

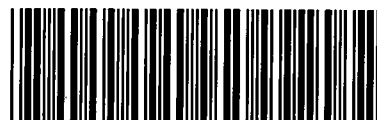
Formcrest Construction Limited

Filleted financial statements

Year ended 30 September 2019

Registered number: NI035383

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Formcrest Construction Limited

Filleted financial statements

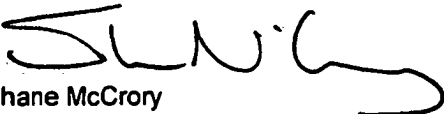
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Formcrest Construction Limited

Balance sheet as at 30 September 2019

	Note	2019 £	2018 £
Fixed assets			
Investment properties	3	750,000	750,000
Financial fixed assets	4	6,552,372	6,552,372
		<u>7,302,372</u>	<u>7,302,372</u>
Current assets			
Debtors	5	5,650,950	6,177,661
Cash at bank and in hand	6	328,222	76,475
		<u>5,979,172</u>	<u>6,254,136</u>
Creditors: amounts falling due within one year	7	(24,445,311)	(24,223,294)
Net current liabilities		<u>(18,466,139)</u>	<u>(17,969,158)</u>
Total assets less current liabilities		<u>(11,163,767)</u>	<u>(10,666,786)</u>
Net liabilities		<u>(11,163,767)</u>	<u>(10,666,786)</u>
Capital and reserves			
Called up share capital	8	103	2
Profit and loss account		(11,589,578)	(11,092,496)
Other reserves		425,708	425,708
Shareholders' deficit		<u>(11,163,767)</u>	<u>(10,666,786)</u>

- The accounts have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.
- The profit and loss account, directors' report and auditor's report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime.
- The financial statements were approved by the board of directors on 27 August 2020 and were signed on its behalf by:


Shane McCrory
Director

Company registered number: NI035383

Formcrest Construction Limited

Notes

forming part of the filleted financial statements

1 Accounting policies

Formcrest Construction Limited ("the company") is a company limited by shares and incorporated, domiciled and registered in the United Kingdom. The registered number is NI035383 and the address of its registered office is 8a Garvagh Road, Donaghmore, Dungannon, Tyrone, BT70 3LS.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is Sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

Cash flow exemption

The Company availed of the exemption contained in Section 7.1B of FRS 102 and has elected not to prepare a cash flow statement.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property measured at fair value and financial instruments classified at fair value through profit or loss.

Going concern

The Company made a loss of £497,082 during the year and had net liabilities of £11,163,767 at 30 September 2019 (2018: £10,666,786)

During the year the Company refinanced with its principal lender. The bank borrowings which are on demand are scheduled for repayment over the 5-year period to 31 December 2024. At the date of signing these financial statements, the Company has £19.76 million of third-party bank debt liabilities and is in a significant net liability position at year end. The Company is also a joint and several guarantor for debt liabilities (see note 13).

On 11 March 2020, the World Health Organization officially declared Covid-19, the disease caused by novel coronavirus, a pandemic. The Directors are closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. The Directors have not yet determined the overall financial impact from Covid-19 but note that there is uncertainty regarding the future rental incomes of the company's investment properties assets due to the Covid-19 pandemic. The directors are actively considering the impact around future cash flows.

Whilst this situation is under constant review, the directors are conscious that Covid-19 has led to significant volatility and it is uncertain how long this volatility will continue at this time and the potential impacts of Covid-19 are uncertain and difficult to assess. These events, along with the material on demand debt obligations constitute a material uncertainty that may cast doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Formcrest Construction Limited

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in preference and ordinary shares are measured initially at transaction price less attributable transaction costs. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Formcrest Construction Limited

Notes (continued)

1 Accounting policies (continued)

Investment property

Investment properties are properties which are held either to earn rental income for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair value model.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. If depreciation were to be provided it would be provided at a rate of 2% per annum on the revalued amount. If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with Section 17 of FRS 102 until a reliable measure of fair value becomes available.

As at 30 September 2019, £750,000 (2018: £750,000) of investment property fair value has been assessed by the directors and is based on a valuation exercise undertaken by an external, independent valuer in March 2019, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by previous market evidence are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The yield applied is 8.67%.

Impairment excluding investment properties and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Turnover

Turnover which excludes VAT, represents service charge income and rental income. Rental income is recognised on a straight line basis over the term of the respective leases. Service charge income is recognised on a straight line basis over the period to which the billing relates.

Formcrest Construction Limited

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Expenses and interest

Interest receivable and interest payable

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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.

Formcrest Construction Limited

Notes (continued)

2 Statutory and other information	2019	2018
	£	£
<i>Operating profit/(loss) is stated after charging:</i>		
Directors' remuneration		
Fees	-	-
Other remuneration	-	-
Auditor's remuneration	3,000	3,000
Fair value movement on investment property	-	190,000

3 Investment properties	2019	2018
	£	£
Valuation at beginning of year	750,000	940,000
Fair value movement	-	(190,000)
	750,000	750,000

The Company holds an investment property in Chesterfield, UK. For the purposes of these financial statements, the directors have assessed the fair value as at 30 September 2019. The investment property fair value as at 30 September 2019 reflects the results of a valuation exercise carried out in March 2019 by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors.

The valuations, which are supported by previous market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific rents inherent in the cash flows is then applied to the net annual rentals to arrive at the property valuation. The yield applied is 8.67%.

The historical cost and aggregate depreciation based on historical cost calculated at a rate of 2% per annum are given below:

	2019	2018
	£	£
Historical cost	1,664,989	1,664,989
Aggregate depreciation thereon	(469,229)	(435,929)
Historical cost net book value	1,195,760	1,229,060

Formcrest Construction Limited

Notes (continued)

4 Financial fixed assets

	Shares in group undertakings £			
Cost or valuation				
At beginning of year	6,552,372			
At end of year	6,552,372			
The investee's year end is 30 September at which date:	Capital and reserves amounted to		Profit for the year amounted to	
	2019	2018	2019	2018
	£	£	£	£
Pavement (UK) No.1 Limited	100	100	-	-
Quail (Chesterfield) Limited	100	100	-	-
Chesterfield (The Pavements) Limited	(83,772)	(83,772)	-	3,948

None of the shares in the above subsidiary undertakings are listed on a recognised stock exchange. In the opinion of the directors the shares in and loans to the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

5 Debtors: amounts falling due within one year	2019	2018
	£	£
Trade debtors	40,512	12
Amounts owed by connected parties	5,595,389	6,124,068
Other debtors	11,855	50,668
Prepayments and accrued income	3,194	2,913
Total debtors	5,650,950	6,177,661

Trade debtors are stated net of provision for impairment of £Nil (2018: £Nil). Amounts owed by connected parties are on demand with no interest.

6 Cash and cash equivalents	2019	2018
	£	£
Cash at bank and in hand	328,222	76,475

Formcrest Construction Limited

Notes (continued)

7 Creditors: amounts falling due within one year	2019	2018
	£	£
Trade creditors	517	-
Bank loans	19,757,901	20,483,201
Other creditors including tax and social welfare	5,868	5,603
Directors' accounts	9,166	9,166
Accruals	1,746,235	1,386,066
Amounts owed to connected parties	2,925,624	2,339,258
	24,445,311	24,223,294
 Tax and social welfare included in other creditors:		
VAT	5,868	5,603
	5,868	5,603

The Company refinanced during the year with its principal lender. The bank loan is a sterling denominated loan which is repayable on demand, however, it is scheduled for repayment over the 5-year period to 31 December 2024. The nominal interest rate on the loan is Libor +2%.

Bank borrowings are secured by the following:

- (i) Fixed charge over a property known as Bewise Limited, Tontine Road, Chesterfield.
- (ii) Debenture incorporating a first legal mortgage over beneficial and legal interests in the Pavements Shopping Centre, Chesterfield.
- (iii) Debenture incorporating a charge over all of the issued share capital of Chesterfield (The Pavements) Subsidiary Ltd and a first fixed floating charge over all of the assets and undertakings of Chesterfield (The Pavements) Ltd.
- (iv) Debenture incorporating a floating charge over the assets and undertakings of Formcrest Construction Limited.
- (v) Deed of charge over registered securities being shares in Chesterfield (The Pavements) Limited, Pavements (UK) No. 1 Limited and Quail (Chesterfield) Limited.

Amounts owed to connected parties are on demand with no interest.

Formcrest Construction Limited

Notes (continued)

8. Called up share capital	2019 £	2018 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
2 ordinary shares of £1 each	-	2
100 "A" ordinary shares of £1 each	100	-
3 "B" ordinary shares of £1 each	3	-
	103	2

In September 2019, the Company issued 98 ordinary shares of £1.00 each. Subsequent to this, the Company redesignated the issued ordinary shares of £1.00 each to 100 "A" ordinary shares of £1.00 each and issued 3 "B" ordinary shares of £1.00 each. The "A" ordinary shares and "B" ordinary shares will rank pari passu in all respects as if they were a single class of shares.

The rights of the "A" and "B" shares are set out in the Memorandum and Articles of Association.

9 Related party transactions

Chesterfield (The Pavements) Subsidiary Limited

During the year, the Company received net funds of £443,641 (2018: £940,799) from Chesterfield (The Pavements) Subsidiary Limited. At the year-end, Chesterfield (The Pavements) Subsidiary Limited owed £5,339,563 (2018: £5,849,628) to the Company. Chesterfield (The Pavements) Subsidiary Limited is related to the Company by virtue of common directors.

Finbrook Investments Limited

At the year-end, the Company owed Finbrook Investments Limited £70,000 (2018: £70,000). Finbrook Investments Limited is related to the Company by virtue of common directors.

Belfast Office Properties Limited

During the year, the Company received net funds of £470,595 (2018: £Nil) from Belfast Office Properties Limited. At the year-end, the Company owed Belfast Office Properties Limited £2,041,128 (2018: £1,570,533). Belfast Office Properties Limited is related to the Company by virtue of common directors.

Formcrest Construction Limited

Notes (continued)

9 Related party transactions (continued)

Abey Developments Limited

During the year, the Company received net funds of £123,660 (2018: £63,394) from Abey Developments Limited. At the year-end, the Company owed £732,584 (2018: £608,924) to Abey Developments Limited. Abey Developments Limited is related to the Company by virtue of common directors. Belfast Office Properties Limited is related to the Company by virtue of common directors.

Dellway Investments Limited

Dellway Investments Limited owed £255,826 (2018: £274,438). Dellway Investments Limited is related to the Company by virtue of common directors.

Chesterfield (The Pavements) Limited

At the year-end, the Company owed Chesterfield (The Pavements) Limited £81,912 (2018: £89,800). Chesterfield (The Pavements) Limited is related to the Company by virtue of common directors.

10 Controlling party

The Company is controlled by the directors.

11 Post balance sheet events

On 11 March 2020, the World Health Organization officially declared COVID-19, the disease caused by novel coronavirus, a pandemic.

For the Company's 30 September 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities.

There have been no other significant events since the balance sheet date which would require disclosure in or amendment of these financial statements apart from the above.

12 Audit report

On 27 August 2020, KPMG reported, as statutory auditors of Formcrest Construction Limited, to the members of the company on the financial statements for the year ended 30 September 2019 and the report was unqualified and contains an other matter in respect of a material uncertainty related to going concern.

We draw attention to note 1 to the financial statements which indicates that there is an uncertainty caused by the onset of the COVID-19 pandemic in respect of the company, and the company's material on demand debt obligations. The company is also a joint and several guarantor to other connected company debt obligations and there is uncertainty of the future rental incomes of the company's investment properties assets due to the COVID-19 pandemic. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed by Cathy Byrne (Senior Statutory Auditor) for and on behalf of KPMG, Chartered Accountants, Statutory Audit Firm.