

REGISTERED NUMBER: 10832066 (England and Wales)

Report of the Directors and
Financial Statements
for the Year Ended 31 March 2021
for
Aegus Construction Limited

Contents of the Financial Statements
for the Year Ended 31 March 2021

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Statement of Cash Flows	11
Notes to the Financial Statements	12

Aequus Construction Limited
Company Information
for the Year Ended 31 March 2021

DIRECTORS: D P E Quilter
T Richens

REGISTERED OFFICE: Guildhall
Bath
BA1 5AW

REGISTERED NUMBER: 10832066 (England and Wales)

Aequus Construction Limited

Report of the Directors for the Year Ended 31 March 2021

The directors present their report with the financial statements of the company for the year ended 31 March 2021.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property development and construction.

REVIEW OF BUSINESS

It gives us great pleasure to present this Annual Report to the shareholder, showing the continued progress of the company.

ACL is as a wholly owned subsidiary of Aequus Developments Limited (ADL), established to deliver the construction and development of sites for Bath & North East Somerset Council (the Council).

The separation of ADL and ACL allows them to focus on their differing businesses, taking advantage of the different areas of expertise of management and professional advisors, together with separating the risks associated with the specific areas of operation.

Operational progress: during the year, 2020/21 has been hugely successful with the sale of 62 Riverside View apartments completed during the year bringing the total to 83 completions as at the 31st March 2021, leaving 12 apartments reserved remaining.

Our second development at Sladebrook Road, Bath is progressing well and the site will deliver 9 low energy family homes on a site acquired from the market. Two of the properties will be acquired by the Council for affordable shared ownership. The show home will be finished by the end of August 2021 and Gregorys our sales agent will be marketing the properties with considerable interest already registered.

We also completed the transfer of 117 Newbridge Hill, Bath from the Council at the end of May 2021. The property is now undergoing refurbishment to create 6 apartments including at least two affordable units for the Council.

As a group of companies, we are now working with our Shareholder to develop a housing pipeline that meets the shareholder's objectives for the company going forwards and anticipate an updated Business Plan being brought forward in Autumn 2021.

We have continued discussions with South Gloucestershire Council, working in partnership to support future developments in their area. Following approval by the South Glos Cabinet in July 2021, we are now progressing a number of sites in accordance with the agreed partnership approach.

COVID-19 Pandemic has had unprecedented impact on business and the economy nationally. The lockdowns experienced during the last 12 months have had limited impact on our business from a construction and property sales perspective. As we move out of the pandemic however, the shortage of material and labour in the market has slowed down our ability to progress development activity. These impacts are currently being managed and the companies have detailed actions and plans in place to deal with the issues arising.

Future, specific risks, including housing market risk, related to the long-term impact of COVID-19 for the companies are being reviewed on a regular basis by the Board and included in regular update briefings provided to the Shareholder.

The total turnover of ACL for 20/21 was £15,710,530 (2020: £5,531,861), this includes sales of Riverside View apartments of £15,119,750 (2020: £4,722,083) and Management Services of £590,780 (2020: £809,778).

The profit before tax is £3,653,341 (2020: £1,002,818), largely due to the profit on Riverside View apartments.

Revenue financial returns to the Council shows £415,593 (2020: £14,129) of interest and arrangement payments on loans.

Looking forwards, the Council target for revenue returns from ADL and ACL for 21/22 is £1,000,000. This will be met by anticipated interest returns, and potential dividend payments.

The ability of ADL and ACL to meet this target is largely dependent on the development pipeline; at this point we are encouraged by the performance of our existing developments and the work to secure this pipeline from the Council which, gives us confidence for the ongoing sustainability of the company.

We will continue to focus on the objectives set for the company by our Shareholder.

FUTURE DEVELOPMENTS

Information relating to events since the end of the year is given in the notes to the financial statements.

Report of the Directors
for the Year Ended 31 March 2021

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2020 to the date of this report.

D P E Quilter
T Richens

FINANCIAL INSTRUMENTS

Aequus Construction's financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 17 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, MHA Monahans, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
T Richens - Director

Date: 20th Sept 2021

Report of the Independent Auditors to the Members of
Aequus Construction Limited

Opinion

We have audited the financial statements of Aequus Construction Limited (the 'company') for the year ended 31 March 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 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 the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has 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 Report of the Directors.

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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Report of the Independent Auditors to the Members of
Aequus Construction Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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.

Auditors' 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 a Report of the Auditors 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:

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, employment law and company legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Company. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the audit engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities, and fraud;
- Reviewing the Company's legal costs to check for non-compliance with laws and regulations and fraud;
- Reviewing Board of Directors minutes;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- Testing transactions entered into outside of the normal course of the Company's business; and
- Identifying and testing journal entries, in particular any journal entries with fraud characteristics such as journals with round numbers.

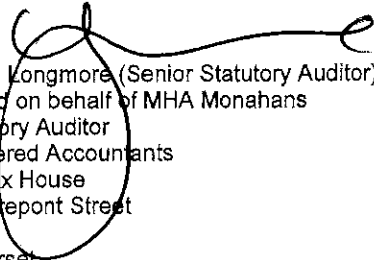
There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of
Aequus Construction 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 a Report of the Auditors 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.



Martin Longmore (Senior Statutory Auditor)
for and on behalf of MHA Monahans
Statutory Auditor
Chartered Accountants
Lennox House
3 Pierrepont Street
Bath
Somerset
BA1 1LB

Date: 23 September 2021

Aequus Construction Limited (Registered number: 10832066)

Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 March 2021

	Notes	2021 £	2020 £
CONTINUING OPERATIONS			
Revenue	3	15,710,530	5,531,861
Cost of sales		(11,596,712)	(4,051,823)
GROSS PROFIT		4,113,818	1,480,038
Other operating income		10,222	-
Administrative expenses		(450,344)	(450,113)
OPERATING PROFIT		3,673,696	1,029,925
Finance costs	5	(21,461)	(29,633)
Finance income	5	1,106	2,526
PROFIT BEFORE TAXATION	6	3,653,341	1,002,818
Taxation	7	(660,297)	(178,917)
PROFIT FOR THE YEAR		2,993,044	823,901
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,993,044	823,901

The notes form part of these financial statements

Aequus Construction Limited (Registered number: 10832066)

Statement of Financial Position
31 March 2021

	Notes	2021 £	2020 £
ASSETS			
NON-CURRENT ASSETS			
Owned			
Property, plant and equipment	8	4,680	12,511
Right-of-use			
Property, plant and equipment	8, 16	5,301	155,265
		<u>9,981</u>	<u>167,776</u>
CURRENT ASSETS			
Inventories	9	4,963,744	11,148,389
Trade and other receivables	10	272,597	154,673
Cash and cash equivalents	11	4,785,256	1,703,866
		<u>10,021,597</u>	<u>13,006,928</u>
TOTAL ASSETS		<u>10,031,578</u>	<u>13,174,704</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	12	100	100
Retained earnings	13	3,304,568	311,524
TOTAL EQUITY		<u>3,304,668</u>	<u>311,624</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	3,342,875	11,574,037
Deferred tax	18	889	2,377
		<u>3,343,764</u>	<u>11,576,414</u>
CURRENT LIABILITIES			
Trade and other payables	14	773,902	1,141,714
Financial liabilities - borrowings			
Interest bearing loans and borrowings	15	1,913,621	67,887
Tax payable		695,623	77,065
		<u>3,383,146</u>	<u>1,286,666</u>
TOTAL LIABILITIES		<u>6,726,910</u>	<u>12,863,080</u>
TOTAL EQUITY AND LIABILITIES		<u>10,031,578</u>	<u>13,174,704</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20th Sept 2021 and were signed on its behalf by:


.....
T Richens - Director

The notes form part of these financial statements

Aegvus Construction Limited (Registered number: 10832066)

Statement of Changes in Equity
for the Year Ended 31 March 2021

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 April 2019	100	(512,377)	(512,277)
Changes in equity			
Total comprehensive income	-	823,901	823,901
Balance at 31 March 2020	<u>100</u>	<u>311,524</u>	<u>311,624</u>
Changes in equity			
Total comprehensive income	-	2,993,044	2,993,044
Balance at 31 March 2021	<u><u>100</u></u>	<u><u>3,304,568</u></u>	<u><u>3,304,668</u></u>

The notes form part of these financial statements

Aequus Construction Limited (Registered number: 10832066)

Statement of Cash Flows
for the Year Ended 31 March 2021

		2021	2020
	Notes	£	£
Cash flows from operating activities			
Cash generated from operations	1	9,805,554	(1,669,411)
Interest paid		(415,593)	(14,129)
Lease interest paid		(8,248)	-
Tax paid		(43,227)	-
Net cash from operating activities		<u>9,338,486</u>	<u>(1,683,540)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(5,092)	(3,858)
Interest received		1,106	2,526
Net cash from investing activities		<u>(3,986)</u>	<u>(1,332)</u>
Cash flows from financing activities			
New loans in the year		1,265,124	3,325,000
Loan repayments in year		(7,495,000)	-
Payment of lease liabilities		(23,234)	(31,481)
Net cash from financing activities		<u>(6,253,110)</u>	<u>3,293,519</u>
Increase in cash and cash equivalents		<u>3,081,390</u>	<u>1,608,647</u>
Cash and cash equivalents at beginning of year	2	<u>1,703,866</u>	<u>95,219</u>
Cash and cash equivalents at end of year	2	<u><u>4,785,256</u></u>	<u><u>1,703,866</u></u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31 March 2021

	2021	2020
	£	£
1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,653,341	1,002,818
Depreciation charges	34,337	33,986
Gain on lease modification	(3,767)	-
Finance costs	21,461	29,633
Finance income	(1,106)	(2,526)
	<u>3,704,266</u>	<u>1,063,911</u>
Decrease/(increase) in inventories	6,587,025	(3,138,741)
Increase in trade and other receivables	(117,924)	(17,362)
(Decrease)/increase in trade and other payables	(367,813)	422,781
	<u>9,805,554</u>	<u>(1,669,411)</u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2021

	31.3.21	1.4.20
	£	£
Cash and cash equivalents	<u>4,785,256</u>	<u>1,703,866</u>

Year ended 31 March 2020

	31.3.20	1.4.19
	£	£
Cash and cash equivalents	<u>1,703,866</u>	<u>95,219</u>

Notes to the Financial Statements
for the Year Ended 31 March 2021

1. **STATUTORY INFORMATION**

Aequus Construction Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. **ACCOUNTING POLICIES**

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Based on their assessment of the company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next twelve months. Thus the company adopts the going concern basis of preparation for the financial statements.

Critical accounting judgements and key sources of estimation uncertainty

There are no key accounting judgements (excluding estimates). The key estimates in drawing up the financial statements are accrued expenses and the allocation of costs to cost of sales and work in progress.

Allocation of costs to cost of sales - cost of sales is determined on the basis of the forecast cost of the project, allocated by the floor area of each individual unit sold.

Allocation of costs to work in progress - costs are allocated to work in progress on the basis that they will be realisable when transferred to cost of sales.

Changes in accounting policies

On 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The financial statements will transition to UK-adopted international accounting standards for financial periods beginning 1 April 2021.

In the current financial year, the Company has adopted a number of minor amendments to standards effective in the year issued by the IASB, none of which have had a material impact on the company. These amendments include IAS 1 and IAS 8 - Definition of Material, and IFRS 3 - Definition of a Business.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. These amendments include amendments to IFRS 16, 'Leases' - Covid-19 related rent concessions, amendments to IAS 1, Presentation of financial statements on classification of liabilities, a number of narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9 and IFRS 16 and narrow scope amendments to IAS 1, Practice statement 2 and IAS 8. The above amendments are not expected to have a significant impact on the Company's results.

Revenue recognition

The company's revenue derives principally from the sale of homes that it has built and it also provides management services to group undertakings.

Revenue from the sale of properties is recognised when control has been transferred to the purchaser. This generally occurs on completion. Revenue is measured at the fair value of consideration received or receivable for the property, net of discounts and VAT.

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Deposits received for properties sold off plan are initially recognised at fair value and held as deferred income until completion of the property sale when they are recognised as income.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. **ACCOUNTING POLICIES - continued**

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	-	over period of lease
Motor vehicles	-	33% on straight line basis
Computer equipment	-	33% on straight line basis

Financial instruments

Debtors and creditors are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

At the end of each reporting period, financial assets are assessed for impairment. Impairments and reversals of impairments are recognised in profit and loss.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Borrowings

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Cash and cash equivalents

Highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Assets recognised from costs to fulfil a contract

Assets are recognised in relation to costs incurred in developing assets that will be used to fulfil future contracts. Contract assets are initially stated at cost or at the fair value at acquisition date and then held at the lower of this initial amount and net realisable value. Costs comprise direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the company.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on items that may become taxable in the future, or which may be used to offset against taxable profits in the future, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes on an undiscounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued

Leases

Lessees are required to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

Borrowing costs

Borrowing costs are recognised on an accruals basis. Also included in borrowing costs is the amortisation of fees associated with the arrangement of financing.

Government grants

Government grant income in relation to the Covid-19 pandemic is accounted for under the accruals model and is recognised in the period in which it becomes receivable, shown in the income statement under other income, matched against expenditure incurred under the accruals concept.

3. REVENUE

Revenue from contracts with customers

All revenue was generated within the United Kingdom.

	2021	2020
	£	£
Property sales	15,119,750	4,722,083
Services and management fees	590,780	809,778
	<u>15,710,530</u>	<u>5,531,861</u>

The company derives revenue from the sale of properties recognised on the completion of the sales contract.

Contract balances

The company has not recognised liabilities related to contracts with customers this year end or in the previous year end.

4. EMPLOYEES AND DIRECTORS

There were no staff costs for the year ended 31 March 2021 nor for the year ended 31 March 2020.

The average number of employees during the year was as follows:

	2021	2020
Directors	<u>2</u>	<u>2</u>
	2021	2020
	£	£
Directors' remuneration	<u>-</u>	<u>-</u>

5. NET FINANCE COSTS

	2021	2020
	£	£
Finance income:		
Deposit account interest	<u>1,106</u>	<u>2,526</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

5.	NET FINANCE COSTS - continued		
		2021	2020
		£	£
	Finance costs:		
	Loan interest	13,213	14,129
	Leasing	8,248	15,504
		<u>21,461</u>	<u>29,633</u>
	Net finance costs	<u>20,355</u>	<u>27,107</u>

6. **PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging:

		2021	2020
		£	£
	Cost of inventories recognised as expense	11,596,712	4,051,823
	Depreciation - owned assets	12,923	11,226
	Depreciation - assets on hire purchase contracts or finance leases	21,414	22,760
	Auditors' remuneration	16,835	12,028
	Auditors' remuneration for non audit work	5,977	2,910
		<u>11,653,861</u>	<u>4,105,747</u>

7. **TAXATION**

Analysis of tax expense

		2021	2020
		£	£
	Current tax:		
	Tax	661,785	77,065
	Deferred tax	(1,488)	101,852
	Total tax expense in statement of profit or loss and other comprehensive income	<u>660,297</u>	<u>178,917</u>

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

		2021	2020
		£	£
	Profit before income tax	<u>3,653,341</u>	<u>1,002,818</u>
	Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	694,135	190,535
	Effects of:		
	Disallowed expenses	-	85
	Capital allowances in excess of depreciation	1,489	1,400
	Changes to prior year charge	(33,839)	-
	Losses utilised	-	(114,955)
	Deferred tax on timing differences	(1,488)	101,852
	Tax expense	<u>660,297</u>	<u>178,917</u>

The deferred tax expense in 2021 relates to the origination and reversal of temporary differences.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

8. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 April 2020	165,169	12,856	33,677	211,702
Additions	-	-	5,092	5,092
Impairments	(157,607)	-	-	(157,607)
At 31 March 2021	<u>7,562</u>	<u>12,856</u>	<u>38,769</u>	<u>59,187</u>
DEPRECIATION				
At 1 April 2020	18,352	4,408	21,166	43,926
Charge for year	17,006	4,408	12,923	34,337
Charge written back	(29,057)	-	-	(29,057)
At 31 March 2021	<u>6,301</u>	<u>8,816</u>	<u>34,089</u>	<u>49,206</u>
NET BOOK VALUE				
At 31 March 2021	<u>1,261</u>	<u>4,040</u>	<u>4,680</u>	<u>9,981</u>

	Short leasehold £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 April 2019	-	-	29,819	29,819
Additions	165,169	12,856	3,858	181,883
At 31 March 2020	<u>165,169</u>	<u>12,856</u>	<u>33,677</u>	<u>211,702</u>
DEPRECIATION				
At 1 April 2019	-	-	9,940	9,940
Charge for year	18,352	4,408	11,226	33,986
At 31 March 2020	<u>18,352</u>	<u>4,408</u>	<u>21,166</u>	<u>43,926</u>
NET BOOK VALUE				
At 31 March 2020	<u>146,817</u>	<u>8,448</u>	<u>12,511</u>	<u>167,776</u>

9. INVENTORIES

	2021 £	2020 £
Work-in-progress	<u>4,963,744</u>	<u>11,148,389</u>

10. TRADE AND OTHER RECEIVABLES

	2021 £	2020 £
Current:		
Trade debtors	18,026	-
Amounts owed by group undertakings	165,005	96,030
Other debtors	18,763	6,625
VAT	38,786	42,277
Prepayments and accrued income	32,017	9,741
	<u>272,597</u>	<u>154,673</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

11. CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Bank accounts	<u>4,785,256</u>	<u>1,703,866</u>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2021	2020
Number:	Class:	Nominal value:	£	£
100	Ordinary	£1	<u>100</u>	<u>100</u>

All shares rank equally in regards to voting rights. The shares have a nominal value of £1 and were issued at par. All shares rank equally in regards to dividends. All shares rank in proportion to the nominal amount paid up with regards to distributions on winding up or other repayment of capital.

13. RESERVES

	Retained earnings £
At 1 April 2020	311,524
Profit for the year	<u>2,993,044</u>
At 31 March 2021	<u>3,304,568</u>

14. TRADE AND OTHER PAYABLES

	2021 £	2020 £
Current:		
Trade creditors	133,341	63,117
Amounts owed to group undertakings	264,507	418,268
Social security and other taxes	5,426	-
Other creditors	5,087	18,500
Accruals and deferred income	<u>365,541</u>	<u>641,829</u>
	<u>773,902</u>	<u>1,141,714</u>

15. FINANCIAL LIABILITIES - BORROWINGS

	2021 £	2020 £
Current:		
Bank loans	7,125	-
Intercompany loans	1,900,000	50,000
Leases (see note 16)	<u>6,496</u>	<u>17,887</u>
	<u>1,913,621</u>	<u>67,887</u>
Non-current:		
Bank loans - 1-2 years	42,875	-
Intercompany loan - 1-2 years	3,300,000	11,429,876
Leases (see note 16)	-	144,161
	<u>3,342,875</u>	<u>11,574,037</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

15. FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule

	1 year or less £	1-2 years £	2-5 years £	More than 5 years £	Totals £
Bank loans	7,125	9,709	30,627	2,539	50,000
Intercompany loans	1,900,000	2,650,000	650,000	-	5,200,000
Leases	6,496	-	-	-	6,496
	<u>1,913,621</u>	<u>2,659,709</u>	<u>680,627</u>	<u>2,539</u>	<u>5,256,496</u>

16. LEASING

Right-of-use assets

Property, plant and equipment

	2021 £	2020 £
COST		
At 1 April 2020	178,025	-
Additions	-	178,025
Impairments	(157,607)	-
	<u>20,418</u>	<u>178,025</u>
DEPRECIATION		
At 1 April 2020	22,760	-
Charge for year	21,414	22,760
Charge written back	(29,057)	-
	<u>15,117</u>	<u>22,760</u>
NET BOOK VALUE	<u>5,301</u>	<u>155,265</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

16. **LEASING - continued**

Lease liabilities

Minimum lease payments fall due as follows:

	2021 £	2020 £
Gross obligations repayable:		
Within one year	6,775	31,482
Between one and five years	-	110,567
In more than five years	-	79,500
	<u>6,775</u>	<u>221,549</u>
Finance charges repayable:		
Within one year	279	13,595
Between one and five years	-	36,129
In more than five years	-	9,777
	<u>279</u>	<u>59,501</u>
Net obligations repayable:		
Within one year	6,496	17,887
Between one and five years	-	74,438
In more than five years	-	69,723
	<u>6,496</u>	<u>162,048</u>

The total cash outflow for leases in 2021 were £31,482 (2020 : £31,482).

Aegus Construction Limited (Registered number: 10832066)

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

17. **FINANCIAL INSTRUMENTS**

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on Statement of Financial Position items that contain financial instruments. The following table presents the carrying amounts of each category of financial assets and liabilities:

	2021 £	2020 £
Financial assets		
Financial assets measured at amortised cost	201,794	102,655
Cash and cash equivalents	4,785,257	1,703,866
	<u>4,987,051</u>	<u>1,806,521</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(768,477)	(1,141,714)
Loans and hire purchase	(5,256,496)	(11,641,923)
	<u>(6,024,973)</u>	<u>(12,783,637)</u>

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	2021		2020	
	Fair value £	Carrying value £	Fair value £	Carrying value £
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	4,785,257	4,785,257	1,703,866	1,703,866
Other current financial assets	201,794	201,794	102,655	102,655
	<u>4,987,051</u>	<u>4,987,051</u>	<u>1,806,521</u>	<u>1,806,051</u>
Financial liabilities measured at cost or amortised cost				
Trade payables	(133,342)	(133,342)	(63,116)	(63,116)
Other current financial liabilities	(2,591,631)	(2,591,631)	(1,146,484)	(1,146,484)
Non current financial liabilities	(3,300,000)	(3,300,000)	(11,574,037)	(11,574,037)
	<u>(6,024,973)</u>	<u>(6,024,973)</u>	<u>(12,783,637)</u>	<u>(12,783,637)</u>

There are no financial assets and liabilities measured at fair value. All financial assets and liabilities are measured at amortised cost.

The fair values of cash and cash equivalents, current receivables, other current financial assets, other assets, trade payables and other current financial liabilities and other liabilities approximate their carrying amount largely due to the short-term maturities of these instruments.

Interest is charged on the amounts borrowed from the ultimate company's parent at a rate of between 1% and 4% above the base rate (the EC reference rate) and is payable at 6 monthly intervals. The amounts borrowed from the parent are secured by a fixed and floating charge over the property held for development, included within inventory.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

FINANCIAL RISK MANAGEMENT

Exposure to foreign currency, credit, liquidity and cash flow interest rate risks arises in the normal course of the company's business. These risks are limited by the company's financial management policies and practices described below.

Foreign currency risk

The company has limited exposure to foreign currency risk. Substantially all of the company's purchases are denominated in sterling.

Credit risk and market risk

The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks.

Liquidity risk

Liquidity risk results from the company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt, paying its suppliers and settling finance lease obligations. Beyond effective net working capital and cash management, the company mitigates liquidity risk by arranging borrowing facilities with its parent company BANES.

Cash flow interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings. At 31 March 2021 the company's borrowings were in the region of £5.3m (2020: £11.5m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £53,000 (2020: £115,000).

The company does not use any derivative instruments to reduce its economic exposure to changes in interest rates.

Equity price risk

The company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the company.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	2022 £	2023 £	2024 to 2026 £	2027 and thereafter £
Trade payables	133,342	-	-	-
Other financial liabilities	2,806,895	2,779,800	722,258	2,662

(i) There are no derivative financial liabilities.

(ii) Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2021.

(iii) Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital - e.g. trade receivables. These assets are considered in the company's overall liquidity risk.

Aequus Construction Limited (Registered number: 10832066)

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

The following table reflects the calculation of the company's net liquidity:

	2021	2020
	£	£
Cash and cash equivalents	4,785,257	1,703,866
Receivables from group companies	165,005	96,030
Total liquidity	4,950,262	1,799,896
Short term debt and current maturities of long term debt	(1,913,900)	(67,887)
Amounts due to group companies	(264,507)	(418,268)
Long term debt	(3,342,875)	(11,574,037)
Total debt	(5,521,281)	(12,060,192)
Net liquidity	(571,019)	(10,260,296)

Capital management

The company defines its capital structure as net debt and equity. The primary objective of the company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the company's current assets and current liabilities.

18. **DEFERRED TAX**

	2021	2020
	£	£
Balance at 1 April	2,377	(99,475)
Charge to income statement	(1,488)	101,852
Balance at 31 March	889	2,377
	2021	2020
	£	£
Assets:		
Provisions and tax losses	-	-
Deferred tax asset	-	-
Liabilities:		
Property, plant and equipment	(889)	(2,377)
Provisions and tax losses	-	-
Deferred tax liability	(889)	(2,377)
Net deferred tax assets/(liability)	(889)	(2,377)

19. **ULTIMATE PARENT COMPANY**

The ultimate parent undertaking is Bath and North East Somerset Council (BANES). BANES is the only group entity of which the company is a member for which group accounts are prepared. Copies of Group accounts are available at:

www.bathnes.gov.uk/services/your-council-and-democracy/budgets-and-spending/annual-accounts

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

20. RELATED PARTY DISCLOSURES

Transactions and balances between the company and other members of the group to which it is a member are disclosed below:

Transactions with BANES.

	2021	2020
	£	£
Other goods and services	(35,091)	(518,593)
Interest recharge	(415,593)	(526,395)
Loan arrangement fees	(1,500)	(5,580)
Services Income	547,471	734,155

Year end balances arising from loans received and other amounts from BANES amount to:

	2021	2020
	£	£
Loan payable to parent undertaking		
Due in less than one year	(1,900,000)	(50,000)
Due in more than one year	(3,300,000)	(11,429,876)
	<u>(5,200,000)</u>	<u>(11,479,876)</u>

Trade receivables	165,005	100,729
Trade payables	(168,024)	(291,207)

The loan payable to BANES is secured by a fixed and floating charge over the company assets. Interest is charged on the loans at EU base plus 4% or a flat 6%. BANES has also provided a guarantee to certain company suppliers.

Transactions with Aequus Developments Limited (immediate parent)

	2021	2020
	£	£
Other goods and services	(770,263)	(228,915)
Services income	9,171	80,420
Property Sales	1,895,000	600,000
	<u>1,895,000</u>	<u>600,000</u>

Year end balances arising from from Aequus Developments Limited amount to:

	2021	2020
	£	£
Trade receivables	-	(4,699)
Trade payables	(96,483)	(127,061)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration during the year was as follows:

	2021	2020
	£	£
Directors	<u>325,037</u>	<u>287,460</u>

These costs were paid to the members of key management by Aequus Developments Limited and recharged to Aequus Construction Limited.

