

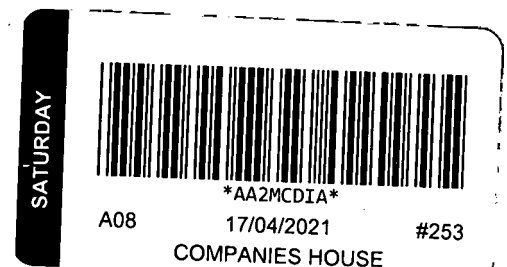


Company Registration No. 10718044 (England and Wales)

SHIRE HOMES LETTINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



SHIRE HOMES LETTINGS LIMITED

COMPANY INFORMATION

Directors

Mrs H Wood
Mr P R S Fane (Appointed 5 September 2019)

Company number

10718044

Registered office

South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridgeshire
CB23 6EA

Auditor

Ensors Accountants LLP
Saxon House
Moseley's Farm Business Centre
Fornham All Saints
Bury St Edmunds
Suffolk
IP28 6JY

SHIRE HOMES LETTINGS LIMITED

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SHIRE HOMES LETTINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present the strategic report for the year ended 31 March 2020.

Review of the business

Business Review

The Company was incorporated on 10 April 2017 and began trading during 2017/18, and therefore has now been trading for over two full financial years.

Shire Homes Lettings Limited was incorporated to assist South Cambridgeshire District Council in meeting its statutory responsibility to house homeless households. The principal activity of the company is to lease residential accommodation in the district from private landlords on leases of up to three years in term. These properties are then subsequently let to homeless households on assured short-hold tenancies with minimum period of six months.

The company is responsible for sourcing, leasing, sub-letting, collecting rents and repairing the properties, with the Council making payment to the Company in the form of a service fee for the net cost of the provision of the services. The operation of a private sector leasing scheme assists the Council in meeting its statutory responsibilities but minimises the use of alternative forms of short-term accommodation such as bed and breakfast, which can be cost prohibitive.

The Company is wholly owned by South Cambridgeshire District Council. The company is a private company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. The number of members at the period end was 2. The company is incorporated in England and Wales. The registered office is Cambourne Business Park, Cambourne, Cambridge, CB23 6EA.

The Company has adopted FRS 101 and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, South Cambridgeshire District Council ("South Cambs"), was notified of and did not object to the use of disclosure exemptions under FRS 101.

Principal Risks and Uncertainties

Contract Risk

Contract risk is the risk that the lack of understanding or effective management may lead to the erosion in value of a contract. The Company manages this risk by competitively tendering contracts and periodically reviewing contracts to ensure effective monitoring and adjustment of pricing, terms and conditions relevant to market conditions and contract and performance expectations. The company has previously purchased advice on the quality and suitability of the contract set up to provide a day to day maintenance service. As a result of the advice received, some changes have been made to operating procedures in order to maximise contract effectiveness, manage costs and also ensure compliance.

Interest Rate Risk

The Company does not currently have any borrowing, the finance costs included within the financial statements have arisen as a consequence of IFRS16. These finance costs relate to the difference between the actual cash flows and the discounted cash flows over the remaining term of each lease held by the company. Net operational costs are borne in year by the parent undertaking, South Cambridgeshire District Council.

SHIRE HOMES LETTINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

Principal Risks and Uncertainties (continued)

Price, Credit, Liquidity and Cash Flow Risk

Price risk is the risk of fluctuation in the market price for property leases yet to be entered into by the Company. The business model assumes 40 property leases will be entered into and thereafter increased by 10 a year. Those not yet in place are subject to price risk. The business model of the Company is linked closely to the level of Local Housing Allowance (LHA). Although LHA rates have been relatively consistent over recent years, any unexpected fluctuation in these will impact on the potential price of property leases. For future years, the wording of the Company's approach in all published literature will be amended to ensure that, in the event of a significant fluctuation in LHA levels, new property leases can be negotiated on comparable rates to existing leases.

Credit risk is the risk that one party to a transaction will cause financial loss for the other party by failing to discharge an obligation. The main exposure to credit risk relates to housing rental income and the Company reduces the risk of losses in this area of the business by supporting tenants to ensure that they are claiming all of the financial assistance to which they are entitled. Credit checks on prospective tenants are not undertaken and rental deposits are not collected, as the nature of the private sector leasing scheme is such that those in need of the accommodation are unlikely to pass credit checks or have funds available to meet a deposit. The net operational costs of the schemes are however underwritten by the Council in the form of the Service Fee in the Service Level Agreement. This arrangement ensures that the risk associated with non-collection of rental income is mitigated.

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. All trade and other payables are due to be paid in less than one year. Contractual commitments under the residential property leases can span up to three years, although there are provisions in place for earlier termination by either party of required.

Cash flow risk is the risk of exposure to variability in cash flows. The Company receives funding from the Council on a quarterly basis, with the actual costs incurred in the previous quarter adjusted for as part of the following quarter's payment, thus mitigating cashflow risks.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out elsewhere in the Strategic Report. The financial position of the Company [Shire Homes Lettings Limited] is set out in these financial statements. As a consequence, the Directors believe that the Company is well placed to manage its business risks effectively.

A Service Level Agreement has been agreed with South Cambridgeshire District Council to confirm the services to be provided and the basis for the service fee payable. The Service Level Agreement is in force until terminated by either party with the agreed period of notice.

The Directors have a reasonable expectation, with the Service Level Agreement in force, that the Company has adequate resources to continue in operational existence for the foreseeable future. They have therefore adopted a going concern basis of accounting in preparing the annual financial statements.

The Directors have also taken into consideration the effects that COVID-19 (coronavirus) may have on the company and on the ability of the parent entity to provide the funding required by the company. Potential financial risks (such as increased void times, impact on tenant's ability to pay rent etc.) have been reflected in an updated risk register along with appropriate mitigation measures. Following this review the Directors consider it appropriate that the financial statements are prepared on a going concern basis.

SHIRE HOMES LETTINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

The Company's key financial and other performance indicators during the period were as follows:

	2019-20	2018-19 (as restated)
Turnover	£539,930	£294,768
(Profit)/ Loss for period after taxation	£nil	(£6,739)

The period of trading returned no operating profit or loss for the period. The net costs of administering the private sector leasing scheme, after allowing for payment of lease premiums and responsive repairs and recovering rents due under assured short hold tenancies is met in full through the Service Level Agreement mechanism in place with the parent undertaking, South Cambridgeshire District Council.

Key achievements in the period to 31 March 2020 include entering into additional leases for self contained properties. These properties are then sub-let under assured short hold tenancies to house homeless households and those at risk of homelessness, to assist the Council in meeting its statutory homelessness obligations. At 31 March 2020 the Company held 44 leases for self contained units. This means the original Business Plan target to acquire 40 properties has been met.

In addition, during the 2019/20 financial year the Company entered into a pilot project to set up and manage Homes in Multiple Occupation (HMOs) in order to assist with the demand for single person accommodation. The HMO project is financed separately via an additional funding allocation from Central Government. As at 31st March 2020, the Company managed two HMO properties and 7 bed spaces.

Future Developments

The company's performance will be strategically reviewed by the board, with the potential to offer the service on a wider geographical basis. Discussions continue with neighbouring authorities, to explore whether the Shire Homes model can assist with reducing their temporary accommodations costs.

On behalf of the board

 26/11/2020

Mrs H Wood
Director

SHIRE HOMES LETTINGS 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.

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.

No preference 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:

Mrs H Wood

Mr P R S Fane

(Appointed 5 September 2019)

Financial Instruments

The Company's operating expenses are met through the rent that it recovers from sub-tenants and the service fee which it recovers from its parent company, South Cambridgeshire District Council, with disclosures in note 16. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Financial instruments give rise to interest rate and price, credit risk, liquidity and cash flow risk information, as highlighted within the Strategic report.

Auditor

In accordance with the company's articles, a resolution proposing that Ensors Accountants LLP be reappointed as auditor of the company will be put at a General Meeting.

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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mrs H Wood

Director

Date: 26/11/2020

SHIRE HOMES LETTINGS 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SHIRE HOMES LETTINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHIRE HOMES LETTINGS LIMITED

Opinion

We have audited the financial statements of Shire Homes Lettings 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 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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.

SHIRE HOMES LETTINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SHIRE HOMES LETTINGS LIMITED

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.

SHIRE HOMES LETTINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SHIRE HOMES LETTINGS LIMITED

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.

Barry Gostling (Senior Statutory Auditor)
for and on behalf of Ensors Accountants LLP

4 December 2020
.....

Chartered Accountants
Statutory Auditor

Saxon House
Moseley's Farm Business Centre
Fornham All Saints
Bury St Edmunds
Suffolk
IP28 6JY

SHIRE HOMES LETTINGS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Revenue	4	539,930	294,768
Cost of sales		(327,935)	(178,192)
Gross profit		211,995	116,576
Administrative expenses		(188,337)	(107,563)
Operating profit	5	23,658	9,013
Finance costs	8	(23,658)	(15,752)
Profit/(loss) before taxation		-	(6,739)
Tax on profit/(loss)	9	-	-
Profit/(loss) and total comprehensive income for the financial year		-	(6,739)

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


SHIRE HOMES LETTINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Non-current assets			
Property, plant and equipment	10	599,029	517,216
Current assets			
Trade and other receivables	12	95,306	63,775
Cash and cash equivalents		6,290	27,319
		<u>101,596</u>	<u>91,094</u>
Current liabilities			
Trade and other payables	14	99,371	91,094
Lease liabilities	15	340,752	298,943
		<u>440,123</u>	<u>390,037</u>
Net current liabilities		<u>(338,527)</u>	<u>(298,943)</u>
Total assets less current liabilities		<u>260,502</u>	<u>218,273</u>
Non-current liabilities			
Lease liabilities	15	270,878	228,649
Net liabilities		<u>(10,376)</u>	<u>(10,376)</u>
Equity			
Retained earnings		<u>(10,376)</u>	<u>(10,376)</u>

The financial statements were approved by the board of directors and authorised for issue on 26/11/2020 and are signed on its behalf by:



 Mrs H Wood
 Director

Company Registration No. 10718044

SHIRE HOMES LETTINGS LIMITED

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

	Retained earnings £
As restated for the period ended 31 March 2019:	
Balance at 1 April 2018	-
Transition to IFRS 16	(3,637)
As restated	(3,637)
Year ended 31 March 2019:	
Loss and total comprehensive income for the year	(6,739)
Balance at 31 March 2019	(10,376)
Year ended 31 March 2020:	
Balance at 31 March 2020	(10,376)

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company Information

Shire Homes Lettings Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is South Cambridgeshire Hall, Cambourne Business Park, Cambourne, Cambridgeshire, CB23 6EA.

The company lease residential accommodation in the district from private landlords on leases of up to three years in term. These properties are subsequently let to homeless households on assured short-hold tenancies for periods of up to one year.

These financial statements are presented in British Pounds Sterling because that is the currency of the primary economic environment in which the company operates. Monetary amounts in the financial statements are rounded to the nearest £.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of South Cambridgeshire District Council in which the entity is consolidated;

- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the company shall not present a statement of compliance with IFRS;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;

Where required, equivalent disclosures are given in the group accounts of South Cambridgeshire District Council. The group accounts of South Cambridgeshire District Council are available to the public and can be obtained as set out in note 18.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.2 Going concern

A Company's financial statements should be prepared on a going concern basis, that is, the financial statements should be prepared on the assumption that the Company will continue in operational existence for the foreseeable future. This means in particular that the Statement of Comprehensive Income and Balance Sheet assume no intention to curtail significantly the scale of the operation.

The Directors of the Company and South Cambridgeshire District Council, being the parent entity, believe that the Company is well placed to manage its business risks successfully.

On-going operational funding arrangements have been agreed with South Cambridgeshire District Council in the form of a Service Level Agreement.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Directors have adopted the going concern basis in preparing the annual report and accounts.

The Directors have also taken into consideration the effects that COVID-19 (coronavirus) may have on the company and on the ability of the parent entity to provide the funding required by the company. Potential financial risks (such as increased void times, impact on tenant's ability to pay rent etc.) have been reflected in an updated risk register along with appropriate mitigation measures. Following this review the Directors consider it appropriate that the financial statements are prepared on a going concern basis.

1.3 Revenue

Turnover represents amounts received and receivable, excluding any value added tax, in respect of goods and services provided during the period. Turnover, all of which arises in the United Kingdom, is currently attributable to two activities, the sub-letting of leased residential properties and the provision of private sector leasing services to South Cambridgeshire District Council to assist in meeting their statutory responsibilities to house homeless households, and those at risk of becoming homeless.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rental income

Rental income arising through tenancy agreements for properties which are leased by the Company is accounted for on a weekly basis in line with that charged via the tenancy agreement.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	over the period of the lease
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 7 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.7 Financial assets

Financial assets are classified as financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets as appropriate.

The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

The Company's financial assets include cash and trade receivables.

Financial assets held at amortised cost

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost, less impairment.

Losses arising from impairment are recognised in the Statement of Comprehensive Income.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

- ✱ Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.8 Financial liabilities

- ✱ Financial liabilities are classified as financial liabilities at fair value through profit and loss or loans and borrowings as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of any loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends upon their classification, with the Company currently having no loans or borrowing.

Other financial liabilities

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arms length market transactions; reference to the current value of another fair value instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Derecognition of financial liabilities

A liability is generally derecognised, when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred, are recognised in the profit or loss.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

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 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at fair value, as the assets are held as investment properties. Any gains or losses resulting from revaluation are recognised in the Statement of Comprehensive Income in the period in which they arise.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

1.11 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

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

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 16 - Leases

These amendments bring operating leases onto the balance sheet as right-of-use assets and lease obligations. This does impact the company's reported position, as the company has applied the fully retrospective approach.

The company has applied IFRS 16 for the first time using the fully retrospective approach and has therefore restated the comparative financial information and recognised the impact of adoption in the opening balance of retained earnings at the date of transition (1 April 2018).

The company's accounting policies for leases are disclosed in note 1.11. Apart from the recognition of a right-of-use asset and lease liability on the Income Statement and the corresponding decrease in rental expense and increase in depreciation and interest expense in the Statement of Comprehensive Income, the application has not had a significant impact on the financial position or financial performance of the Company. The amount of adjustment for each financial statement line affected by the application of IFRS 16 is illustrated in note 20.

3 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

International Accounting Standards requires disclosure of the significant judgements that affect the amounts recognised in the financial statements. This does not mean that every accounting judgement should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgement taken.

The Company holds a provision for bad debts at the end of the accounting period, these relate to specific debts reviewed for their recoverability at the year end date.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

4 Revenue

	2020 £	2019 £
Revenue analysed by class of business		
Rental Income	327,376	174,923
Other Income	212,554	119,845
	<u>539,930</u>	<u>294,768</u>

5 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	5,985	5,760
Depreciation of property, plant and equipment	299,101	163,504
Loss on disposal of property, plant and equipment	<u>1,951</u>	<u></u>

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	<u>5,985</u>	<u>5,760</u>
For other services		
Tax services	1,575	1,515
Other services	<u>2,853</u>	<u>3,585</u>
Total non-audit fees	<u>4,428</u>	<u>5,100</u>

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

7 Employees

During the period the Company had no employees, all staff costs have been incurred by South Cambridgeshire District Council and recharged to the Company. The total recharge for employee related contracted services was £75,948 (2019: £62,260).

8 Finance costs

	2020	2019 as restated
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	7	
Other finance costs:		
Unwinding of discount on provisions	23,651	15,752
Total finance costs	23,658	15,752

9 Taxation

	2020	2019
	£	£
The charge for the year can be reconciled to the loss per the income statement as follows:		
	2020	2019
	£	£
Loss before taxation	-	(6,739)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2019: 19.00%)		(1,280)
Effect of expenses not deductible in determining taxable profit	35,083	20,945
Income not taxable	(50,062)	(21,567)
Change in unrecognised deferred tax assets	19,451	1,902
Other non-reversing timing differences	(4,248)	
Adjust deferred tax to average rate of 19%	(224)	
Taxation charge for the year	12,000	12,000

The company has an unrecognised deferred tax asset of £21,353 (2019: £1,902) at the year-end.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

10 Property, plant and equipment

	Leasehold land and buildings £
Cost	
At 31 March 2019 - as restated	702,881
Additions	397,759
Disposals	(26,873)
At 31 March 2020	1,073,767
Accumulated depreciation and impairment	
At 31 March 2019 - as restated	185,665
Charge for the year	299,101
Eliminated on disposal	(10,028)
At 31 March 2020	474,738
Carrying amount	
At 31 March 2020	599,029
At 31 March 2019 - as restated	517,216

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2020 £	2019 £
Net values		
Property	599,029	517,216
Additions	397,759	494,300
Depreciation charge for the year		
Property	299,101	163,504

11 Credit risk

There are no significant concentrations of credit risk within the Company unless otherwise disclosed.

The Company has procedures to minimise the risk of default by trade debtors, including the provision of support to ensure that all financial assistance to which the debtors are entitled, is pursued.

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.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

12 Trade and other receivables

	2020 £	2019 £
Trade receivables	29,389	17,406
Provision for bad and doubtful debts	(4,972)	(6,362)
	<u>24,417</u>	<u>11,044</u>
VAT recoverable	922	3,010
Amount owed by parent undertaking	33,029	28,806
Other receivables	5,474	
Prepayments and accrued income	31,464	20,915
	<u>95,306</u>	<u>63,775</u>

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

Amounts owed by group undertakings consist of 33,029 (2019: £28,806), which is representative of the sum due to the Company for the balance of the Service Fee for 2019/20 following the adjustment made at the end of quarter 4, 2019/20.

13 Liabilities

		Current 2020 £	2019 as restated £	Non-current 2020 £	2019 as restated £
	Notes				
Trade and other payables	14	99,371	91,094	-	
Lease liabilities	15	340,752	298,943	270,878	228,649
		<u>440,123</u>	<u>390,037</u>	<u>270,878</u>	<u>228,649</u>

14 Trade and other payables

	2020 £	2019 £
Payments received on account	2,127	2,338
Amount owed to parent undertaking	85,669	80,832
Accruals and deferred income	11,575	7,924
	<u>99,371</u>	<u>91,094</u>

Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms. Payments received on account are also non-interest bearing.

Amounts owed to group undertakings of £85,669 (2019: £80,832) relate to recharges for contracted services, owed by the Company to South Cambridgeshire District Council.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

15 Lease liabilities

	2020	2019
	£	as restated £
Maturity analysis		
Within one year	358,247	322,594
In two to five years	278,254	253,520
Total undiscounted liabilities	636,501	576,114
Future finance charges and other adjustments	(24,871)	(48,522)
Lease liabilities in the financial statements	611,630	527,592

Lease liabilities 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	340,752	298,943
Non-current liabilities	270,878	228,649
	611,630	527,592

Interest on lease liabilities

At 31 March 2020, the Company holds 44 separate operating leases for residential dwellings utilised for sub-letting purposes across the district. Each lease has a term of 3 years, unless a break clause is invoked at the end of 12 months by either party. The company is responsible for all day to day repairs whilst the head landlord (property owner) remains responsible for any major repairs and improvements required to the properties during the period of each lease. The leases currently expire between 24 September 2020 and 9 February 2023.

The total cash outflow for leases in the year is £322,594 (2019: £171,818).

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The company then subleases these properties to individual tenants. The leases are negotiated over terms of 6 to 12 months and rentals are fixed for that period. The leases may continue on a monthly rolling basis if agreed by all parties.

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the reporting end date is £32,632 (2019 - £21,213).

16 Company Limited by Guarantee

The company is limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1. The number of members at the period end was 1, with this being the parent company, South Cambridgeshire District Council.

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

17 Related party transactions

Remuneration of key management personnel

The company has taken the disclosure exemption under FRS 101 to not disclose the remuneration of Key Management Personnel, as detailed in the accounting policies.

Other transactions with related parties

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

	Sale of goods		Purchase of goods	
	2020	2019	2020	2019
	£	£	£	£
Parent entity	211,021	119,846	153,152	80,832

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2020	2019
	£	£
Parent entity	85,669	80,832

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2020	2019
	£	£
Parent entity	33,029	28,806

Terms and conditions of transactions with related parties:

All the related party transactions above were with the parent company.

During the period ended 31 March 2020 and the previous year, the Company has made no provision for doubtful debts relating to amounts owned by related parties.

No guarantees have been given or received.

There were no transactions with Directors to disclose.

18 Controlling party

The Company's immediate and ultimate parent undertaking is South Cambridgeshire District Council. The Company is included within these group accounts which are publicly available at: <https://www.scambs.gov.uk/content/statement-accounts-and-annual-governance-statement>

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

19 Transition adjustments

The prior period results have been amended to reflect adjustments required on transition to IFRS 16. The company has elected to apply the fully retrospective approach, as described in note 2. The below schedules set out the changes to each financial statement line item as a result of this transition.

Reconciliation of equity

	Notes	1 April 2018 £	31 March 2019 £
Equity as previously reported			
Adjustments arising from transition:			
Decrease in rent expense on transition to IFRS 16		-	172,517
Increase in depreciation expense on transition to IFRS 16			(163,504)
Increase in finance costs on transition to IFRS 16			(15,752)
Broughtforward impact of IFRS 16 prior to 1 April 2018		(3,637)	(3,637)
Equity as restated		<u>(3,637)</u>	<u>(10,376)</u>

Reconciliation of profit/(loss) for the financial period

	Notes	2019 £
Profit as previously reported		
Adjustments arising from transition:		
Decrease in rent expense on transition to IFRS 16		172,517
Increase in depreciation expense on transition to IFRS 16		(163,504)
Increase in finance costs on transition to IFRS 16		(15,752)
Loss as restated		<u>(6,739)</u>

Reconciliation of equity

	Notes	At 1 April 2018			At 31 March 2019		
		Previously reported £	Effect of transition £	As restated £	Previously reported £	Effect of transition £	As restated £
Fixed assets							
Property, plant and equipment				-	-	517,216	517,216
Current assets							
Bank and cash		32,372	-	32,372	27,319	-	27,319

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

19 Transition adjustments

(Continued)

Notes	At 1 April 2018			At 31 March 2019		
	Previously reported £	Effect of transition £	As restated £	Previously reported £	Effect of transition £	As restated £
Creditors due within one year						
Finance leases	-	-	-	-	(298,943)	(298,943)
Taxation	(43)	-	(43)	-	-	-
Other payables	(66,958)	-	(66,958)	(91,094)	-	(91,094)
	<u>(67,001)</u>	<u>-</u>	<u>(67,001)</u>	<u>(91,094)</u>	<u>(298,943)</u>	<u>(390,037)</u>
Net current liabilities	<u>(34,629)</u>	<u>-</u>	<u>(34,629)</u>	<u>(63,775)</u>	<u>(298,943)</u>	<u>(362,718)</u>
Total assets less current liabilities	<u>(34,629)</u>	<u>-</u>	<u>(34,629)</u>	<u>(63,775)</u>	<u>218,273</u>	<u>154,498</u>
Creditors due after one year						
Finance leases	-	-	-	-	(228,649)	(228,649)
Net assets	<u>(34,629)</u>	<u>-</u>	<u>(34,629)</u>	<u>(63,775)</u>	<u>(10,376)</u>	<u>(74,151)</u>
Equity						
Profit and loss	-	(3,637)	(3,637)	-	(10,376)	(10,376)

Reconciliation of profit/(loss) for the financial period

Notes	Year ended 31 March 2019			As restated £
	Previously reported £	Prior year adjustment £	Effect of transition £	
Revenue	304,426	(9,658)	-	294,768
Cost of sales	(196,863)	9,658	9,013	(178,192)
Gross profit	<u>107,563</u>	<u>-</u>	<u>9,013</u>	<u>116,576</u>
Administrative expenses	(107,563)	-	-	(107,563)
Finance costs	-	-	(15,752)	(15,752)
Taxation	-	-	-	-
Profit/(loss) for the financial period	<u>-</u>	<u>-</u>	<u>(6,739)</u>	<u>(6,739)</u>

SHIRE HOMES LETTINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

19 Transition adjustments

(Continued)

Notes to reconciliations

The adjustments detailed above are in respect of the following:

- Recognition of the right-of-use assets for all leases where the company is lessor as of 1 April 2018
- Recognition of the corresponding lease liabilities
- Removal of the operating lease expense previously charged to the Income Statement
- Charging the Income Statement for depreciation on the right-of-use asset and finance costs in respect of the lease liabilities

Brought forward retained earnings have been amended to reflect the impact of transition to IFRS 16 prior to 1 April 2018.

20 Prior period adjustments

The prior period results have been amended to reflect a prior period error identified in relation to rechargeable repairs. Repairs are recharged onto the property landlords, in line with the lease agreements in place between the Company and the landlord. Historically, the company was recognising the repairs costs within Cost of sales and the recharged amount within Revenue. Under IFRS, costs passed onto another party are required to offset against the costs charged, rather than be recognised as revenue.

The adjustment reduces both revenue and cost of sales by £9,658, therefore, having no profit impact.

Changes to the statement of financial position

	At 31 March 2019		
Balances as restated before IFRS 16 transition adjustments:	Previously reported	Adjustment	As restated
	£	£	£
Net assets	(63,775)	-	(63,775)
Capital and reserves			
Total equity			

Changes to the income statement

	Period ended 31 March 2019		
Balances as restated before IFRS 16 transition adjustments:	Previously reported	Adjustment	As restated
	£	£	£
Revenue	304,426	(9,658)	294,768
Cost of sales	(196,863)	9,658	(187,205)
Profit/(loss) for the financial period			