

TITLE: East Cambs Trading Company 2022-23 Accounts

Committee: Finance & Assets

Date: 28 September 2023

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Report No: Y48

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1.0 ISSUE

1.1. East Cambs Trading Company Ltd Directors' report and financial statements for the year ended 31 March 2023.

2.0 RECOMMENDATION(S)

2.1. Members are asked to note the contents of the report.

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 ECTC's affairs as at 31 March 2023. They also confirm they have been prepared in accordance with the relevant laws and regulations.

4.0 CONCLUSION(S)

4.1. The ECTC 2022/23 accounts were approved by ECTC Board on 12 September 2023. These are now provided to the Finance & Assets Committee, as Shareholder Committee, as stated in the Shareholder Agreement.

5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT

5.1. There are no additional financial implications arising from this report

5.2. Equality Impact Assessment (EIA) not required.

5.3. Carbon Impact Assessment (CIA) not required.

6.0 APPENDICES

ECTC 2022-23 Statutory accounts

Background Documents:

None

EAST CAMBS TRADING COMPANY LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2023

EAST CAMBS TRADING COMPANY LIMITED

COMPANY INFORMATION

Directors	P J Remington J Hill E L Grima (Resigned 11 April 2022) S M Bonnett (Appointed 21 April 2022)
Company secretary	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

EAST CAMBS TRADING COMPANY LIMITED

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EAST CAMBS TRADING COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2023

The Directors present their report and the audited financial statements of the company for the year ended 31 March 2023.

Directors

The Directors who served during the year were:

P J Remington
J Hill
E L Grima (Resigned 11 April 2022)
S M Bonnett (Appointed 21 April 2022)

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 UK adopted international accounting standards. 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 2023

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 2023 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 UK adopted international accounting standards .

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of the profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

Emphasis of Matter

We draw attention to note 1.2 of the financial statements, which describes the judgement management has made in respect of the going concern of the Company. Our opinion is not qualified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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.

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 2023**

	Notes	2023 £	2022 £
CONTINUING OPERATIONS			
Revenue from services		1,317,360	1,178,396
Revenue from property development		27,054,487	15,499,580
		<u>28,371,847</u>	<u>16,677,976</u>
Cost of sales		(26,650,293)	(14,102,881)
Gross profit		<u>1,721,554</u>	<u>2,575,095</u>
Administrative expenses		(1,416,503)	(1,146,974)
Other operating income		82,554	-
Operating profit	2	<u>387,605</u>	<u>1,428,121</u>
Interest receivable		38,939	19,124
Interest payable	5	(232,049)	(398,673)
Valuation (gains/(losses) on fair value on debt instruments		28,885	(262,929)
Profit before taxation		<u>223,380</u>	<u>785,643</u>
Tax on profit	6	(57,189)	-
Profit and total comprehensive income for the year		<u><u>166,191</u></u>	<u><u>785,643</u></u>

There were no recognised gains and losses from 2023 or 2022 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 2023***Registration No. 10061867*

		2023	2022
	Notes	£	£
Non-current assets			
Property, plant and equipment	7	69,225	78,072
Right to use asset	8	138,151	174,261
Trade and other receivables	10	806,806	1,747,590
		<u>1,014,182</u>	<u>1,999,923</u>
Current assets			
Inventories	9	4,856,184	25,992,718
Trade and other receivables	10	1,800,748	1,432,097
Cash at bank and in hand	11	210,907	1,117,367
		<u>6,867,839</u>	<u>28,542,182</u>
Current Liabilities			
Trade and other payables	12	(1,329,600)	(1,391,018)
Financial liabilities - borrowings	13	(153,322)	(25,300,727)
Lease liabilities	14	(63,346)	(45,783)
		<u>(1,546,268)</u>	<u>(26,737,528)</u>
Net Current Assets		5,321,571	1,804,654
Total assets less current liabilities		6,335,753	3,804,577
Non-Current Liabilities			
Financial Liabilities – borrowings	13	(6,000,000)	(3,600,000)
Lease liabilities	14	(109,705)	(144,720)
		<u>(6,109,705)</u>	<u>(3,744,720)</u>
Net assets		<u>226,048</u>	<u>59,857</u>
Equity			
Called up share capital	16	1	1
Retained earnings		226,047	59,856
		<u>226,048</u>	<u>59,857</u>

EAST CAMBS TRADING COMPANY LIMITED

**STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2023**

Registration No. 10061867

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 2023**

	Share Capital £	Retained earnings £	Total equity £
Balance as at 31 March 2021	1	(725,787)	(725,786)
Comprehensive income			
Profit for the year	-	785,643	785,643
Total comprehensive income	-	785,643	785,643
Balance as at 31 March 2022	1	59,856	59,857
Comprehensive income			
Profit for the year	-	166,191	166,191
Total comprehensive income	-	166,191	166,191
Balance as at 31 March 2023	1	226,047	226,048

EAST CAMBS TRADING COMPANY LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023		2022	
		£	£	£	£
Cash flows from operating activities					
Net cash outflow from operating activities	20	22,512,386		6,223,360	
Net cash inflow from operating activities			22,512,386		6,223,360
Cash flows from investing activities					
Purchase of fixed assets	7	(25,019)		(18,694)	
Disposal of fixed assets	7	1,057		3,562	
Interest received		38,939		19,124	
			14,977		3,992
Cash flows from financing activities					
Repayment of leasing liabilities	23	(17,452)		(48,566)	
Loans advanced	23	3,907,718		4,507,016	
Loans repaid	23	(27,324,088)		(9,776,169)	
Net cash from financing activities			(23,433,823)		(5,317,719)
Net increase in cash and cash equivalents			(906,460)		909,631
Cash and cash equivalents at beginning of year			1,117,367		207,736
Cash and cash equivalents at end of year	11		210,907		1,117,367

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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

The Directors regularly review the plans of the business and, with only a few remaining properties to be sold on the existing developments at Haddenham and Ely, were delighted to approve the plan to commence work on a second site in Ely. This will be an exclusive development of 13 homes, with 4 of them being sold under East Cambridgeshire District Council's (ECDC) innovative £100k homes scheme. There are also two further schemes in the pipeline expected to commence within the next two years. These schemes will be financed by using the facility agreed with ECDC in 2022 and the Directors are content that this facility provides ample financing to complete these schemes and deliver on its plans.

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.

With the cost of living crisis, rising interest rates and a slow-down in the housing market all prevalent, the Directors acknowledge the risks of existing and future projects in terms of lower sales revenues and/or increased costs and the impact on profits and cash flows. The Directors will continue to monitor the projects closely and take any necessary actions.

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

EAST CAMBS TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1. Accounting policies (continued)

1.2 Critical accounting estimates and judgements

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 an appropriate basis. As the Company had 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 2023

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 2023

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 Other operating income

Other operating income includes revenue from all other operating activities which are not related to the principal activities of the company. This includes the recharge of ancillary costs incurred on behalf of other group entities.

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 2023

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.

Amounts due in over 1 year are adjusted for the time value of money. A discount rate of 1.6% has been applied, which is considered to be the expected rate of interest the company would have charged the receivable customers.

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 2023

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 2023

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 2022 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 2023**

2. Operating profit

Operating profit is stated after charging

	2023	2022
	£	£
Depreciation of owned fixed assets	32,809	45,232
Depreciation of right to use assets	56,837	44,401
Auditors' remuneration	35,650	31,050
	<u> </u>	<u> </u>

3. Employees and directors

	2023	2022
	£	£
Wages and Salaries	834,349	802,069
Social security	84,170	80,767
Other pension costs	51,725	63,012
	<u> </u>	<u> </u>
	<u>970,244</u>	<u>945,848</u>

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

	2023	2022
Directors	3	3
Administration	26	22
	<u> </u>	<u> </u>
	<u>29</u>	<u>25</u>

4. Directors' remuneration

	2023	2022
	£	£
Directors' remuneration	12,000	12,000
Directors' pension contributions to a defined contribution pension scheme	1,320	1,320
	<u> </u>	<u> </u>
	<u>13,320</u>	<u>13,320</u>

During the year 1 directors (2022 – 1) was accruing benefits under defined contribution pension schemes.

The above director's remuneration disclosure relates to the highest paid director also for both 2023 and 2022

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****5. Finance costs**

	2023	2022
	£	£
Loan interest payable	215,973	386,921
Interest on leases	16,076	11,752
	<u>232,049</u>	<u>398,673</u>

Total loan interest payable in the year was £697,850 (2022: £752,622). During the year £481,877 was transferred to work in progress (2022: £365,701)

6. Income tax**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:

	2023	2022
	£	£
Profit (Loss) per accounts	<u>223,380</u>	<u>785,643</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	42,442	149,272
Effects of:		
Expenses not deductible for tax purposes	-	5
Depreciation in excess of capital allowances	(749)	4,675
Loss on fixed asset disposals in the year	(1,843)	222
Adjustment for IFRS 16 leases	(282)	(282)
Change in pension prepayment	(629)	734
Losses utilised in the year	-	(153,976)
Losses received from group	-	(653)
Change in corporation tax provision relating to previous periods	18,250	-
Tax expense	<u>57,189</u>	<u>-</u>

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****7. Property, plant and equipment**

	Plant & Machinery	Leasehold Improvement	Office & computer Equipment	Total
Cost				
As at April 1 2022	52,569	54,508	73,478	180,555
Additions	10,919	-	14,099	25,018
Disposals	(10,150)	-	-	(10,150)
As at 31 March 2023	<u>53,337</u>	<u>54,508</u>	<u>87,578</u>	<u>195,423</u>
Depreciation				
As at April 1 2022	24,740	22,870	54,872	102,482
Charge for the year	12,847	10,516	9,446	32,809
On disposals	(9,093)	-	-	(9,093)
As at March 31 2023	<u>28,494</u>	<u>33,386</u>	<u>64,319</u>	<u>126,199</u>
Net Book Value				
As at March 31 2023	<u>24,843</u>	<u>21,122</u>	<u>23,260</u>	<u>69,225</u>
As at March 31 2022	<u>27,828</u>	<u>31,638</u>	<u>18,606</u>	<u>78,072</u>
	Plant & Machinery	Leasehold Improvement	Office & computer Equipment	Total
Cost				
As at April 1 2021	44,153	47,623	104,995	196,771
Additions	8,416	6,885	3,393	18,694
Disposals	-	-	(34,910)	(34,910)
As at March 31 2022	<u>52,569</u>	<u>54,508</u>	<u>73,478</u>	<u>180,555</u>
Depreciation				
As at April 1 2021	13,066	13,441	62,092	88,599
Charge for the year	11,675	9,429	24,128	45,232
On disposals	-	-	(31,348)	(31,348)
As at March 31 2022	<u>24,741</u>	<u>22,870</u>	<u>54,872</u>	<u>102,483</u>
Net Book Value				
As at March 31 2022	<u>27,828</u>	<u>31,638</u>	<u>18,606</u>	<u>78,072</u>
As at March 31 2021	<u>31,087</u>	<u>34,182</u>	<u>42,903</u>	<u>108,172</u>

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****8. Right-of-use assets**

	Land and Buildings	Total
As at April 1 2022	174,261	174,261
Depreciation	(36,110)	(36,110)
As at March 31 2023	<u>138,151</u>	<u>138,151</u>
As at April 1 2021	218,662	218,662
Depreciation	(44,401)	(44,401)
As at March 31 2022	<u>174,261</u>	<u>174,261</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

	2023 £	2022 £
Work in progress	<u>4,856,184</u>	<u>25,992,718</u>

The total amount of work in progress recognised as an expense during the year was £26,650,293 (2022: £13,537,990)

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 receivables

	2023 £	Restated 2022 £
Current:		
Trade receivables	1,015,430	1,021,334
Amounts owed by group entities	145,814	68,988
Other taxation	11,405	14,193
Other receivables	-	45,000
Prepayments and accrued income	628,099	282,582
	<u>1,800,748</u>	<u>1,432,097</u>

The analysis of the comparative figures have been restated to show the balance owed by the group entities.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****10. Trade and other receivables (continued)**

Non-current:		
Trade receivables	806,806	1,747,590
	<u> </u>	<u> </u>

11. Cash and cash equivalents

	2023	2022
	£	£
Cash at bank and in hand	210,907	1,117,367
	<u> </u>	<u> </u>

12. Trade and other payables

	2023	Restated
	£	2022
		£
Current		
Trade payables	287,168	899,011
Amounts owed to group entities	550,237	66,244
Other taxation and social security	64,171	34,467
Other payables	278,224	206,048
Accruals and deferred income	149,800	185,248
	<u> </u>	<u> </u>
	1,329,600	1,391,018
	<u> </u>	<u> </u>

The analysis of the comparative figures have been restated to show the balance owed by the group entities.

13. Borrowings

	2023	2022
	£	£
Current:		
Amounts owed to parent undertakings	-	1,300,000
Loans due within one year	153,322	24,000,727
	<u> </u>	<u> </u>
	153,322	25,300,727
	<u> </u>	<u> </u>
Non-current		
Due 1 – 2 years:		
Amounts owed to parent undertakings	-	3,600,000
Loans due after one year	-	-
	<u> </u>	<u> </u>
	-	3,600,000
Due 2 – 5 years:		
Amounts owed to parent undertakings	6,000,000	-
	<u> </u>	<u> </u>
	6,000,000	-
	<u> </u>	<u> </u>
Total non-current	6,000,000	3,600,000
	<u> </u>	<u> </u>

EAST CAMBS TRADING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

13. Borrowings (continued)

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 £809,865 and the former RAF service accommodation at the Ely MOD site is valued at £3,478,018.

East Cambridgeshire District Council has a fixed and floating charge on all property or undertakings of the Company not already charged.

14. Lease Liabilities

	2023	2022
	£	£
Current:		
Lease liability	63,346	45,783
Non-current:		
Lease liability	109,705	144,720
	<u>173,051</u>	<u>190,503</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 £31,212 (2022: £30,600). Within non-current liabilities are lease liabilities falling due after more than 5 years totalling £Nil (2022 - £1,596).

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 2023	£	£	£
Cash and cash equivalents	210,907	-	210,907
Trade receivables	1,015,430	-	1,015,430
Inter group receivables	145,814	-	145,814
Trade receivables – non current	806,806	-	806,806
Other receivables	628,099	-	628,099
Loans	-	(6,153,322)	(6,153,322)
Trade payables	-	(287,168)	(287,168)
Inter group payables	-	(550,237)	(550,237)
Other payables - current	-	(278,224)	(278,224)
Accruals and deferred income	-	(149,800)	(149,800)
Total	<u>2,807,056</u>	<u>(7,418,751)</u>	<u>(4,611,695)</u>

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****15. Financial Instruments (continued)**

As 31 March 2022	Financial assets at amortised cost £	Financial liabilities at amortised cost £	Restated Total carrying amount £
Cash and cash equivalents	1,117,367	-	1,117,367
Trade receivables	1,021,334	-	1,021,334
Inter group receivables	68,988	-	68,988
Trade receivables – non current	1,747,589	-	1,747,589
Other receivables	327,582	-	327,582
Loans	-	(28,900,727)	(28,900,727)
Trade payables	-	(899,011)	(899,011)
Inter group payables	-	(66,244)	(66,244)
Other payables - current	-	(206,048)	(206,048)
Accruals and deferred income	-	(185,248)	(185,248)
Total	4,282,860	(30,257,278)	(25,974,418)

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 £210,907 at 31 March 2023 (2022: £1,117,367). 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.

EAST CAMBS TRADING COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

15. Financial Instruments (continued)

	Less than one year £	More than one year £	Total £
2023			
Trade and other payables	1,290,661	-	1,290,661
Borrowings	153,322	6,000,000	6,153,322
	<u>1,443,983</u>	<u>6,000,000</u>	<u>7,443,983</u>
	<u>1,443,983</u>	<u>6,000,000</u>	<u>7,443,983</u>
	Less than one year £	More than one year £	Restated Total £
2022			
Trade and other payables	1,391,018	-	1,391,018
Borrowings	25,300,727	3,600,000	28,900,727
	<u>26,691,745</u>	<u>3,600,000</u>	<u>30,291,745</u>
	<u>26,691,745</u>	<u>3,600,000</u>	<u>30,291,745</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 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 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

	2023 £	2022 £
Share classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</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 £51,725 (2022 - £63,012).

Contributions totalling £12,533 (2022 - £15,729) were payable to the fund at the year end and are included in creditors.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****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 £6,000,000 (2022: £4,900,000) due to ECDC on March 31 2026 lent at an interest rate fixed at 4.5%.

19. Details of Parent Undertaking

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

20. Note to the cash flow statement

	2023 £	2022 £
Profit before tax	223,380	785,643
Depreciation	68,919	89,633
Interest received	(38,939)	(19,124)
Interest expense (including charge to inventories)	697,850	752,622
Valuation (losses)/gains on fair value on debt instruments	(28,885)	262,929
Taxation	(57,189)	-
	<u>865,136</u>	<u>1,871,703</u>
Decrease/(Increase) in inventories	21,136,535	7,227,088
Decrease/(Increase) in trade and other receivables	572,133	(2,834,240)
(Decrease)/Increase in trade and other payables	(61,418)	(41,191)
Net cash outflow from operating activities	<u><u>22,512,386</u></u>	<u><u>6,223,360</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.

EAST CAMBS TRADING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023****23. Changes in liabilities arising from financing activities**

	Lease liability £	Bank loans £	Total £
Balance at 1 April 2021	239,069	33,154,329	33,393,398
Net cash used in financing activities - restated	(48,566)	(9,776,169)	(9,824,735)
Loan advance	-	4,507,016	4,507,016
Interest expense (including charge to inventories)	-	752,622	752,622
Valuation (losses)/gains on fair value on debt instruments	-	262,929	262,929
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2022	190,503	28,900,727	29,091,230
Net cash used in financing activities	(17,452)	(27,324,088)	(27,341,540)
Loan advance	-	3,907,718	3,907,718
Interest expense (including charge to inventories)	-	697,850	697,850
Valuation (losses)/gains on fair value on debt instruments	-	(28,885)	(28,885)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	<u>173,051</u>	<u>6,153,322</u>	<u>6,326,373</u>