VIRIDIAN DEVELOPMENT SERVICES LIMITED

COMPANY NUMBER 05248824

DIRECTORS' REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2016

CONTENTS

Directors	N Apetroaie I Bacon C Cheshire (resigned 31 December 2015) C Miller (appointed 27 January 2016)
Secretary	K Tromanhauser
Registered office	Colwell House 376 Clapham Road London SW9 9AR
Auditor	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) Marlborough House Victoria Road South Chelmsford CM1 1LN
Principal solicitor	Devonshires Salisbury House London Wall London EC2M 5QY
Principal banker	Lloyds TSB Bank plc Hammersmith London W6 0JL
Registration	Private company Limited by shares Number 05248824

DIRECTORS' REPORT

The Directors submit their annual report together with the financial statements of the company for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal purpose of the Company is development of residential property for sale and provision of design and build services for Viridian Housing. The Company plays an important part in the delivery of the overall Group development strategy.

RESULTS

The results for the year are disclosed in the statement of comprehensive income on page 6. The profit for the year was £883,000 *(2015: £5,460,000).*

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year are named on page 2.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' 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 prepared in accordance with UK GAAP show a true and fair view and comply with the Companies Act 2006. 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; 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Directors have taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware.

AUDITORS

The auditors, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

GOING CONCERN

The Directors are satisfied that the undertaking is a going concern having:

- established a loan facility from the parent undertaking with an extended availability period of the drawdowns, which is aligned with the development programme on Aura House;
- reviewed the cash flow forecast.

Funding for any potential new schemes will be agreed separately with Viridian Housing.

DIRECTORS' REPORT

In preparing this Directors' Report, advantage has been taken of the small companies' exemption.

APPROVAL

The Directors' Report was approved by the Board on 19 September 2016 and signed on its behalf by:

N Apetroaie
Director

Date: 19/9/2016.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRIDIAN DEVELOPMENT SERVICES LIMITED

We have audited the financial statements on pages 6 to 15. 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 FRS 102 The Financial Reporting Standard applicable in 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 more fully explained in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

— give a true and fair view of the state of the company's affairs as at 31 March 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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; or

— the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the Directors' Report.

RSM UK Audit LLP

Andrew Monteith (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
CM1 1LN

Date: 23rd November 2016.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Notes	2016 £000	*2015* *£000*
Turnover	2	4,323	-
Cost of sales	3	(3,689)	*5,466*
Administrative expenses		3	*(6)*
OPERATING PROFIT	4	**637**	***5,460***
Interest receivable and similar income		1	-
Interest payable and similar charges	6	-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**638**	***5,460***
Taxation	7	245	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15	**883**	***5,460***

The notes on pages 8 to 15 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2016
Company number: 05248824

	Notes	2016 £000	2015 £000
FIXED ASSETS			
Investment property under construction	8	998	*556*
		998	*556*
CURRENT ASSETS			
Properties for sale	9	13,580	*9,338*
Debtors	10	1,047	*6*
Cash and cash equivalents		771	*265*
		15,398	*9,609*
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(1,626)	*(673)*
Net current assets		13,772	*8,936*
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,770**	***9,492***
Creditors: amounts due falling after more than one year	12	(11,750)	*(7,355)*
		3,020	***2,137***
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Income and expenditure reserve	15	3,020	*2,137*
		3,020	***2,137***

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Board on 19 September 2016 and signed on its behalf by:

N Apetroaie
Director

I Bacon
Director

K Tromanhauser
Secretary

The notes on pages 8 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards, except for investment property which is held at fair value (see 1.3 below).

These financial statements are the first financial statements of Viridian Development Services Limited prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of the Company for the year ended 31 March 2015 were prepared in accordance with the previous UK GAAP.

In accordance with FRS 102, the Company has taken advantage of the exemptions from the disclosure requirements of Section 7 "Statement of Cash Flows" – Presentation of a Statement of Cash Flow and related notes and disclosures.

The financial statements of the Company are consolidated in the financial statements of the ultimate parent, Viridian Housing. The Company is part of a public benefit group.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The particular accounting policies adopted are described below.

1.1. Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax

Turnover in respect of amounts receivable for sale of properties is recognised at the date of legal completion.

1.2. Interest Payable and Capitalised Interest

Interest payable is in respect of the intercompany loan facility and consists of interest payable on amounts drawn as well as a commitment fee, which is due on the undrawn amount. The interest payable and commitment fees are directly related to the development in progress and are capitalised in full.

Capitalised borrowing costs are added to the cost of properties under construction until such a time as the properties are ready for their intended use or sale.

1.3. Investment property

Investment properties are held to earn rentals or for capital appreciation or both. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the Statement of Comprehensive Income.

Fair value is based on valuation techniques which include using recent arm's length market transactions for an identical asset between knowledgeable, willing parties. Valuations are carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued.

The Directors considers that external valuations performed every 3 years will be sufficiently regular, unless there are significant factors on the active market, which will warrant more frequent valuations.

Fair value of a partially completed investment property reflects the expectations of market participants of the value of the property when complete, less deductions for the costs required to complete the project up to completion.

1.4. Properties developed for sale

Outright sale properties under development are shown in the financial statements at the lower of cost and net realisable value. Cost includes land or leasehold premium purchase price, professional fees, capitalised interest and other development costs. Net realisable value is selling prices, less estimated costs to completion and costs of disposal.

1.5. Taxation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable income and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited to Other Comprehensive Income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to Other Comprehensive Income, or equity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1.6. Financial Instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.6.1. Financial assets:

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

1.6.2. Financial liabilities and equity:

Financial instruments are classified as liabilities according to the substance of the contractual arrangements entered into.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

1.6.3. Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1.7. Related Party Disclosure

The Company is not required to disclose transactions with members of the Group, headed by Viridian Housing, due to being a "small' company under the Companies Act, which adopted "full" FRS 102. This is on the grounds that all of the voting rights in the Company are controlled within that Group and the Company is included in the consolidated financial statements.

1.8. Correction of Prior Period Error

The Directors have agreed to apply the capitalisation of the commitment fees retrospectively, with effect from 1 April 2014, as a prior period error correction (note 18).

For the mixed tenure development schemes the previously adopted method of apportioning of the land acquisition costs was based on number of units. In line with the Group the accounting policies the land value has been reapportioned retrospectively with the effect from 31 March 2014 based on Existing Use Value (EUV) which reflects the different tenure types (note 18).

1.9. Going concern

The Company has net assets of £3.0 million *(2015: £2.1 million)* at the balance sheet date. The established loan facility from the parent undertaking has been modified with an extended availability and increased facilities.

Accordingly, the Directors continue to adopt the going concern concept in preparing these financial statements.

2. TURNOVER

Turnover arises solely within the United Kingdom.

3. COST OF SALES

	2016	*2015*
	£000	*£000*
Cost of sales	3,689	*(5,466)*

Included within cost of sales for 2015 is £4.8 million which relates to a write back of an intercompany balance and £645,000 which relates to the reversal of a provision for remedial works.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

4. OPERATING PROFIT

	2016	*2015*
	£000	*£000*
Operating profit is stated after charging:		
Auditor's remuneration:		
In their capacity as auditors	6	*3*

5. DIRECTORS' REMUNERATION

The Directors received no remuneration during the year under review *(2015: Nil).*

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	*2015*
	£000	*£000*
Interest arising on loan from parent undertaking	824	*631*
Interest capitalised	(824)	*(631)*
	-	-

All of the interest costs are directly attributable to the financing of development expenditure on properties for sale under construction and investment property under construction and were capitalised at effective interest cost of the related borrowings (notes 8 and 9).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2016 £000	*2015 £000*
Analysis of tax charge for the period		
Current Tax		
UK corporation tax at 20.00% *(2015: 21.00%)*	-	-
Deferred Tax		
Origination and reversal of timing differences	(245)	-
Tax on profit on ordinary activities	**(245)**	-
Reconciliation of current tax charge		
Profit on ordinary activities before tax	638	*5,460*
Tax on profit on ordinary activities at the standard corporation tax rate of 20.00% *(2015: 21.00%)*	128	*1,147*
Effects of:		
Unrelieved tax losses and other deductions arising in the period	(128)	*(1,147)*
Other differences	-	-
Current tax charge for period	-	-

The company's corporation tax liability is £Nil (*2015: £Nil*) due to brought forward trading tax losses offsetting profits in the period. Trading losses of £1.4 million (*2015: £2.8 million*) are carried forward and can be offset against future profits of the same trade.

The amount of £245,000 *(2015: £Nil)* of the gross deferred tax asset has been recognised this year on the basis that the Company is expecting to have sufficient future trading profits to utilise the loss.

8. INVESTMENT PROPERTY UNDER CONSTRUCTION

	2016 £000	*2015 £000*
At 1 April	*556*	*405*
Additions – under construction	*442*	*151*
At 31 March	***998***	***556***

These balances include capitalised interest at 5.6% (*2015: 5.6%*) of £56,000 (*2015: £26,000*).

The Company intends to retain ownership on a commercial retail unit, currently under construction, and has an agreement to enter into a commercial lease with a retailer upon completion. The costs attributable to this unit have been reclassified as Investment Property (previously classified as Current Assets) (note 18.B)

9. PROPERTIES FOR SALE

	2016 £000	*2015 £000*
Shared ownership	-	*2,086*
Outright sale	13,580	*7,252*
	13,580	***9,338***

The properties as at 31 March 2016 are under construction and are due for completion in September 2016.

These balances include capitalised interest at 5.6% (2015: 5.6%) of £768,000 (2015: £440,000).

During the year ended 31 March 2016 the ownership of 15 shared ownership properties was transferred to Viridian Housing together with the associated design and build costs.

10. DEBTORS

	2016 £000	*2015 £000*
Intercompany debtors	721	-
Other debtors	326	*6*
	1,047	***6***

Intercompany debtors relate to the unpaid invoices and deferred income in respect of design and build services where the Company develops shared ownership units on behalf of Viridian Housing (*2015: Nil*).

Included in other debtors is the deferred tax asset (note 7) of £245,000 (*2015: £Nil*) and the amount in respect of reclaimable VAT due from HMRC of £65,000 (*2015: £1,000*).

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £000	*2015 £000*
Trade creditors	588	*518*
Accruals and deferred income	761	-
Amounts owed to parent undertaking	277	*155*
	1,626	***673***

The intercompany account balance of £117,000 *(2015: £105,000)* was re-classified from long term creditors (note 12), as the intention is to settle in early 2017.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £000	*2015 £000*
Amounts owed to parent undertaking	-	*105*
Loan facility with parent undertaking	11,750	*7,250*
	11,750	***7,355***

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

13. FINANCIAL INSTRUMENTS

	2016	2015
	£'000	£'000
Financial Assets:		
Debt instruments measured at amortised cost	802	6
Financial Liabilities:		
Debt instruments measured at amortised cost	13,376	8,028

14. SHARE CAPITAL

	2016	2015
	£	£
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

15. PROFIT AND LOSS ACCOUNT / MOVEMENT IN SHAREHOLDER'S FUNDS

	2016	2015
	£000	£000
At 1 April	2,137	(3,323)
Profit for the year	883	5,460
At 31 March	3,020	2,137

16. CAPITAL COMMITMENTS

	2016	2015
	£000	£000
Contracted but not yet expended	1,569	7,974

17. ULTIMATE PARENT UNDERTAKING

In the opinion of the Directors the ultimate parent undertaking is Viridian Housing, which is incorporated in the UK and registered in England as a Co-operative and Community Benefit Society. The consolidated financial statements of Viridian Housing are available to the public and may be obtained from the Finance Director, Viridian Housing, Colwell House, 376 Clapham Road, London SW9 9AR.

18. PRIOR PERIOD ERRORS

These financial statements are the first financial statements of Viridian Development Services Limited prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102). The financial statements of the Company for the year ended 31 March 2015 were prepared in accordance with the previous UK GAAP.

There have been no adjustments made to comply with FRS 102; however the Directors chose to make the following prior period error corrections:

1.) Commitment fees capitalisation;
2.) Reclassification of costs between properties for sale and investment properties;
3.) Re-apportioning of the land acquisition costs between different tenures types.

Those adjustments were applied retrospectively at 1 April 2014 and 31 March 2015.

The disclosure requirements for prior period errors are set out in the accounting policies on page 9.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

		Balances as at 1 April 2014			
	Notes	FIXED ASSETS	CURRENT ASSETS		Total
		Investment Property	Shared Ownership	Outright Sale	
		£000	£000	£000	£000
Balance as at 1 April 2014		-	1,467	4,541	6,008
Commitment fees capitalised	A	-	110	342	452
Reclassification of commercial unit	B	141	-	(141)	-
Land acquisition costs reapportioned	C	264	(264)	-	-
Restated balance as at 1 April 2014		**405**	**1,313**	**4,742**	**6,460**
Increase in Net Assets (as a result of restatements)		**405**	**(154)**	**201**	**452**

		Balances as at 31 March 2015			
		FIXED ASSETS	CURRENT ASSETS		
		Investment Property	Shared Ownership	Outright Sale	Total
		£000	£000	£000	£000
Restated balance as at 1 April 2014		405	1,313	4,742	6,460
Movement in the year		133	1,001	1,968	3,102
Correction to movement in the year	D	-	(206)	206	-
Commitment fees capitalised	A	18	84	230	332
Restated balance as at 31 March 2015		**556**	**2,192**	**7,146**	**9,894**
Increase in Net Assets (as a result of restatements)		**18**	**(122)**	**436**	**332**

The effect of the prior period error correction in respect of capitalisation of commitment fees on the profit for the year is presented as follows:

	Notes	31 March 2015	31 March 2014
		£000	£000
Profit for the financial year as originally stated:		5,128	1,478
Prior period correction of capitalisation of commitment fees	A	332	452
Increase in profit (as a result of restatements)		**5,460**	**1,930**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

A. Capitalisation of commitment fees

Under the intra-group loan facility agreement dated 28 March 2013 between the Company as the Borrower and the parent entity Viridian Housing as Lender, commitment fees are payable for the amount undrawn. As the loan is directly linked to the development programme under construction, commitment fees of £452,000 in 2014 and £332,000 in 2015 were retrospectively capitalised and apportioned between development schemes based on work costs.

B. Reclassification of costs under construction between properties for sale and investment properties under construction

The acquisition and construction costs of £141,000 relating to the retail unit were previously included under properties for sale. The Company has a conditional agreement for Lease with a major supermarket for the rental of the completed commercial unit; hence the costs were reclassified to investment properties.

C. Reapportionment of land acquisition costs

The acquisition costs of the development site were previously apportioned between different tenures types based on area split. In line with the Group accounting policies the land value has been reapportioned retrospectively with the effect from 1 April 2014 based on Existing Use Value (EUV) resulting in a change of £264,000, which reflects the different tenure types.

D. Correction to the movement in the year 2014/15

Included in the movement for year ended 31 March 2015 was a further adjustment to the land acquisition cost reapportionment between tenures using area split. As a result, a correction of £206,000 has been made to ensure all land was based on Existing Use Value (EUV) as at 31 March 2015 and no further corrections are needed.