

Report of the Directors and
Financial Statements
for the Year Ended 31 March 2020
for
Aequus Developments Limited

Aequus Developments Limited

Contents of the Financial Statements
for the Year Ended 31 March 2020

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	5
Statement of Profit or Loss	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Income Statement Summaries	32

Aequus Developments Limited
Company Information
for the Year Ended 31 March 2020

DIRECTORS:

C D Gerrish
L J Kew
R H Marshall
D P E Quilter
T Richens
D P Robathan
A Wright
Mrs M Hyde

REGISTERED OFFICE:

20 Old Bond Street
Bath
BA1 1BP

REGISTERED NUMBER:

10060817 (England and Wales)

Aequus Developments Limited

Report of the Directors
for the Year Ended 31 March 2020

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

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. 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 fourth 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 has seen the addition of seven units of accommodation transferred during the year, of which three were occupied by the 31st of March 2020. A further four properties are currently being refurbished and following a small delay due to COVID-19 pandemic, these should be available to rent by the summer. ADL also purchased three units from the ACL Riverside View, Keynsham development during March 2020 and these were fully occupied just a few days after completion. In total the number of ADL units is 39. ADL is set to purchase a further three Riverside View units during April 2020 with tenants already confirmed and ready to move in.

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 a good level of demand.

Underlying void levels were 3.12% 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.

During the year ADL re-tendered and awarded the rental property management company contract to Gregorys' estate agency based in Keynsham. Gregory's have built good relationship with the ADL team and provided good support to our tenants and carry out the property management day to day activities.

As a group of companies, we are now working with our Shareholder to develop a housing pipeline that underpins our ambition to support the Shareholder building new and rented homes for refurbishment or development. We will be seeking to ensure our developments are designed to recognise sustainability and accessibility whilst delivering commercially.

February 2020 saw the completion of a Transfer Agreement with our Shareholder and this provides for a future pipeline of potential developments sites and, provided for the transfer of staff over to the company, securing the resources necessary to deliver our objectives.

The Shareholder also approved the appointment of two new independent Non-Executives to further strengthen our Board with additional skills and experience, and we were pleased to welcome Michelle Hyde and Alex Wright to the team.

Financial performance: the total turnover of ADL has increased from £239,256 in 2018/19 to £558,018 in 2019/20, this is partly due to ADL staff providing services to ACL generating an income of £240,501. The rental income increased from £238,731 in 2018/19 to £317,517 2019/20 and is forecast to increase further as the portfolio expands.

Following the transfer agreement and despite the increase in revaluation the Total Comprehensive Income for the year is (£762,165) this is due to the accounting standard IAS19 which shows the pension liability impact on the profit and loss account. Excluding the pension expenses included in administrative of (£81,000) the profit before tax would have been £340,830 instead of £259,830 this is largely due to the lease revaluation in the year of £316,750; 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, £382,067 worth of capital receipts have been paid to the Council for property transferred 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 £88,611.

The financial performance in the year has been solid which continues to give us confidence for the future. 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 like we have with 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.

Aequus Developments Limited

Report of the Directors **for the Year Ended 31 March 2020**

COVID-19 Pandemic is having an unprecedented impact on business and the economy nationally. The resulting lockdown has, to date only had a limited impact on our rents received and housing sales together with a short delay in progress of ACL development activity. These impacts are currently anticipated to be relatively short-term in nature and the companies have detailed actions and plans in place to deal with the issues arising.

Future, specific risks, including housing market risk, related to the long-term impact of COVID-19 for the companies are being reviewed on a regular basis by the Board and relevant briefings have been provided to the Shareholder.

EVENTS SINCE THE END OF THE YEAR

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

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 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:

A Wright - appointed 1 December 2019
Mrs M Hyde - appointed 1 December 2019

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 or she ought to have taken as a director in order to make himself or herself 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.

Aequus Developments Limited

Report of the Directors
for the Year Ended 31 March 2020

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:

Approved digitally by
.....
C D Gerlach - Director

Date: *21.1.20*

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 2020 which comprise the Statement of Profit or Loss, 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 2020 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

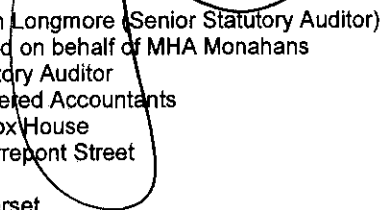
Auditors' responsibilities for the audit of the financial statements

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:

12th November 2020

Aequus Developments Limited

Statement of Profit or Loss
for the Year Ended 31 March 2020

	Notes	2020 £	2019 £
CONTINUING OPERATIONS			
Revenue	3	558,018	239,256
Cost of sales		<u>(90,771)</u>	<u>(91,723)</u>
GROSS PROFIT		467,247	147,533
Gain/loss on revaluation of investment property		316,750	458,052
Administrative expenses		<u>(446,526)</u>	<u>(87,226)</u>
OPERATING PROFIT		337,471	518,359
Finance costs	5	<u>(77,641)</u>	<u>(46,928)</u>
PROFIT BEFORE TAXATION	6	259,830	471,431
Taxation	7	<u>(48,015)</u>	<u>(80,617)</u>
PROFIT FOR THE YEAR		<u>211,815</u>	<u>390,814</u>

The notes form part of these financial statements

Aequus Developments Limited

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 March 2020

	2020 £	2019 £
PROFIT FOR THE YEAR	211,815	390,814
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss:		
Actuarial gain on IAS 19 pension scheme	69,000	-
Income tax relating to items that will not be reclassified to profit or loss	<u>(13,110)</u>	-
	55,890	-
Items that may be reclassified subsequently to profit or loss:		
Recognition of IAS 19 pension scheme	(1,227,000)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>233,130</u>	-
	(993,870)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>(937,980)</u>	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>(726,165)</u></u>	<u><u>390,814</u></u>

The notes form part of these financial statements

Aequus Developments Limited (Registered number: 10060817)

Statement of Financial Position
31 March 2020

	Notes	2020 £	2019 £
ASSETS			
NON-CURRENT ASSETS			
Investment property	8	5,316,075	3,903,659
Investments	9	100	100
Deferred tax	17	68,737	-
		<u>5,384,912</u>	<u>3,903,759</u>
CURRENT ASSETS			
Inventories	10	-	4,293
Trade and other receivables	11	143,778	10,739
Cash and cash equivalents	12	56,266	130,812
		<u>200,044</u>	<u>145,844</u>
TOTAL ASSETS		<u><u>5,584,956</u></u>	<u><u>4,049,603</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	100	100
Other reserves	14	964,827	749,054
Pension reserve	14	(937,980)	-
Retained earnings	14	(257,246)	(253,288)
TOTAL EQUITY		<u>(230,299)</u>	<u>495,866</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	15	4,137,824	3,220,743
Pension liability	18	1,239,000	-
Deferred tax	17	-	103,268
		<u>5,376,824</u>	<u>3,324,011</u>
CURRENT LIABILITIES			
Trade and other payables	15	438,431	229,726
TOTAL LIABILITIES		<u>5,815,255</u>	<u>3,553,737</u>
TOTAL EQUITY AND LIABILITIES		<u><u>5,584,956</u></u>	<u><u>4,049,603</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 5th November 2020 and were signed on its behalf by:

.....
C D Gerrish - Director

.....
T Richens - Director

The notes form part of these financial statements

Aequus Developments Limited

Statement of Changes in Equity
for the Year Ended 31 March 2020

	Called up share capital £	Retained earnings £	Other reserves £	Pension reserve £	Total equity £
Balance at 1 April 2018	100	(157,682)	262,634	-	105,052
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>-</u>	<u>495,866</u>
Changes in equity					
Total comprehensive income	-	211,815	-	(937,980)	(726,165)
Transfer to non distributable reserve	-	(215,773)	215,773	-	-
Balance at 31 March 2020	<u><u>100</u></u>	<u><u>(257,246)</u></u>	<u><u>964,827</u></u>	<u><u>(937,980)</u></u>	<u><u>(230,299)</u></u>

The notes form part of these financial statements

Aequus Developments Limited

Statement of Cash Flows
for the Year Ended 31 March 2020

	2020	2019
	£	£
Cash flows from operating activities		
Cash generated from operations 22	171,106	36,847
Interest paid	(77,641)	(46,928)
Net cash from operating activities	<u>93,465</u>	<u>(10,081)</u>
Cash flows from investing activities		
Purchase of investment property	(1,095,666)	(1,269,790)
Net cash from investing activities	<u>(1,095,666)</u>	<u>(1,269,790)</u>
Cash flows from financing activities		
New loans in year	1,132,067	1,318,891
Loan repayments in year	(204,412)	(28,073)
Net cash from financing activities	<u>927,655</u>	<u>1,290,818</u>
(Decrease)/increase in cash and cash equivalents	<u>(74,546)</u>	<u>10,947</u>
Cash and cash equivalents at beginning of year 23	130,812	119,865
Cash and cash equivalents at end of year 23	<u><u>56,266</u></u>	<u><u>130,812</u></u>

The notes form part of these financial statements

Aequus Developments Limited

Notes to the Financial Statements
for the Year Ended 31 March 2020

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 has 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 2020, 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.

Preparation of consolidated financial statements

The financial statements contain information about Aequus Developments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

Management have not made any individual critical accounting judgements that are material to the company, apart from those estimations which are set out below.

Management estimates and judgements

The key estimates and judgements in drawing up the financial statements are in connection with investment property valuation, valuation of pension liabilities, accrued expenses and the determination of performance objectives for the recognition of revenue.

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 by real estate valuation experts and using recognised valuation techniques and the principles of IFRS 13.

Defined pension liabilities - Note 18 contains the principal assumptions underlying the valuation of defined benefit pension liabilities. These assumptions were set out on the advice of the scheme's actuaries having regard to current market conditions, past history and factors specific to the scheme.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Changes in accounting policies

Early adoption of new or revised IFRS and interpretations

There has been no early adoption of new or revised IFRS or interpretations.

New standards and interpretations

The company has adopted the following amendments effective for annual periods beginning on or after 1 January 2019.

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.

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.

The company has elected to adopt IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Comparative information will therefore not be restated. On the statement of financial position, a right of use asset and a corresponding lease liability are recognised for both operating and finance leases. In the income statement a depreciation charge is recognised in respect of the right to use the asset, and an interest cost in relation to the lease liability.

The company has applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognises right-of-use assets and lease liabilities for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. **ACCOUNTING POLICIES - continued**

New standards and interpretations not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)

IFRS 3 Business Combinations (Amendment - Definition of Business)

Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The company is currently assessing the impact of these new accounting standards and amendments. The company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

Aequus Developments Limited

Notes to the Financial Statements - continued for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

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.

Under IFRS 15 revenue is recognised based on a five-step model. Step one involves identifying the contract with a customer. If two or more contracts are entered into with a customer at the same time and the price of one contract is dependent on the other contract, the contracts are combined. A contract modification involves a change to the scope or price (or both) of a contract that has been approved by the contracting parties, a contract modification exists when the parties approve a change that either creates new or changes existing rights and responsibilities for the contracting parties. A contract modification is treated as a separate contract when the scope of the contract increases due to the addition of promised goods or services which are distinct and where the price of the contract is raised by an amount reflecting the company's stand alone selling price for the additional goods or services promised. If the parties have not approved a contract modification the entity is to continue applying the standard for the existing contract until such time as the contract modification is approved.

Step two involves identifying the separate performance obligations in the contract. A performance obligation is a promise to the customer to transfer goods or services that are distinct, or a series of goods or services that are essentially the same and follow the same model for transfer to the customer. Goods and services are distinct if the customer can benefit from the goods or services either on their own or in combination with other resources that are readily available to the customer and if the entity's promise to transfer the goods or services to the customer is separately identifiable from the other promises in the contract. Aequus Development Limited's client contracts are usually of the type that do not require categorisation into two or more performance obligations.

In step three the transaction price is determined. This determination involves establishing a fixed agreed price, variable consideration, any contingent considerations, bonuses and penalties. If there is a variable consideration, an estimate is made of the highest amount of revenue that will likely not require a reversal of accumulated revenue in later reporting periods

The revenue/transaction price is allocated in step four over the separate performance obligations in the contract, if more than one obligation exists. The allocated transaction price for each individual obligation is to reflect the consideration that the company is expecting to have the right to in exchange for the transfer of the promised goods or services to the customer, based on the relative, stand-alone selling price.

Revenue is recognised in step five when the performance obligation is satisfied, either over time or at a point in time, and when the customer obtains control of the asset. Revenue is recognised over time when the customer simultaneously receives and consumes the benefits provided through the entity's performance or enhances an asset that the customer controls, or when the entity's performance does not create an asset with an alternative use for the entity and the entity also has the right to payment for its performance completed to date. If a performance obligation is not satisfied over time as stated above, the entity fulfils the obligation at a certain point in time. This takes place at the point when the customer gains control of the promised asset. Indicators for determining control can be that the entity has the right to receive payment for the asset, the customer has the legal right of ownership of the asset, the entity has transferred the physical possession of the asset, the customer has the material risks and rewards associated with ownership of the asset or the customer has accepted the asset.

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.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. **ACCOUNTING POLICIES - continued**

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.

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.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

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:

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 group 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:

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 company 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 the 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.

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.

Inventories

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

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.

Employee benefit costs

Retirement benefits to employees of the company are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme.

The LGPS is a funded multi-employer scheme and the assets are held separately from those of the company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the profit or loss and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. **ACCOUNTING POLICIES - continued**

Borrowing costs

Borrowing costs are recognised on an accruals basis and are payable on the company's borrowings. Also included in borrowing costs is the amortisation of fees associated with the arrangement of the financing.

3. **REVENUE**

Segmental reporting

All revenue was generated within the United Kingdom.

	2020 £	2019 £
Rental income	317,518	238,731
Management fees	240,501	525
	<u>558,019</u>	<u>239,256</u>

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**

	2020 £	2019 £
Wages and salaries	241,221	-
Social security costs	23,335	-
Other pension costs	17,853	-
	<u>282,409</u>	<u>-</u>

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

	2020	2019
Directors	8	6
Staff	3	-
	<u>11</u>	<u>6</u>

	2020 £	2019 £
Directors' remuneration	94,749	-
Directors' pension contributions to money purchase schemes	7,230	-
	<u>101,979</u>	<u>-</u>

The number of directors to whom retirement benefits were accruing was as follows:

Defined benefit schemes	<u>2</u>	<u>-</u>
-------------------------	----------	----------

Non executive directors were paid £300 (2019: £3,000) by BANES and recharged to Aequus Developments Limited

5. **NET FINANCE COSTS**

	2020 £	2019 £
Finance costs:		
Other loan interest	77,641	46,928
	<u>77,641</u>	<u>46,928</u>

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2020	2019
	£	£
Cost of inventories recognised as expense	90,771	91,723
Auditors' remuneration	9,028	12,345
Auditors' remuneration for non audit work	4,410	2,838
	<u> </u>	<u> </u>

Breakdown of expenses by nature:

	2020	2019
	£	£
Directors remuneration and pension costs	111,891	3,000
Wages, salaries and pension costs	170,818	-
IAS19 pension costs	81,000	-
Insurance	-	1,407
Audit fee	9,028	12,345
Professional fees	69,458	57,367
Repairs and renewals	622	2,539
Sundry other costs	862	8,266
Bank charges	665	483
Loan arrangement fees	2,182	1,819
	<u> </u>	<u> </u>
Total administrative expenses	446,526	87,266

7. TAXATION

Analysis of tax expense

	2020	2019
	£	£
Deferred tax:		
Deferred tax	63,405	80,617
Deferred tax on pension payments	(15,390)	-
	<u> </u>	<u> </u>
Total deferred tax	48,015	80,617
	<u> </u>	<u> </u>
Total tax expense in statement of profit or loss	48,015	80,617
	<u> </u>	<u> </u>

The deferred tax expenditure in 2020 relates to the origination and reversal of temporary differences.

For the year ended 31 March 2020 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 19%.

8. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 April 2019	3,903,659
Additions	1,095,666
Revaluations	316,750
	<u> </u>
At 31 March 2020	5,316,075
	<u> </u>
NET BOOK VALUE	
At 31 March 2020	5,316,075
	<u> </u>

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

8. **INVESTMENT PROPERTY - continued**

	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/> <hr/>

Fair value at 31 March 2020 is represented by:

	£
Valuation in 2018	280,524
Valuation in 2019	458,052
Valuation in 2020	316,750
Cost	4,260,749
	<hr/>
	5,316,075
	<hr/> <hr/>

9. **INVESTMENTS**

	Shares in group undertakings £
COST	
At 1 April 2019 and 31 March 2020	100
	<hr/>
NET BOOK VALUE	
At 31 March 2020	100
	<hr/> <hr/>
	Shares in group undertakings £
COST	
At 1 April 2018 and 31 March 2019	100
	<hr/>
NET BOOK VALUE	
At 31 March 2019	100
	<hr/> <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	2020	2019
Ordinary	100.00	£	£
Aggregate capital and reserves		311,624	(512,277)
Profit/(loss) for the year		823,901	(373,445)
		<hr/> <hr/>	<hr/> <hr/>

Aequus Developments Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2020**

10. INVENTORIES

	2020	2019
	£	£
Work-in-progress	-	4,293
	<u> </u>	<u> </u>

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	£	£
Current:		
Amounts owed by group undertakings	142,001	-
Prepayments and accrued income	1,777	10,739
	<u> </u>	<u> </u>
	<u>143,778</u>	<u>10,739</u>

12. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Bank accounts	56,266	130,812
	<u> </u>	<u> </u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020	2019
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	100	100
			<u> </u>	<u> </u>

14. RESERVES

	Retained earnings £	Other reserves £	Pension reserve £	Totals £
At 1 April 2019	(253,288)	749,054	-	495,766
Profit for the year	211,815			211,815
Pension scheme liability transferred from BANES	(233,130)	-	(993,870)	(1,227,000)
Actuarial gains on pension scheme	13,110	-	55,890	69,000
Movement on deferred tax	220,020	-	-	220,020
Transfer to non distributable reserve	(215,773)	215,773	-	-
At 31 March 2020	<u>(257,246)</u>	<u>964,827</u>	<u>(937,980)</u>	<u>(230,399)</u>
		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		(486,420)	486,420	-
At 31 March 2019		<u>(253,288)</u>	<u>749,054</u>	<u>495,766</u>

Other reserves represent Non distributable retained earnings which consist of revaluation gains on investment property and, the introduction of the IAS 19 pension liabilities arising as a result of staff having been TUPE'd across from BANES during the year and subsequent actuarial gains/losses on defined benefit pension scheme, net of deferred tax.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

15. **TRADE AND OTHER PAYABLES**

	2020 £	2019 £
Current:		
Trade creditors	88,631	4,200
Amounts owed to group undertakings	157,369	141,705
Social security and other taxes	18,675	-
Other creditors	11,664	-
Accruals and deferred income	123,665	83,788
VAT	38,427	33
	<u>438,431</u>	<u>229,726</u>
Non-current:		
Amounts owed to group undertakings	<u>4,137,824</u>	<u>3,220,743</u>
Aggregate amounts	<u>4,576,255</u>	<u>3,450,469</u>

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

16. 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 2020 £	31 March 2019 £
Financial assets		
Loans and receivables	133,537	10,739
Cash and cash equivalents	56,266	130,812
	<u>189,803</u>	<u>141,551</u>
Financial liabilities		
Financial liabilities measured at amortised cost	4,566,014	3,450,469
	<u>4,566,014</u>	<u>3,450,469</u>

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

	31 March 2020		31 March 2019	
	Fair value £	Carrying value £	Fair Value £	Carrying Value £
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	56,266	56,266	130,812	130,812
Other current financial assets	133,537	133,537	10,739	10,739
	<u>189,803</u>	<u>189,803</u>	<u>141,551</u>	<u>141,551</u>
Financial liabilities measured at cost or amortised cost				
Trade payables	88,631	88,631	4,200	4,200
Other current financial liabilities	339,559	339,559	225,526	225,526
Non current financial liabilities	4,137,824	4,137,824	3,220,743	3,220,743
	<u>4,566,014</u>	<u>4,566,014</u>	<u>3,450,469</u>	<u>3,450,469</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.

Interest is charged on the amounts borrowed from the company's parent at a rate of between 1% and 4% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed from the parent are secured by a fixed and floating charge over the property held for development which is owned by the company's subsidiary, Aequus Construction Limited.

Aequus Developments Limited

Notes to the Financial Statements - continued for the Year Ended 31 March 2020

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 sole 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. At 31 March 2020 and 31 March 2019, the company's borrowings were in the region of £4m, and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £40,000.

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.

	2021	2022	2023 to 2025	2026 and thereafter
	£	£	£	£
Non derivative financial liabilities	428,190	149,973	306,307	3,681,544
Trade payables	88,631	-	-	-
Other financial liabilities	339,559	149,973	306,307	3,681,544

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 2020.

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.

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

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

	31 March 2020	31 March 2019
	£	
Cash and cash equivalents	56,266	130,812
Receivables from group companies	131,760	-
Total liquidity	<u>188,026</u>	<u>130,812</u>
Short term debt and current maturities of long term debt	281,062	88,021
Amounts due to group companies	147,128	141,705
Long term debt	4,137,824	3,220,743
Total debt	<u>(4,566,014)</u>	<u>(3,450,469)</u>
Net liquidity	<u>(4,377,988)</u>	<u>(3,319,657)</u>

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.

17. DEFERRED TAX

	2020	2019
	£	£
Balance at 1 April	103,268	22,651
Charged to income statement	48,015	80,617
Charged to other comprehensive income	(220,020)	-
Balance at 31 March	<u>(68,737)</u>	<u>103,268</u>
Assets:		
Pension Liability	235,410	-
Provisions and tax losses	33,838	22,291
	<u>269,248</u>	<u>22,291</u>
Liabilities:		
Investment property	(200,511)	(125,559)
Provisions and tax losses	-	-
Deferred tax liability	<u>(200,511)</u>	<u>(125,559)</u>
Total deferred tax asset/(liability)	<u>68,737</u>	<u>(103,268)</u>

18. EMPLOYEE BENEFIT OBLIGATIONS

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Current service cost	28,000	-
Net interest from net defined benefit asset/liability	2,000	-
Past service cost	65,000	-
	<u>95,000</u>	<u>-</u>
Actual return on plan assets	<u>(213,000)</u>	<u>-</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Current service cost	28,000	-
Past service cost	65,000	-
Contributions by scheme participants	7,000	-
Interest cost	8,000	-
Actuarial losses/(gains)	(4,000)	-
Present value of defined benefit obligation on scheme transfer	3,240,000	-
Actuarial (gains)/losses from changes in financial assumptions	<u>(284,000)</u>	<u>-</u>
	<u>3,060,000</u>	<u>-</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Contributions by employer	14,000	-
Contributions by scheme participants	7,000	-
Interest income	6,000	-
Actuarial gains/(losses)	(219,000)	-
Present value of defined benefit assets on scheme transfer	2,013,000	-
	<u>1,821,000</u>	<u>-</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Actuarial (gains)/losses from changes in financial assumptions	284,000	-
Actuarial gains/(losses)	(215,000)	-
Income tax	(13,110)	-
	<u>55,890</u>	<u>-</u>

Aequus Developments Limited

Notes to the Financial Statements - continued for the Year Ended 31 March 2020

The major categories of scheme assets as amounts of total scheme assets are as follows:

	Defined benefit pension plans	
	2020	2019
	£	£
Equities	793,000	-
Bonds	267,000	-
Property	181,000	-
Alternatives	540,000	-
Cash Accounts	40,000	-
	<u>1,821,000</u>	<u>-</u>

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2020	2019
Discount rate	2.30%	-
Future salary increases	3.60%	-
Future pension increases	2.20%	-
CPI Inflation	2.10%	-

To assess the value of the Employer's liabilities as at 31 March 2020, the actuaries have rolled forward the value of the Employer's liabilities calculated for the latest Triennial valuation allowing for the different financial assumptions required under IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2020 without completing a full valuation. However, the actuaries are satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuaries have rolled forward the assets allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the company and its employees.

Valuation Method

As required under IAS19 the projected unit method of valuation to calculate the service cost.

Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2020 for the year to 31 March 2021). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

Sensitivity Analysis

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate monetary amount (£000)
Change in assumption at 31 March 2020	
0.1% increase in Real Discount Rate	(67)
0.1% increase in Inflation	69
0.1% increase in the Salary Increase Rate	17
1 year increase in Life expectancy	75

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

18. - continued

Guarantee

As part of the conditions for entry of Aequus Development Limited into the Local Government Pension Scheme Bath and North East Somerset Council agreed to act as guarantor in the event that Aequus Development Limited fails to comply with any terms of the Admission Agreement. In default circumstances Bath and North East Somerset Council will assume all obligations and liabilities of Aequus Development Limited including indemnifying the pension scheme administrator for legal and other costs associated with enforcement of the guarantee.

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

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

20. RELATED PARTY DISCLOSURES

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Purchase of investment property	382,067	1,283,000
Purchase of external services provided	-	-
Other goods and services	20,765	38,099
Interest expense	77,641	48,747
Loan arrangement fees	2,182	1,819
Sales - Recharges	-	2,475

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

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Loan payable to parent undertaking	4,235,918	3,308,262
Trade payables	64,912	50,550
Trade receivables	14,940	(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 2020	Year ended 31 March 2019
	£	£
Sales - Recharges	228,915	5,492
Purchases - Recharged	-	8,563
Purchases - Management Recharges	80,420	34,873
Purchases - Investment Property	600,000	-

Year end balances arising from Aequus Construction Limited amount to:

	Year ended 31 March 2020	Year ended 31 March 2019
	£	£
Trade payables	(4,699)	4,161
Trade receivables	127,061	-

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2020	2019
	£	£
Directors	101,979	-
Seconded officer costs	32,259	17,928
	<u>134,238</u>	<u>17,928</u>

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

Aequus Developments Limited

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

21. EVENTS AFTER THE REPORTING PERIOD

In early 2020, a new coronavirus, Covid-19 had an unprecedented impact on business and the economy nationally. The resulting lockdown had a limited impact on the rents received and housing sales together with a short delay in progress of Aequus Construction Limited development activity. These impacts are anticipated to be relatively short-term in nature and the company has detailed actions and plans in place to deal with the issues arising. The directors consider the emergence and spread of Covid-19 to be a non-adjusting event after the reporting period, and that it will not have a material effect on the company's ability to continue as a going concern.

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

	2020	2019
	£	£
Profit before taxation	259,830	471,431
Gain on revaluation of fixed assets	(316,750)	(458,052)
Movement in group trade payables	4,565	(70,793)
Movement in group trade receivables	(141,476)	-
Pension costs	81,000	-
Finance costs	77,641	46,928
	<hr/>	<hr/>
	(35,190)	(10,486)
Decrease/(increase) in inventories	4,293	(4,293)
Decrease in trade and other receivables	8,962	3,547
Increase in trade and other payables	193,041	48,079
	<hr/>	<hr/>
Cash generated from operations	171,106	36,847
	<hr/> <hr/>	<hr/> <hr/>

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 2020	31.3.20	1.4.19
	£	£
Cash and cash equivalents	56,266	130,812
	<hr/>	<hr/>
Year ended 31 March 2019	31.3.19	1.4.18
	£	£
Cash and cash equivalents	130,812	119,865
	<hr/> <hr/>	<hr/> <hr/>

Aequus Developments Limited

Income Statement Summaries
for the Year Ended 31 March 2020

	2020 £	2019 £
REVENUE		
Rental Income	317,517	238,731
Management fees	240,501	525
	<u>558,018</u>	<u>239,256</u>
COST OF SALES		
Purchases	10,970	25,786
Property expenses	44,311	28,932
Letting agent fees	24,838	18,515
Property insurance	2,190	1,286
Own work capitalised	(12,635)	-
Other direct costs	21,097	17,204
	<u>90,771</u>	<u>91,723</u>
GAIN/LOSS ON REVALUATION OF ASSETS		
Gain/loss on revaluation of investment property	316,750	458,052
	<u>316,750</u>	<u>458,052</u>
ADMINISTRATIVE EXPENSES		
Establishment costs		
Insurance	-	1,407
Administrative expenses		
Directors' salaries	60,504	-
Directors' bonuses	34,245	-
Directors' social security	9,612	-
Directors' pension contributions	7,230	-
Wages	146,472	-
Social security	13,723	-
Pensions	10,623	-
Non Executive Directors fees	300	3,000
External services provided	59,733	47,608
Post and stationery	36	29
Repairs and renewals	622	2,539
Sundry expenses	826	8,237
Legal fees	1,818	4,033
Consultant costs	3,497	2,888
Pension current service cost	14,000	-
Pension past service cost	65,000	-
Pension net interest cost	2,000	-
Auditors' remuneration	9,028	12,345
Auditors' remuneration for non audit work	4,410	2,838
Finance costs		
Bank charges	665	483
Loan arrangement fees	2,182	1,819
	<u>446,526</u>	<u>87,226</u>
FINANCE COSTS		
Other loan interest	77,641	46,928
	<u>77,641</u>	<u>46,928</u>

This page does not form part of the statutory financial statements