Midas Commercial Developments Limited

Report and Financial Statements

30 April 2016

Directors
S L Hindley
A E Hope
D F Rogerson
S N Russell

Secretary
D F Rogerson

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers
Royal Bank of Scotland plc
3 Templeback East
Bristol BS1 9BX

Solicitors
Michelmores LLP
Woodwater House
Pynes Hill
Exeter EX2 5WR

Registered Office
Midas House
Pynes Hill
Exeter EX2 5WS

Strategic report

The directors present their strategic report for the year ended 30 April 2016.

Impact of transition to FRS 102

The company has implemented Financial Reporting Standard 102 (FRS 102) with a transition date of 1 May 2014. The impact of transition is minimal and is detailed in note 16 to the financial statements.

Results and dividends

The company is a wholly owned subsidiary of Midas Group Limited.

Midas Commercial Developments Limited ('MCDL') engages in property development activities. In addition to completing its own projects, it also offers a service to its customers to assist in sourcing and securing funding for their projects.

The company reported a turnover of £920k for the year (2015 – £1,845k) with a profit before tax of £25k (2015 – loss of £285k). The profit after tax was £20k (2015 – loss of £225k) with net assets increasing to £356k.

MCDL has external borrowings of £1,540,000 (2015 - £1,955,000) which represents the funding for unsold units on current developments.

MCDL has consolidated its position with respect to a number of schemes in the year and the directors are confident that these schemes will translate into profitable trading activity in the next two years.

Principal risks and uncertainties

The company refers to and uses key performance indicators (KPIs) in order to monitor business performance with reference to time, cost, quality and health and safety. Management also focuses strongly on additional internal KPIs, particularly with respect to financial targets and control. Risk management is also a priority and appropriate systems for the identification and control of risks are under continuous review.

The principal risks and uncertainties facing the company are broadly grouped as competitive, legislative and financial.

Competitive risks

Labour market forces place pressure on the company to retain its people which are seen as its major asset. In order to retain staff, the company aims to offer competitive remuneration packages and structured career development opportunities, but is continually at risk of competitors attracting staff away.

The development of commercial units and their profitable onward sale is dependent on the general economy and suitable attractive yields being available to investors.

Legislative risks

Health and Safety is of paramount importance at Midas and the Accident Frequency Rate (AFR) is one of the principal KPIs which are focused on at board level. Any deterioration in AFR may cost time (through Health and Safety Executive (HSE) actions and management time) and money (through potential delays and/or HSE fines) on existing projects but also preclude the company from winning new work as customers continually look for excellent and improving Health and Safety records from their preferred contractors. The Group AFR is 0.14 which compares favourably with its peers, places it in the upper quartile for the industry and may help win new work from current or potential customers.

Strategic report

Principal risks and uncertainties (continued)

Financial risks

As a development company, the strength of the national and global economy has a direct impact on capital investment programmes in the private sector. Any downturn in the economy can restrict capital investment and, consequently, activity levels. Increases in interest rates make funding capital investment more expensive and therefore may reduce private sector appetite for investing in capital projects. Conversely, availability of grant funding in assisted areas encourages inward investment and stimulates construction and wider general economic activity.

By order of the Board

D F Rogerson
Secretary
27 July 2016

Registered No. 3912436

Directors' report

The directors present their report for the year ended 30 April 2016.

Directors

The directors who served the company during the year were as follows:

S L Hindley (Chairman)
A E Hope
D F Rogerson
S N Russell

Dividends

The directors do not recommend the payment of a final dividend.

Going concern

Having completed their assessment the directors have concluded that there are no material uncertainties that cast significant doubt about the ability of the company to continue as a going concern.

The company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report. The company has access to considerable financial resources in the form of support from its ultimate parent undertaking, Midas Group Limited.

On the basis of their assessment of the group's financial position, the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

D F Rogerson
Secretary
27 July 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent auditors' report

to the members of Midas Commercial Developments Limited

We have audited the financial statements of Midas Commercial Developments Limited for the year ended 30 April 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Midas Commercial Developments Limited

Matters on which we are required to report by exception

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.

Ernst & Young LLP

Paul Mapleston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
27 July 2016

1. The maintenance and integrity of the Midas Commercial Developments Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and loss account

for the year ended 30 April 2016

	Notes	*2016* *£000*	*2015* *£000*
Turnover	2	920	1,845
Cost of sales		(470)	(1,856)
Gross profit/(loss)		450	(11)
Administrative expense		(417)	(265)
Operating profit/(loss)	3	33	(276)
Interest payable and similar charges	6	(8)	(9)
Profit/(loss) on ordinary activities before taxation		25	(285)
Tax	7	(5)	60
Profit/(loss) for the financial year		20	(225)

All amounts relate to continuing activities. There is no other comprehensive income for the year (2015: nil). Profit for the year represents total comprehensive income.

Balance sheet

at 30 April 2016

	Notes	*2016* *£000*	*2015 restated* *£000*
Current assets			
Stocks	8	–	–
Debtors	9	2,310	2,351
		2,310	2,351
Creditors: amounts falling due within one year	10	1,954	2,015
Net current assets		356	336
Net assets		356	336
Capital and reserves			
Called up share capital	11	–	–
Profit and loss account		356	336
Shareholders' funds		356	336

The financial statements were approved and authorised for issue by the board on 27 July 2016 and signed on its behalf by:

S L Hindley

Director

D F Rogerson

Director

Registered No. 3912436

Statement of changes in equity

at 30 April 2016

	Called up share capital	*Profit and loss account*	*Total Equity*
	£000	*£000*	*£*
At 1 May 2014	–	561	561
Profit for the year	–	(225)	(225)
At 30 April 2015	–	**336**	**336**
Profit for the year	–	20	20
Dividends paid	–	–	–
At 30 April 2016	–	**356**	**356**

Notes to the financial statements

at 30 April 2016

1. Accounting policies

Statement of compliance

Midas Commercial Developments Limited is a private company limited by share capital incorporated in England and Wales. The registered office is Midas House, Pynes Hill, Exeter, EX2 5WS.

The company's financial statements have been prepared in compliance with FRS102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, as it applies to the financial statements of the company for the year ended 30 April 2016.

The company has adopted FRS102 and transferred from previously extant UK GAAP to FRS102 as at 1 May 2014. Comparatives have been restated, and an explanation of how transition to FRS102 has affected the reported financial position and financial performance is given in note 16. There are no material departures from FRS102.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Statement of cash flows

The company has taken advantage of the exemption from preparing a statement of cash flows as permitted by FRS 102, on the grounds that it is a wholly owned subsidiary undertaking of a company preparing publicly available group financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However the nature of estimation means the actual outcomes could differ from those involving estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- Amounts recoverable on contracts are recognised by reference to the proportion of work carried out and the profit included is calculated on a prudent basis which involves management judgement.
- The pension cost and liabilities of the Midas group pension and life assurance scheme under FRS 102 are assessed in accordance with the directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. Assumptions include the discount rate and mortality rates and changes in these assumptions will impact the carrying amount of pension obligations.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Long-term contracts

Revenue on long-term contracts is recognised by reference to the state of completion. Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs (labour, materials and other direct costs) as contract activity progresses. Turnover is calculated by independent valuation. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Notes to the financial statements

at 30 April 2016

1. Accounting policies (continued)

Stocks

Stock is measured at the lower of cost and estimated selling price less costs to complete and sell.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate. Grants already received will be released to the profit and loss account over the next five years.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.
- Deferred tax is recognised when the tax allowances for the cost of a fixed asset are received before or after the depreciation of the fixed asset is recognised in profit and loss. If and when all conditions for retaining the tax allowances have been met, the deferred tax is reversed.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating leases

Rentals paid under operating leases and vehicle hire contracts are charged to profit and loss account on a straight-line basis over the term of the lease.

Pensions

Retirement benefits for employees are provided by two schemes. The Midas Group Pension and Life Assurance Scheme, which was closed on 30 June 2004, is operated by the group and funded by contributions from the company and employees. It provides retirement and associated benefits based on a defined level of contributions, subject to a guaranteed minimum level of benefits. The parent undertaking of Midas Commercial Developments Limited, Midas Group Limited, has adopted FRS 102 effective from 1 May 2014 and is legally responsible for the defined benefit plan. Midas Commercial Developments Limited recognises a cost equal to its contribution payable for the period in its financial statements in accordance with the provisions of FRS 102.

Under the Midas Group Personal Pension Plan, a defined contribution scheme, contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Retirement benefits for certain directors of group companies are provided by a self-administered scheme which does not provide guaranteed benefits and which is funded by contributions from the group and employees. Contributions from the group are charged against profits of the year in which they are paid.

Notes to the financial statements

at 30 April 2016

1. Accounting policies (continued)

Basic financial instruments

Financial assets and liabilities are recognised/(derecognised) when the Group becomes/(ceases to be) party to the contractual provisions of the instrument. The Group holds the following financial assets and liabilities:

- *Cash*
- *Short-term trade and other debtors and creditors*

Cash in the balance sheet comprises cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account before operating profit.

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i). there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii). the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group’s own equity instruments.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders’ equity, net of transaction costs. The carrying amount of the equity instrument is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2. Turnover

Turnover, excluding VAT, represents amounts derived from the provision of goods and services on commercial development projects in the South West of the United Kingdom.

3. Operating profit/(loss)

This is stated after charging:

	2016	*2015*
	£000	*£000*
Contract hire of vehicles	7	8

Auditor’s remuneration in the current and prior year has been borne by Midas Group Limited, the parent undertaking of Midas Commercial Developments Limited.

Notes to the financial statements

at 30 April 2016

4. Directors' remuneration

	2016	*2015*
	£000	*£000*
Remuneration	66	67
Company contributions paid to defined contribution pension schemes	31	26

Retirement benefits are not accruing to any directors under a money purchase scheme (2015 – none).

5. Staff costs

	2016	*2015*
	£000	*£000*
Wages and salaries	59	61
Social security costs	7	7
Other pension costs	31	26
	97	95

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

	No.	*No.*
Administration	1	1

6. Interest payable and similar charges

	2016	*2015*
	£000	*£000*
Group interest	8	9

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	*2015*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	5	–
Group relief payable	–	(60)
Tax on profit on ordinary activities (note 7(b))	5	(60)

Notes to the financial statements

at 30 April 2016

7. Tax (continued)

(b) Factors affecting total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.92%). The differences are explained below:

	2016	*2015*
	£000	*£000*
Profit/(loss) on ordinary activities before tax	25	(285)
Profit/(loss)on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.92%)	5	(60)
Tax for the year (note 7(a))	5	(60)

Notes to the financial statements

at 30 April 2016

8. Stocks

	2016	*2015 restated*
	£000	*£000*
Long-term contract balances:		
Development and contract work in progress	–	–

9. Debtors

	2016	*2015 restated*
	£000	*£000*
Trade debtors	1	–
Amount due from fellow subsidiary undertakings	1,914	1,978
Other debtors	–	3
Amounts recoverable on contracts	395	370
	2,310	2,351

10. Creditors: amounts falling due within one year

	2016	*2015 restated*
	£000	*£000*
Bank loans and overdrafts	1,540	1,955
Amount due to parent undertaking	180	3
Other taxes and social security costs	140	–
Corporation tax	12	7
Accruals and deferred income	82	50
	1,954	2,015

Following a rationalisation of inter-group funding and entry into a group pooling arrangement for bank accounts, the company has external borrowings of £1,540,000 which represents the funding for unsold units on current developments.

Notes to the financial statements

at 30 April 2016

11. Issued share capital

Allotted, called up and fully paid	*No.*	*2016 £000*	*No.*	*2015 £000*
Ordinary shares of £1 each	2	–	2	–
LTIP shares of 1p each (classified as a liability under FRS 102)	–	–	–	–
		–		–

At 30 April 2016, there were no LTIP shares in issue

12. Capital commitments

At 30 April 2016 the company had committed to spend £nil (2015 – £nil) on fixed assets.

13. Pensions

As explained in the accounting policies the group operates two pension schemes.

Defined contribution scheme

Under the Midas Group Personal Pension Plan, a defined contribution scheme, assets are held separately from those of the company in an independently administered trust. The contributions outstanding at the year end included in creditors (note 10) are £nil (2015 – £nil). The pension cost for the year was £nil (2015 – £nil).

Midas Group Pension and Life Assurance Scheme

The Midas Group Pension and Life Assurance Scheme was closed with effect from 30 June 2004. Preserved benefits will be funded by way of future special employer contributions. The contributions will be determined at each triennial actuarial valuation; however it is estimated that they will be approximately £356,000 per annum for the Midas group.

The scheme provides retirement and associated benefits based on a defined level of contributions, subject to a guaranteed minimum level of benefits. The parent undertaking of Midas Commercial Developments Limited, Midas Group Limited, has adopted FRS 102 effective from 1 May 2014 and is legally responsible for the defined benefit plan. Midas Commercial Developments Limited recognises a cost equal to its contribution payable for the period in its financial statements in accordance with the provisions of FRS 102.

Pension costs for the company charged in the year represent contributions payable in the year and amounted to £nil (2015 – £nil). At 30 April 2016, there was £nil (2015 – £nil) of outstanding contributions included in creditors.

The valuation of the Midas Group Pension and Life Assurance Scheme as at 30 April 2016 under the requirements of FRS 102 showed a deficit of £2,118,000 before deferred tax of £424,000 (2015 – deficit of £2,305,000) with assets of £7,381,000 (2015 – £7,153,000) and liabilities of £9,499,000 (2015 – £9,458,000).

The full disclosures required under FRS 102 relating to the Midas Group Pension and Life Assurance Scheme are included in the financial statements of Midas Group Limited, the parent undertaking of Midas Commercial Developments Limited.

The last valuation of the scheme for funding purposes was carried out as at 5 April 2015 by a qualified independent actuary using the projected unit method. The assumptions which had the most significant effect on the results of the valuation were the low returns on long-term gilts which would extend liabilities beyond those previously estimated.

Notes to the financial statements

at 30 April 2016

14. Related party transactions

The company has taken advantage of the exemption in section 33 FRS 102 for wholly-owned subsidiary undertakings from disclosing transactions with related parties that are wholly owned by the Midas group.

The company purchased land during the year and then sold this land to Falmouth Developments Limited for £720,000. Falmouth Developments is a company that has directors and shareholders who also act as directors of Midas Commercial Developments Limited and have significant influence over the activities of both companies. There are no balances outstanding between the two parties at year end (2015 - £nil).

15. Ultimate parent undertaking and controlling party

The company's immediate and ultimate parent undertaking is Midas Group Limited. It has included the company in its group financial statements, copies of which are available from its registered office: Midas House, Pynes Hill, Exeter, EX2 5WS.

16. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 May 2014. These are the company's first full year financial statements prepared in accordance with FRS 102. The accounting policies, set out in note 1, have been applied in preparing the financial statements for the year ended 30 April 2016 and the comparative year ended 30 April 2015.

There were no changes to the previously stated equity as at 1 May 2014 and 30 April 2015 or on the profit for the year ended 30 April 2015 as a result of the transition to FRS102.

The impact from the transition to FRS 102 is as follows:

Inventory and long term contracts

The definition of inventory under FRS 102 does not include long term contract balances. On transition, inventory balances related to long term contracts have been reclassified to amounts recoverable on contracts in debtors, deferred income and accruals within creditors.

Tax

On transition to FRS 102, Midas Commercial Developments Limited has disclosed a reconciliation of the tax charge/ (credit) included in profit or loss and the profit or loss on ordinary activities before tax multiplied by the applicable tax rate. Under previous UK GAAP, a reconciliation of only current tax was disclosed.