

Company Registration No. 10814415 (England and Wales)

CIFCO CAPITAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

CIFCO CAPITAL LIMITED

COMPANY INFORMATION

Directors

Mr H W Cooke
Sir C Haworth
Mr M Sargeantson
Mrs E Brightman
Mr M Holt (Appointed 18 July 2019)
Mr R Meyer (Appointed 18 July 2019)

Company number

10814415

Registered office

C/O B&Msdc Endeavour House
8 Russell Road
Ipswich
Suffolk
IP1 2BX

Auditor

Ensors Accountants LLP
Cardinal House
46 St Nicholas Street
Ipswich
Suffolk
IP1 1TT

CIFCO CAPITAL LIMITED

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CIFCO CAPITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their strategic report and the financial statements for the year ended 31 March 2020.

Review of the business

The incorporation of CIFCO Capital Limited and its associated structure are borne out of a necessity to supplement, and ultimately replace, central Government financial support to Babergh and Mid Suffolk District Councils ("the Shareholders"). In order to deliver this, CIFCO Capital Limited was incorporated as a Special Purpose Vehicle (SPV) to invest in commercial assets to generate income. The rationale for commercial assets being targeted is:

- Commercial property tends to generate higher income returns
- To avoid conflict with the Councils' housing policies as may arise from time to time
- Focus on investment in the Eastern Region (but not exclusive to), with the prime purpose of generating income to the Council.
- To undertake sustainable long-term investment in commercial opportunities through the investment of an aggregated £100,000,000 representing £50,000,000 investment from each of the two shareholders
- To generate short/medium term income to support the revenue gap arising from the reduction in central government funding
- To guide future investment decisions, asset management opportunities and the management of the investment fund
- To ensure that investment opportunities taken are ethical and fit with the values of the two shareholding Councils

The geographical area targeted for acquisition is made up of those counties that when combined make up the East of England. The principal investment counties that make up the East of England for the purposes of CIFCO Capital Limited are:

- Suffolk
- Norfolk
- Cambridgeshire
- Essex
- Bedfordshire
- Hertfordshire

Investment in assets outside of this region will be considered where good opportunities to add value to the portfolio arise or where market opportunities do not allow for the initial investment to be realised.

The structure is based upon both Councils own wholly owned holding company which has a 50% equal shareholding in the jointly owned investment company limited by shares. Each of the Councils' own companies are a holding/parent company.

Principal risks and uncertainties

The principal risks and uncertainties impacting the entity are: the portfolio fails to realise returns due to its nature, structure or management; asset obsolescence over time; void periods resulting in the fund making a net loss or falling short of Business plan targets.

The arrival of COVID-19, and the subsequent lockdown, effectively put a stop to market transactions in March. The board immediately revised its risk register and looked, in particular, at the income security of pending transactions. As a result, one acquisition was put on hold and one aborted. Moving forward, it is likely that the uncertainty and disruption in the market caused by the COVID-19 pandemic will open up opportunities for investment at good value, but the board will be assessing these opportunities very carefully before proceeding.

CIFCO CAPITAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Results and performance

The Board has considered some 55 assets during the period. Out of these opportunities, offers were submitted on 13 and 3 assets were acquired.

This has resulted in the investment of some £60m as authorised by our shareholders and the formation of a secure and well-balanced portfolio, in terms of sector, location and tenant covenant

The Portfolio, with a value of £52,490,000, is currently comprised of 14 assets. The company receives £3,304,144 in rental income per annum from these properties, which exceeds the original estimate of £2.8m. This has resulted in the shareholder Councils benefitting from net income after borrowing costs of £1,634,000 in 2019/20.

Analysis based on key performance indicators

Management use a range of measures to monitor and manage the business. The Key Performance Indicators are:

KPI	Description	Target	Actual
1	Net Initial Yield (NIY) Performance against target	5.75%	5.78%
2	Equivalent Yield (EY)	6%	6.41%
3	Progress against 24 Month full investment target to be achieved by April 2021	£100M	£60M
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q1- 0.00% Q2- 1.71% Q3- 6.76% Q4-28.29%

Rent arrears were below target for the first 2 quarters of the year, they increased in quarter three largely due to a tenant facing financial difficulties. A payment plan was put in place with this tenant and their business was starting to improve with increased payments due in March. This business has subsequently been affected by COVID 19 but is continuing to trade and make regular rent payments. The Board anticipates that KPI 4 will be difficult to meet in the short term due to COVID 19 but aspire to returning to meet this target longer term.

On behalf of the board

Sir Christopher Haworth
Director
30 June 2020

CIFCO CAPITAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their annual report and financial statements for the year ended 31 March 2020.

Principal activities

The principal activity of the company is to purchase commercial properties with a view to earning rental income.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Mr H W Cooke	
Mr D T Haley	(Resigned 7 May 2019)
Sir C Haworth	
Mr N A Ridley	(Resigned 7 May 2019)
Mr M Sargeantson	
Mrs E Brightman	
Mr M Holt	(Appointed 18 July 2019)
Mr R Meyer	(Appointed 18 July 2019)

Supplier payment policy

The company's current policy concerning the payment of trade creditors is to follow the CBI's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditors of the company at the year end were equivalent to XX day's purchases, based on the average daily amount invoiced by suppliers during the year.

Financial instruments

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings. The directors believe the exposure to interest rate risk is minimal given the availability of flexible funding and support from the ultimate shareholders of the business.

CIFCO CAPITAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

Customers are tenants of the Company's investment properties and signed lease agreements are in place for all tenants. Trade receivables are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Future developments

The company aims to manage the invested portfolio to maximise the income from the assets and their long term value. The company is in the process of investing the second tranche of investment up to a total of £100m within the next 12-18 months.

Auditor

The auditor, Ensors Accountants LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Sir Christopher Haworth

Director

30 June 2020

CIFCO CAPITAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

CIFCO CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIFCO CAPITAL LIMITED

Opinion

We have audited the financial statements of CIFCO Capital Limited (the 'company') for the year ended 31 March 2020 which comprise the income statement, 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 loss 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to the valuation of investment properties

We draw attention to note 11 in the Financial Statements which indicates that the company could be impacted by the effects of the declaration of the Covid-19 pandemic by the World Health Organisation on 11 March 2020. As stated in note 11, these events and conditions indicate that a material uncertainty exists as to the fair value of the investment property portfolio as at 31 March 2020. Our opinion is not modified in respect of this matter.

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 included in the annual report, other than the financial statements and our auditor's report 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.

CIFCO CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CIFCO CAPITAL LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

CIFCO CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CIFCO CAPITAL LIMITED

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Rumsey (Senior Statutory Auditor)
for and on behalf of Ensors Accountants LLP

8 July 2020

Chartered Accountants
Statutory Auditor

Cardinal House
46 St Nicholas Street
Ipswich
Suffolk
IP1 1TT

CIFCO CAPITAL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

		Year ended 31 March 2020 £	9 month period ended 31 March 2019 £
Revenue	4	3,304,144	1,621,525
Gross profit		<u>3,304,144</u>	<u>1,621,525</u>
Administrative expenses		(584,269)	(246,853)
Exceptional items	5	(3,646,173)	(3,119,054)
Operating loss		<u>(926,298)</u>	<u>(1,744,382)</u>
Investment revenues	8	2,541	2,766
Finance costs	9	(2,483,886)	(1,289,628)
Loss before taxation		<u>(3,407,643)</u>	<u>(3,031,244)</u>
Income tax expense	10	(123,562)	(14,596)
Loss and total comprehensive income for the year		<u><u>(3,531,205)</u></u>	<u><u>(3,045,840)</u></u>

The income statement has been prepared on the basis that all operations are continuing operations.

CIFCO CAPITAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Non-current assets			
Investment property	11	52,490,000	48,050,000
Current assets			
Trade and other receivables	12	612,958	215,062
Cash and cash equivalents		1,279,221	1,067,315
		1,892,179	1,282,377
Total assets		54,382,179	49,332,377
Current liabilities			
Trade and other payables	17	953,604	357,199
Current tax liabilities		129,083	14,596
Borrowings	14	537,457	288,283
Deferred revenue	18	789,318	923,234
		2,409,462	1,583,312
Net current liabilities		(517,283)	(300,935)
Non-current liabilities			
Borrowings	14	54,008,886	47,063,741
Total liabilities		56,418,348	48,647,053
Net (liabilities)/assets		(2,036,169)	685,324
Equity			
Called up share capital	19	6,029,190	4,565,908
Share premium account	20	4	653,574
Retained earnings		(8,065,363)	(4,534,158)
Total equity		(2,036,169)	685,324

The financial statements were approved by the board of directors and authorised for issue on 30 June 2020 and are signed on its behalf by:

Sir C Haworth
Director

Company Registration No. 10814415

CIFCO CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 1 July 2018		100	2,476,668	(1,488,318)	988,450
Period ended 31 March 2019:					
Loss and total comprehensive income for the period		-	-	(3,045,840)	(3,045,840)
Issue of share capital	19	2,089,140	653,574	-	2,742,714
Bonus issue	19	2,476,668	(2,476,668)	-	-
Balance at 31 March 2019		<u>4,565,908</u>	<u>653,574</u>	<u>(4,534,158)</u>	<u>685,324</u>
Year ended 31 March 2020:					
Loss and total comprehensive income for the year		-	-	(3,531,205)	(3,531,205)
Issue of share capital	19	809,712	-	-	809,712
Bonus issue	19	653,570	(653,570)	-	-
Balance at 31 March 2020		<u><u>6,029,190</u></u>	<u><u>4</u></u>	<u><u>(8,065,363)</u></u>	<u><u>(2,036,169)</u></u>

CIFCO CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	26		2,542,997		2,033,439
Interest paid			(2,242,415)		(1,289,628)
Tax paid			(9,075)		(18,341)
Net cash inflow from operating activities			<u>291,507</u>		<u>725,470</u>
Investing activities					
Purchase of investment property		(8,086,173)		(27,597,054)	
Interest received		2,541		2,766	
Net cash used in investing activities			<u>(8,083,632)</u>		<u>(27,594,288)</u>
Financing activities					
Proceeds from issue of shares		809,712		2,742,714	
Proceeds from borrowings		7,286,026		24,684,424	
Repayment of borrowings		(91,707)		(70,507)	
Net cash generated from financing activities			<u>8,004,031</u>		<u>27,356,631</u>
Net increase in cash and cash equivalents			<u>211,906</u>		<u>487,813</u>
Cash and cash equivalents at beginning of year			<u>1,067,315</u>		<u>579,502</u>
Cash and cash equivalents at end of year			<u><u>1,279,221</u></u>		<u><u>1,067,315</u></u>

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

CIFCO Capital Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O B&MsdC Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 2BX.

The financial statements of CIFCO Capital Limited for the year ended 31 March 2020 were authorised for issue by the board of directors on 30 June 2020 and the Statement of Financial Position was signed on the board's behalf by Mr C Haworth.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors acknowledge that currently the Company has net current liabilities but the Company has the support of its owners. The Company has made a significant loss this year, however this is due to the adverse impact of Covid 19 on the value of investment properties. This is an unrealised loss and the directors expect that in the long term the Company will be profitable. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

The Company's financial statements are prepared on an accruals basis. Income is recognised in the Accounts in the accounting period in which the effect of the relevant transaction takes place and not in the period in which the cash is received.

This means that rental income and other receipts are accounted for as income at the date the Company provides the relevant service. Where income has been recognised but cash has not yet been received, a debtor for the relevant amount is recorded in the Statement of Financial Position.

1.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

1.5 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.7 Financial assets

Financial assets are classified into two types:

- Loans and receivables: assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets: assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently measured at their amortised cost.

1.8 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position when the Company becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Finance Charges line in the Income Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Company has, this means that the amount presented in the Statement of Financial Position is the outstanding principal repayable (plus accrued interest), and interest charged to the Income Statement is the amount payable for the year according to the loan agreement.

1.9 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.10 Taxation

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

Current tax

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

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

2 Adoption of new and revised standards and changes in accounting policies

In the current year, certain new and revised Standards and Interpretations have been adopted by the Company. In addition, at the date of authorisation of these financial statements, certain new Standards, Amendments and Interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Information on new Standards, Amendments and Interpretations that are expected to be relevant to the Company's financial statements is provided below.

IFRS 16 Leases (effective from 1 January 2019)

IFRS 16 introduces a single, on Statement of Financial Position lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Other than disclosure adjustments in the notes to the accounts, the financial statements are not affected by the implementation of the new standard.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3 Critical accounting estimates and judgements

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

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

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

Critical judgements

Valuation of investment properties

Investment properties are valued at open market value by the directors with reference to recent property transactions. The directors will obtain third party valuations of investment properties at regular intervals to ensure that the fair value of these properties is kept up to date. As explained in note 11, the Covid-19 pandemic has created a material uncertainty as to the carrying value of investment properties.

4 Revenue

	2020	2019
	£	£
Revenue analysed by class of business		
Rental income	3,304,144	1,621,525
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	2,541	2,766
	<u> </u>	<u> </u>
5 Exceptional items	2020	2019
	£	£
Impairment	(3,646,173)	(3,119,054)
	<u> </u>	<u> </u>

Investment properties have been impaired at the year end to accurately reflect the fair value at the balance sheet date. This impairment includes professional fees capitalised on acquisition of these properties.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

6 Auditor's remuneration	2020	2019
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	6,400	6,150
	<u> </u>	<u> </u>
For other services		
Other services	45,843	42,551
	<u> </u>	<u> </u>
7 Employees		
The average monthly number of persons (including directors) employed by the company during the year was:		
	2020	2019
	Number	Number
	3	3
	<u> </u>	<u> </u>
8 Investment income	2020	2019
	£	£
Interest income		
Bank deposits	2,541	2,766
	<u> </u>	<u> </u>
9 Finance costs	2020	2019
	£	£
Other interest payable	2,483,886	1,289,628
	<u> </u>	<u> </u>
10 Income tax expense	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	129,083	14,596
Adjustments in respect of prior periods	(5,521)	-
	<u> </u>	<u> </u>
Total UK current tax	<u>123,562</u>	<u>14,596</u>

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10	Income tax expense	(Continued)	
		2020	2019
		£	£
	The charge for the year can be reconciled to the loss per the income statement as follows:		
		2020	2019
		£	£
	Loss before taxation	(3,407,643)	(3,031,244)
	Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(647,452)	(575,936)
	Effect of expenses not deductible in determining taxable profit	469	-
	Change in unrecognised deferred tax assets	679,994	542,168
	Adjustment in respect of prior years	(5,521)	-
	Transfer pricing adjustments	96,072	48,364
	Taxation charge for the year	123,562	14,596
		<u> </u>	<u> </u>
11	Investment property	2020	2019
		£	£
	Fair value		
	At 1 April 2019	48,050,000	23,572,000
	Additions through acquisition	8,086,173	27,597,054
	Fair value adjustment	(3,646,173)	(3,119,054)
	At 31 March 2020	<u>52,490,000</u>	<u>48,050,000</u>

With the exception of the two properties purchased in January 2020, as at 31 March 2020 the fair values of investment properties were based on valuations performed by Knight Frank LLP, a firm of valuers independent of CIFCO Capital Limited. The independent valuers hold professional qualifications with the Royal Institute of Chartered Surveyors.

On 11 March 2020, the World Health Organisation declared Covid-19 a pandemic. The response of national governments across the globe to mitigate the pandemic has been far reaching both socially and economically leading to an adverse impact on global financial markets including the UK markets.

The Knight Frank valuation as at 31 March 2020 included a material valuation uncertainty, as a result of the COVID-19 pandemic, meaning that less certainty and a higher degree of caution should be attached to their valuation than would normally be the case. Furthermore, the two properties purchased in January 2020, whose cost was determined prior to the COVID-19 pandemic being formally announced, have not been revalued and a similar uncertainty thus attaches to their valuation. Accordingly, as at 31 March 2020, as a result of the adverse impact of the COVID-19 pandemic, a material uncertainty exists in relation to the valuation of investment properties.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Trade and other receivables

	2020	2019
	£	£
Trade receivables	422,263	148,659
Provision for bad and doubtful debts	(22,343)	-
	<u>399,920</u>	<u>148,659</u>
Other receivables	142,532	-
Prepayments and accrued income	70,506	66,403
	<u>612,958</u>	<u>215,062</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

13 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

No significant receivable balances are impaired at the reporting end date.

Movement in the allowances for doubtful debts

	2020	2019
	£	£
Additional allowance recognised	22,343	-
Balance at 31 March 2020	<u>22,343</u>	<u>-</u>

14 Borrowings

Secured borrowings at amortised cost

Loans from parent undertaking	<u>54,546,343</u>	<u>47,352,024</u>
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CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

14 Borrowings (Continued)

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date. Borrowings are analysed as follows:

	2020	2019
	£	£
Current liabilities	537,457	288,283
Non-current liabilities	54,008,886	47,063,741
	<u>54,546,343</u>	<u>47,352,024</u>

Borrowings are secured on the investment properties of the Company.

15 Market risk

Market risk management

Market risk is the risk that changes in market prices, such as interest rates and property prices, will affect the Company's income or the value of its assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company pays interest on long term borrowings. CIFCO Capital Limited has no exposure to fluctuations in interest rates as the rates payable by the Company have been fixed for the full term of the loan agreements.

Property price risk

The Company is exposed to market risks associated with its investment property assets held at fair value.

The Company mitigates its exposure to fluctuations in the market price of investment property by holding a diverse portfolio of assets. The portfolio includes properties located in different geographical areas of the United Kingdom and a mix of retail and manufacturing properties.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

16 Fair value

The fair value of financial assets and liabilities held at fair value has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

There have been no transfers between categories in the current or preceding period.

The Company holds investment properties at fair value. These are categorised as Level 3 in the above fair value hierarchy.

17 Trade and other payables

	2020	2019
	£	£
Trade payables	124,003	53,344
Amount due to parent undertakings	494,880	9,014
Accruals	71,271	74,304
Social security and other taxation	120,918	82,150
Other payables	142,532	138,387
	<u>953,604</u>	<u>357,199</u>

18 Deferred revenue

	2020	2019
	£	£
Arising from rental contracts	789,318	923,234
	<u>789,318</u>	<u>923,234</u>

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020	2019
	£	£
Current liabilities	789,318	923,234
	<u>789,318</u>	<u>923,234</u>

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

19	Share capital	2020 £	2019 £
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	3,014,595 Ordinary A shares of £1 each	3,014,595	2,282,954
	3,014,595 Ordinary B shares of £1 each	3,014,595	2,282,954
		<u>6,029,190</u>	<u>4,565,908</u>

A and B shares rank pari passu in all respects.

Reconciliation of movements during the year:

	Ordinary A Shares Number	Ordinary B Shares Number
At 1 April 2019	2,282,954	2,282,954
Issue of fully paid shares	731,641	731,641
At 31 March 2020	<u>3,014,595</u>	<u>3,014,595</u>

20	Share premium account	2020 £	2019 £
	At the beginning of the year	653,574	2,476,668
	Issue of new shares	-	653,574
	Bonus issue of shares	(653,570)	(2,476,668)
	At the end of the year	<u>4</u>	<u>653,574</u>

As at 31st March 2019, a share issue remained outstanding in respect of a property purchased in March 2019. The equity funding in relation to this property was recognised as share premium on the issue of share capital during the period. During the year ended 31 March 2020, a bonus issue of shares was made to reduce the share premium account.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

21 Other leasing information

Lessor

Revenue includes income from the lease of investment properties to third parties. Lease terms vary across the property portfolio.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2020	2019
	£	£
Within one year	3,336,287	2,556,093
One to two years	2,611,586	2,433,806
Two to three years	1,931,450	1,713,269
Three to four years	1,256,980	1,138,161
Four to five years	990,392	533,634
Over five years	2,352,956	697,163
	<u>5,689,243</u>	<u>3,253,256</u>
Total undiscounted lease payments receivable	<u>5,689,243</u>	<u>3,253,256</u>

No contingent rental income has been recognised.

22 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising share capital, share premium and retained earnings. The Company regularly reviews the capital structure and as part of this review considers the cost of capital and the risks associated with each class of capital.

The Company has a target gearing ratio of 90% determined as the proportion of debt to equity.

The majority of capital introduced to the Company is immediately used for the purchase of investment properties and is therefore considered to be low risk.

The Company is not subject to any externally imposed capital requirements.

23 Directors' transactions

During the year a total of £30,000 (2019 period: £22,500) in management fees were paid to three non executive directors.

24 Related party transactions

Other transactions with related parties

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

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

24 Related party transactions (Continued)

	Finance costs	
	2020	2019
	£	£
Entities with joint control or significant influence over the company	2,514,521	1,289,628
	<u>2,514,521</u>	<u>1,289,628</u>

The following amounts were outstanding at the reporting end date:

	2020	2019
	£	£
Amounts due to related parties		
Entities with joint control or significant influence over the company	55,071,858	47,361,038
	<u>55,071,858</u>	<u>47,361,038</u>

Amounts owed to related parties are secured on the Company's investment properties.

No guarantees have been given or received.

25 Events after the reporting date

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. This has resulted in worldwide restrictions on travel, government fiscal stimulus and extreme financial market volatility.

The impact on the Company in terms of investment property values is highlighted in note 11. In terms of trade receivables, rent debts in respect of the year ended 31 March 2020, not provided for in these financial statements, have been collected in full. At the date of signing the financial statements, rent debts invoiced in advance in respect of the quarter ended 30 June 2020 have not yet been received in full. Payment plans have been arranged in respect of tenants in arrears and the Company has been able to meet all of its debt commitments for this period.

The company has the support of its owners for a period of at least 12 months from the date the audit report is signed. The directors regard the impact of Covid-19 on the future recoverability of trade receivables as a non adjusting post balance sheet event, and the going concern policy to still be appropriate.

CIFCO CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

26 Cash generated from operations	2020	2019
	£	£
Loss for the year after tax	(3,531,205)	(3,045,840)
Adjustments for:		
Taxation charged	123,562	14,596
Finance costs	2,483,886	1,289,628
Investment income	(2,541)	(2,766)
Fair value loss on investment properties	3,646,173	3,119,054
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(397,896)	77,760
Increase/(decrease) in trade and other payables	354,934	(37,918)
(Decrease)/increase in deferred revenue outstanding	(133,916)	618,925
Cash generated from operations	<u>2,542,997</u>	<u>2,033,439</u>

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