

Report of the Directors and
Financial Statements
for the Year Ended 31 March 2018
for
Aequus Developments Limited

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for the Year Ended 31 March 2018

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Aequus Developments Limited

Company Information
for the Year Ended 31 March 2018

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 2018

The directors present their report with the financial statements of the company for the year ended 31 March 2018.

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 shareholders, my second as Chairman. This year of operation has seen the incorporation of Aequus Construction Ltd (ACL), a 100% subsidiary of Aequus Developments Limited (ADL), created to manage the construction and development sites; the progress of this business is reported in the Annual Report of ACL.

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

Operational progress

During the year, further centre property refurbishments were completed building on the sound start in the first year of operation. The additional seven units of accommodation bring the total number of units to 22 within 11 properties. 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 work with Bath & North East Somerset Council (the Council) to improve supply going forwards.

Underlying void levels were 3.1% over the year, after exclusion of new property void periods and one longer term vacancy. We anticipate this void level remaining within the target of 5% as the portfolio increases.

Rental income levels have remained healthy giving rise to a positive lease portfolio revaluation exercise. This reflects the current state of the market and strong demand.

ADL has agreed with the Council that, going forwards, new refurbishments of properties will be carried out by ADL rather than the Council, to streamline the refurbishment process.

ADL continue to use the Deposit Protection Scheme for tenants and work closely with our property managing agent Stonier Hobbs who continue to aid 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 2020/21 our aim is to have delivered a total of 250 new homes through both ADL and ACL.

We will need to keep an eye on the risks to the sector including potential impacts of Brexit.

Financial performance

The turnover of ADL has increased from £82,605 in 2016/17 to £253,219 in 2017/18 and this is forecast to increase further as the portfolio expands.

The profit before tax is £283,418, largely due to the lease revaluation in the year of £280,524; 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, £545,000 worth of capital receipts have been returned to the Council during the year together with interest and arrangement payments on loans to a total of £34,167.

The financial performance in the year has been solid which gives us further 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.

Report of the Directors
for the Year Ended 31 March 2018

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2017 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 ceased to be a director after 31 March 2018 but prior to the date of this report.

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 15 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:

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 2018 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 2018 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 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, 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

The 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.

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

Date:

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 March 2018

		Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
	Notes		
CONTINUING OPERATIONS			
Revenue	3	253,219	82,605
Gain/loss on revaluation of investment property		280,524	-
Administrative expenses		(218,084)	(218,974)
OPERATING PROFIT/(LOSS)		315,659	(136,369)
Finance costs	5	(32,241)	(19,446)
PROFIT/(LOSS) BEFORE TAXATION	6	283,418	(155,815)
Taxation	7	(51,042)	28,391
PROFIT/(LOSS) FOR THE YEAR		232,376	(127,424)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>232,376</u>	<u>(127,424)</u>

Statement of Financial Position
31 March 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Investment property	8	2,175,817	1,350,293
Investments	9	100	-
Deferred tax	16	-	28,391
		<hr/>	<hr/>
		2,175,917	1,378,684
CURRENT ASSETS			
Trade and other receivables	10	14,286	19,645
Cash and cash equivalents	11	119,865	94,468
		<hr/>	<hr/>
		134,151	114,113
TOTAL ASSETS			
		<hr/>	<hr/>
		2,310,068	1,492,797
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	100	100
Other reserves	13	262,634	-
Retained earnings	13	(157,682)	(127,424)
		<hr/>	<hr/>
TOTAL EQUITY		105,052	(127,324)
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	14	1,993,376	1,355,007
Deferred tax	16	22,651	-
		<hr/>	<hr/>
		2,016,027	1,355,007
CURRENT LIABILITIES			
Trade and other payables	14	188,989	265,114
		<hr/>	<hr/>
TOTAL LIABILITIES		2,205,016	1,620,121
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		2,310,068	1,492,797
		<hr/>	<hr/>

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

.....
C D Gerrish - Director

.....
T Richens - Director

Statement of Changes in Equity
for the Year Ended 31 March 2018

	Called up share capital £	Retained earnings £	Other reserves £	Total equity £
Changes in equity				
Issue of share capital	100	-	-	100
Total comprehensive income	-	(127,424)	-	(127,424)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	100	(127,424)	-	(127,324)
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in equity				
Total comprehensive income	-	232,376	-	232,376
Transfer non distributable	-	(262,634)	262,634	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	100	(157,682)	262,634	105,052
	<hr/>	<hr/>	<hr/>	<hr/>

Statement of Cash Flows
for the Year Ended 31 March 2018

		Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Cash flows from operating activities			
Cash generated from operations	20	(24,470)	73,872
Interest paid		(32,241)	(19,446)
		<hr/>	<hr/>
Net cash from operating activities		(56,711)	54,426
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of fixed asset investments		(100)	-
Purchase of investment property		(545,000)	(1,350,293)
		<hr/>	<hr/>
Net cash from investing activities		(545,100)	(1,350,293)
		<hr/>	<hr/>
Cash flows from financing activities			
New loans in year		645,000	1,400,293
Loan repayments in year		(17,792)	(10,058)
Share issue		-	100
		<hr/>	<hr/>
Net cash from financing activities		627,208	1,390,335
		<hr/>	<hr/>
Increase in cash and cash equivalents		25,397	94,468
Cash and cash equivalents at beginning of year	21	94,468	-
		<hr/>	<hr/>
Cash and cash equivalents at end of year	21	119,865	94,468
		<hr/>	<hr/>

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 March 2018

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 2018, 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 2018

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 2018

2. ACCOUNTING POLICIES - continued

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the company mainly include cash and cash equivalents, available-for-sale financial assets, trade receivables, loans receivable, finance lease receivables and derivative financial instruments with a positive fair value, including receivables from group companies. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Financial liabilities of the company mainly comprise loans from group companies and trade payables including amounts due to group companies. The company does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognised on the Statement of Financial Position when the company becomes a party to the contractual obligations of the instrument. Purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

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.

Impairment of financial assets

Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

2. ACCOUNTING POLICIES - continued

Loans and receivables

Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

Financial liabilities

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

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 2018

The accounting policies adopted are consistent with those applied since the prior period, except for the following new and amended IFRSs effective as of 1 January 2017 that impact the company. The nature and impact of each new standard and amendments are described below:

Disclosure Initiative (Amendments to IAS 7)

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017.

Annual Improvements 2014 - 2016 cycle

In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,

IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

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 2018, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned 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). For a limited period, previous versions of IFRS 9 may be adopted early if not already done so provided the relevant date of initial application is before 1 February 2015.

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

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.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

2. ACCOUNTING POLICIES - continued

Annual Improvements 2014 - 2016 cycle

In December 2016, the IASB issued amendments to three standards as part of its annual improvement cycle. These changes affect IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations,

IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

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

3. SEGMENTAL REPORTING

All revenue was generated within the United Kingdom.

4. EMPLOYEES AND DIRECTORS

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Wages and salaries	3,000	2,133

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

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
Directors	7	7

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Directors' remuneration	3,000	2,133

Directors' remuneration relates to those non executive directors who are not B&NES Councillors only.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

5. NET FINANCE COSTS

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Finance costs:		
Other loan interest	32,241	19,446

6. PROFIT/(LOSS) BEFORE TAXATION

The profit before taxation (2017 - loss before taxation) is stated after charging:

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Auditors' remuneration	8,825	5,730
Auditors' remuneration for non audit work	4,116	23,796

Breakdown of expenses by nature:

	31.03.2018 £	31.03.2017 £
Establishment costs	3,765	6,693
Administrative expenses	213,279	209,736
Finance costs	1,040	2,545
Total administrative expenses	218,084	218,974

7. TAXATION

Analysis of tax expense/(income)

	Year Ended 31.3.18 £	Period 14.3.16 to 31.3.17 £
Deferred tax	51,042	(28,391)
Total tax expense/(income) in statement of profit or loss and other comprehensive income	51,042	(28,391)

The deferred tax income in 2018 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2018 the company was subject to UK corporation tax at a rate of 19%.

8. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 April 2017	1,350,293
Additions	545,000
Revaluations	280,524
At 31 March 2018	2,175,817
NET BOOK VALUE	
At 31 March 2018	2,175,817
At 31 March 2017	1,350,293

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

8. INVESTMENT PROPERTY - continued

Fair value at 31 March 2018 is represented by:

Valuation in 2018	£ 280,524
Cost	1,895,293
	<hr/> 2,175,817 <hr/>

9. INVESTMENTS

	Shares in group undertakings £
COST	
Additions	100
At 31 March 2018	<hr/> 100 <hr/>
NET BOOK VALUE	
At 31 March 2018	<hr/> 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:	%
Ordinary	holding 100.00

10. TRADE AND OTHER RECEIVABLES

	2018 £	2017 £
Current:		
Other debtors	-	19,370
VAT	6,413	-
Prepayments and accrued income	7,873	275
	<hr/> 14,286 <hr/>	<hr/> 19,645 <hr/>

11. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Bank accounts	<hr/> 119,865 <hr/>	<hr/> 94,468 <hr/>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2018 £	2017 £
100	Ordinary	£1	<hr/> 100 <hr/>	<hr/> 100 <hr/>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

13. RESERVES

	Retained earnings £	Other reserves £	Totals £
At 1 April 2017	(127,424)	-	(127,424)
Profit for the year	232,376		232,376
Transfer non distributable	(262,634)	262,634	-
	<u>(157,682)</u>	<u>262,634</u>	<u>104,952</u>
At 31 March 2018	<u>(157,682)</u>	<u>262,634</u>	<u>104,952</u>

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

14. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Current:		
Trade creditors	271	13,610
Amounts owed to group undertakings	149,047	214,688
Other creditors	19,263	17,345
Accruals and deferred income	20,408	19,471
	<u>188,989</u>	<u>265,114</u>
Non-current:		
Amounts owed to group undertakings	<u>1,993,376</u>	<u>1,355,007</u>
Aggregate amounts	<u>2,182,365</u>	<u>1,620,121</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2018**

15. 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 2018 £	31 March 2017
Financial assets		
Loans and receivables	14,286	19,645
Cash and cash equivalents	119,865	94,468
	<hr/> 134,151	<hr/> 114,113
Financial liabilities		
Financial liabilities measured at amortised cost	2,182,365	1,620,121
	<hr/> 2,182,365	<hr/> 1,620,121

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

	Fair value £	31 March 2018 Carrying value £	Fair Value £	31 March 2017 Carrying Value £
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	119,865	119,865	94,468	94,468
Other current financial assets	14,286	14,286	19,645	19,645
	<hr/> 134,151	<hr/> 134,151	<hr/> 114,113	<hr/> 114,113
Financial liabilities measured at cost or amortised cost				
Trade payables	271	271	13,610	13,610
Other current financial liabilities	188,718	188,718	251,504	251,504
Non current financial liabilities	1,993,376	1,993,376	1,355,007	1,355,007
	<hr/> 2,182,365	<hr/> 2,182,365	<hr/> 1,620,121	<hr/> 1,620,121

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 2018

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.

Foreign currency sensitivity

As at the 31 March 2018 the company had no exposure to foreign currency transaction exposure.

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.

	2019	2020	2021 to 2023	2024 and thereafter
	£	£	£	£
Non derivative financial liabilities	188,989	73,333	172,852	1,771,258
Trade payables	271	-	-	-
Other financial liabilities	188,718	73,333	172,852	1,771,258
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 2018.

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 2018**

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

	31 March 2018	31 March 2017
	£	
Cash and cash equivalents	119,865	94,468
Receivables from group companies	-	-
Total liquidity	119,865	94,468
Short term debt and current maturities of long term debt	24,067	35,228
Amounts due to group companies	124,980	179,460
Long term debt	1,993,376	1,355,007
Total debt	2,142,423	1,569,695
Net liquidity	(2,022,558)	(1,475,227)

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.

16. DEFERRED TAX

	2018	2017
	£	£
Balance at 1 April	(28,391)	-
Change in rate of tax	2,989	(28,391)
Movement	364	-
Revaluation gain	47,689	-
Balance at 31 March	22,651	(28,391)

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

	Year ended 31 Mar 2018	Year ended 31 Mar 2017
Assets:		
Investment property	-	-
Provisions and tax losses	-	28,391
Deferred tax asset	-	28,391
Liabilities:		
Investment property	(47,689)	-
Provisions and tax losses	25,038	-
Deferred tax liability	(22,651)	-
Total deferred tax (liability)assets, net	(22,651)	28,391

Management considers to what extent it is probable that the deferred tax assets will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

17. 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 2018**

18. RELATED PARTY DISCLOSURES

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

	Year ended 31 March 2018	Period ended 31 March 2017
	£	
Purchase of investment property	545,000	1,350,293
Purchase of external services provided	85,579	138,133
Other goods and services	14,026	28,584
Interest expense	33,222	19,446
Loan arrangement fees	945	2,520
Sales - Recharges	24,150	-

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

	Period ended 31 March 2018	Period ended 31 March 2017
	£	
Loan payable to parent undertaking	2,017,443	1,390,235
Trade payables	124,980	179,460

The loan payable to BANES is secured upon 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 2018	Period ended 31 March 2017
	£	
Sales - Recharges	85,101	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2018	2017
	£	£
Seconded officer costs	38,319	35,842

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

19. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

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

	Year Ended 31.3.18	Period 14.3.16 to 31.3.17
	£	£
Profit/(loss) before taxation	283,418	(155,815)
Movement in group trade payables	(54,480)	179,460
Investment property revaluation	(280,524)	-
Finance costs	32,241	19,446
	(19,345)	43,091
Decrease/(increase) in trade and other receivables	5,359	(19,645)
(Decrease)/increase in trade and other payables	(10,484)	50,426
Cash generated from operations	(24,470)	73,872

Notes to the Financial Statements - continued
for the Year Ended 31 March 2018

21. 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 2018

	31.3.18	1.4.17
	£	£
Cash and cash equivalents	119,865	94,468
	<u> </u>	<u> </u>

Period ended 31 March 2017

	31.3.17	14.3.16
	£	£
Cash and cash equivalents	94,468	-
	<u> </u>	<u> </u>