

# **Harborough District Commercial Services Ltd**

Registered Number: 11747237

## **Report and Financial Statements**

**For the period ended 31 March 2019**

## Harborough District Commercial Services Ltd

### Company Information

Director                      Mr Norman Proudfoot (appointed 2 January 2019)

Company number            11747237

Registered Office            The Symington Building  
Adam and Eve Street  
Market Harborough  
Leicestershire  
LE16 7AG

Auditors                      Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

# Harborough District Commercial Services Ltd

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# **Harborough District Commercial Services Ltd**

## **Director's Report**

The director presents his report and the audited financial statements of the company for the period ended 31 March 2019.

### **Director**

The sole director who served during the period was:

N Proudfoot (appointed 2 January 2019)

### **Principal activities**

Harborough District Commercial Services Ltd is a newly formed entity incorporated on 2 January 2019. The principal activity of the company is the operating and leasing of real estate.

### **Statement of director's responsibilities**

The director is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards. Under company law, the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

### **Brexit**

We have considered the potential impact of Brexit on the Company and whilst there may be significant effects for the wider economy which could in turn affect the Company's performance, we have not identified any specific risk that is material enough to require further disclosure here.

### **Disclosure of information to audit**

The director has confirmed that:

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

### **Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

**This report was approved by:**

x 

**Norman Proudfoot**

**Director**

**19 December 2019**

## **Harborough District Commercial Services Ltd**

### **Independent auditors report to the members of Harborough District Commercial Services Ltd**

#### **Opinion**

We have audited the financial statements of Harborough District Commercial Services Limited (the 'company') for the period ended 31 March 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of changes in Equity 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 FRS 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 2019 and of its loss for the period 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.

#### **The impact of uncertainties due to Britain exiting the European Union on our audit**

The Director's view on the impact of Brexit is disclosed on page 5.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

### **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 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 the audit:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

- the Directors' Report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In 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 Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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



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

### **Use of the audit 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.

Alistair Wesson (Senior Statutory Auditor) for and on behalf of Mazars LLP Chartered Accountants and Statutory Auditor  
Park View House, 58 The Ropewalk, Nottingham, NG1 5DW

## Harborough District Commercial Services Ltd

### Income Statement

For the period ended 31 March 2019

	Note	31 March 2019 £
<b>Revenue from services</b>		11,674
Cost of sales		(72,115)
<b>Gross profit</b>		<u>(60,441)</u>
Administrative expenses		(6,100)
<b>Operating profit</b>		<u>(66,541)</u>
Interest payable	4	(5,120)
<b>Loss before taxation</b>		<u>(71,661)</u>
Tax on profit		0
<b>Loss for the period</b>		<u><u>(71,661)</u></u>

# Harborough District Commercial Services Ltd

## Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019 £
<b>Non current assets</b>		
Investment property	6	<u>3,980,015</u>
<b>Current assets</b>		
Trade and other receivables	7	11,812
<b>Current liabilities</b>		
Trade and other payables	8	(81,347)
<b>Net current liabilities</b>		<u>(69,535)</u>
<b>Total assets less current liabilities</b>		3,910,480
<b>Non current liabilities</b>		
Loan account	8	(1,832,141)
<b>Net assets</b>		<u>2,078,339</u>
<b>Capital and reserves</b>		
Called up share capital	9	2,150,000
Profit and loss account		(71,661)
<b>Total equity</b>		<u>2,078,339</u>

The directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

**These financial statements were approved and authorised for issue by:**

X 

**Mr N Proudfoot Director**

**19 December 2019**

## Harborough District Commercial Services Ltd

### Statement of Changes in Equity for the period ending 31 March 2019

	Share Capital £	Profit and Loss Account £	Total Equity £
Shares issued (as at 2 January 2019)	2,150,000	-	2,150,000
Loss for the period	-	(71,661)	(71,661)
<b>Balance as at 31 March 2019</b>	<u>2,150,000</u>	<u>(71,661)</u>	<u>2,078,339</u>

# Harborough District Commercial Services Ltd

## Notes to the financial statements

### 1) Summary of Significant Accounting Policies

#### a) General Principles

The financial statements summarise the company's transactions for the 2018/19 financial year and its position as at 31 March 2019. They have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) and applicable law. FRS 101 has been applied reducing necessary disclosures as the company is the wholly owned subsidiary of Harborough District Council and has been consolidated into the Group Accounts for the year ending 31 March 2019 which can be obtained through the website [www.harborough.gov.uk](http://www.harborough.gov.uk).

The financial statements have been prepared on a going concern basis.

#### b) Financial Reporting Standard 101- Reduced Disclosure Exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- 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 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

#### c) Accruals of Income and Expenditure

The revenue and capital accounts of the company are maintained on an accruals basis. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

- **Revenue from contracts with service recipients** – whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- **Interest** – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- **Supplies and Services** – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued.

#### **d) 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 no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **e) Contingent Assets and Liabilities**

Contingent assets and liabilities arise when an event has taken place that gives the company a possible asset or obligation, but needs another future event not controlled by the company to confirm the asset or obligation.

Contingent assets and liabilities are not recognised in the accounts, but are instead disclosed by means of a note to the balance sheet, where the inflow of a receipt or economic benefit is probable.

#### **f) 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.

### **g) Foreign Currency Translation**

From time to time the company may receive income or incur expenditure in a foreign currency. In such circumstances the transaction is converted into sterling at the exchange rate in operation on the date on which the transaction occurred.

### **h) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

- **Finance leases**  
The company does not presently have any assets acquired by way of finance lease.
- **Operating leases**  
The company does not pay any rentals under operating leases. Where the company grants an operating lease over property, plant or equipment the asset is retained in the Balance Sheet. Rental income is credited on a straight-line basis over the life of the lease, even if this does not match the pattern of the payment, to profit or loss.

### **i) Provisions**

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Where applicable, these provisions are detailed in the notes to the financial statements. Provisions are charged against profit or loss in the year that the company becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred it is charged to the provision set up in the balance sheet.

### **j) Value Added Tax**

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

### **k) Investment Property**

Investment Properties are those that are used solely to earn rentals and /or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length, unless the company can demonstrate that the carrying value is not materially different from the fair value.

Properties are not depreciated but are revalued annually according to market conditions at the year end. Changes in value are recognised in the profit or loss for the year.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset should be accounted for on a cost basis and depreciation charged.

### **l) Fair Value Measurement**

The company measures its investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The company measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of an asset, the company takes into account a market participants ability to generate economic benefits by using the asset in its highest or best use or by selling it to another market participant that would use the asset in its highest or best use.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **m) Taxation**

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. Deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted at the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used.



## **2) Critical accounting estimates and judgements**

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

The key source of estimation uncertainty that have significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year would be the fair value of investment property as this is subject to change in the current market.

## **3) Auditors Remuneration**

Auditors remuneration for audit services of £4,500 was payable during the period.

## **4) Interest payable**

Loan interest of £5,120 was payable to the parent during the period.

## **5) Director's remuneration**

No remuneration was payable to the director during the period.

**6) Tax charge per accounts**

	<b>2019 £</b>
<b>Analysis of tax charge/(credit) for the period:</b>	
<i>Current tax</i>	
UK corporation tax at 19.00%	-
<i>Deferred tax</i>	
Origination and reversal of temporary differences	-
Tax on profit on ordinary activities	<b>nil</b>
<b>Provision for deferred tax:</b>	
<i>Movement in provision</i>	
Provision at start of period	-
Deferred tax charged in the income statement for the period	-
Provision at end of period	<b>nil</b>
<b>Reconciliation of tax charge:</b>	
Loss on ordinary activities before tax	(71,661)
Tax on loss on ordinary activities at standard CT rate of 19.00%	(13,616)
<i>Effects of:</i>	
Expenses no deductible for tax purposes	7,221
Adjust closing deferred tax to average rate of 19.00%	673
Deferred tax not recognised	5,722
Tax charge/(credit) for the period	<b>nil</b>

**7) Investment property**

	<b>2019 £</b>
Additions	3,980,015
<b>Balance as at 31 March</b>	<b>3,980,015</b>

Investment property has been valued by the director at historical cost as the property was purchased close to the period end on 15 March 2019.

### 8) Trade and other receivables

	<b>2019 £</b>
Trade receivables	5,396
Other receivables	6,416
<b>Balance as at 31 March</b>	<b>11,812</b>

### 9) Trade and other payables

	<b>2019 £</b>
<b>Current:</b>	
Amounts owed to parent	75,247
Other payables	6,100
	<b>81,347</b>
<b>Non current:</b>	
Amounts owed to parent	<b>1,832,141</b>

### 10) Share capital

	<b>2019 £</b>
Allotted, called up and fully paid Issued during the year	
<b>2,150,000 Ordinary shares of £1 each</b>	<b>2,150,000</b>

### **11) Details of parent undertaking**

The ultimate parent undertaking is Harborough District Council, registered address The Symington Building, Adam and Eve Street, Market Harborough, Leicestershire, LE16 7AG.

### **12) Operating leases**

The company, as lessor, maintains operating leases for its investment property at The Square, Market Harborough, consisting of 3 shop units and 5 flats.

The revenue shown in the Income Statement wholly represents rentals receivable under these operating leases.

Total future minimum lease payments receivable under non-cancellable operating leases in future years are:

	<b>2019</b>
	<b>£</b>
<b>Minimum lease payments due in future years:</b>	
Not later than one year	175,278
Later than one year and not later than five years	84,301
Later than five years	0
	<b>259,579</b>

### **13) Contingent Liability**

The company may be required to pay a further £500,000 as part of the acquisition of the assets. The liability is contingent on the lease renewal of one of the tenants, the outcome of which is currently uncertain. If the liability comes due, then the parent council will provide additional funding to settle the debt.