

Appendix 1

Oportunitas Board Meeting 24 August 2020

Oportunitas Limited Financial Outturn for 2019/20 (Subject to Audit)

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1. Introduction

- 1.1 This paper provides a summary of the provisional financial outturn position for the company for the year ending 31 March 2020. The Profit and Loss Account and the Balance Sheet are subject to an independent Audit.
- 1.2 The Board will be separately asked to consider and approve the audited accounts for the year ending 31 March 2020 later this year.

2. Profit and Loss Account 2019/20

- 2.1 The Profit and Loss Account for the year ending 31 March 2020 is shown below together with comparative information for the previous financial year.

<u>Profit and Loss Account</u>	2019/20	2018/19
	£	£
Housing Rental		
Rental Income	250,075	238,997
Rental Expenses	<u>(87,105)</u>	<u>(63,415)</u>
Net	162,970	175,582
Grounds Maintenance		
Income	24,451	66,033
Expenses	<u>(17,480)</u>	<u>(58,109)</u>
Net	6,971	7,924
Overheads		
Directors Remuneration	(8,923)	(12,508)
FHDC Officer Support	(24,000)	(15,741)
Operating Expenses	<u>(16,170)</u>	<u>(20,383)</u>
Total Overheads	(49,093)	(48,632)
Loan Interest	(172,561)	(167,166)
Unrealised Property Valuation Changes	209,993	132,952
Profit before Tax	<u>158,280</u>	<u>100,660</u>
Deferred Tax on Profit	<u>(39,570)</u>	<u>(25,261)</u>
Profit after Tax	<u>118,710</u>	<u>75,399</u>

- 2.2 The profit before taxation of £158k includes the unrealised valuation gain of £210k for the Company's property portfolio. The company's property portfolio is required to be valued at 31 March each year and the latest valuation, undertaken by the independent valuer Sibley Pares, shows there has been an average increase of about 4.5% over the year.
- 2.3 Excluding the valuation gain, the company has made an operating loss of £52k for the financial year, £20k more than that for the previous year. The main reason for this increase is a provision for bad debts on rental income of £10k being made.
- 2.4 The Grounds Maintenance position reflects the decision to focus on tree works rather than general gardening services. This has had little impact on the company's net operating profit for the year. The Board are reminded that the company receives a net income of 20% over the cost of the work undertaken by the contractor, the Council's Grounds Maintenance
- 2.5 As previously outlined to the Board, the company's trading activities of residential property lettings and grounds maintenance cover their direct costs, including loan interest, but do not generate sufficient surpluses to meet its overheads. The point of the strategic financial review in early 2018 was to agree a way forward through additional investment which would allow the company to become financially sustainable over the medium term and to continue to provide a return to the Council.
- 2.6 The deferred Corporation Tax is based on the profit before tax and will only start to become payable when the Company makes an operating profit or should any assets be sold.

3. Balance Sheet at 31 March 2020

- 3.1 The Balance Sheet for the year ending 31 March 2020 with comparative information for the previous financial year and supporting notes is shown in appendix 1 to this paper.

4. Recommendations

- 4.1 The Board note the provisional outturn financial position for the year ending 31 March 2020.

Appendix 1				
Oportunitas Ltd - Draft Balance Sheet at 31 March 2020				
		31/03/2020		31/03/2019
Fixed Assets	£	£	£	£
Investment Assets	6,127,550		4,563,500	
		6,127,550		4,563,500
Current Assets				
Debtors	21,414		26,836	
Bank Account	206,376		47,113	
VAT Liability	(428)		11,284	
	227,362		85,233	
Current Liabilities				
Creditors : Short Term	(18,540)		(19,992)	
Loans (principal due within 12 monhs)	(27,444)		-	
Loan Interest	-		(458,399)	
	(45,984)		(478,391)	
Current Assets less Current Liabilities:		181,378		(393,158)
Total Assets less Current Liabilities:		6,308,928		4,170,342
Long Term Liabilities				
Creditors : Long Term				
Loans	(4,281,306)		(3,611,000)	
Deferred Corporation Tax	(69,400)		(29,830)	
		(4,350,706)		(3,640,830)
Total Assets less Total Liabilities:		1,958,222		529,512
Capital & Reserves				
Share Capital		955		300
Share Premium		1,787,796		478,451
Profit & Loss Account		169,471		50,761
		1,958,222		529,512

Notes to the Balance Sheet

1. Investment Assets

The company own 12 properties providing 38 units of residential accommodation and one commercial unit for rent. During the year the company entered into a contract and paid a deposit to acquire further residential units at the site of the former Royal Victoria Hospital (RVH) in Folkestone from a local developer. The change in value of the portfolio over the year is summarised below:

	£
Portfolio value at 31 March 2019	4,563,500
Conversion works	79,057
Deposit – RVH Site	1,275,000
Valuation Gains	209,993
Portfolio value at 31 March 2020	<u>6,127,550</u>

2. Debtors

	31 March 2020	31 March 2019
	£	£
Rent Arrears	19,527	11,227
Less Bad Debt Provision	(10,000)	-
Net Rent Arrears	9,527	11,227
Prepayments	9,681	8,598
Trade Debtors	2,206	7,011
Total Debtors	21,414	26,836

3. Creditors (Short Term)

	31 March 2020	31 March 2019
	£	£
Trade Creditors	14,528	15,973
Receipts in Advance	2,137	2,144
Rent Deposit	1,875	1,875
Total Creditors	18,540	19,992

4. Loans

The Council has a loan agreement the Company to support the acquisition of property (£4.309m) and provide a working capital facility (£0.3m) for short term cash flow requirements. The existing loan facility for property acquisitions has been fully utilised during 2019/20 and this becomes repayable from 30 September 2020 over a 45 year period. The movement in loans over the year is summarised below

	Housing Acquisition Loan	Working Capital Loan	Total Loans
	£'000	£'000	£'000
Balance 31 March 2019	(3,531)	(80)	(3,611)
Advances	(778)	-	(778)
Repayments	-	80	80
Balance 31 March 2020	(4,309)	-	(4,309)
Due less 12 months	28		
Due long term	4,281		
Total	4,309		

5. Share Capital and Share Premium

The Council has increased its investment in the Company during 2019/20. This is part of an agreed investment package of £6.9m to support the Company's expansion to enable it to trade sustainable in the long term while providing a return to the Council as the sole shareholder.

6. Profit and Loss Account Reserve

The Profit and Loss Account Reserve is analysed in the table below

	Operating Loss	Deferred Tax Liability	Valuation Changes	Total
	£'000	£'000	£'000	£'000
Balance B/F	(258)	(30)	339	51
Movement 19/20	(52)	(39)	210	119
Balance C/F	(310)	(69)	549	170