Network Space Developments Limited

Directors' report and financial statements

Registered number 01604509

For the year ended 30 June 2016

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Strategic report

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

Principal activities
Network Space Developments Limited is a commercial property development group and is a subsidiary of Network Space Holdings Limited.

Results
At the year-end date of 30 June 2016, the group profit and loss account reports a profit before tax of £2.5 million (2015: loss before tax of £0.7 million).

Key performance indicators
The board focusses on performance that will result in growth of net asset value. To support this, there are a number of KPIs for each of the principal activities. Capital transactions are generally appraised and monitored through IRR analysis and cash flow forecasts, whilst income returns are monitored against annual financial budgets and KPIs such as void rates, net portfolio yields, weighted average unexpired lease term (WAULT) and average net effective rent (ANER).

Principal risks and uncertainties
Competitive risks
Development projects are prudently appraised using IRR analyses and monitored with detailed cash flow forecasts. Board approval is required at a number of key milestones in the development process.
Speculative development projects are at risk of insufficient occupier demand once completed. The company receives professional advice and conducts comprehensive research to ensure that proposed developments meet market demand.

Credit risk
Credit risk is managed by a detailed credit assessment of every tenancy application, overseen by the Group Finance Director. Trade debts are closely monitored and regular meetings are held to agree recovery strategies.

Revenue risk
The industrial property sector has experienced significant rental value growth in recent years. The Property Director actively monitors and budgets asking rents in both gross and net terms with any deviation from budget pricing requiring approval.

EU referendum & economic uncertainties
The group is selective about its retained investment assets and is prudent in both valuation and gearing levels. The intention is not to be over-exposed to an economic downturn in which values might be materially reduced, instead be prepared to take advantage of counter-cyclical opportunities.

Liquidity risk
The group aims to mitigate liquidity risk by managing cash generation across all its operations. Cash collection targets and credit control procedures ensure the timely collection of receipts, and both short and long-term cash flow forecasting allow the group to closely monitor liquidity requirements. The company does not have any third party borrowings.

Valuation risk
Investment property valuation risk is mitigated by an annual valuation by the Directors. All valuations are audited by KPMG LLP.

Strategic report *(continued)*

Land stock values are regularly reviewed by the board and tested to ensure the lower of cost and net realisable value is recorded.

Future developments
The group continues to employ a strategy of re-investing earnings and capital receipts in new opportunities.

By order of the board

Richard Ainscough
Director

Centrix House
Crow Lane East
Newton le Willows
WA12 9UY

15th December 2016

Directors' report

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

Dividends

The company paid a dividend of £10,568,000 (2015: £34,787,000) to shareholders.

Directors

The directors who held office during the year, and up to the date of these financial statements, were as follows:

Mr W Ainscough
Mr T Johnston
Mr S Barnes
Mr R Ainscough
Mr R Gaskell (appointed 1 July 2015)
Mr M Mellor (appointed 1 July 2015)
Mrs N Jones (appointed 1 July 2015)
Mr H George (appointed 1 May 2016)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of ~~the board~~

Robert Gaskell
Director and Company Secretary

Centrix House
Crow Lane East
Newton le Willows
WA12 9UY

15th December 2016

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), *including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP

1 St Peter's Square
Manchester
M2 3AE
United Kingdom

Independent auditor's report to the members of Network Space Developments Limited

We have audited the financial statements of Network Space Developments Limited for the year ended 30 June 2016 set out on pages 6 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 explained more fully in the Directors' Responsibilities Statement set out on page 4 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at 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 group's and of the parent company's affairs as at 30 June 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Network Space Developments Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Rehman Minshall

Rehman Minshall
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

20/12/16

Consolidated profit and loss account and other comprehensive income

for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	2	**5,642**	46,650
Expenses		**(4,893)**	(41,154)
Group operating profit		**749**	5,496
Group share of profit/(loss) in			
Joint ventures		**-**	(2,748)
Associates		**103**	-
Loss on the sale of an operation	4	**-**	(2,665)
Profit/(loss) on the disposal of fixed assets	4	**1,103**	(108)
Revaluation of investment properties	4	**175**	446
Interest receivable and similar income	7	**350**	465
Interest payable and similar charges	8	**(4)**	(1,548)
Profit/(Loss) on ordinary activities before taxation		**2,476**	(662)
Tax on profit/(loss) on ordinary activities	9	**(261)**	1,066
Profit on ordinary activities after taxation		**2,215**	404
Total Comprehensive Income		**2,215**	404

All activities of the group are continuing.

The notes on pages 11 to 29 form part of these financial statements.

Consolidated balance sheet
at 30 June 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible assets	*10*		**48**		64
Investment property	*11*		**21,788**		31,539
Investments in associates	*12*		**340**		238
			22,176		31,841
Current assets					
Stocks	*13*	**12,704**		12,348	
Debtors *(including £4,503,000 due in more than one year (2015: £3,117,000)*	*14*	**8,764**		7,837	
Cash at bank and in hand		**1,183**		1,633	
		22,651		21,818	
Creditors: amounts falling due within one year	*15*	**(4,117)**		(4,496)	
Net current assets			**18,534**		17,322
Total assets less current liabilities			**40,712**		49,163
Provisions for liabilities and charges					
Deferred tax liability	*16*		**(1,320)**		(1,420)
Other provisions	*17*		**(7,718)**		(7,718)
Net assets			**31,672**		40,025
Capital and reserves					
Called up share capital	*18*		**52**		52
Share premium account			**2,068**		2,068
Capital redemption reserve			**15,000**		15,000
Revaluation reserve			**1,197**		728
Profit and loss account			**13,355**		22,177
Total capital and reserves			**31,672**		40,025

The notes on pages 11 to 29 form part of these financial statements.

These financial statements were approved by the board of directors on 15th December 2016 and were signed on its behalf by:

Robert Gaskell
Director

Company balance sheet
at 30 June 2016

	Note	**2016**	**2016**	2015	2015
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*10*		**48**		64
Investment property	*11*		**21,788**		31,539
Investments	*12*		**238**		238
			22,075		31,841
Current assets					
Stocks	*13*	**12,704**		12,348	
Debtors *(including £4,503,000 due in more than one year (2015: £3,117,000))*	*14*	**6,780**		6,166	
Cash at bank and in hand		**1,136**		1,155	
		20,620		19,669	
Creditors: amounts falling due within one year	*15*	**(10,726)**		(11,020)	
Net current assets			**9,894**		8,649
Total assets less current liabilities			**31,968**		40,490
Provisions for liabilities and charges					
Deferred tax liability	*17*		**(1,320)**		(1,420)
Net assets			**30,648**		39,070
Capital and reserves					
Called up share capital	*19*		**52**		52
Share premium account			**2,068**		2,068
Capital redemption reserve			**15,000**		15,000
Revaluation reserve			**1,197**		728
Profit and loss account			**12,331**		21,222
Total capital and reserves			**30,648**		39,070

The notes on pages 11 to 29 form part of these financial statements.

These financial statements were approved by the board of directors on 15th December 2016 and were signed on its behalf by:

Robert Gaskell
Director

Consolidated statement of changes in equity

	Called up Share capital £000	Share Premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 July 2015	**52**	**2,068**	**728**	**15,000**	**22,177**	**40,025**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	2,215	2,215
Transfer between reserves	-	-	469	-	(469)	-
Total comprehensive income for the period	**-**	**-**	**469**	**-**	**1,746**	**2,215**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(10,568)	(10,568)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(10,568)**	**(10,568)**
Balance at 30 June 2016	**52**	**2,068**	**1,197**	**15,000**	**13,355**	**31,672**

	Called up Share capital £000	Share Premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 July 2014	**52**	**2,068**	**(6,224)**	**15,000**	**63,512**	**74,408**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	404	404
Transfer between reserves	-	-	6,952		(6,952)	-
Total comprehensive income for the period	**-**	**-**	**6,952**	**-**	**(6,548)**	**404**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(34,787)	(34,787)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(34,787)**	**(34,787)**
Balance at 30 June 2015	**52**	**2,068**	**728**	**15,000**	**22,177**	**40,025**

Company statement of changes in equity

	Called up Share capital £000	Share Premium Account £000	Revaluation Reserve £000	Capital redemption reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 July 2015	**52**	**2,068**	**728**	**15,000**	**21,222**	**39,070**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	2,146	2,146
Transfers between reserves	-	-	469	-	(469)	-
Total comprehensive income for the period	**-**	**-**	**469**	**-**	**1,677**	**2,146**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(10,568)	(10,568)
Total contributions by and distributions to owners					**(10,568)**	**(10,568)**
Balance at 30 June 2016	**52**	**2,068**	**1,197**	**15,000**	**12,331**	**30,648**

	Called up Share capital £000	Share Premium Account £000	Revaluation Reserve £000	Capital redemption reserve £000	Profit & loss account £000	Total equity £000
Balance at 1 July 2014	**52**	**2,068**	**564**	**15,000**	**54,764**	**72,448**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	1,409	1,409
Transfers between reserves	-	-	164	-	(164)	-
Total comprehensive income for the period	**-**	**-**	**164**	**-**	**1,245**	**1,409**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(34,787)	(34,787)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(34,787)**	**(34,787)**
Balance at 30 June 2015	**52**	**2,068**	**728**	**15,000**	**21,222**	**39,070**

Notes to the financial statements

1 Accounting policies

Network Space Developments Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company 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"*) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 24.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 24.

The Company's ultimate parent undertaking, Network Space Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Network Space Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Network Space Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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 23.

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.

Going concern

As at 30 June 2016 the Group had cash reserves of £1.1m and had no external debt. The directors have prepared cash flow forecasts for 12 months from the date of approval of these statutory accounts which demonstrate the group is able to continue to operate as a going concern. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significance influence is presumed to exists when the investors holds between 20% and 50% of the equity voting rights.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated profit and loss account and its interest in their net assets is recorded on the balance sheet using the equity method.

Where a group company is party to a joint venture which is not an entity that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus 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.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets.

Freehold buildings – 2% straight line

Short leasehold land and buildings including leasehold improvements – life of lease

Plant and machinery and fixture and fittings – 4-25% straight line

Investment property

Investment properties are properties which are held either to earn rental income or 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.

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 until a reliable measure of fair value becomes available.

Investment properties have been valued by the directors at 30 June 2016.

Business combinations

Business combinations are accounted for using the method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Stock

Stock is stated at the lower of cost and net realisable value.

Intangible assets and amortisation

Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

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, associates and joint ventures 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

1 Accounting policies *(continued)*

Grant income

Grant income in respect of investment properties is held on the balance sheet. Investment properties are deemed to have an indefinite useful life, as such the grant income is only recorded in the profit and loss once the associated investment property is disposed of.

Transfer of items

Where management's intention is to dispose of an investment property through development, the investment property is transferred at its fair value, which may be higher than cost, from fixed assets to stock. Stocks are carried at the lower of cost or net realisable value.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

2 Turnover

Turnover represents the rental income receivable in the year, amounts derived from the provision of site services to customers during the year and proceeds from the sale of trading developments (excluding value added tax). Rental incentives are spread over the life of the related lease. Sales of investment properties are recorded in Profit on sale of fixed assets.

	2016	2015
	£000	£000
Sale of trading developments	**1,418**	39,432
Investment property rentals	**4,224**	7,218
Total turnover	**5,642**	46,650

All turnover is derived from UK operations and is recognised when the service is delivered.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration	**2016**	2015
	£000	£000
Audit of these financial statements – group	**21**	22
Audit of these financial statements – company	**3**	19
Amounts receivable by the auditors and their associates in respect of:		
Other services in relation to taxation / consultancy services	**14**	103

4 Other income

	2016	2015
	£000	£000
Loss on the sale or termination of a joint venture	**-**	(2,665)
Profit / (loss) on the disposal of fixed assets	**1,103**	(108)
Fair value adjustments for investment property	**175**	446

5 Director's remuneration

	2016	2015
	£000	£000
Directors' emoluments	**142**	559
Pension costs	**8**	42
Total directors' emoluments	**150**	601

The aggregate of emoluments of the highest paid director was £228,905 (*2015: £337,000*) and Company pension contributions of £7,844 (*2015: £30,000*) were made to a money purchase scheme on their behalf. These costs were borne by another group company.

Retirement benefits accrued to one (2015: three) director under a money purchase pension scheme.

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the group during the year, analysed by category, were as follows:

	Number of employees	
	2016	2015
Administration	**11**	26
Management	**1**	4
	12	30

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**460**	1,118
Social security costs	**47**	115
Pension costs	**19**	57
	526	1,290

7 Interest receivable and similar income

	2016	2015
	£000	£000
On loans with group companies	**-**	438
On cash at bank	**22**	8
Interest on loans receivable from associates	**328**	19
	350	465

8 Interest payable and similar charges

	2016	2015
	£000	£000
Interest relating to joint ventures	**-**	946
On loans with group companies	**-**	519
On bank loans	**4**	83
	4	1,548

Notes *(continued)*

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016		2015	
	£000	**£000**	£'000	£000
Current tax				
Current tax on income for the period		**335**		39
Adjustment in respect of prior year		**-**		260
Group relief		**26**		(1,269)
Total current tax		**361**		(970)
Deferred tax				
Origination and reversal of timing differences	**(100)**		(100)	
Adjustment in respect of prior year	**-**		4	
Total deferred tax		**(100)**		(96)
Total tax		**261**		(1,066)

	2016			2015		
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**361**	**(100)**	**261**	(970)	(96)	(1,066)
Total tax	**361**	**(100)**	**261**	(970)	(96)	(1,066)

Notes *(continued)*

9 Taxation *(continued)*

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit/(loss) after tax for the year	**2,215**	(404)
Total tax expense / (credit)	**261**	(1,066)
Profit/(loss) excluding taxation	**2,470**	(662)
Tax expense/(credit) using the UK corporation tax rate of 20 % (2015:20.75 %)	**494**	(138)
Non-deductible expenses	**90**	2,146
Tax exempt income	**(265)**	(2,921)
Group relief claimed	**(27)**	-
Group relief paid for	**27**	-
Other differences	**-**	(317)
Utilisation of losses and other deductions	**-**	(832)
Reduction in tax rate on deferred tax balances	**(146)**	-
Adjustments in respect of prior years	**88**	260
Unrelieved tax losses	**-**	736
Total tax expense/(credit) included in profit or loss	**261**	(1,066)

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 30 June 2016 has been calculated based on these rates. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability accordingly.

Notes *(continued)*

10 Tangible fixed assets

Group	**Short leasehold land & buildings £000**	**Plant, machinery & fixtures & fittings £000**	**Total £000**
Cost or valuation			
At beginning of year	61	878	939
Additions	-	1	1
Disposals	-	(20)	(20)
At end of year	**61**	**859**	**920**
Depreciation and diminution in value			
At beginning of year	27	848	875
Charge for year	1	16	17
On disposals	-	(20)	(20)
At end of year	**28**	**844**	**872**
Net book value			
At 30 June 2016	**33**	**15**	**48**
At 30 June 2015	34	30	64

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Company	Short leasehold land & buildings	Plant, machinery & fixtures & fittings	Total
Cost or valuation	**£000**	**£000**	**£000**
At beginning of year	61	878	939
Additions	-	1	1
Disposals	-	(20)	(20)
At end of year	**61**	**859**	**920**
Depreciation and diminution in value			
At beginning of year	27	848	875
Charge for year	1	16	17
On disposals	-	(20)	(20)
At end of year	**28**	**844**	**872**
Net book value			
At 30 June 2016	**33**	**15**	**48**
At 30 June 2015	34	30	64

11 Investment property

	Group	Company
	£000	**£000**
Balance at 1 July 2015	31,539	31,539
Additions	2,605	2,605
Net gain/(loss) from fair value adjustments	175	175
Disposal	(12,531)	(12,531)
Balance at 30 June 3016	**21,788**	**21,788**

The historical cost of revalued investment properties as at 30 June 2016 was £20,591,000 (2015: £30,811,000).

Investment properties have been valued by the directors at 30 June 2016. An independent external valuation was undertaken by Jones Lang LaSalle in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) as at 30 June 2016 for a sample of properties. The directors used these external valuations to inform their valuations at 30 June 2016.

The valuations, which are supported by 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.

Notes *(continued)*

12 Investments

Group

At 30 June 2016 the group had an investment in Langtree Property Partners Limited, valued at £340,000 (2015: £238,000). The group also had a net liability of £4,235,000 (*2015: £4,235,000 net liability*) in PxP West Midlands and a net liability of £3,483,000 (*2015: £3,483,000 a net liability*) in Onsite North East. These amounts are recognised on the Balance sheet under 'other provisions'.

During the year, the group disposed of its investments in High Carr Point Management Company (2015: £1 investment).

Company

The value of its shareholding in Langtree Property Partners Limited was £238,000, (2015: £238,000).

a. Joint ventures

The amounts included in respect of joint ventures comprise the following:

	PxP West Midlands 2016 £000	**Onsite North East 2016 £000**	**Total 2016 £000**	Total 2015 £000
Share of liabilities				
Due within one year	**(4,235)**	**(3,483)**	**(7,718)**	(7,718)
Due after one year	**-**	**-**	**-**	-
	(4,235)	**(3,483)**	**(7,718)**	(7,718)
Share of net liabilities	**(4,235)**	**(3,483)**	**(7,718)**	(7,718)

In January 2016 the joint ventures listed below were dissolved. The subsidiaries of Network Space Developments Limited, which held the investments in the joint ventures, are in the process of being liquidated. Until those entities are liquidated the Group could be liable for the debts in the joint ventures prior to being dissolved. As such the provision has been retained as at 30 June 2016.

The principal joint ventures are as follows:

Principal joint ventures	**Holding (Ordinary)**	**Country of incorporation**	**Principal activity**
PxP West Midlands	50%	England	Management and development of commercial property
Onsite North East	50%	England	Management and development of commercial activity

Notes *(continued)*

12 Investments *(continued)*

Group - Related undertakings

Investments in subsidiary undertakings included in the consolidation comprise the following:

	Country of Incorporation	Principal Activity	Class and percentage of shares held
Network Space Developments Limited	England and Wales	Property Investment and Development	Ordinary 100%
NS Festival Gardens Limited	England and Wales	Property Development	Ordinary 100%
NS (PDMS) Limited	England and Wales	Property Management	Ordinary 100%
Network Space Ventures Limited	England and Wales	Property Investment	Ordinary 100%
NS Midwest Limited	England and Wales	Property Investment and Development	Ordinary 100%
NS Midwest Nominees Limited	England and Wales	Dormant	Ordinary 100%
NS Investments North East Limited	England and Wales	Property Investment	Ordinary 100%
NS Artisan Limited	England and Wales	Property Development	Ordinary 100%
Langtree Midwest Nominees Ltd	England and Wales	Dormant	Ordinary 100%
High Carr Axis Management Company Limited	England and Wales	Property Management	Ordinary 100%
High Carr Point Management Company Limited*	England and Wales	Property Management	Ordinary 100%
St Helens Stadium Limited	England and Wales	Property Management	Ordinary 100%
Network Space NE Limited	England and Wales	Dormant	Ordinary 100%
NS Managed Services Limited	England and Wales	Dormant	Ordinary 100%
NS Shelfco 1 Limited	England and Wales	Dormant	Ordinary 100%
NS Shelfco 2 Limited	England and Wales	Dormant	Ordinary 100%
NS North East Nominees Limited	England and Wales	Dormant	Ordinary 100%

*High Carr Point Management Company was disposed on 25 September 2015.

Associated companies

Investments in associated undertakings included in the consolidation comprise the following:

	Country of Incorporation	Principal Activity	Class and percentage of shares held
Langtree Property Partners Limited	England and Wales	Property Management and Development	Ordinary 30%

Notes *(continued)*

13 Stocks

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Land held for development	**12,704**	12,348	**12,704**	12,348

14 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**3,132**	610	**2,902**	402
Amounts owed by group undertakings	**1,789**	1,791	**69**	556
Amounts owed by associated undertakings	**3,117**	3,117	**3,117**	3,117
Other debtors	**111**	629	**79**	582
Prepayments and accrued income	**615**	1,599	**613**	1,509
Corporation tax	**-**	91	**-**	-
	8,764	7,837	**6,780**	6,166

Amounts owed by associated undertakings are due in more than one year.

15 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade creditors	**419**	1,505	**330**	1,373
Amounts due to group undertakings	**213**	-	**6,982**	6,846
Corporation tax	**169**	-	**169**	-
Other taxes and social security	**32**	58	**32**	58
Other creditors	**678**	294	**678**	273
Accruals and deferred income	**2,123**	2,096	**2,052**	1,926
Rents in advance	**233**	286	**233**	286
Deposits	**250**	257	**250**	258
	4,117	4,496	**10,726**	11,020

Notes *(continued)*

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 2016 £000**	**Liabilities 2016 £000**	**Net 2016 £000**	Assets 2015 £000	Liabilities 2015 £000	Net 2015 £000
Accelerated capital allowances	**-**	**(1,402)**	**(1,402)**	-	(1,543)	(1,543)
Other timing differences	**82**	**-**	**82**	123	-	123
Net tax liabilities	**-**	**(1,402)**	**(1,320)**	123	(1,543)	(1,420)

Company	**Assets 2016 £000**	**Liabilities 2016 £000**	**Net 2016 £000**	Assets 2015 £000	Liabilities 2015 £000	Net 2015 £000
Accelerated capital allowances	**-**	**(1,402)**	**(1,402)**	-	(1,543)	(1,543)
Other timing differences	**82**	**-**	**82**	123	-	123
Net tax liabilities	**82**	**(1,402)**	**(1,320)**	123	(1,543)	(1,420)

17 Provisions

	Group £000
Provision for liabilities owed by joint ventures	
At beginning of year	7,718
Movement during year	-
At end of year	**7,718**
Total provision for liabilities and charges at 30 June 2016	**7,718**
Total provision for liabilities and charges at 30 June 2015	7,718

Notes *(continued)*

18 Called up share capital

	2016	2015
	£	£
Authorised, allotted, called up and fully paid		
52,063 Ordinary Shares of £1 each	**52,063**	52,063
	52,063	52,063

Each holder of an Ordinary Share is entitled to receive notice of, and to attend and speak at, any general meeting of the company. Any such holder shall, on a show of hands have one vote, and on a poll have one vote, for each Ordinary Share that they hold.

19 Pension scheme

The pension cost charge for the year represents contributions payable by the group to the scheme and amounts to £19,000 *(2015: £57,000)*. There were no outstanding amounts or prepayments at the year end.

20 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2016	2015
	£000	£000
Group and Company		
Expiring:		
- Within 1 year	**293**	293
- Between two and five years	**1,154**	1,154
- After five years	**12,374**	12,661
	13,821	14,108

21 Related party disclosures

Identity of related parties with which the Group has transacted

Under the terms of an agreement dated 12 June 2015, Network Space Developments Limited, issued loan notes of £3,117,000 to Langtree Property Partners Ltd, an associated company in which the group holds a 30% share.

The loan attracts interest at a rate of 7% per annum, payable from the first anniversary of issuance of the loan notes, and is repayable on 30 April 2027. Interest of £10,760 (2015: £nil) was accrued during the year, and a balance of £3,117,000 (2015: £3,117,000) is recognised within debtors due in more than one year on the Group's balance sheet.

Other transactions during the year with Langtree Property Partners Limited consisted of amounts recharged by group companies, at arms length, for goods and services totalling £22,121.

During the year, Network Space Developments Limited also granted a short term loan facility of up to £7,000,000 to Langtree Daresbury Limited, a subsidiary company of Langtree Property Partners Limited. During the year, the loan was drawn to a maximum of £5,500,000, which was fully repaid prior to the year end. Interest of £317,840 was received during the year.

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £778,000 *(2015: £1,068,000)*, the cost of which is borne by other group companies..

Notes *(continued)*

22 Ultimate controlling party

The company is a subsidiary of Network Space Holdings Ltd, a company incorporated in England. The majority of the shares in Network Space Holdings Ltd are owned by Mr W Ainscough who is the ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Network Space Holdings Ltd. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

23 Accounting estimates and judgements

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

Development expenditure
Development expenditure is capitalised in accordance with the accounting policy set out for stock in note 1. Initial capitalisation is based on management's judgement that technical and economic feasibility is confirmed through the use of established project management models. In determining the ongoing amounts to be capitalised, management make assumptions regarding the expected future cash generation of the asset and the expected period of benefits.

Revaluation of investment properties
The Group carries its investment property at fair value, with changes in fair value being recorded in the profit and loss account. The properties have been valued by the directors as at 30 June 2016. Valuations are sensitive to estimated yields and occupancy rates.

Recoverability and impairment of non-financial assets
Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. Recoverable amounts are sensitive to the discount rates used in a discounted cash flow model, and to the estimates of future cash flows and growth rates used to extrapolate values. Any impairment losses recognised will only be reversed in a subsequent period if the reasons for the impairment loss have ceased to apply. The following areas of the financial statements have been reviewed for recoverability and impairment.

Taxation
The Group establishes tax provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and interpretations of tax regulations. Management estimation is required to determine the amount of deferred tax assets or liabilities to be recognised, based upon the likely future timing and level of taxable profits, together with an assessment of the effect of future tax planning strategies.

Goodwill
Positive goodwill acquired on business acquisitions or combinations is capitalised and amortised on a straight line basis over it's useful life. Negative goodwill is also recognised as an asset on the Balance sheet, and is released to profit and loss on the sale of those assets acquired.

Notes *(continued)*

24 Explanation of transition to FRS 102 from former UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 30 June 2016 and the comparative information presented in these financial statements for the period ended 30 June 2015.

Group

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

	2015	
	£000	**£000**
Reported loss for the year		(42)
Revaluation of investment property (a)	446	
Total adjustment for the financial year		446
Restated profit for the financial year under FRS 102		404

a) Revaluation gains or losses on investment property are shown through the profit and loss account under FRS 102, under old UK GAAP these movements were shown within the Statement of total recognised gains and losses.

Company

In preparing their FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

	2015	
	£000	**£000**
Reported profit for the year		1,070
Revaluation of investment property (b)	339	
Total adjustment for the financial year		339
Restated profit for the financial year under FRS 102		1,409

b) Revaluation gains or losses on investment property are shown through the profit and loss account under FRS 102, under old UK GAAP these movements were shown within the Statement of total recognised gains and losses.