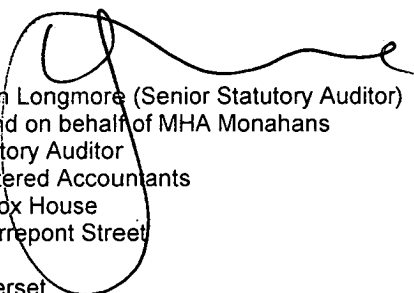
Auditors' responsibilities for the audit of the financial statements

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.

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.

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.



Martin Longmore (Senior Statutory Auditor)
for and on behalf of MHA Monahans
Statutory Auditor
Chartered Accountants
Lennox House
3 Pierrepont Street
Bath
Somerset
BA1 1LB

Date:

31st July 2018

Aequus Developments Limited

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 March 2019


		2019	2018
	Notes	£	as restated £
CONTINUING OPERATIONS			
Revenue	3	239,256	253,219
Cost of sales		(91,723)	(37,421)
GROSS PROFIT		147,533	215,798
Gain/loss on revaluation of investment property		458,052	280,524
Administrative expenses		(87,226)	(180,663)
OPERATING PROFIT		518,359	315,659
Finance costs	5	(46,928)	(32,241)
PROFIT BEFORE TAXATION	6	471,431	283,418
Taxation	7	(80,617)	(51,042)
PROFIT FOR THE YEAR		390,814	232,376
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>390,814</u>	<u>232,376</u>


The notes form part of these financial statements

Statement of Financial Position
31 March 2019

	Notes	2019 £	2018 as restated £
ASSETS			
NON-CURRENT ASSETS			
Investment property	9	3,903,659	2,175,817
Investments	10	100	100
		<u>3,903,759</u>	<u>2,175,917</u>
CURRENT ASSETS			
Inventories	11	4,293	-
Trade and other receivables	12	10,739	14,286
Cash and cash equivalents	13	130,812	119,865
		<u>145,844</u>	<u>134,151</u>
TOTAL ASSETS		<u><u>4,049,603</u></u>	<u><u>2,310,068</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	100	100
Other reserves	15	749,054	262,634
Retained earnings	15	(253,288)	(157,682)
TOTAL EQUITY		<u>495,866</u>	<u>105,052</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	16	3,220,743	1,993,376
Deferred tax	18	103,268	22,651
		<u>3,324,011</u>	<u>2,016,027</u>
CURRENT LIABILITIES			
Trade and other payables	16	229,726	188,989
TOTAL LIABILITIES		<u>3,553,737</u>	<u>2,205,016</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,049,603</u></u>	<u><u>2,310,068</u></u>

The financial statements were approved by the Board of Directors on 12 July 2019 and were signed on its behalf by:


.....
C D Gerrish - Director


.....
T Richens - Director

Aequus Developments Limited

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

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Balance at 1 April 2017	100	(127,424)	-	(127,324)
Changes in equity				
Total comprehensive income	-	232,376	-	232,376
Transfer to non distributable reserve	-	(262,634)	262,634	-
Balance at 31 March 2018	<u>100</u>	<u>(157,682)</u>	<u>262,634</u>	<u>105,052</u>
Changes in equity				
Total comprehensive income	-	390,814	-	390,814
Transfer to non distributable reserve	-	(486,420)	486,420	-
Balance at 31 March 2019	<u>100</u>	<u>(253,288)</u>	<u>749,054</u>	<u>495,866</u>

The notes form part of these financial statements

Statement of Cash Flows
for the Year Ended 31 March 2019

		2019	2018
	Notes	£	as restated £
Cash flows from operating activities			
Cash generated from operations	22	36,847	(24,470)
Interest paid		(46,928)	(32,241)
Net cash from operating activities		(10,081)	(56,711)
Cash flows from investing activities			
Purchase of fixed asset investments		-	(100)
Purchase of investment property		(1,269,790)	(545,000)
Net cash from investing activities		(1,269,790)	(545,100)
Cash flows from financing activities			
New loans in year		1,318,891	645,000
Loan repayments in year		(28,073)	(17,792)
Net cash from financing activities		1,290,818	627,208
Increase in cash and cash equivalents		10,947	25,397
Cash and cash equivalents at beginning of year	23	119,865	94,468
Cash and cash equivalents at end of year	23	130,812	119,865

Notes to the Financial Statements
for the Year Ended 31 March 2019

1. STATUTORY INFORMATION

Aequus Developments 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 Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for investment property which have been measured at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

For 2019, based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

Revenue recognition

Under the condition that persuasive evidence of an arrangement exists, revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. In cases where the inflow of economic benefits is not probable due to customer related credit risks the revenue recognised is subject to the amount of payments irrevocably received. Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates and excluding taxes or duty.

The specific recognition criteria described below must also be met before income is recognised.

Rental income

The company is a lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included within revenue in the income statement due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the term of the lease on the same basis as income.

Tenant lease incentives

Tenant lease incentives are recognised as a reduction of rental revenue on a straight term basis over the term of the lease. The lease term is the non cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidation are recognised in the income statement when the right to receive them arises.

Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in rental income gross of related costs, as the directors consider that the company acts as a principal in this respect.

Tenant deposits

Tenant deposit liabilities are initially recognised at fair value and subsequently measured at amortised cost where material. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight line basis over the lease term.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

2. ACCOUNTING POLICIES - continued

Investment property

Investment property comprises completed property and property under construction or re-development that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by management on an annual basis using a recognised valuation method. Every five years the investment properties are valued by professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise, including the corresponding tax effect. For the purposes of these financial statements, in order to avoid double accounting, the assessed carrying value is:

- a) Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- b) Increased by the carrying amount of any liability to the superior leaseholder or freeholder that has been recognised in the statement of financial position as a finance lease obligation.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period's financial statements.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

2. ACCOUNTING POLICIES - continued

Financial instruments

Borrowings

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Cash and cash equivalents

The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Financial assets

Classification:

From 1 April 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. The company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition:

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Measurement:

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment:

From 1 April 2018, the company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Accounting policies applied until 31 March 2018

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

2. ACCOUNTING POLICIES - continued

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

Provisions

A provision is recognised in the Statement of Financial Position when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. When a contract becomes onerous, the present obligation under the contract is recognised as a provision and measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract as far as they exceed the expected economic benefits of the contract. Additions to provisions and reversals are generally recognised in the Statement of Income. The present value of recognised obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the company recognises a gain or loss on settlement.

Borrowing costs

The company pays or receives interest on some of its intercompany loan balances. These are recognised within interest in the Statement of Income when incurred or receivable. All costs directly attributable to the cost of a qualifying asset are capitalised.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

2. ACCOUNTING POLICIES - continued

Management estimates and judgements

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgement and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Valuation of property - The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13.

New and amended standards effective for the period ended 31 March 2019

The accounting policies adopted are consistent with those applied since incorporation except for the following new and amended IFRSs that impact the company. The nature and impact of each new standard and amendments are described below:

IFRS 9 (2014) - Financial Instruments

IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).

IFRS 9 will impact the company by the classification, measurement, impairment and de-recognition of financial instruments.

IFRS 15 - Revenue from contracts with customers

IFRS 15, effective for years beginning after 1 January 2018, replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

2. ACCOUNTING POLICIES - continued

New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2019, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below:

Annual Improvements 2015 - 2017 cycle

In December 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. IAS 12 Income Taxes. The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. IAS 23 Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Amendments are effective for annual periods beginning on or after 1 January 2019.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Effective to annual reporting periods beginning on or after 1 January 2019.

The effect on the company will be that on the statement of financial position, a right of use asset and a corresponding lease liability must be recognised for both operating and finance leases. In the income statement, any existing operating lease charge which is currently recognised within operating profit will be replaced by a depreciation charge in respect of the right to use the asset, and an interest cost in relation to the lease liability.

3. REVENUE

Segmental reporting

All revenue was generated within the United Kingdom.

Revenue from contracts with customers

The company derives revenue from the transfer of services over time from the rental of properties mainly to residential tenants.

4. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 March 2019 nor for the year ended 31 March 2018.

The average number of employees during the year was as follows:

	2019	2018 as restated
Directors	<u>6</u>	<u>7</u>
	2019	2018 as restated
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

Non executive directors were paid £3,000 by BANES and recharged to Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

5. NET FINANCE COSTS

	2019	2018 as restated
	£	£
Finance costs:		
Other loan interest	46,928	32,241
	<u>46,928</u>	<u>32,241</u>

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2019	2018 as restated
	£	£
Cost of inventories recognised as expense	91,723	37,421
Other operating leases	3,000	3,000
Auditors' remuneration	12,345	8,825
Auditors' remuneration for non audit work	2,838	4,116
	<u>110,906</u>	<u>53,362</u>

Breakdown of expenses by nature:

	31.03.2019	31.03.2018
	£	£
Establishment costs	1,407	946
Administrative expenses	83,517	178,677
Finance costs	2,302	1,040
	<u>87,226</u>	<u>180,663</u>

Total administrative expenses

7. TAXATION

Analysis of tax expense

	2019	2018 as restated
	£	£
Deferred tax	80,617	51,042
	<u>80,617</u>	<u>51,042</u>
Total tax expense in statement of profit or loss and other comprehensive income	<u>80,617</u>	<u>51,042</u>

The deferred tax expenditure in 2019 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2019 the company was subject to UK corporation tax at a rate of 19%. For future years the company will be subject to corporation tax at 17%.

8. PRIOR YEAR ADJUSTMENT

During the year, the Directors have taken the view that certain property expenses should more properly be reflected as part of cost of sales rather than administrative expenses. The 2018 figures have been amended accordingly. This has had no effect on the net profit or the balance sheet of the prior year figures.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

9. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 April 2018	2,175,817
Additions	1,269,790
Revaluations	458,052
	<hr/>
At 31 March 2019	3,903,659
	<hr/>
NET BOOK VALUE	
At 31 March 2019	3,903,659
	<hr/>
At 31 March 2018	2,175,817
	<hr/>

Fair value at 31 March 2019 is represented by:

	£
Valuation in 2018	280,524
Valuation in 2019	458,052
Cost	3,165,083
	<hr/>
	3,903,659
	<hr/>

10. INVESTMENTS

	Shares in group undertakings £
COST	
At 1 April 2018 and 31 March 2019	100
	<hr/>
NET BOOK VALUE	
At 31 March 2019	100
	<hr/>
At 31 March 2018	100
	<hr/>

The company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Aequus Construction Limited

Registered office: 20 Old Bond Street, Bath, England, BA1 1BP

Nature of business: Property development

	%		
Class of shares:	holding	2019	2018
Ordinary	100.00	£	£
		(516,255)	(138,832)
Aggregate capital and reserves		(377,423)	(138,932)
Loss for the year		<hr/>	<hr/>

11. INVENTORIES

	2019	2018 as restated
	£	£
Stocks	4,293	-
	<hr/>	<hr/>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

12. TRADE AND OTHER RECEIVABLES

	2019	2018 as restated
	£	£
Current:		
VAT	-	6,413
Prepayments and accrued income	10,739	7,873
	<u>10,739</u>	<u>14,286</u>

13. CASH AND CASH EQUIVALENTS

	2019	2018 as restated
	£	£
Bank accounts	<u>130,812</u>	<u>119,865</u>

14. CALLED UP SHARE CAPITAL

Number:	Class:	Nominal value:	2019	2018 as restated
			£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

15. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1 April 2018	(157,682)	262,634	104,952
Profit for the year	390,814		390,814
Transfer to non distributable reserve	<u>(486,420)</u>	<u>486,420</u>	<u>-</u>
At 31 March 2019	<u>(253,288)</u>	<u>749,054</u>	<u>495,766</u>

Other reserves - Non distributable retained earnings which represent gains on revaluations of investment property after deduction of deferred tax.

16. TRADE AND OTHER PAYABLES

	2019	2018 as restated
	£	£
Current:		
Trade creditors	4,200	271
Amounts owed to group undertakings	141,705	149,047
Other creditors	-	19,263
Accruals and deferred income	83,788	20,408
VAT	33	-
	<u>229,726</u>	<u>188,989</u>
Non-current:		
Amounts owed to group undertakings	<u>3,220,743</u>	<u>1,993,376</u>
Aggregate amounts	<u>3,450,469</u>	<u>2,182,365</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

17. FINANCIAL INSTRUMENTS

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments. The following table presents the carrying amounts of each category of financial assets and liabilities:

	31 March 2019 £	31 March 2018
Financial assets		
Loans and receivables	10,739	14,286
Cash and cash equivalents	130,812	119,865
	<u>141,551</u>	<u>134,151</u>
Financial liabilities		
Financial liabilities measured at amortised cost	3,450,469	2,182,365
	<u>3,450,469</u>	<u>2,182,365</u>

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	31 March 2019		31 March 2018	
	Fair value £	Carrying value £	Fair Value £	Carrying Value £
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	130,812	130,812	119,865	119,865
Other current financial assets	10,739	10,739	14,286	14,286
	<u>141,551</u>	<u>141,551</u>	<u>134,151</u>	<u>134,151</u>
Financial liabilities measured at cost or amortised cost				
Trade payables	4,200	4,200	271	271
Other current financial liabilities	225,526	225,526	118,718	188,718
Non current financial liabilities	3,220,743	3,220,743	1,993,376	1,993,376
	<u>3,450,469</u>	<u>3,450,469</u>	<u>2,182,365</u>	<u>2,182,365</u>

All financial assets and liabilities are measured at amortised cost.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

There are no financial assets and liabilities measured at fair value.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

FINANCIAL RISK MANAGEMENT

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

Foreign currency risk

The company has limited exposure to foreign currency risk. Substantially all of the company's sales and purchases are denominated in sterling.

Credit risk and market risk

The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

Liquidity risk

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its major shareholder BANES.

Cash flow interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings.

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

Equity price risk

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2020	2021	2022 to 2024	2025 and thereafter
	£	£	£	£
Non derivative financial liabilities	229,709	137,621	217,672	2,865,450
Trade payables	4,199	-	-	-
Other financial liabilities	225,510	137,621	217,672	2,865,450

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2019.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

The following table reflects the calculation of the company's net liquidity:

	31 March 2019 £	31 March 2018
Cash and cash equivalents	130,812	119,865
Receivables from group companies	-	-
Total liquidity	130,812	119,865
Short term debt and current maturities of long term debt	88,021	39,942
Amounts due to group companies	141,705	149,047
Long term debt	3,220,743	1,993,376
Total debt	(3,450,469)	2,182,365
Net liquidity	(3,319,657)	(2,062,500)

Capital management

The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

18. DEFERRED TAX

	2019 £	2018 as restated £
Balance at 1 April	22,651	(28,391)
Change in rate of tax	-	2,989
Movement	2,748	364
Revaluation gain	77,869	47,689
Balance at 31 March	103,268	22,651
Liabilities:		
Investment property	(125,559)	(47,689)
Provisions and tax losses	22,291	25,038
Deferred tax liability	(103,268)	(22,651)
Total deferred tax liability	(103,268)	(22,651)

19. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

20. RELATED PARTY DISCLOSURES

Transactions and balances between the company and its parent company BANES are disclosed below:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Purchase of investment property	1,283,000	545,000
Purchase of external services provided	-	85,579
Other goods and services	38,099	14,026
Interest expense	48,747	33,222
Loan arrangement fees	1,819	945
Sales - Recharges	2,475	24,150

Year end balances arising from loans received from BANES amount to:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Loan payable to parent undertaking	3,308,262	2,017,443
Trade payables	50,550	124,980
Trade receivables	(525)	-

The loan payable to BANES is secured by a fixed and floating charge over the assets of the company. Interest is charged on the loans amounting to EU Base plus 1% or EU Base plus 4% depending on the purpose of the loan.

Transactions and balances between the company and its subsidiary Aequus Construction Limited are disclosed below:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Sales - Recharges	5,492	85,101
Purchases - Recharged	8,563	-
Purchases - Management Recharges	34,873	-

Year end balances arising from Aequus Construction Limited amount to:

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Trade payables	4,161	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year was as follows:

	2019	2018
	£	£
Seconded officer costs	17,928	38,319

These costs were paid to the members of key management and non executive directors by BANES and recharged to Aequus Developments Limited.

21. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2019

22. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019	2018 as restated
	£	£
Profit before taxation	471,431	283,418
Gain on revaluation of fixed assets	(458,052)	(280,524)
Movement in group trade payables	(70,793)	(54,480)
Finance costs	46,928	32,241
	(10,486)	(19,345)
Increase in inventories	(4,293)	-
Decrease in trade and other receivables	3,547	5,359
Increase/(decrease) in trade and other payables	48,079	(10,484)
Cash generated from operations	36,847	(24,470)

23. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2019

	31.3.19	1.4.18
	£	£
Cash and cash equivalents	130,812	119,865

Year ended 31 March 2018

	31.3.18	1.4.17
	as restated	
	£	£
Cash and cash equivalents	119,865	94,468

24. DISTRIBUTABLE RESERVES

A deficit balance of £136,036 is included within the overall deficit balance on retained earnings, which represents provisions against property values. Were the balance on retained earnings to be in credit, this element would therefore remain non-distributable.