
TITLE: EAST CAMBS TRADING COMPANY ACCOUNTS 2020/21

Committee: Finance & Assets Committee

Date: 05 October 2021

Author: Director Commercial

[W72]

1.0 ISSUE

1.1 To receive the East Cambs Trading Company accounts 2020/21.

2.0 RECOMMENDATION

2.1 Members are requested to note the East Cambs Trading Company accounts 2020/21 as set out in Appendix 1.

3.0 BACKGROUND/OPTIONS

3.1 East Cambs Trading Company (ECTC) auditors, Price Bailey, have issued an unqualified opinion on the statements, and confirmed that they give a true and fair view of the state of the ECTC's affairs as at 31 March 2021. They also confirm they have been prepared in accordance with the relevant laws and regulations.

3.2 The auditors have pointed out that there is still large uncertainty over the economy as a whole and at this stage nobody can predict the full effects with any certainty. Price Bailey have therefore included a paragraph titled 'Material uncertainty relating to going concern', to point this out to shareholders. This is not uncommon for a whole range of companies reporting in this period whose trade is affected by the pandemic. A similar paragraph was included in last year's accounts.

3.3 The last sentence does stress that the audit opinion is not modified in respect of this matter; that it is still valid to produce the accounts on a going concern basis. This is because the forecasts produced by ECTC show that given the additional time to complete the projects in the plans will enable the business to become profitable and repay the loans when they fall due.

3.4 The ECTC 2020/21 Accounts were approved by ECTC Board on 7 September 2021. These are now provided to the Finance & Assets Committee, as shareholder committee, as stated in the Shareholder Agreement.

4.0 FINANCIAL IMPLICATIONS/EQUALITY IMPACT ASSESSMENT

4.1 There are no financial implications arising from this report.

4.2 EIA not required.

5.0 APPENDICES

5.1 Appendix 1- East Cambs Trading Company accounts 2020/21.

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
None	Room 105, The Grange, Ely	Emma Grima Director Commercial (01353) 616960 E-mail: emma.grima@eastcambs.gov.uk

EAST CAMBS TRADING COMPANY LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2021

EAST CAMBS TRADING COMPANY LIMITED

COMPANY INFORMATION

Directors	P J Remington J Hill E L Grima
Company number	10061867
Registered office	The Grange Nutholt Lane Ely Cambridgeshire CB7 4EE
Auditors	Price Bailey LLP Chartered Accountants & Statutory Auditors Tennyson House Cambridge Business Park Cambridge CB4 0WZ

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EAST CAMBS TRADING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2021

Directors

The Directors who served during the year were:

P J Remington
J Hill
E L Grima

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

EAST CAMBS TRADING COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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.

Auditors

The auditors, Price Bailey LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report was approved by the board on and signed on its behalf.

J Hill
Director

EAST CAMBS TRADING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EAST CAMBS TRADING COMPANY LIMITED

Opinion

We have audited the financial statements of East Cambs Trading Company Limited (the 'company') for the year ended 31 March 2021 which comprise The Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement 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 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 the loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Material uncertainty relating to going concern

We draw attention to note 1.2 in the financial statements, which describes the directors' assessment of the current and future effects of the COVID-19 pandemic on the company. As stated in note 1.2, since the pandemic started the company's trading has been affected due to the restrictions imposed by the UK Government resulting in a delay in cash flows. Mitigating action has been taken with loans being re-negotiated to ease cash flow concerns. However the effects of COVID-19 are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. Our opinion is not modified in respect of this matter.

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.

EAST CAMBS TRADING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF EAST CAMBS TRADING COMPANY LIMITED

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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report 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 Director's 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; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the Director's Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of non-compliance with the applicable laws and regulations including fraud, in particular those that could have a material impact on the financial statements.

This included those regulations directly related to the financial statements, including financial reporting, tax legislation and distributable profits. In relation to the industry this included employment laws and health and safety.

EAST CAMBS TRADING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF EAST CAMBS TRADING COMPANY LIMITED

The risks were discussed with the audit team and we remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

Reviewing minutes of Board meetings, correspondence with their regulators, agreeing the financial statement disclosures to underlying supporting documentation, enquiries of management including those responsible for the key regulations for any instances of actual, suspected or alleged fraud or non-compliance.

To address the risk of management override of controls, we reviewed systems and procedures to identify potential areas of management override risk. In particular, we carried out testing of journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions to identify large or unusual transactions. We reviewed key authorisation procedures and decision making processes for any unusual or one-off transactions. We also assessed management bias in relation to the accounting policies adopted and in determining significant accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditor's Report

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

Paul Cullen FCCA (Senior Statutory Auditor)
for and on behalf of Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

Date:

EAST CAMBS TRADING COMPANY LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021 £	2020 £
CONTINUING OPERATIONS			
Revenue from services		1,090,283	1,206,464
Revenue from property development		3,109,020	2,185,935
		4,199,303	3,392,399
Cost of sales		(3,617,779)	(2,867,124)
Gross profit		581,524	525,275
Administrative expenses		(988,201)	(954,422)
Other operating income	6	57,753	-
Operating profit/(loss)		(348,924)	(429,147)
Interest receivable		1,085	-
Interest payable	5	(167,413)	(84,013)
Profit/(Loss) before taxation		(515,252)	(513,160)
Tax on profit	6	-	-
Profit/(Loss) and total comprehensive income for the year		(515,252)	(513,160)

There were no recognised gains and losses from 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 11-27 form part of these financial statements.

EAST CAMBS TRADING COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

		2021	2020
	Notes	£	£
Non-current assets			
Property, plant and equipment	7	108,172	120,898
Right to use asset	8	218,662	263,063
		<u>326,834</u>	<u>383,961</u>
Current assets			
Inventories	9	32,942,744	30,341,716
Trade and other receivables	10	345,446	276,638
Cash at bank and in hand	11	207,736	88,740
		<u>33,495,926</u>	<u>30,707,094</u>
Current Liabilities			
Trade and other payables	12	(1,432,210)	(741,660)
Financial liabilities - borrowings	13	(9,968,589)	(7,833,842)
Lease liabilities	14	(43,220)	(41,050)
		<u>(11,444,019)</u>	<u>(8,616,552)</u>
Net Current Assets		22,051,907	22,090,542
Total assets less current liabilities		22,378,741	22,474,503
Non-Current Liabilities			
Financial Liabilities – borrowings	13	(23,270,626)	(22,813,978)
Lease liabilities	14	(195,849)	(233,007)
		<u>(23,466,475)</u>	<u>(23,046,985)</u>
Net liabilities		<u>(1,087,734)</u>	<u>(572,482)</u>
Equity			
Called up share capital	16	1	1
Retained earnings		(1,087,735)	(572,483)
		<u>(1,087,734)</u>	<u>(572,482)</u>

EAST CAMBS TRADING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Hill
Director

Date:

The notes on pages 11-27 form part of these financial statements.

EAST CAMBS TRADING COMPANY LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Share Capital £	Retained earnings £	Total equity £
Balance as at 31 March 2019	1	(59,323)	(59,322)
Comprehensive income			
Loss for the year	-	(513,160)	(513,160)
Total comprehensive income	-	(513,160)	(513,160)
Balance as at 31 March 2020	1	(572,483)	(572,482)
Comprehensive income			
Loss for the year	-	(515,252)	(515,252)
Total comprehensive income	-	(515,252)	(515,252)
Balance as at 31 March 2021	1	(1,087,735)	(1,087,734)

EAST CAMBS TRADING COMPANY LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2021		2020	
		£	£	£	£
Cash flows from operating activities					
Net cash outflow from operating activities	20	(1,841,541)	(26,595,888)		
Net cash inflow from operating activities		(1,841,541)	(26,595,888)		
Cash flows from investing activities					
Purchase of fixed assets	7	(29,213)	(36,886)		
Disposal of fixed assets	7	232	15,035		
Interest received		1,085	-		
Cash flows from financing activities					
Interest paid	5	(567,974)	(688,086)		
Repayment of leasing liabilities	23	(34,988)	(45,040)		
Loans advanced	23	5,626,608	27,727,820		
Loans repaid	23	(3,035,213)	(1,700,000)		
Net cash from financing activities		1,988,433	25,294,694		
Net increase in cash and cash equivalents		118,996	(1,323,045)		
Cash and cash equivalents at beginning of year		88,740	1,411,785		
Cash and cash equivalents at end of year	11	207,736	88,740		

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies

1.1 Statutory information

East Cambs Trading Company Limited is a private company limited by shares incorporated and domiciled in England and Wales, United Kingdom. The address of the registered office is The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE.

The company is primarily involved in property development and management of council services.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

1.2 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 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 sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

Critical accounting judgements:

Critical judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below:

Going concern including liquidity

In the light of the COVID-19 pandemic the directors have considered whether any adjustments are required to reported amounts in the financial statements.

Although the grounds maintenance division has been unaffected by the pandemic, Ely Market closed either completely or operated with restrictions on the type and number of traders. The Company was able to mitigate the effects of this by applying for and receiving a grant and cancelling some planned expenses. It also benefited from the suspension of business rates payable on the Market Square. Ely Markets is now operating at similar revenue levels to those seen before the COVID-19 pandemic. The property development division of the company initially had to suspend all activities on the two sites where work had commenced, but was able to re-open these albeit under new social-distancing guidelines. The suspension of Stamp Duty Land Tax provided helped keep interest in house purchases at reasonable levels, and although some of the reliefs have been removed, interest in the properties is still good.

The company successfully negotiated amended terms to its loans with Cambridgeshire & Peterborough Combined Authority. The amended terms include interest-free periods and most importantly agreement that the loans would not be due for repayment until March 2023. It also secured new facilities from East Cambridgeshire District Council, made available in March 2021, which enabled the Company to repay its original loans to the council and have sufficient funds to continue its projects. This loan will be due for repayment in 2023.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

1.2 Critical accounting estimates and judgements

The Directors have prepared cash flow forecasts for a period of 12 months from the year end which cover various scenarios which demonstrate that the cash reserves of the company will be sufficient for it to be able to continue as a going concern during restrictions and once restrictions are fully lifted.

The developing situation with respect to COVID-19 does give rise to some uncertainty around going concern, however management are satisfied that the mitigating factors are sufficient to address downside scenarios and support the going concern judgement.

The financial statements do not contain any adjustments that would be required if the company were not able to continue as a going concern.

Leases – discount rate

Under IFRS 16, the Company recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. Management have made a judgement to use a portfolio approach when estimating an incremental borrowing rate.

The incremental borrowing rate is determined on a portfolio basis, the most significant portfolio being the lease of properties. Judgement has been used to determine that a portfolio basis is appropriate on a basis. As the Company has agreed borrowings for general purposes at a rate of 5.22%, this has been determined as the borrowing rate of the lease. Judgement has been used that a portfolio basis is an appropriate basis.

Refer to note 14 for additional disclosures relating to leases held by the Company.

Key sources of estimation uncertainty:

The key assumptions about the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are detailed below.

The valuation of work in progress and allocation of costs to each period

Costs directly attributable to the projects have been included in the work in progress figure accordingly. When calculating the work in progress the directors consider the stage of completion of the project and the likelihood of all costs being recovered, applying this in accordance with applicable framework.

Lease term

Under IFRS 16, the Company recognises a right-of-use asset for its properties. A level of estimating is involved in determining the likelihood of exercising break or extension options included within the leases when determining the lease term. Break and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations and are especially key when considering the short maturity of the Company's properties. As a result, Management have made an estimate that at commencement of the lease, break or extension options are not typically considered reasonably certain to be exercised when determining the lease term, unless there is a valid business reason otherwise. Instead as the lease approaches maturity the estimate of term considering the extension and break options will be considered at the point where Management are able to make a reasonable estimate.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

1. Accounting policies (continued)**1.2 Critical accounting estimates and judgements (continued)**

Refer to note 14 for additional disclosures relating to leases held by the Company.

Useful lives of depreciable assets

Estimates have been made in respect of useful economic lives of property, plant and equipment, which determine the amount of depreciation charged in profit or loss. Uncertainties in these estimates relate to the technological obsolescence that may change the utility of plant and machinery and could result in a material change to the amount of depreciation recognised. These estimates are reviewed annually at the reporting date based on the expected utility of the assets.

Further detail on useful life estimates is included in the accounting policy note 1.6.

1.3 Compliance with accounting standards

These 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 reporting entities under IFRS.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1.2.

1.4 Revenue recognition**Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.

Further details on specifics relating to each revenue stream is listed below:

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

1.4 Revenue recognition (continued)

Grounds Maintenance Services

The Company provides a grounds maintenance service predominantly to local authorities and educational establishments. For larger contracts invoices are issued on a monthly basis or as the work is completed for smaller contracts. Payment is usually received within a month of the invoice being issued.

Markets

The Company operates street markets on behalf of the local council and collects revenue from the individual stallholders. Invoices are issued on a weekly basis and payments are made via direct debits.

Property Development

The Company develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the company. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer. The revenue is measured at the transaction price agreed under the contract. The consideration is due when legal title has been transferred.

Revenue from a construction contract is recognised when:

- It is probable that the economic benefits associated with the contract will flow to the entity.
- The contract costs attributable to the contract can be clearly identifiable and measured reliably.

1.5 Government grants

Government grants are recognised in Statement of Comprehensive Income on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. The grants are shown separately in the Statement of Comprehensive Income.

Grants are recognised in respect of

- the delivery of affordable housing projects (none recognised in either 2021 or 2020)
- those relating to CJRS and other COVID related support

1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	25% straight line
Leasehold improvements	16.67% straight line
Office equipment	16.67% straight line
Computer equipment	33.33% straight line

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

1 Accounting policies (continued)**1.7 Right-of-use assets**

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Work in progress comprises direct materials, labour costs, site overheads, associated professional charges and other attributable overheads. Net realisable value represents the estimated selling price less costs to complete and sell.

At each year end, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.9 Trade and other receivables

Short term receivables are measured initially at transaction price, and are measured subsequently at amortised costs.

1.10 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.

1.11 Operating profit

Operating profit is stated before investment income and finance costs.

1.12 Financial Instruments

Financial assets and liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

- Cash and cash equivalents comprise cash held at bank and short term deposits
- Trade payables are not interest bearing and are stated at their nominal value
- Trade receivables are measured initially at transaction price, and are measured subsequently at amortised costs.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

1.13 Trade and other payables

Short term payables are measured initially at fair value, and subsequently at amortised cost. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

1.16 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

1.17 Lease Liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, 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 comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1.18 Financed costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

1.19 New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

The following new and revised Standards and Interpretations are relevant to the company but not yet effective for the year commencing 1 April 2020 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements – classification of liabilities as current and non-current.
- IAS 1 Presentation of Financial Statements – disclosure of accounting policies
- IAS 8 Accounting Policies – definition of accounting estimates.

The Directors do not consider that the implementation of any of these new standards will have a material impact upon reported income or reported net assets.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****2. Operating profit**

Operating profit is stated after charging

	2021 £	2020 £
Depreciation of owned fixed assets	41,707	35,542
Depreciation of right to use assets	44,401	44,401
Auditors' remuneration	26,250	16,065
Government CJRS grants received	57,753	-
	<u>170,111</u>	<u>96,009</u>

3. Employees and directors

	2021 £	2020 £
Wages and Salaries	773,336	682,379
Social security	68,793	67,426
Other pension costs	58,774	57,734
	<u>899,903</u>	<u>807,539</u>

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

	2021	2020
Directors	3	4
Administration	20	17
	<u>23</u>	<u>21</u>

4. Directors' remuneration

	2021 £	2020 £
Directors' remuneration	12,000	12,000
Directors' pension contributions to a defined contribution pension scheme	1,320	1,240
	<u>13,320</u>	<u>13,240</u>

During the year 1 directors (2020 – 1) was accruing benefits under defined contribution pension schemes.

The above directors remuneration disclosure relates to the highest paid director also for both 2021 and 2020,

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****5. Finance costs**

	2021 £	2020 £
Loan interest payable	154,208	68,734
Interest on leases	13,205	15,279
	<u>167,413</u>	<u>84,013</u>

Total loan interest payable in the year was £567,974 (2020: £672,807) of which £413,766 was charged to Work In Progress (2020: £588,794).

6. Income tax**Analysis of tax expense**

No liability to UK corporation tax arose for the year ended 31 March 2021 nor the year ended 31 March 2020

Factors affecting the tax expense

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

	2020 £	2020 £
Profit (Loss) per accounts	<u>(515,252)</u>	<u>(513,160)</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(97,898)	(97,500)
Effects of: Losses carried forward	<u>97,898</u>	<u>97,500</u>
Tax expense	<u>-</u>	<u>-</u>

The company has estimated tax losses of £685,000 (2020 £585,000) to carry forward against future profits.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****7. Property, plant and equipment**

	Plant & Machinery	Leasehold Improvement	Office & computer Equipment	Total
Cost				
As at April 1 2020	33,035	36,023	99,057	168,115
Additions	11,118	11,600	6,495	29,213
Disposals		-	(557)	(557)
As at 31 March 2021	<u>44,153</u>	<u>47,623</u>	<u>104,995</u>	<u>196,771</u>
Depreciation				
As at April 1 2020	4,465	7,419	35,333	47,217
Charge for the year	8,601	6,022	27,084	41,707
On disposals		-	(325)	(325)
As at March 31 2021	<u>13,066</u>	<u>13,441</u>	<u>62,092</u>	<u>88,599</u>
Net Book Value				
As at March 31 2021	<u>31,087</u>	<u>34,182</u>	<u>42,903</u>	<u>108,172</u>
As at March 31 2020	<u>28,570</u>	<u>28,604</u>	<u>63,724</u>	<u>120,898</u>
	Plant & Machinery	Leasehold Improvement	Office & computer Equipment	Total
Cost				
As at April 1 2019	19,071	35,526	91,667	146,264
Additions	28,499	497	7,890	36,886
Disposals	(14,535)	-	(500)	(15,035)
As at 31 March 2020	<u>33,035</u>	<u>36,023</u>	<u>99,057</u>	<u>168,115</u>
Depreciation				
As at April 1 2019	533	1,402	10,139	12,074
Charge for the year	4,235	6,017	25,290	35,542
On disposals	(303)	-	(96)	(399)
As at March 31 2020	<u>4,465</u>	<u>7,419</u>	<u>35,333</u>	<u>47,217</u>
Net Book Value				
As at March 31 2020	<u>28,570</u>	<u>28,604</u>	<u>63,724</u>	<u>120,898</u>
As at March 31 2019	<u>18,538</u>	<u>34,124</u>	<u>81,529</u>	<u>134,190</u>

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****8. Right-of-use assets**

	Land and Buildings	Total
As at April 1 2020	263,063	263,063
Additions	-	-
Depreciation	44,401	
As at March 31 2021	<u>218,662</u>	<u>263,062</u>
As at April 1 2019	307,464	307,464
Additions	-	-
Depreciation	(44,401)	(44,401)
As at March 31 2020	<u>263,063</u>	<u>263,063</u>

The Company leases land and buildings for its offices and market square under agreements of between 6 to 10 years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Details of leasing liabilities are included within note 14.

9. Inventories

	2021 £	2020 £
Work in progress	<u>32,942,744</u>	<u>30,341,716</u>

The total amount of Work in progress recognised as an expense during the year was £3,121,235 (2020: £2,104,826)

Please refer to note 13 to see details of the amounts included in Work in progress which are pledged as security for loans.

10. Trade and other receivable

	2021 £	2020 £
Trade receivables	63,052	89,892
Other taxation	63,328	60,200
Other receivables	145,001	52,278
Prepayments and accrued income	74,065	74,268
	<u>345,446</u>	<u>276,638</u>

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****11. Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	207,736	88,740

12. Trade and other payable

	2021 £	2020 £
Current		
Trade payables	1,179,959	556,556
Other taxation and social security	21,698	43,221
Other payables	141,268	105,695
Accruals and deferred income	89,285	36,188
	<u>1,432,210</u>	<u>741,660</u>

13. Borrowings

	2021 £	2020 £
Current:		
Amounts owed to parent undertakings	-	4,220,000
Loans due within one year	9,968,589	3,613,842
	<u>9,968,589</u>	<u>7,833,842</u>
Non-current		
Due 1 – 2 years:		
Amounts owed to parent undertakings	4,900,000	
Loans due after one year	18,370,626	13,924,053
	<u>23,270,626</u>	<u>13,924,053</u>
Due 2 – 5 years:		
Amounts owed to parent undertakings	-	-
Loans due after one year	-	8,889,925
	<u>-</u>	<u>8,889,925</u>
	<u>33,239,215</u>	<u>30,647,820</u>

The Cambridge and Peterborough Combined Authority (CPCA) hold security on the company's land (included in Inventories- Note9) at Haddenham and the former RAF service accommodation at the Ely MOD site in relation to loans outstanding to them at the year end. At the year end the total value of the Haddenham site is valued at £5,480,509 and the former RAF service accommodation at the Ely MOD site is valued at £25,551,369.

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

14. Lease Liabilities

	2021 £	2020 £
Current:		
Lease liability	43,220	41,050
Non-current:		
Lease liability	195,849	233,007
	<u>239,069</u>	<u>274,057</u>

Refer to note 15 for further information on financial instruments. Details of finance costs are included within note 5. Details of the right of use assets are included within note 8.

During the year Licence fees relating to a Licence to Occupy, which is not disclosed under IFRS 16, totalled £30,000 (2020: £30,000). Within non-current liabilities are lease liabilities falling due after more than 5 years totalling £30,810 (2020 - £58,542).

15. Financial Instruments

Financial assets and liabilities

The carrying value of the company's financial assets and liabilities as recognised at the year end of the years under review may also be categorised as follows:

	Financial assets at amortised cost £	Financial liabilities at amortised cost £	Total carrying amount £
As 31 March 2021			
Cash and cash equivalents	207,736	-	207,736
Trade receivables	63,052	-	63,052
Other receivables	145,001	-	145,001
Loans	-	(33,239,215)	(33,239,215)
Trade payables	-	(1,179,959)	(1,179,959)
Other payables - current	-	(141,268)	(141,268)
Total	<u>415,789</u>	<u>(34,560,442)</u>	<u>(34,144,653)</u>
	Financial liabilities at amortised cost £	Financial liabilities at amortised cost £	Total carrying amount £
As 31 March 2020			
Cash and cash equivalents	88,740	-	88,740
Trade receivables	89,892	-	89,892
Other receivables	126,546	-	126,546
Loans	-	(30,647,820)	(30,647,820)
Trade payables	-	(556,556)	(556,556)
Other payables - current	-	(141,881)	(141,881)
Total	<u>305,178</u>	<u>(31,346,257)</u>	<u>(31,041,079)</u>

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

15. Financial Instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and balances at financial institutions.

The company's exposure to credit risk in the property development division is limited as title to any property sold does not pass until funds are received.

For the grounds maintenance division, the major customer is a local authority and the sole shareholder of the company so the risk is perceived to be low. The remaining customers are predominantly also local authorities.

For the markets division, the customers are individual market stall vendors and each debt is relatively small. Most vendors have been trading with the company, and its local authority predecessor for a number of years.

The company held cash and cash equivalents of £207,736 at 31 March 2021 (£88,740 at 31 March 2020). The cash and cash equivalents are held at NatWest Bank which is rated A- to A at leading credit rating agencies and so the company considers these to have a low credit risk.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's policy throughout the year has been to ensure that it has adequate liquidity to meet its liabilities when due by careful management of its working capital.

	Less than one year	More than one year	Total
	£	£	£
2021			
Trade and other payables	1,321,227	-	1,321,227
Borrowings	9,968,589	23,270,626	33,239,215
	<u>11,400,799</u>	<u>23,270,626</u>	<u>34,671,425</u>

	Less than one year	More than one year	Total
	£	£	£
2020			
Trade and other payables	741,660	-	741,660
Borrowings	7,833,842	22,813,978	30,647,820
	<u>8,575,502</u>	<u>22,813,978</u>	<u>31,389,480</u>

Fair values

The carrying amounts of all financial assets and liabilities of the company as disclosed in the notes to the financial information are approximately their fair values.

Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital with an appropriate level of leverage

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****15. Financial Instruments (continued)**

for the size of the business so as to maintain investor, creditor and market confidence and to sustain future development of the business. In order to maintain or adjust the capital structure, the company may return capital to shareholders, issue new shares or sell assets to reduce debt.

On initial application of IFRS 9, the company has not recognised any additional impairment allowance at the start or during the financial year due to the low level of credit risk it is exposed to.

16. Share capital

	2021	2020
	£	£
Share classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1
	<u> </u>	<u> </u>

17. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £58,774 (2020 - £49,601).

Contributions totalling £11,865 (2020 - £9,294) were payable to the fund at the year end and are included in creditors.

18. Related Party Transactions

In line with paragraph 25 of IAS24, the company has taken advantage of the exemption from the requirement to disclose transactions with East Cambridgeshire District Council (ECDC) and connected companies due to the control exercised by ECDC by virtue of it being the only shareholder.

The company has loans of £4,990,000 (2020 £4,220,000) due to ECDC between March 31 2023 and July 31 2023 lent at an interest rate fixed at 3.5%.

19. Details of Parent Undertaking

The ultimate parent undertaking is East Cambridgeshire District Council, registered address The Grange, Nutholt Lane, Ely, Cambridgeshire, CB7 4EE

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****20. Note to the cash flow statement**

	2021 £	2020 £
Profit / (Loss) before tax	(515,252)	(513,160)
Depreciation	86,108	79,544
Interest received	(1,085)	-
Interest expense (including charge to inventories)	567,974	688,086
	<u>137,745</u>	<u>254,470</u>
Decrease/(Increase) in inventories	(2,601,028)	(27,220,033)
Decrease/(Increase) in trade and other receivables	(68,808)	(21,265)
(Decrease)/Increase in trade and other payables	690,550	390,940
Net cash outflow from operating activities	<u><u>(1,841,541)</u></u>	<u><u>(26,595,888)</u></u>

21. Reserves

The following is a description of each of the reserve accounts that comprise equity shareholders' funds:

Share capital The share capital comprises the issued ordinary shares of the company at par.

Retained earnings Retained earnings comprise the Company's cumulative accounting profits and losses since inception.

22. Events after the reporting period

No matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021****23. Changes in liabilities arising from financing activities**

	Lease liability £	Bank loans £	Total £
Balance at 1 April 2019	319,097	4,620,000	4,939,097
Net cash used in financing activities	(45,040)	(1,700,000)	(1,745,040)
Acquisition of leases	-	-	-
Loan advance	-	27,727,820	27,727,820
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2020	274,057	30,647,820	30,921,877
Net cash used in financing activities	(34,988)	(3,035,213)	(3,070,193)
Acquisition of leases	-	-	-
Loan advance	-	5,626,608	5,626,608
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<u>239,077</u>	<u>33,239,215</u>	<u>33,478,292</u>