

Company registration number: 10832066

Aequus Construction Limited
Annual Report and Financial Statements
Year Ended 31 March 2022

Company registration number: 10832066

Aequus Construction Limited

Financial Statements

Year Ended 31 March 2022

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Aequus Construction Limited

Company Information

Year Ended 31 March 2022

Company registration number

10060817

Directors

D P E Quilter
T Richens

Registered office

Cambridge House
Henry Street
Bath
BA1 1BT

Auditor

Bishop Fleming LLP
Chartered Accountants and Statutory Auditors
10 Temple Back
Bristol
BS1 6FL

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2022

The directors present their report with the financial statements of the company for the year ended 31 March 2022.

Principal Activity

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

Review of Business

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

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

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

Operational progress during the year 2021/22 has been hugely successful with the sale of the remaining 12 Riverside View apartments completed during the year bringing the total to 95 completions as at the 31st March 2022.

Our second development at Sladebrook Road, Bath has now completed construction and has delivered 9 low energy family homes. Two of the properties were acquired by B&NES Council for shared ownership as at the 31st March 2022. The remaining 7 units are expected to complete the private market sales by the end of June 2022.

Our third development of an ex-council office at 117 Newbridge Hill, Bath is undergoing conversion by our appointed contractor to create 7 apartments and will be acquired by B&NES Council for affordable social housing by the end of September 2022.

As a group of companies, our three-year Business Plan for 2021/22 to 2023/24 was approved by our Shareholder and sets out a housing delivery pipeline that meets the shareholders objectives for the company going forwards including the delivery of affordable and market housing.

We are pleased to confirm that our joint-partnership arrangements with South Gloucestershire Council has progressed well and that our first development under a sales and overage arrangement has been approved at Malmains Drive, Frenchay. This development will be delivered by our appointed contractor starting in summer 2022 and delivering 30 low energy homes, 11 of which will be affordable homes.

Through our partnership arrangements we also continue to work with South Gloucestershire Council to support a number of future development sites in their area.

The construction industry, as with the wider economy, continues to experience significant price increases. Previously this was due to shortages of material and labour available in the supply chain during the pandemic however, other inflationary factors such as energy and fuels costs are now contributing to higher prices.

The outlook for the housing market remains positive and whilst house price growth seems to have peaked as the economy starts to slow, there remains a shortage of supply, particularly of quality new homes. this situation is being monitored on a regular basis by the Board and will be included in regular update briefings provided to the Shareholder.

Financial Performance

The total turnover of ACL for 21/22 was £5,556,680, this includes sales of Riverside View apartments of £3,093,917, 2 units at Sladebrook Road of £921,666 and Management Services of £1,541,096.

The profit before tax is £467,979, largely due to the profit on Riverside View apartments.

Revenue financial returns to the Shareholder, B&NES Council, includes £210k of interest and arrangement fees on loans, dividends of £709k and Construction Industry Levy payments of £159k.

Capital financial returns to B&NES Council include a capital receipt of £308k for 117 Newbridge Hill and a £100k discount on market price for the two units being sold to B&NES Council at Sladebrook Road, Bath.

Looking forwards B&NES Council target for revenue returns from ADL and ACL for 22/23 is £1m. This will be met by anticipated interest returns, and potential dividend payments.

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2022

The ability of ADL and ACL to meet this target is largely dependent on the development pipeline; at this point we are encouraged by the performance of our existing developments and the work to secure this pipeline from B&NES Council and South Glos Council. This provides us with confidence for the ongoing growth and sustainability of the company.

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

Events since the end of the year

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

Directors

The directors shown below have held office during the whole of the period from 1 April 2021 to the date of this report.

- D P E Quilter
- T Richens

Financial instruments

Aequus Construction's financial risk management objectives and policies, including exposure to market risk, credit risk and liquidity risk are set out in note 15 to the financial statements.

Statement of Directors Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to auditors

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

Aequus Construction Limited

Directors' Report

Year Ended 31 March 2022

Auditors

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

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

On behalf of the board

A handwritten signature in black ink, consisting of a stylized 'T' followed by a long, sweeping horizontal stroke that curves upwards at the end.

T Richens, Director

Date: 8th September 2022

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2022

We have audited the financial statements of Aequus Developments Limited (the 'company') for the year ended 31 March 2022 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including 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 2022, and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2022 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the directors' 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

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2022

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor 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 have considered the nature of the sector, control environment and financial procedures;
- We have considered the results of enquiries with management and trustees in relation to their own identification of the risk of irregularities within the entity;

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2022

- We have reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation.

As a result of these procedures, we have considered the opportunities and incentives that may exist within the organisation for fraud and identified the highest area of risk to be in relation to revenue recognition, with a particular risk in relation to year end cut off. In common with all audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. We have also obtained understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those law and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act, IFRS and UK tax legislation. In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or avoid a material penalty.

Our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing board meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Performing detailed transactional testing in relation to the recognition of revenue with a particular focus around year-end cut off; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

Aequus Construction Limited

Independent Auditor's Report

Year Ended 31 March 2022

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bishop Fleming LLP

Nathan Coughlin
For and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL

Date *22nd September 2022*

Aequus Construction Limited

Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 March 2022

| | Note | 2022 £ | 2021 £ |
|--|------|----------------|------------------|
| Revenue | 4 | 5,556,680 | 15,710,530 |
| Cost of sales | | (4,578,517) | (11,596,712) |
| Gross profit | | 978,163 | 4,113,818 |
| Other operating income | | - | 10,222 |
| Administrative expenses | | (506,609) | (450,344) |
| Profit from operations | | 471,554 | 3,673,696 |
| Finance income | | 1,718 | 1,106 |
| Finance expense | | (5,293) | (21,461) |
| Profit before taxation | | 467,979 | 3,653,341 |
| Taxation | 7 | (103,379) | (660,297) |
| Profit for the year | | 364,600 | 2,993,044 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 364,600 | 2,993,044 |

Aequus Construction Limited

Statement of Financial Position

Year Ended 31 March 2022

| | Note | 2022 £ | 2021 £ |
|--|------|------------------|--------------------|
| Non-current assets | | | |
| Owned: Property, plant and equipment | 8 | 1,697 | 4,680 |
| Right of use: Property, plant and equipment | 12 | - | 5,301 |
| | | <u>1,697</u> | <u>9,981</u> |
| Current assets | | | |
| Inventories | 9 | 4,598,470 | 4,963,744 |
| Trade and other receivables | 10 | 529,403 | 272,597 |
| Cash and cash equivalents | 17 | 2,898,763 | 4,785,256 |
| Current tax assets | | 12,163 | - |
| | | <u>8,038,799</u> | <u>10,021,597</u> |
| Current liabilities | | | |
| Trade and other payables | 11 | (920,804) | (773,902) |
| Borrowings | 13 | (2,850,000) | (1,913,621) |
| Current tax liabilities | | - | (695,623) |
| | | <u>4,267,995</u> | <u>6,638,451</u> |
| Net current assets | | <u>4,269,692</u> | <u>6,648,432</u> |
| Total assets less current liabilities | | <u>4,269,692</u> | <u>6,648,432</u> |
| Non-current liabilities | | | |
| Borrowings | 13 | (600,000) | (3,342,875) |
| Deferred tax | 7 | (424) | (889) |
| Total non-current liabilities | | <u>(600,424)</u> | <u>(3,343,764)</u> |
| Net assets | | <u>3,669,268</u> | <u>3,304,668</u> |
| Equity | | | |
| Share capital | 14 | 100 | 100 |
| Retained earnings | | 3,669,168 | 3,304,568 |
| | | <u>3,669,268</u> | <u>3,304,668</u> |

The financial statements were approved and authorised for issue by the Board on

8th September 2022

Signed on behalf of the Board of Directors



T Richens, Director

The notes on pages 15 to 26 form part of these accounts.
Company registration number: 10832066

Aequus Construction Limited**Statement of Changes in Equity****Year Ended 31 March 2022**

| | Share capital £ | Retained earnings £ | Total equity £ |
|---------------------------------|-----------------------|---------------------------|-------------------|
| Balance at 1 April 2020 | 100 | 311,524 | 311,624 |
| Profit for the year | - | 2,993,044 | 2,993,044 |
| Balance at 31 March 2021 | 100 | 3,304,568 | 3,304,668 |
| Profit for the year | - | 364,600 | 364,600 |
| Balance at 31 March 2022 | 100 | 3,669,168 | 3,669,268 |

Aequus Construction Limited

Statement of Cash Flows

Year Ended 31 March 2022

| | Note | 2022 £ | 2021 £ |
|---|------|--------------------|--------------------|
| Cash generated from operations | 18 | 940,030 | 9,805,554 |
| Interest paid | | (210,115) | (415,593) |
| Lease interest paid | | - | (8,248) |
| Tax paid | | (811,630) | (43,227) |
| Net cash flow from operating activities | | (81,715) | 9,338,486 |
| Cash flow from investing activities | | | |
| Purchase of tangible fixed assets | | - | (5,092) |
| Interest received | | 1,718 | 1,106 |
| Net cash flow from investing activities | | 1,718 | (3,986) |
| Cash flow from financing activities | | | |
| New loans in the year | | 600,000 | 1,265,124 |
| Repayment of long term loans | | (2,406,496) | (7,495,000) |
| Payment of lease liabilities | | - | (23,234) |
| Net cash flow from financing activities | | (1,806,496) | (6,253,110) |
| Net (decrease) / increase in cash and cash equivalents | | (1,886,493) | 3,081,390 |
| Cash and cash equivalents at 1 April | 17 | 4,785,256 | 1,703,866 |
| Cash and cash equivalents at 31 March | 17 | 2,898,763 | 4,785,256 |
| Cash and cash equivalents consists of: | | | |
| Cash at bank and in hand | 17 | 2,898,763 | 4,785,256 |
| Cash and cash equivalents at 31 March | 17 | 2,898,763 | 4,785,256 |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

1 Statutory information

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

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including investment properties, derivatives, and some investments, are shown at fair value.

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

2.2 Preparation of consolidated financial statements

The financial statements contain information about Aequus Construction Limited as an individual company and do not contain consolidated financial information as the part of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

2.4 Changes in accounting policies

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Reference to the Conceptual Framework (Amendments to IFRS3 Business Combinations)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS37 Provisions, Contingent Liabilities and Contingent Assets)

Annual improvements 2018-2020 cycle

IFRS 17 Insurance contracts

Amendments to IFRS17 – Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

Classification of Liabilities as Current or Non-Current: amendments to IAS 1

2.5 Revenue recognition

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

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

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

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

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

2.6 Property, plant and equipment

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

Short leasehold – over period of lease

Motor vehicles – 33% on straight line basis

Computer equipment – 33% on straight line basis

2.7 Assets recognised from costs to fulfil a contract

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

2.8 Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

2.9 Borrowings

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

2.10 Borrowing costs

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

2.11 Government grants

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

2.12 Taxation

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

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

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

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

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

2.13 Financial instruments

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

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

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

2.14 Going concern

Based on the information available including the approved 3-year Business Plan 2021/22 to 2023/24 the Directors see no issues relating to the going concern status of the company.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

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

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

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

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

4 Revenue from contracts with customers

All revenue was generated within the United Kingdom

| | 2022 £ | 2021 £ |
|--|------------------|------------|
| Revenue from contracts with customers | | |
| Property Sales | 4,015,584 | 15,119,750 |
| Service and Management | 1,541,096 | 590,780 |
| | 5,556,680 | 15,710,530 |

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

Contract balances

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

5 Auditor's remuneration

| | 2022 £ | 2021 £ |
|--|---------------|-----------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 17,500 | 16,835 |
| Fees payable to the company's auditor for other services: | | |
| Other services | 2,000 | 5,977 |
| | 19,500 | 22,812 |

6 Employees and Directors

There were no staff costs for the year ended 31 March 2022 nor for the year ended 31 March 2021.

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

| | 2022 £ | 2021 £ |
|-------------------------|-----------|-----------|
| Directors | 2 | 2 |
| Directors' remuneration | - | - |

The directors are paid by the parent company Aequus Developments Limited and their remuneration is disclosed in those financial statements. Aequus Developments Limited invoice Aequus Construction Limited a service charge which includes the provision of services by the directors to Aequus Construction. The amounts recharged are recorded in note 16 on related party transactions.

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

7 Income taxes

7.1 Income tax recognised in profit or loss

| | 2022 £ | 2021 £ |
|--|----------------|-----------|
| Tax expense comprises: | | |
| Current tax expense in respect of the current year | 88,087 | 661,785 |
| Adjustment in respect of prior periods | 15,757 | - |
| | 103,844 | 661,785 |
| <i>Deferred tax</i> | | |
| Deferred tax | (465) | (1,488) |
| Total deferred tax | (465) | (1,488) |
| Total tax expense in statement of profit or loss | 103,379 | 660,297 |

| | 2022 £ | 2021 £ |
|--|----------------|-----------|
| Profit on ordinary activities before tax | 467,979 | 3,653,341 |
| Tax on profit on ordinary activities at 19% | 88,916 | 694,135 |
| Effects of: | | |
| Disallowed expenses | - | 1,489 |
| Capital allowances in excess of depreciation | (55) | (33,839) |
| Additional deductions for land remedial expenditure | (1,341) | |
| Losses utilised | - | (1,488) |
| Remeasurement of deferred tax for changes in tax rates | 102 | - |
| Adjustment in respect of prior periods | 15,757 | - |
| Income tax expense recognised in profit or loss | 103,379 | 660,297 |

The tax rate used for the 2022 and 2021 reconciliations above is the corporate tax rate of 19% payable by corporate entities on taxable profits under tax law in that jurisdiction.

7.2 Deferred tax balances

| | 2022 £ | 2021 £ |
|---|------------|-----------|
| Balance at 1 April | 889 | 2,377 |
| Deferred tax credited to profit and loss account for the period | (465) | (1,488) |
| Balance at 31 March | 424 | 889 |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

8 Property, plant and equipment

| | Short leasehold | Motor Vehicles | Computer equipment | Totals |
|-----------------------|--------------------|-------------------|-----------------------|---------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April | 7,562 | 12,856 | 38,769 | 59,187 |
| Additions | - | - | - | - |
| Impairments | - | - | - | - |
| At 31 March | 7,562 | 12,856 | 38,769 | 59,187 |
| Depreciation | | | | |
| At 1 April | 6,301 | 8,816 | 34,089 | 49,206 |
| Charge for the year | 1,261 | 4,040 | 2,983 | 8,284 |
| At 31 March | 7,562 | 12,856 | 37,072 | 52,189 |
| Net Book Value | | | | |
| At 31 March 2022 | - | - | 1,697 | 1,697 |
| At 31 March 2021 | 1,261 | 4,040 | 4,680 | 9,981 |

9 Inventories

| | 2022 £ | 2021 £ |
|------------------|------------------|-----------|
| Work in progress | 4,598,470 | 4,963,744 |
| | 4,598,470 | 4,963,744 |

10 Trade and other receivables

| | 2022 £ | 2021 £ |
|---|----------------|-----------|
| Trade receivables | 13,271 | 18,026 |
| Amounts due from related party transactions | 475,646 | 165,005 |
| Prepayments and accrued income | 35,486 | 32,017 |
| Other debtors | 5,000 | 18,763 |
| VAT | - | 38,786 |
| | 529,403 | 272,597 |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

11 Trade and other payables

| | 2022 £ | 2021 £ |
|------------------------------------|----------------|----------------|
| Trade payables | 273,130 | 133,341 |
| Amounts owed to group undertakings | 193,488 | 264,507 |
| Social security and other taxes | 32,123 | 5,426 |
| Other creditors | 8,000 | 5,087 |
| Accruals and deferred income | 414,063 | 365,541 |
| | <u>920,804</u> | <u>773,902</u> |

12 Leases

Minimum lease payments fall due as follows:

| | 2022 £ | 2021 £ |
|-----------------------------|-----------|--------------|
| Gross obligations repayable | | |
| Within one year | - | 6,775 |
| Between one and five years | - | - |
| In more than five years | - | - |
| | <u>-</u> | <u>6,775</u> |
| Finance charge repayable | | |
| Within one year | - | 279 |
| Between one and five years | - | - |
| In more than five years | - | - |
| | <u>-</u> | <u>279</u> |
| Net obligations repayable | | |
| Within one year | - | 6,496 |
| Between one and five years | - | - |
| In more than five years | - | - |
| | <u>-</u> | <u>6,496</u> |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

12 Leases (continued)

Right of use assets

Property, plant and equipment

| | 2022 £ | 2021 £ |
|-----------------------|---------------|---------------|
| Cost | | |
| At 1 April | 20,418 | 178,025 |
| Additions | - | - |
| Impairments | - | (157,607) |
| | 20,418 | 20,418 |
| Depreciation | | |
| At 1 April | 15,117 | 22,760 |
| Charge for the year | 5,301 | 21,414 |
| Charge written back | - | (29,057) |
| At 31 March | 20,418 | 15,117 |
| Net Book Value | - | 5,301 |

13 Borrowings

| | Current | | Non-current | |
|--------------------|------------------|------------------|----------------|------------------|
| | 2022 £ | 2021 £ | 2022 £ | 2021 £ |
| Bank loans | - | 7,125 | - | 42,875 |
| Intercompany loans | 2,850,000 | 1,900,000 | 600,000 | 3,300,000 |
| Leases | - | 6,496 | - | - |
| | 2,850,000 | 1,913,621 | 600,000 | 3,342,875 |

Terms and debt repayments schedule

| | 1 year or less £ | 1-2 years £ | 2-5 year £ | More than 5 years £ | Total £ |
|--------------------|------------------------|----------------|----------------|---------------------------|------------------|
| Bank loans | - | - | - | - | - |
| Intercompany loans | 2,850,000 | - | 600,000 | - | 3,450,000 |
| Leases | - | - | - | - | - |
| | 2,850,000 | - | 600,000 | - | 3,450,000 |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

14 Issued capital

| | 2022 £ | 2021 £ |
|--------------------------------------|-----------|-----------|
| 100 fully paid up ordinary £1 shares | 100 | 100 |

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

15 Financial instruments

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

| | 2022 £ | 2021 £ |
|--|--------------------|--------------------|
| Financial assets | | |
| Financial assets measured at amortised cost | 493,917 | 201,794 |
| Cash and cash equivalents | 2,898,763 | 4,785,257 |
| | <u>3,392,680</u> | <u>4,987,051</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | (888,681) | (768,477) |
| Loans and hire purchase | (3,450,000) | (5,256,496) |
| | <u>(4,338,681)</u> | <u>(6,024,973)</u> |

There are no financial assets and liabilities measured at fair value. All financial assets and liabilities are measured at amortised cost. For all financial assets and financial liabilities, the carrying value is equivalent to the fair value.

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

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

Financial risk management

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

Foreign currency risk

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

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

Credit risk and market risk

The company is at risk from its customers defaulting in making payments for services that have been supplied to them or from properties let out to them on long term leases. The majority of the company's customers are based within the real estate market and therefore industry related changes or economic changes in the housing market present a risk to the company as opposed to credit risks

Liquidity risk

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

Cash flow interest rate risk

The company is exposed to interest rate risk through the impact of rate changes on interest-bearing borrowings. The company's policy is to obtain the most favourable interest rates available for its borrowings. At 31 March 2022 the company's borrowings were in the region of £3.5m (2021: £5.2m) and it is therefore estimated that a general change of one percentage point in the interest rate would affect profit before tax by approximately £35,000 (2020: £53,000).

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

Equity price risk

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

The company does not have any derivative financial liabilities.

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at 31 March 2022.

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

Capital management

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

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

16 Related party transactions

Transactions and balances between the company and its parent company BANES are disclosed below:

| | 2022 £ | 2021 £ |
|--------------------------|-----------|-----------|
| Other goods and services | (14,544) | (35,091) |
| Interest recharge | (210,115) | (415,593) |
| Loan arrangement fees | - | (1,500) |
| Services Income | 1,520,676 | 547,471 |
| Property sales | 920,000 | - |

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

| | 2022 £ | 2021 £ |
|---|--------------------|--------------------|
| Loans payables to parent undertaking | | |
| Due in less than one year | (2,850,000) | (1,900,000) |
| Due in more than one year | (600,000) | (3,300,000) |
| | <u>(3,450,000)</u> | <u>(5,200,000)</u> |
| Trade receivables | 459,808 | 165,005 |
| Trade payables | (103,894) | (168,024) |

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

Transactions with Aequus Developments Limited (immediate parent)

| | 2022 £ | 2021 £ |
|--------------------------|-----------|-----------|
| Other goods and services | (767,028) | (770,263) |
| Services income | 15,886 | 9,171 |
| Property sales | - | 1,895,000 |

Year end balances arising from Aequus Developments Limited amount to:

| | 2022 £ | 2021 £ |
|-------------------|-----------|-----------|
| Trade receivables | 15,838 | - |
| Trade payables | (90,142) | (96,483) |

Aequus Construction Limited

Notes to the Financial Statements

Year Ended 31 March 2022

17 Cash and Cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 2022 £ | 2021 £ |
|------------------------|------------------|-----------|
| Cash and bank balances | 2,898,763 | 4,785,256 |
| | 2,898,763 | 4,785,256 |

18 Reconciliation of profit to cash flow from operating activities

| | 2022 £ | 2021 £ |
|---|------------------|-----------|
| Profit before taxation | 467,979 | 3,653,341 |
| Depreciation charges | 8,284 | 34,337 |
| Gain on lease modification | - | (3,767) |
| Finance costs | 5,293 | 21,461 |
| Finance income | (1,718) | (1,106) |
| Decrease in inventories | 570,096 | 6,587,025 |
| (Increase) in trade and other receivables | (256,806) | (117,924) |
| Increase / (decrease) in trade and other payables | 146,902 | (367,813) |
| Cash flow from operating activities | 940,030 | 9,805,554 |

19 Ultimate parent

The immediate parent company is Aequus Development Limited

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

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

20 Events after the reporting period

A new investment holding company Aequus Group Holding Limited was established and incorporated on 5 April 2022 and is 100% owned by Bath and North East Somerset Council (Shareholder). Both Aequus Construction Limited and Aequus Development Limited are now 100% directly owned by Aequus Group Holding Limited following the transfer of the shares of Aequus Construction Limited from Aequus Development Limited to Aequus Group Holding Limited.