Company Registration No. 10814415 (England and Wales)

CIFCO CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

CIFCO CAPITAL LIMITED

COMPANY INFORMATION

Directors	Mr H W Cooke	
	Sir C Haworth	
	Mr M Sargeantson	
	Mrs E Brightman	
	Mr R Meyer	
	Ms E Malvisi	(Appointed 17 May 2021)
Company number	10814415	
Registered office	C/O B&Msdc Endeavour House 8 Russell Road Ipswich IP1 2BX	
Auditor	Ensors Accountants LLP Connexions 159 Princes Street Ipswich IP1 1QJ	

CIFCO CAPITAL LIMITED

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CIFCO CAPITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their strategic report and the financial statements for the year ended 31 March 2022.

Fair 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 for investment in services for the districts.
- 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 long term income to support the revenue gap arising from the reduction in central government funding

In carrying out the investment, the board's role has been: -

- 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

CIFCO Capital Limited completed its drawdown of approved funds from the Councils in 2020/21.

The structure is based upon each Council's 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.

Development and performance

This period marks the first full year of trading following completion of the acquisition phase of the portfolio. The construction of one asset, a small Coop store in Stanton, remains to be completed and therefore this acquisition has not yet been completed.

The Portfolio, with a value of £94,110,000, is currently comprised of 21 assets. This value has increased by £10,192,000 since the 31st March 2021. The current contracted rental income is £5,355,618 per annum from these properties with an estimated full rental value of £5,912,985 per annum. This has resulted in the shareholder Councils benefitting from net income after borrowing costs of £3,785,000 in 2021/22.

A number of refurbishment projects have been carried out, when units have become vacant, and significant progress has been made in improving the sustainability credentials of these assets, as well as substantial increases in rental values.

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	Increase contracted rent from £5m p.a.by 1st April 2022	CPI + 1% (6.2%+1%=7.2%)	£5,368,674 (7.27%)
2	Equivalent Yield (EY)	6%	5.3%
3	Reduce EPC Portfolio Score from 7034 (Average D)	7034	6963
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%	Q June- 1.56% Q Sept- 1.76% Q Dec- 1.27% QMarch- 1.63%

Rent collection has been a significant focus during 21/22 in response to the pandemic, however the diverse portfolio of assets mitigated CIFCO Capital Limited's risk in this respect, with rent collection figures exceeding many other funds. During 21/22 CIFCO Capital Limited maintained full debt repayments to its lenders. It is continuing to trade and receive regular rent.

On behalf of the board

....
Sir C Haworth
Director

Date: 22 August 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the company is to purchase and manage 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	
Sir C Haworth	
Mr M Sargeantson	
Mrs E Brightman	
Mr R Meyer	
Ms E Malvisi	(Appointed 17 May 2021)

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 long term value. The company has completed the drawdown of investment funds from the Councils comprising a total of £99.25m.

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 C Haworth
Director

22 August 2022
Date: ....

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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 United Kingdom. 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 year ended 31 March 2022 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 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 United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our audit was designed to include tests of detail together with an assessment of the control environment to enable us to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud. Through discussion with directors and management, and from our own knowledge of and experience of the sector in which the company operates we identified the following areas where we consider there is a higher risk of fraud: transactions with related parties, revenue recognition, investment property valuation, and management override of systems and control. We note that the use of external advisors and service organisations has helped to reduce the susceptibility of the company to material misstatement due to fraud.

We performed audit procedures to address the risks noted above, which included the following:

- Enquiry of management, those charged with governance and the entity’s solicitors around actual and potential litigation and claims
- Reviewing minutes of board meetings
- Testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions
- Reviewing the objectivity and qualifications of the third party property valuers, and reviewing their assumptions for reasonableness
- Reconciling turnover to underlying lease agreements for each investment property

Auditor's responsibilities for the audit of the financial statements (continued)
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is we would become aware of non-compliance.

Material misstatements that arise due to fraud can be harder to detect that those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 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

Date: 6 September 2022

Chartered Accountants
Statutory Auditor

Connexions
159 Princes Street
Ipswich
IP1 1QJ

CIFCO CAPITAL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Revenue	**3**	5,489,091	3,878,395
Gross profit		5,489,091	3,878,395
Administrative expenses		(910,076)	(950,238)
Operating profit	**4**	4,579,015	2,928,157
Investment revenues	**7**	616	7
Finance costs	**8**	(4,430,548)	(3,125,830)
Other gains and losses	**9**	9,404,401	(4,383,962)
Profit/(loss) before taxation		9,553,484	(4,581,628)
Income tax expense	**10**	(2,838,633)	(217,222)
Profit/(loss) and total comprehensive income for the year		6,714,851	(4,798,850)

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 2022

	Notes	2022 £	2021 £
Non-current assets			
Investment property	**11**	94,110,000	82,480,000
Current assets			
Trade and other receivables	**13**	1,546,663	1,090,906
Cash and cash equivalents		3,359,237	6,301,537
		4,905,900	7,392,443
Current liabilities			
Trade and other payables	**18**	1,382,117	1,139,388
Current tax liabilities		307,103	-
Borrowings	**15**	1,675,765	969,200
Deferred revenue	**20**	1,512,147	1,893,429
		4,877,132	4,002,017
Net current assets		28,768	3,390,426
Non-current liabilities			
Borrowings	**15**	87,620,711	88,598,750
Deferred tax liabilities	**19**	2,748,733	217,203
		90,369,444	88,815,953
Net assets/(liabilities)		3,769,324	(2,945,527)
Equity			
Called up share capital	**21**	9,917,494	7,995,728
Share premium account	**22**	1,192	1,922,958
Retained earnings		(6,149,362)	(12,864,213)
Total equity		3,769,324	(2,945,527)

The financial statements were approved by the board of directors and authorised for issue on 22 August 2022 and are signed on its behalf by:

....
Sir C Haworth
Director

Company Registration No. 10814415

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
Balance at 1 April 2020		6,029,190	4	(8,065,363)	(2,036,169)
Year ended 31 March 2021:					
Loss and total comprehensive income for the year		-	-	(4,798,850)	(4,798,850)
Issue of share capital	**21**	1,966,538	1,922,954	-	3,889,492
Balance at 31 March 2021		7,995,728	1,922,958	(12,864,213)	(2,945,527)
Year ended 31 March 2022:					
Profit and total comprehensive income for the year		-	-	6,714,851	6,714,851
Bonus issue	**21**	1,921,766	(1,921,766)	-	-
Balance at 31 March 2022		9,917,494	1,192	(6,149,362)	3,769,324

CIFCO CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

		2022		2021	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	**28**		3,984,705		3,740,104
Interest paid			(4,430,548)		(3,125,830)
Tax paid			-		(129,102)
Net cash (outflow)/inflow from operating activities			(445,843)		485,172
Investing activities					
Purchase of investment property		(2,225,599)		(34,373,962)	
Interest received		616		7	
Net cash used in investing activities			(2,224,983)		(34,373,955)
Financing activities					
Proceeds from issue of shares		-		3,889,492	
Proceeds from borrowings		-		35,527,769	
Repayment of borrowings		(271,474)		(506,162)	
Net cash (used in)/generated from financing activities			(271,474)		38,911,099
Net (decrease)/increase in cash and cash equivalents			(2,942,300)		5,022,316
Cash and cash equivalents at beginning of year			6,301,537		1,279,221
Cash and cash equivalents at end of year			3,359,237		6,301,537

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, IP1 2BX.

The financial statements of CIFCO Capital Limited for the year ended 31 March 2022 were authorised for issue by the board of directors on 22 August 2022 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 United Kingdom 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 directors expect that in the long term the value of the properties held by the company will increase, in the meantime the properties continue to provide robust income for the company. Thus the directors 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 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 Accounting policies **(Continued)**

1.6 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1.7 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

1.8 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.

1.9 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 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, disclosed in note 11, are valued at open market value by the directors with reference to recent property transactions. The directors obtain third party valuations of investment properties at regular intervals to ensure that the fair value of these properties is kept up to date.

Provision for bad debts

The company has trade debtors owed by tenants. Trade debtors are assessed at each period end and the total recoverable amount is estimated based on the directors and advisors knowledge of the customer and their financial position. Any balances not considered recoverable are provided against. Where recovery is uncertain, a provision is made based on the likelihood that the debt will be recovered. The bad debts provision is disclosed in note 13.

3 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Rental income from investment properties	5,489,091	3,878,395

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Impairment loss recognised on trade receivables	-	301,673
Reversal of impairment loss recognised on trade receivables	(73,697)	(5,414)

5 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	7,000	6,600
For other services		
Other services	13,902	25,056

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
	3	3

7 Investment income

	2022	2021
	£	£
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	616	7

Income above relates to assets held at amortised cost, unless stated otherwise.

8 Finance costs

	2022	2021
	£	£
Other interest payable	4,430,548	3,125,830

9 Other gains and losses

	2022 £	2021 £
Changes in the fair value of investment properties	9,404,401	(4,383,962)

10 Income tax expense

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	307,103	-
Adjustments in respect of prior periods	-	19
Total UK current tax	307,103	19
Deferred tax		
Origination and reversal of temporary differences	2,531,530	217,203
Total tax charge	2,838,633	217,222

The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

	2022 £	2021 £
Profit/(loss) before taxation	9,553,484	(4,581,628)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2021: 19.00%)	1,815,162	(870,509)
Effect of expenses not deductible in determining taxable profit	90,962	70,744
Change in unrecognised deferred tax assets	560,423	876,009
Adjustment in respect of prior years	-	19
Transfer pricing and thin capitalisation adjustments	372,086	140,959
Taxation charge for the year	2,838,633	217,222

11 Investment property

	2022 £	2021 £
Fair value		
At 1 April 2021	82,480,000	52,490,000
Additions through acquisition	2,225,599	34,373,962
Fair value adjustment	9,404,401	(4,383,962)
At 31 March 2022	94,110,000	82,480,000

11 Investment property **(Continued)**

The fair values of investment properties are 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.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period totalled £554,511 (2021: £270,006).

12 Credit risk

Cash deposits and financial transactions give rise to credit risk in the event that counter parties fail to perform under the contract. The company regularly monitors the credit ratings of its counter parties and the probability of material loss is considered to be at an acceptable level.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

The company does not hold any collateral or other credit enhancements to cover this credit risk.

13 Trade and other receivables

	2022	2021
	£	£
Trade receivables	776,483	1,082,067
Provision for bad and doubtful debts	-	(318,602)
	776,483	763,465
Other receivables	402,458	149,788
Prepayments	367,722	177,653
	1,546,663	1,090,906

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

14 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.

Ageing of impaired trade receivables

Trade receivables have been impaired at the year end where the directors consider it is unlikely that specific tenants will be able to pay their rent arrears.

14 Trade receivables - credit risk **(Continued)**

Movement in the allowances for doubtful debts	**2022**	**2021**
	£	**£**
Balance at 1 April 2021	318,602	22,343
Amounts written off as uncollectible	-	301,673
Amounts recovered in the year	(73,697)	(5,414)
Allowance reversed	(244,905)	-
Balance at 31 March 2022	-	318,602

15 Borrowings

	Current		Non-current	
	2022	**2021**	**2022**	**2021**
	£	**£**	**£**	**£**
Borrowings held at amortised cost:				
Loans from parent undertakings	1,675,765	969,200	87,620,711	88,598,750

	2022	**2021**
	£	**£**
Secured borrowings included above:		
Loans from parent undertakings	89,296,476	89,567,950

Borrowings are secured on the investment properties of the company.

16 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.

17 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. The effect of the fair value measurement of these assets is shown in note 9 to these financial statements.

18 Trade and other payables

	2022	2021
	£	£
Trade payables	124,749	122,705
Amount owed to parent undertakings	559,332	528,843
Accruals	109,601	130,642
Social security and other taxation	180,327	207,407
Other payables	408,108	149,791
	1,382,117	1,139,388

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated Capital Allowances	Revaluation of investment properties	Total
	£	£	£
Deferred tax balance at 1 April 2020	-	-	-
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	217,203	-	217,203
Deferred tax liability at 1 April 2021	217,203	-	217,203
Deferred tax movements in current year			
Charge/(credit) to profit or loss	174,879	2,356,651	2,531,530
Deferred tax liability at 31 March 2022	392,082	2,356,651	2,748,733

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

20 Deferred revenue

	2022	2021
	£	£
Arising from rental contracts	1,512,147	1,893,429

All deferred revenues are expected to be settled within 12 months from the reporting date.

21 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary A shares of £1 each	4,958,747	3,997,864	4,958,747	3,997,864
Ordinary B shares of £1 each	4,958,747	3,997,864	4,958,747	3,997,864
	9,917,494	7,995,728	9,917,494	7,995,728

A and B shares rank pari passu in all respects.

21 Share capital **(Continued)**

Reconciliation of movements during the year:

	Ordinary A Shares Number	Ordinary B Shares Number
At 1 April 2021	3,997,864	3,997,864
Bonus issue	960,883	960,883
At 31 March 2022	4,958,747	4,958,747

During the year ended 31 March 2022, a bonus issue of Ordinary A and B shares has been made to reduce the share premium account balance.

22 Share premium account

	2022 £	2021 £
At the beginning of the year	1,922,958	4
Issue of new shares	-	1,922,954
Bonus issue of shares	(1,921,766)	-
At the end of the year	1,192	1,922,958

As at 31st March 2021, a share issue remained outstanding in respect of properties purchased prior to the year end. 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 2022, a bonus issue of Ordinary A and B shares has been made to reduce the share premium account balance.

23 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:

	2022 £	2021 £
Within one year	4,880,097	4,328,975
One to two years	4,418,975	3,867,702
Two to three years	4,013,697	3,608,773
Three to four years	3,529,001	3,403,530
Four to five years	2,586,345	2,861,959
Over five years	5,597,406	4,855,807
Total undiscounted lease payments receivable	25,025,521	22,926,746

23 Other leasing information (Continued)

No contingent rental income has been recognised.

24 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.

25 Capital commitments

CIFCO Capital Limited has exchanged conditional contracts to purchase a new build convenience store pre-let to the Co-op, a deposit has been paid and is being held by the vendors solicitors as stakeholders. The transaction will complete subject to the convenience store being delivered and the Co-op completing the lease for the building by the longstop date in 2024. If the conditions are not met by the longstop date the contract will terminate and the deposit will be returned to CIFCO Capital Limited.

26 Related party transactions

Other transactions with related parties

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

	Finance costs		Recharged overhead costs	
	2022	2021	2022	2021
	£	£	£	£
Entities with joint control or significant influence over the company	4,430,548	3,125,830	70,000	70,000

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2022 £	2021 £
Entities with joint control or significant influence over the company	89,939,808	90,210,794

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

No guarantees have been given or received.

26 Related party transactions **(Continued)**

The company is under the joint ownership of MSDC (Suffolk Holdings) Limited, a 100% subsidiary of Mid Suffolk District Council and BDC (Suffolk Holdings) Limited, a 100% subsidiary of Babergh District Council.

During the year ended 31 March 2022, CIFCO Capital Limited incurred finance costs totaling £2,215,274 (2021: £1,562,915) payable to Babergh District Council. At 31 March 2022 it owed £44,927,904 (2021: £45,063,397) to Babergh District Council.

During the year ended 31 March 2022, CIFCO Capital Limited incurred finance costs totaling £2,215,274 (2021: £1,562,915) payable to Mid Suffolk District Council. At 31 March 2022 it owed £44,927,904 (2021: £45,063,397) to Mid Suffolk District Council.

In addition, CIFCO Capital Limited incurred overhead costs in the year to 31 March 2022 totaling £70,000 (2021: £70,000) payable to Babergh and Mid Suffolk District Councils. £70,000 was payable to the Councils at each year end in respect of these costs.

27 Directors' transactions

During the year a total of £38,000 (2021: £36,000) in management fees were paid to three non executive directors.

28 Cash generated from operations

	2022 £	2021 £
Profit/(loss) for the year after tax	6,714,851	(4,798,850)
Adjustments for:		
Taxation charged	2,838,633	217,222
Finance costs	4,430,548	3,125,830
Investment income	(616)	(7)
Other gains and losses	(9,404,401)	4,383,962
Movements in working capital:		
Increase in trade and other receivables	(455,757)	(477,948)
Increase in trade and other payables	242,729	185,784
(Decrease)/increase in deferred revenue outstanding	(381,282)	1,104,111
Cash generated from operations	3,984,705	3,740,104