

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2020
FOR
MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED**

Haines Watts
Chartered Accountants & Statutory Auditor
10 Stadium Business Court
Millennium Way
Pride Park
Derby
DE24 8HP

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

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FOR THE YEAR ENDED 30 APRIL 2020**

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**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED**

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 APRIL 2020**

DIRECTORS:

Mr M Liley
Mrs G E Liley
Mrs T L Jeffrey
Mr J Ormonde
Dr C E Sims
Mr M Thavapalan

SECRETARY:

Mrs G E Liley

REGISTERED OFFICE:

Unit 1 Colwick Quays
Business Park Colwick
Nottingham
Nottinghamshire
NG4 2JY

REGISTERED NUMBER:

03413872 (England and Wales)

AUDITORS:

Haines Watts
Chartered Accountants & Statutory Auditor
10 Stadium Business Court
Millennium Way
Pride Park
Derby
DE24 8HP

BANKERS:

Barclays Bank
High Street
Nottingham
NG1 2EN

MIDLAND COMMUNICATIONS DISTRIBUTION LIMITED (REGISTERED NUMBER: 03413872)

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2020

The directors present their strategic report for the year ended 30 April 2020.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was the distribution and retailing of mobile phones, associated equipment and service and airtime connections.

The financial period saw the company focussing on EE products and services through a network of independent resellers.

The sale of BT products and services through the reseller community continues to grow, particularly on data and cloud voice.

DEVELOPMENT AND PERFORMANCE

The market continues to be buoyant and competitive, with many smaller partners selling their businesses this year; consolidation is increasing in the channel.

Staff development and training has continued along with an ongoing increased focus on new partner acquisition. The staff base has remained reasonably static with personal development plans in place.

The relationship between Midland and EE / BT has continued to strengthen. The IT platform, JEM, continues to develop with increased reporting and retention tools for partners to facilitate the continued drive for low customer churn, as well as upgrades in the finance functionality.

Retention continues to play a key focus this year, which is crucial in a competitive market, resulting in a consistent net base growth.

The business continues to de-risk through increasing partner numbers.

KEY PERFORMANCE INDICATORS

Turnover increased by 23% and average monthly connection volumes increased by 3%; these figures are reflective of some high volume corporate transactions.

The average number of connecting partners (6+ CTNs) decreased by 5% - partly driven by 25% drop in connecting partners during first month of lockdown (Apr 20).

EBITDA increased by 24%.

FUTURE DEVELOPMENTS AND RESEARCH AND DEVELOPMENT

The indirect channel in mobile telecoms continues to consolidate at all levels. This has led to some losses but also opportunities in much larger companies, which, once integration has finalised will reap rewards.

Reseller and supplier feedback on service levels at Midland continues to increase as reflected in the regular partner satisfaction surveys amongst other feedback measurements. An increasing number of partners have been onboarded, particularly on BT.

The solid foundation both in technical and cultural areas built over the previous four years has enabled business growth and onboarding of new and diverse partners, especially those from the fixed line arena.

The reseller platform continues to evolve, creating increased efficiencies and better reporting, resulting in more targeted focus on growth, retention and profitability.

As the penetration of BT products and services increases through the reseller network, opportunities for further partner growth will continue to present themselves, driving growth and increased profitability in the year ahead.

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2020**

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks are margin reduction and the evolution of the mobile market as it continues to consolidate, as well as environmental / social issues such as Covid-19 which has affected trading at the end of the year.

The directors believe that the impact of Covid-19 has not had a significant impact on the company's ability to continue as a going concern and that a strong performance has been seen in the current year despite the difficulties experienced. Relationships with both suppliers and customers remain strong and the company expects a future year of strong performance.

ON BEHALF OF THE BOARD:

Mrs T L Jeffrey - Director

16 January 2021

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 APRIL 2020**

The directors present their report with the financial statements of the company for the year ended 30 April 2020.

PRINCIPAL ACTIVITY

Distribution and retailing of mobile phones, associated equipment, service and airtime connections.

DIVIDENDS

Particulars of recommended dividends are detailed in note 7 of the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 May 2019 to the date of this report.

Mr M Liley
Mrs G E Liley
Mrs T L Jeffrey
Mr J Ormonde

Other changes in directors holding office are as follows:

Mr M Tomlinson - resigned 28 June 2019
Mr M J Hendricks - resigned 7 November 2019
Dr C E Sims - appointed 28 June 2019
Mr M Thavapalan - appointed 26 March 2020

DISCLOSURE IN THE STRATEGIC REPORT

The matters required to be disclosed under SI (2008) 410 Sch 7 are contained within the Strategic Report as is applicable in accordance with S414C(11) of Companies Act 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 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 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 or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

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

ON BEHALF OF THE BOARD:

Mrs T L Jeffrey - Director

16 January 2021

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED**

Opinion

We have audited the financial statements of Midland Communications Distribution Limited (the 'company') for the year ended 30 April 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 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.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and wider economy. The Directors' view on the impact of COVID-19 is disclosed in the Strategic Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED**

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 Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Liptrott (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants & Statutory Auditor
10 Stadium Business Court
Millennium Way
Pride Park
Derby
DE24 8HP

16 February 2021

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2020**

	Notes	2020 £	2019 £
TURNOVER	3	27,842,405	22,599,638
Cost of sales		<u>23,367,459</u>	<u>18,681,887</u>
GROSS PROFIT		4,474,946	3,917,751
Administrative expenses		<u>1,916,405</u>	<u>1,869,709</u>
OPERATING PROFIT	5	2,558,541	2,048,042
Interest receivable and similar income		<u>12,987</u>	<u>9,102</u>
PROFIT BEFORE TAXATION		2,571,528	2,057,144
Tax on profit	6	<u>466,598</u>	<u>394,647</u>
PROFIT FOR THE FINANCIAL YEAR		2,104,930	1,662,497
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,104,930</u>	<u>1,662,497</u>

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**BALANCE SHEET
30 APRIL 2020**

	Notes	£	2020 £	£	2019 £
FIXED ASSETS					
Intangible assets	8		1,340		11,670
Tangible assets	9		911,924		971,202
Investments	10		<u>2</u>		<u>2</u>
			913,266		<u>982,874</u>
CURRENT ASSETS					
Stocks	11	197,785		117,448	
Debtors	12	15,685,647		14,638,172	
Cash at bank		<u>4,522,282</u>		<u>3,345,794</u>	
		20,405,714		18,101,414	
CREDITORS					
Amounts falling due within one year	13	<u>15,682,712</u>		<u>11,046,485</u>	
NET CURRENT ASSETS			<u>4,723,002</u>		<u>7,054,929</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,636,268		8,037,803
CREDITORS					
Amounts falling due after more than one year	14		2,671,071		5,515,044
NET ASSETS			<u>2,965,197</u>		<u>2,522,759</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,040		1,040
Share premium	16		279,960		279,960
Retained earnings	16		<u>2,684,197</u>		<u>2,241,759</u>
SHAREHOLDERS' FUNDS			<u>2,965,197</u>		<u>2,522,759</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 January 2021 and were signed on its behalf by:

Mrs T L Jeffrey - Director

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2020**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 May 2018	1,040	2,146,221	279,960	2,427,221
Changes in equity				
Dividends	-	(1,566,959)	-	(1,566,959)
Total comprehensive income	-	1,662,497	-	1,662,497
Balance at 30 April 2019	<u>1,040</u>	<u>2,241,759</u>	<u>279,960</u>	<u>2,522,759</u>
Changes in equity				
Dividends	-	(1,662,492)	-	(1,662,492)
Total comprehensive income	-	2,104,930	-	2,104,930
Balance at 30 April 2020	<u><u>1,040</u></u>	<u><u>2,684,197</u></u>	<u><u>279,960</u></u>	<u><u>2,965,197</u></u>

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020**

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	1	2,767,002	2,670,053
Tax paid		<u>(470,215)</u>	<u>(365,001)</u>
Net cash from operating activities		<u>2,296,787</u>	<u>2,305,052</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(18,715)	(129,209)
Sale of tangible fixed assets		10,500	58,589
Interest received		12,987	9,102
Net cash from investing activities		<u>4,772</u>	<u>(61,518)</u>
Cash flows from financing activities			
Amount introduced by directors		543,236	-
Amount withdrawn by directors		(5,815)	(492,045)
Equity dividends paid		<u>(1,662,492)</u>	<u>(1,566,959)</u>
Net cash from financing activities		<u>(1,125,071)</u>	<u>(2,059,004)</u>
Increase in cash and cash equivalents		<u>1,176,488</u>	<u>184,530</u>
Cash and cash equivalents at beginning of year	2	3,345,794	3,161,264
Cash and cash equivalents at end of year	2	<u>4,522,282</u>	<u>3,345,794</u>

The notes form part of these financial statements

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2020**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020	2019
	£	£
Profit before taxation	2,571,528	2,057,144
Depreciation charges	78,256	73,882
Profit on disposal of fixed assets	(433)	(20,980)
Finance income	<u>(12,987)</u>	<u>(9,102)</u>
	2,636,364	2,100,944
(Increase)/decrease in stocks	(80,337)	68,552
Increase in trade and other debtors	(1,054,475)	(5,378,744)
Increase in trade and other creditors	<u>1,265,450</u>	<u>5,879,301</u>
Cash generated from operations	<u>2,767,002</u>	<u>2,670,053</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 30 April 2020

	30.4.20	1.5.19
	£	£
Cash and cash equivalents	<u>4,522,282</u>	<u>3,345,794</u>

Year ended 30 April 2019

	30.4.19	1.5.18
	£	£
Cash and cash equivalents	<u>3,345,794</u>	<u>3,161,264</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.5.19	Cash flow	At 30.4.20
	£	£	£
Net cash			
Cash at bank	<u>3,345,794</u>	<u>1,176,488</u>	<u>4,522,282</u>
	<u>3,345,794</u>	<u>1,176,488</u>	<u>4,522,282</u>
Total	<u>3,345,794</u>	<u>1,176,488</u>	<u>4,522,282</u>

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2020**

1. STATUTORY INFORMATION

Midland Communications Distribution 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

BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements contain information about Midland Communications Distribution Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 405 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as the results and balances of its subsidiary company, Phonline (M.C.D) Limited, are not material for the purpose of giving a true and fair view.

The registered office of the subsidiary undertaking is the same as the parent undertaking and can be found on the information page.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Included in accrued income are estimated amounts relating to claims receivable from EE Limited. Claims relate to income that has not been provided on connections and on-going revenue that should have been received during the period and prior periods. The valuation of the amounts receivable is estimated based on the expected recovery rate of claims, based on historic success rate of claims. Included in accrued income are advances paid to business partners which are clawed back over a clawback period. The amount recorded in the accounts is after an estimate for advances which are not recoverable.

Included in accruals are estimated amounts relating to claims payable to business partners. The valuation of the amounts payable is estimated based on the estimated amounts receivable to the Group less margin that is not passed on to business partners.

The value of separable intangible assets that arose on the transfer of trade and assets of Phonline (MCD) Limited to Midland Communications Distribution Limited are not considered to be material the accounts.

The company includes a specific bad debt provision for balances receivable relating to business partners with closed accounts.

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

2. ACCOUNTING POLICIES - continued

TURNOVER

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and value added taxes.

Commission is recognised on a receivable basis at two intervals, firstly at the point of connection and secondly each month for as long as the subscriber remains connected to the network.

Income from handset sales is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

GOODWILL

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed five years.

TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold land	- Straight line over 50 years
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on cost

Plant and machinery and fixtures and fittings are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Freehold property is stated at deemed cost at the date of transition less accumulated depreciation and accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary undertakings are recognised at cost less accumulated impairment losses.

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell, after making due allowances for obsolete and slow moving items. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Cost is determined on a first-in, first-out (FIFO) method.

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

2. ACCOUNTING POLICIES - continued

IMPAIRMENT OF FIXED ASSETS

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

TAXATION

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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.

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

FINANCIAL INSTRUMENTS

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2020	2019
	£	£
Sale of goods	6,030,993	6,597,783
Commissions	21,811,412	16,001,855
	<u>27,842,405</u>	<u>22,599,638</u>

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£	£
Wages and salaries	1,196,685	1,232,765
Social security costs	119,584	121,184
Other pension costs	16,577	10,241
	<u>1,332,846</u>	<u>1,364,190</u>

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

	2020	2019
Management staff	26	26
Sales staff	7	6
	<u>33</u>	<u>32</u>

	2020	2019
	£	£
Directors' remuneration	<u>224,243</u>	<u>271,860</u>

Information regarding the highest paid director is as follows:

	2020	2019
	£	£
Emoluments etc	<u>206,107</u>	<u>221,860</u>

PENSION CONTRIBUTIONS

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £37,312 (2019: £40,806).

5. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2020	2019
	£	£
Depreciation - owned assets	67,909	63,552
Profit on disposal of fixed assets	(433)	(20,980)
Goodwill amortisation	10,330	10,330
Auditors' remuneration	51,318	35,339
Stock recognised as an expense	22,629,765	17,812,719
Bad debts	-	-
	<u>-</u>	<u>-</u>

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020	2019
	£	£
Current tax:		
UK corporation tax	473,598	394,647
Deferred tax - origination and reversal of timing differences	(7,000)	-
Tax on profit	<u>466,598</u>	<u>394,647</u>

RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£	£
Profit before tax	<u>2,571,528</u>	<u>2,057,144</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	488,590	390,857
Effects of:		
Expenses not deductible for tax purposes	(20,431)	-
Depreciation in excess of capital allowances	5,439	3,790
Deferred taxation movement	(7,000)	-
Total tax charge	<u>466,598</u>	<u>394,647</u>

7. DIVIDENDS

	2020	2019
	£	£
£1 ordinary shares	<u>1,662,492</u>	<u>1,566,959</u>

Included in the above amount are £581,872 (2019: £548,436) relating to dividends proposed before the year-end and recognised as a liability within other creditors.

8. INTANGIBLE FIXED ASSETS

	Goodwill
	£
COST	
At 1 May 2019 and 30 April 2020	<u>41,800</u>
AMORTISATION	
At 1 May 2019	30,130
Amortisation for year	<u>10,330</u>
At 30 April 2020	<u>40,460</u>
NET BOOK VALUE	
At 30 April 2020	<u>1,340</u>
At 30 April 2019	<u>11,670</u>

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

9. **TANGIBLE FIXED ASSETS**

	Freehold land £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1 May 2019	900,000	131,363	154,775	1,186,138
Additions	-	18,715	-	18,715
Disposals	-	-	(15,100)	(15,100)
At 30 April 2020	<u>900,000</u>	<u>150,078</u>	<u>139,675</u>	<u>1,189,753</u>
DEPRECIATION				
At 1 May 2019	75,000	98,130	41,806	214,936
Charge for year	18,000	19,143	30,783	67,926
Eliminated on disposal	-	-	(5,033)	(5,033)
At 30 April 2020	<u>93,000</u>	<u>117,273</u>	<u>67,556</u>	<u>277,829</u>
NET BOOK VALUE				
At 30 April 2020	<u>807,000</u>	<u>32,805</u>	<u>72,119</u>	<u>911,924</u>
At 30 April 2019	<u>825,000</u>	<u>33,233</u>	<u>112,969</u>	<u>971,202</u>

If freehold property had not been revalued it would have been included at the following historic cost:

Cost	1,260,065
Aggregate depreciation	(205,206)
Impairment	(247,859)
Aggregate carrying value	<u>807,000</u>

Freehold property was independently valued on an open market basis on 5 April 2016 by Mathia Perry Limited.

10. **FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
COST	
At 1 May 2019 and 30 April 2020	<u>2</u>
NET BOOK VALUE	
At 30 April 2020	<u>2</u>
At 30 April 2019	<u>2</u>

The company owns 100% of the issued share capital of Phoneline (M.C.D) Limited, a company incorporated in England.

No trading activity accrued in the subsidiary company throughout the year, after the trade and assets were transferred to the parent company on 18 April 2016. For the comparative period the subsidiary achieved a profit after tax of £nil.

The aggregate capital and reserves in the subsidiary undertaking at the year-end is £2 (2019: £2).

**MIDLAND COMMUNICATIONS DISTRIBUTION
LIMITED (REGISTERED NUMBER: 03413872)**

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 APRIL 2020**

11. STOCKS

	2020	2019
	£	£
Devices	<u>197,785</u>	<u>117,448</u>

£nil (2019: £nil) of stock was written down during the year.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	1,827,210	1,682,748
Other debtors	16,143	5,969
Deferred tax asset		
Other timing differences	100,000	93,000
Prepayments and accrued income	<u>13,742,294</u>	<u>12,856,455</u>
	<u>15,685,647</u>	<u>14,638,172</u>

Included within prepayments and accrued income is £2,114,000 (2019: £4,376,000) of accrued income due after more than one year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	1,636,459	1,643,299
Tax	273,551	277,168
Social security and other taxes	419,206	502,046
Other creditors	1,115,828	1,066,584
Directors' loan accounts	537,421	-
Accruals and deferred income	<u>11,700,247</u>	<u>7,557,388</u>
	<u>15,682,712</u>	<u>11,046,485</u>

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

	2020	2019
	£	£
Accruals and deferred income	<u>2,671,071</u>	<u>5,515,044</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020	2019
			£	£
1,040	Ordinary	£1	<u>1,040</u>	<u>1,040</u>

There are no restrictions on the distribution of dividend and repayment of capital.

MIDLAND COMMUNICATIONS DISTRIBUTION LIMITED (REGISTERED NUMBER: 03413872)

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 APRIL 2020

16. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 May 2019	2,241,759	279,960	2,521,719
Profit for the year	2,104,930		2,104,930
Dividends	<u>(1,662,492)</u>		<u>(1,662,492)</u>
At 30 April 2020	<u>2,684,197</u>	<u>279,960</u>	<u>2,964,157</u>

Profit and loss account - This reserve records retained earnings and accumulated losses, including revaluations in investment property.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

17. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The directors maintain a loan account with the company. At the balance sheet date the amount owing from the company was £537,421 (2019: £nil).

It is company policy to charge interest on all overdrawn loan accounts at HMRC official rate of interest. The amount charged during the year in respect of the above loans was £67 (2019: £nil) and has been paid in full prior to the year-end.

18. RELATED PARTY DISCLOSURES

EE Limited is a related party by virtue of its indirect shareholding in Midland Communications Distribution Limited. Included in the profit and loss account and balance sheet are the following transactions and year end balances with this related party and its fellow group undertakings. All transactions were undertaken on normal trading terms.

	2020	2019
£		
£		
Commissions receivable	26,425,183	21,527,766
Purchases	5,944,359	5,833,740
Debtor balance	4,911,574	2,768,581
Creditor balance	11,516,467	12,955,366

The company donated £nil (2019: £25,000) to Oliver's Army (Is here to stay) Limited, a charitable company of which M & G Liley are trustees.

During the year, a total of key management personnel compensation of £365,943 (2019: £343,123) was paid. Key management personnel includes the directors and members of senior management.

19. ULTIMATE CONTROLLING PARTY

The controlling party is not known.