Company Registration No. 10814415 (England and Wales)

CIFCO CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

CIFCO CAPITAL LIMITED

COMPANY INFORMATION

Directors	Mr H W Cooke	
	Mr C Haworth	
	Mr M Sargeantson	
	Mrs E Brightman	(Appointed 31 January 2019)
	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 PERIOD ENDED 31 MARCH 2019

The directors present their strategic report and the financial statements for the period ended 31 March 2019.

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 for a profit. 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 for the Eastern Region (but not exclusive to), with the prime purpose of generating profits back to the Council.
- To undertake sustainable long term investment in commercial opportunities through the investment of an aggregated £50,000,000 representing £25,000,000 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 setting up their own wholly-owned holding companies which then take 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 falls short of Business plan targets.

The market may present challenges with a reduction in suitable opportunities, including through upturn and competition in market, resulting in the full fund not being invested.

Results and performance

The Board has considered some 60 assets during the period. Out of these opportunities, offers were submitted on 9 and 6 assets were acquired.

This has resulted in the investment of the £50m as required by our shareholders and the formation of a secure and well-balanced portfolio, in terms of sector, location and tenant covenant

The Portfolio value of £48,050,000 is currently comprised of 12 assets. The company receives £3,133,005 in rental income per annum from these properties, which exceeds the original estimate of £2.8m.

On 15 May 2019, the Company completed the acquisition of a further property for £2,338,935.

Analysis based on key performance indicators

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

KPI 1: Net Initial Yield (NIY) Performance against target

- The fully invested portfolio NIY is targeted at a minimum of 6%.
- Actual - Initial Yield 5.75% Equivalent Yield 5.98%

KPI 2: Progress against 18 Month full investment target

- Full investment is targeted to be achieved by September 2018 in advance of the January 2019 (18 month) full investment target.
- Actual - Fully invested by March 2019

KPI 3: Distribution Performance against target

- The CIFCO Board has agreed an interest rate applied to loans of 5%. The CIFCO Board will aim to raise this to 5.25% by September 2019.
- Based on the existing portfolio the Shareholders will receive gross income of £2.2m in loan repayments from CIFCO Capital, generating net income to the Councils £1.45m. This is equivalent to in excess of 12% of the revenue received from Council Tax. The Board will continue to review opportunities to increase the return to the Shareholders on a quarterly basis, however it is unlikely that it will be in a position to increase the interest rate during the next phase of acquisitions.

The directors believe that the company is on course to meet its targets.

On behalf of the board

Mr C Haworth
Director
18 July 2019

The directors present their annual report and financial statements for the period ended 31 March 2019.

Principal activities

The company was incorporated on 12th June 2017, the principal activity of the company is to purchase commercial properties with a view to earning rental income. The company commenced activities in July 2017.

Results and dividends

The results for the period are set out on page 8.

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

Directors

The directors who held office during the period 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)
Mr C Haworth	
Mr N A Ridley	(Resigned 7 May 2019)
Mr M Sargeantson	
Mrs E Brightman	(Appointed 31 January 2019)
Mr M Holt	(Appointed 18 July 2019)
Mr R Meyer	(Appointed 18 July 2019)

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.

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 value. The company is looking to invest a further £50m of phased funding over the next two years.

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

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

On behalf of the board

Mr C Haworth
Director

18 July 2019

CIFCO CAPITAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2019

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.

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 period ended 31 March 2019 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 2019 and of its loss for the period 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.

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.

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 period 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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

16 August 2019

Chartered Accountants
Statutory Auditor

Cardinal House
46 St Nicholas Street
Ipswich
Suffolk
IP1 1TT

CIFCO CAPITAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Period ended 31 March 2019 £	Period ended 30 June 2018 £
Revenue	4	1,621,525	543,467
Gross profit		1,621,525	543,467
Administrative expenses		(246,853)	(153,513)
Exceptional items	5	(3,119,054)	(1,409,711)
Operating loss		(1,744,382)	(1,019,757)
Investment revenues	7	2,766	426
Finance costs	8	(1,289,628)	(450,646)
Loss before taxation		(3,031,244)	(1,469,977)
Income tax expense	9	(14,596)	(18,341)
Loss and total comprehensive income for the period	20	(3,045,840)	(1,488,318)

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 2019

	Notes	2019	2018 as restated
		£	£
Non-current assets			
Investment property	**10**	48,050,000	23,572,000
Current assets			
Trade and other receivables	**11**	215,062	292,822
Cash and cash equivalents		1,067,315	579,502
		1,282,377	872,324
Total assets		49,332,377	24,444,324
Current liabilities			
Trade and other payables	**16**	357,199	395,117
Current tax liabilities		14,596	18,341
Borrowings	**13**	288,283	577,363
Deferred revenue	**17**	923,234	304,309
		1,583,312	1,295,130
Net current liabilities		(300,935)	(422,806)
Non-current liabilities			
Borrowings	**13**	47,063,741	22,160,744
Total liabilities		48,647,053	23,455,874
Net assets		685,324	988,450
Equity			
Called up share capital	**18**	4,565,908	100
Share premium account	**19**	653,574	2,476,668
Retained earnings	**20**	(4,534,158)	(1,488,318)
Total equity		685,324	988,450

The financial statements were approved by the board of directors and authorised for issue on 18 July 2019 and are signed on its behalf by:

Mr C Haworth
Director

Company Registration No. 10814415

CIFCO CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
As restated for the period ended 30 June 2018:					
Balance at 12 June 2017		-	-	-	-
Balance at 12 June 2017		-	-	-	-
Period ended 30 June 2018:					
Loss and total comprehensive income for the period		-	-	(1,488,318)	(1,488,318)
Issue of share capital	**18**	100	2,476,668	-	2,476,768
Balances at 30 June 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	**18**	2,089,140	653,574	-	2,742,714
Bonus issue	**18**	2,476,668	(2,476,668)	-	-
Balances at 31 March 2019		4,565,908	653,574	(4,534,158)	685,324

CIFCO CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	**25**		2,033,439		796,558
Interest paid			(1,289,628)		(450,646)
Tax paid			(18,341)		-
Net cash inflow from operating activities			725,470		345,912
Investing activities					
Purchase of investment property		(27,597,054)		(24,981,711)	
Interest received		2,766		426	
Net cash used in investing activities			(27,594,288)		(24,981,285)
Financing activities					
Proceeds from issue of shares		2,742,714		2,476,768	
Proceeds from borrowings		24,684,424		22,738,107	
Repayment of borrowings		(70,507)		-	
Net cash generated from financing activities			27,356,631		25,214,875
Net increase in cash and cash equivalents			487,813		579,502
Cash and cash equivalents at beginning of year			579,502		-
Cash and cash equivalents at end of year			1,067,315		579,502

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 period ended 31 March 2019 were authorised for issue by the board of directors on 18 July 2019 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. 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.

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.

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 period, 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 9 Financial Instruments (effective from 1 January 2018)	The IASB has completed its project to replace IAS 39 with IFRS 9, which includes requirements for the classification and measurement of financial assets and liabilities, impairment methodology and general hedge accounting. The Company does not use either hedge accounting or more exotic financial instruments and therefore the impact on the financial statements is limited to disclosures only.
IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five step model to be applied to all contracts with customers. The new approach requires identification of performance obligations in a contract and revenue to be recognised when or as those performance obligations are satisfied. The implementation of this new standard has not impacted reported revenues for the Company.
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. The financial statements are not expected to be affected by the implementation of the new standard.

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.

4 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Rental income	1,621,525	543,467

	2019	2018
	£	£
Other significant revenue		
Interest income	2,766	426

5 Exceptional items

	2019	2018
	£	£
Impairment	(3,119,054)	(1,409,711)

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.

6 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	6,150	5,750
For other services		
Other services	42,551	18,232

7 Investment income

	2019	2018
	£	£
Interest income		
Bank deposits	2,766	325
Other interest income	-	101
Total interest revenue	2,766	426

8 Finance costs

	2019	2018
	£	£
Other interest payable	1,289,628	450,646

9 Income tax expense

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	14,596	18,341

9 Income tax expense **(Continued)**

The charge for the period can be reconciled to the loss per the income statement as follows:

	2019 £	2018 £
Loss before taxation	(3,031,244)	(1,469,977)
Expected tax credit based on a corporation tax rate of 19.00%	(575,936)	(279,296)
Effect of expenses not deductible in determining taxable profit	-	16
Change in unrecognised deferred tax assets	542,168	267,845
Transfer pricing adjustments	48,364	29,776
Taxation charge for the period	14,596	18,341

10 Investment property

	2019 £	2018 £
Fair value		
At 1 July 2018	23,572,000	-
Additions through acquisition	27,597,054	24,981,711
Fair value adjustment	(3,119,054)	(1,409,711)
At 31 March 2019	48,050,000	23,572,000

With exception of the final property purchased in March 2019. As at 31 March 2019, 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.

In respect of the final property. It is the opinion of the directors there has been no material movement in the fair value of this property since the purchase and on that basis this property has been impaired by only the capitalised professional fees at acquisition.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2019 £	2018 £
Cost	52,578,766	24,981,711
Accumulated depreciation	(518,408)	(122,798)
Carrying amount	52,060,358	24,858,913

10 Investment property **(Continued)**

The above table summarises the value of investment properties on an amortised cost basis, where buildings are depreciated over their useful life of 50 years and land is not depreciated.

11 Trade and other receivables

	2019	2018
	£	£
Trade receivables	148,659	136,099
Amount due from parent undertakings	-	129,918
Prepayments and accrued income	66,403	26,805
	215,062	292,822

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

12 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.

13 Borrowings

Secured borrowings at amortised cost		
Loans from parent undertakings	47,352,024	22,738,107

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. The balance at 30 June 2018 has been restated to include scheduled interest as a non-current liability. Borrowings are analysed as follows:

	2019	2018 as restated
	£	£
Current liabilities	288,283	577,363
Non-current liabilities	47,063,741	22,160,744
	47,352,024	22,738,107

Borrowings are secured on the investment properties of the Company.

14 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.

15 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.

16 Trade and other payables

	2019	2018
	£	£
Trade payables	53,344	17,162
Amount due to parent undertakings	9,014	241,720
Accruals	74,304	56,778
Social security and other taxation	82,150	62,142
Other payables	138,387	17,315
	357,199	395,117

17 Deferred revenue

	2019	2018
	£	£
Arising from rental contracts	923,234	304,309

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:

	2019	2018
	£	£
Current liabilities	923,234	304,309

18 Share capital

	2019	2018
Ordinary share capital	£	£
Issued and fully paid		
2,282,954 Ordinary A shares of £1 each	2,282,954	50
2,282,954 Ordinary B shares of £1 each	2,282,954	50
	4,565,908	100

A and B shares rank pari passu in all respects.

Reconciliation of movements during the period:

	Ordinary A Shares Number	Ordinary B Shares Number
At 1 July 2018	50	50
Issue of fully paid shares	2,282,904	2,282,904
At 31 March 2019	2,282,954	2,282,954

19 Share premium account

	2019	2018
	£	£
At beginning of period	2,476,668	-
Issue of new shares	653,574	2,476,668
Bonus issue of shares	(2,476,668)	-
At end of period	653,574	2,476,668

The equity subscription agreement states that as properties are acquired, the Company shall issue an equal number of shares to each holding company with the equivalent value of 10% of the property. This agreement was signed in September 2018 and following the agreement there was a catch up bonus issue of shares in respect of property purchases to date. Until this bonus issue of shares, equity was recognised as share premium on the initial issue of ordinary shares.

For the period ended 31st March 2019, a share issue remains outstanding in respect of a property purchased in March 2019. The equity funding in relation to this property has been recognised as share premium on the issue of share capital during the period. Subsequent to the period end, a bonus issue of shares will be made to reduce the share premium account to £nil.

20 Retained earnings

	2019	2018
	£	£
Prior year adjustment	-	-
At the beginning of the period	(1,488,318)	-
Loss for the period	(3,045,840)	(1,488,318)
At the end of the period	(4,534,158)	(1,488,318)

21 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 consider to be low risk.

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

22 Events after the reporting date

The shareholders have approved additional funding to further invest in commercial opportunities, increasing this from £50m to £100m. £2.3m of this additional funding was invested on acquisition of a property on 15 May 2019.

23 Related party transactions

Other transactions with related parties
During the period the Company entered into the following transactions with related parties:

	Finance costs	
	2019	**2018**
	£	**£**
Entities with joint control or significant influence over the company	1,289,628	450,646

The following amounts were outstanding at the reporting end date:

	2019	**2018**
Amounts due to related parties	**£**	**£**
Entities with joint control or significant influence over the company	47,361,038	22,979,827

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

No guarantees have been given or received.

24 Directors' transactions

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

25 Cash generated from operations

	2019	2018
	£	£
Loss for the period after tax	(3,045,840)	(1,488,318)
Adjustments for:		
Taxation charged	14,596	18,341
Finance costs	1,289,628	450,646
Investment income	(2,766)	(426)
Fair value loss on investment properties	3,119,054	1,409,711
Movements in working capital:		
Decrease/(increase) in trade and other receivables	77,760	(292,822)
(Decrease)/increase in trade and other payables	(37,918)	395,117
Increase in deferred revenue outstanding	618,925	304,309
Cash generated from operations	2,033,439	796,558