

REGISTERED NUMBER: 01717239 (England and Wales)

MANCHESTER SCIENCE PARTNERSHIPS LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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MANCHESTER SCIENCE PARTNERSHIPS LIMITED

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MANCHESTER SCIENCE PARTNERSHIPS LIMITED

COMPANY INFORMATION

For The Year Ended 30 September 2020

DIRECTORS:

C G Oglesby
L G Georghiou
S M Davies
M C Press
P A Dennett
T P Renn
J T Taylor
K V Lawlor
N A Hanley
C S Robinson
J R T Greene
P Bartoli

REGISTERED OFFICE:

Union
Albert Square
Manchester
M2 6LW

REGISTERED NUMBER:

01717239 (England and Wales)

AUDITOR:

Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR

BANKERS:

Lloyds Bank Plc

SOLICITORS:

Addleshaw Goddard LLP
Manchester

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

STRATEGIC REPORT

For The Year Ended 30 September 2020

Manchester Science Partnerships Limited (MSP) is a 64% owned subsidiary of Bruntwood Science Limited, a wholly owned subsidiary of Bruntwood SciTech Limited. Bruntwood SciTech Limited produces consolidated accounts.

BUSINESS MODEL

MSP is one of very few science and technology park operators which have retained the original triple helix partnership structure between public, private and academic stakeholders, which is so critical to driving the growth of the knowledge economy, whilst also attracting significant private sector investment. The company actively supports the commercialisation of research and technologies originating from our academic and clinical partners. We provide accommodation, facilities and specialist innovation services for science and technology businesses at every stage of their growth.

MSP operates over 425,000 sq ft across 11 buildings at Manchester Science Park and 100,000 sq ft at the Citylabs campus - a joint venture partnership with Manchester University NHS Foundation Trust (MFT), collectively supporting more than 200 companies and over 2,500 employees in the science and technology sectors, with occupier growth, average salaries, and product innovation rates high above national and regional averages.

The campus is located at the heart of the Manchester Oxford Road Corridor innovation district; Europe's largest concentration of higher education institutions and major teaching hospitals. This area accounts for over 20% of the City's total GVA, and the science and technology sectors are widely acknowledged as major drivers of future economic growth.

During the year, £4m of grant funding was awarded by the Ministry for Housing, Communities and Local Government (MCHLG) to kick start the £21m, 91,000 sq ft re-development of 'Base' as part of its 'Getting Building Fund' for shovel-ready projects. The new build which has already been granted planning permission is aimed at supporting R&D intensive businesses working in the frontier sectors of Industry 4.0, digital technology, advanced materials, engineering and low carbon. It will also incorporate low carbon technologies including solar technology, demand side response technology, smart BMS, Multi Gigabyte connectivity, and infrastructure for future battery reliance capability. Base will provide commercial innovation workspace and a dedicated vocational training space designed to provide young people from disadvantaged backgrounds with technical skills training aligned to industry 4.0 and enable access to highly skilled jobs. It will form a vital part of the region's innovation ecosystem, supporting the growth of the knowledge economy and help to create over 1,000 high value jobs.

REVIEW OF THE YEAR

The statement of income and retained earnings sets out performance in more detail. Turnover for the year was £7.3m (2019: £6.7m).

The statement of financial position shows that the company's net assets were £51.2m at 30 September 2020 (2019: £49.0m).

STRATEGY, OBJECTIVES AND PRINCIPAL RISKS

The immediate strategic objectives of the company are:

- driving operational performance in existing cities and locations;
- growing the existing portfolio to meet customer demand; and
- supporting customer growth through the evolution of the SciTech network and ecosystem.

The key performance indicators of the company are:

- Deliver a sustainable net worth growth over time, via a combination of both income and capital returns, whilst generating positive cash flows for reinvestment and asset growth. In 2020, we returned a net worth increase of 4.3% from £49.0m to £51.2m.
- Maintain appropriate levels of gearing and net debt, whilst delivering growth within the Group. Gearing stood at 42.8% in 2020 compared to 43.8% in 2019. Net debt was £33.3m compared to £32.3m in 2019.
- Improve relationships with customers and strive for increases in net promoter scores. The Group net promoter score in October 2019 was 23. Net promoter scores range from -100 to 100, with a positive score being a good result. Our target for the next survey to be completed in 2021 is to increase this by 5%.

The company has exposure to commercial property values, UK interest rate fluctuations and lettings market demand from the North West science and technology sectors. The directors consider the maturity of our business model, the partnership between the shareholders and our investment in high quality business support services to be key sources of competitive strength. The scale and experience of the Bruntwood business in the North West, together with the benefits of deep partnerships with the universities and health institutions generates demand, broader partnership opportunities and maintains retention and occupancy.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

STRATEGIC REPORT

For The Year Ended 30 September 2020

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company, by nature of its business, is exposed to financial risks. The financial risks of all Bruntwood SciTech companies are managed and controlled on a unified basis. Details of the Group's financial risk management objectives and policies are explained in more detail in the accounts of Bruntwood SciTech Limited (company number: 03814666). A copy of its financial statements can be obtained from the Registered Office, Union, Albert Square, Manchester, M2 6LW.

As with any property company that is substantially debt financed the directors consider one of the key financial risks to be the ability of the company to meet the covenant requirements of its borrowing facilities, and to successfully refinance borrowing facilities at their maturity date. The directors regularly review compliance with the covenants and the company has maintained a track record of meeting all such requirements set by its lenders, throughout its history.

On 5 July 2019 Bruntwood Scitech Limited agreed a new three year, £185m funding deal with a club of banks formed of Lloyds, Natwest, Santander and HSBC. The facility is secured against the assets held by Alderley Park Limited, Manchester Science Partnerships Limited, Bruntwood Platform Leeds Limited, Citylabs limited, Bruntwood Circle Square 1 Limited, Bruntwood Circle Square 2 Limited, Bruntwood Circle Square 4 Limited, Bruntwood Circle Square 12 Limited, Bruntwood Circle Square 13 Limited and Bruntwood Circle Square Green Company.

The total facility has been granted under a green loan initiative which sees the SciTech group secure a discount on its cost of borrowing if it meets certain green covenants. Drawings on this loan stand at £176.8m as at 30 September 2020 (2019: £110.0m), with £34.0m (2019: £34.0m) allocated to this company.

FUTURE OUTLOOK

The company will continue its strategy to maximise customer retention and growth and to expand its product offering in line with demand.

MSP has a strong financial base, and a solid core customer base of high value, innovation driven companies, in strategically important locations. There are numerous growth opportunities that exist in the science and technology sectors at a local and regional level, and MSP is ideally positioned to take full advantage of them. We will continue to strengthen our ties with existing strategic partners whilst developing new relationships that will support our growth ambitions.

Our immediate focus continues to be the development of the opportunities within the Manchester Oxford Road Corridor.

ENVIRONMENT & SUSTAINABILITY

Both ultimate shareholders donate significant sums to charity each year and encourage employee volunteering. These donations have supported activities across our regions, including projects based around the environment, the arts, medical research, education and tackling social inequality.

The Bruntwood Group partners with ambitious environmental, arts and cultural organisations that make a positive change to our communities. Partnerships include bluedot, Grand Union, Leeds International Festival, InnovateHer and Enterprise Nation.

As well as raising money for our nominated charities, Bruntwood colleagues have also donated over 1,299 hours (2019: 2,800) of their time through Cares Days, volunteering in their local communities. By donating their time, skills and talents to the regions and communities we operate in, our colleagues are helping our cities to continue to thrive.

ON BEHALF OF THE BOARD:



K V Lawlor - Director

25 March 2021

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

DIRECTORS' REPORT

For The Year Ended 30 September 2020

The directors of Manchester Science Partnerships Limited (the 'company') present their annual report with the audited financial statements for the year ended 30 September 2020.

In accordance with S414 (C) (11) of the Companies Act 2006, included in the strategic report is information relating to the future development of the business which would otherwise be required to be contained in the directors' report.

DIVIDENDS

No dividends were distributed for the year ended 30 September 2020 (2019: nil).

DIRECTORS

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

C G Oglesby
L G Georghiou
S M Davies
M C Press
P A Dennett
T P Renn
J T Taylor
K V Lawlor
N A Hanley
C S Robinson
J R T Greene

Other changes in directors holding office are as follows:

E A L Smith - resigned 29 May 2020
P A Kemp - resigned 30 September 2020
P Bartoli - appointed 29 May 2020

R M Burns ceased to be a director after 30 September 2020 but prior to the date of this report.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors and the directors of associated companies which were made during the year and remain in force at the date of this report.

GOING CONCERN

The directors have assessed the impact of the current uncertainty around the Covid-19 pandemic, focussing specifically on operations and cashflows of the company, group and joint venture partner Bruntwood Limited. The company benefits from shared banking and treasury facilities with the group. Bruntwood SciTech Group has received a letter of support from joint venture partner Bruntwood Limited and hence assessment of the ability of the entity to continue as a going concern has been performed at a group level (including stress-testing of forecasts).

This stress-testing included assessing the levels of cash and available finance within the Group assuming a significant reduction in turnover on the basis of customer default or payment plans, reduced lettings and increased vacations at break and expiry. This has been offset by factoring in identified and actioned savings in operational expenditure, and a review and cut of uncommitted capital expenditure where necessary.

The directors have also considered the ongoing availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valuations of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast.

Based on reviewing these forecasts and sensitivities the directors have concluded that the company is a going concern for at least twelve months from the approval date of these financial statements and accordingly have prepared the financial statements on this basis. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

DIRECTORS' REPORT

For The Year Ended 30 September 2020

AUDITOR -

Each of the directors at the date of approval of this report confirms that:

- (i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (ii) the director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP Statutory Auditor has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:



K V Lawlor - Director

25 March 2021

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

For The Year Ended 30 September 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER SCIENCE PARTNERSHIPS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Manchester Science Partnerships Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 19.

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).

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 auditor's 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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANCHESTER SCIENCE PARTNERSHIPS LIMITED

Auditor's 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 an auditor's report 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

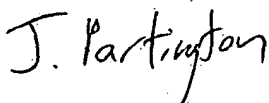
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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 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.



Jason Partington FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Hill House
1 Little New Street
London
EC4A 3TR

25 March 2021

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
For The Year Ended 30 September 2020

	Notes	2020 £'000	2019 £'000
TURNOVER	2	7,330	6,681
Cost of sales		<u>(4,446)</u>	<u>(3,964)</u>
GROSS PROFIT		2,884	2,717
Administrative expenses		<u>(1,617)</u>	<u>(1,679)</u>
OPERATING PROFIT	5	1,267	1,038
Gain on revaluation of investment properties		3,057	1,657
Loss on revaluation of interest rate derivatives	6	<u>(138)</u>	<u>(161)</u>
PROFIT BEFORE INTEREST AND TAX		4,186	2,534
Interest payable and similar expenses	7	<u>(997)</u>	<u>(1,623)</u>
PROFIT BEFORE TAXATION		3,189	911
Tax on profit	8	<u>(1,067)</u>	<u>(232)</u>
PROFIT FOR THE FINANCIAL YEAR		2,122	679
Retained earnings at beginning of year		<u>33,503</u>	<u>32,824</u>
RETAINED EARNINGS AT END OF YEAR		<u><u>35,625</u></u>	<u><u>33,503</u></u>

The notes form part of these financial statements

MANCHESTER SCIENCE PARTNERSHIPS LIMITED (REGISTERED NUMBER: 01717239)

STATEMENT OF FINANCIAL POSITION

30 September 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible assets	9	77,844	73,848
Investments	10	<u>6,904</u>	<u>6,904</u>
		<u>84,748</u>	<u>80,752</u>
CURRENT ASSETS			
Debtors	11	21,084	19,841
Cash at bank		<u>472</u>	<u>1,305</u>
		21,556	21,146
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(15,973)</u>	<u>(15,017)</u>
NET CURRENT ASSETS		<u>5,583</u>	<u>6,129</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		90,331	86,881
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(34,009)	(33,748)
PROVISIONS FOR LIABILITIES	15	<u>(5,167)</u>	<u>(4,100)</u>
NET ASSETS		<u>51,155</u>	<u>49,033</u>
CAPITAL AND RESERVES			
Called up share capital	16	576	576
Share premium		13,894	13,894
Capital redemption reserve		1,060	1,060
Retained earnings		<u>35,625</u>	<u>33,503</u>
SHAREHOLDERS' FUNDS		<u>51,155</u>	<u>49,033</u>

The financial statements of company number 01717239 were approved by the Board of Directors and authorised for issue on 25 March 2021 and were signed on its behalf by:

Kate Lawlor

K V Lawlor - Director

The notes form part of these financial statements

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For The Year Ended 30 September 2020

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standards 102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain land and buildings and in accordance with United Kingdom accounting standards.

Manchester Science Partnerships Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The principal accounting policies adopted are described below. They have all been applied consistently throughout the current and preceding year.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Going Concern

After making enquiries, the directors believe that the company has adequate resources to continue in operational existence for at least twelve months from the approval date of these financial statements. The company participates in the group's centralised treasury function and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have received confirmation that Bruntwood SciTech Limited ("Bruntwood"), the company's ultimate holding company, will continue to provide the necessary level of support to enable it to continue to operate for at least twelve months from the approval date of these financial statements.

As referenced in the directors' report the directors have assessed the impact of the current uncertainty around Covid-19 on all aspects of the business, focussing specifically on the operations and cashflows of the company and group. In considering the ability of Bruntwood and the joint venture partners to provide any necessary support in the context of the uncertainties all property companies face as a result of the current economic climate, the directors have obtained an understanding of Bruntwood's forecasts, the continuing availability of its facilities and its strategic and contingent plans. The directors have stress-tested these forecasts assuming a significant reduction in turnover, offset by identified and actioned operational and capital expenditure savings. The availability of on-going finance has also been considered, modelling the impact on covenants of reduced income and decreases in property valuations. Even considering reasonably likely downside scenarios there are no covenant breaches forecast.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation Exemption

The company has taken advantage of the provisions available under section 400 of the Companies Act 2006 to not prepare consolidated financial statements. The ultimate parent company, Bruntwood SciTech Limited has prepared consolidated financial statements for the year ended 30 September 2020. Copies of the consolidated financial statements are available from the registered office of Bruntwood SciTech Limited; Union, Albert Square, Manchester, M2 6LW.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company, as a qualifying entity, has taken advantage of the following disclosure exemptions in preparing these financial statements, as the relevant disclosures are made in Bruntwood SciTech Limited accounts, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Turnover

Turnover represents property rental, service charge, associated income and the appropriate allocation of rental premiums, provided in the normal course of business, net of VAT. Turnover is accounted for on an accruals basis and amounts invoiced in advance relating to the next accounting period are included in deferred income within the statement of financial position.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 30 September 2020

1. ACCOUNTING POLICIES - continued

Fixed assets

Fixed assets are shown at cost less accumulated depreciation and provision for impairment. Depreciation is provided on the following basis:

Fixtures and fittings:	20% on cost
IT equipment:	20% or 30% on cost
Motor vehicles:	20% on cost

Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment. Investments are assessed for indicators of impairment at each statement of financial position date. If there is evidence of impairment, an impairment loss is recognised in profit or loss.

Investment Properties

Investment properties for which fair value can be measured reliably without undue cost and effort on an on-going basis are measured at fair value annually, with any change recognised in the income statement.

Leases

i. The entity as lessee

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

ii. The entity as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

1. ACCOUNTING POLICIES - continued

i. Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- a) The contractual return to the holder is
 - (i) a fixed amount;
 - (ii) a positive fixed rate or a positive variable rate; or
 - (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that
 - (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or
 - (ii) the new rate is a market rate of interest and satisfies condition (a).
- d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

ii. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 30 September 2020

1. ACCOUNTING POLICIES - continued

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

1. ACCOUNTING POLICIES - continued

Critical accounting judgements

The Directors do not consider there to be any critical accounting judgements.

Key Sources of Estimation Uncertainty

In the application of the company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. This includes valuations of investments properties and fixed asset investments. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

Investment property

A key source of estimation and uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, either by professionally qualified external valuers, or by the Company's own internal qualified staff. The evidence to support these valuations is based primarily on recent, comparable market transactions on an arm's length basis. However, the assumptions applied are inherently subjective and so are subject to a degree of uncertainty. Property valuations are one of the principal uncertainties of the company. The valuation of investment properties at 30 September 2020 is £76.2m (2019: £71.9m).

2. TURNOVER

	2020	2019
	£'000	£'000
Rental and related income	5,502	4,980
Service charge income	1,828	1,701
	<u>7,330</u>	<u>6,681</u>

All turnover arises from the group's principal activity in the United Kingdom and excludes Value Added Tax. Items billed in advance/arrears are carried forward/carried back in order that the revenue is recognised in the period in which the service is provided.

3. EMPLOYEES AND DIRECTORS

No direct staff costs were incurred in 2020 (2019: £nil). The company had no direct employees in 2020 (2019: same).

The company received services from a subsidiary of Bruntwood SciTech Limited with a management fee recharged based upon an allocation of resources deployed and services provided (2019: same).

4. DIRECTORS' REMUNERATION

Directors received no remuneration from the company (2019: nil) as they are remunerated by another group company.

5. OPERATING PROFIT

	2020	2019
	£'000	£'000
Operating profit is stated after charging:		
Depreciation	332	247
Rent payable on operating leases	344	8
Auditor's remuneration fees payable to the company's auditor for the audit of the company's annual financial statements	9	8
Fees payable to the company's auditor for non-audit services	<u>20</u>	<u>9</u>

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 30 September 2020

6. INTEREST RATE DERIVATIVE

Interest rate swaps held by the company are recorded on the balance sheet at fair value with movement in the fair value recognised in the statement of income and retained earnings.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
Bank loans and overdrafts	850	1,262
Amortisation of finance costs	<u>147</u>	<u>361</u>
	<u>997</u>	<u>1,623</u>

8. TAXATION

Analysis of the tax charge

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

	2020 £'000	2019 £'000
Current tax:		
Adjustment in respect of prior periods	<u>-</u>	<u>19</u>
Deferred tax:		
Timing differences, origination and reversal	459	242
Adjustment in respect of prior periods	64	(29)
Effect of change in tax rate	<u>544</u>	<u>-</u>
Total deferred tax	<u>1,067</u>	<u>213</u>
Tax on profit	<u>1,067</u>	<u>232</u>

UK corporation tax has been charged at 19%.

Reconciliation of total tax charge included in profit and loss

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

	2020 £'000	2019 £'000
Profit before tax	<u>3,189</u>	<u>911</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	606	173
Effects of:		
Adjustments to tax charge in respect of previous periods	-	19
Adjustments to deferred tax charge in respect of previous periods	-	(29)
Disallowable expenses	17	5
Adjustment in respect of prior years - deferred tax	64	-
Interest receivable in tax computation not in accounts	20	100
Differences on chargeable gain calculations not recognised in deferred tax	(40)	(11)
Difference in taxation rate	490	(28)
Group relief accepted for nil payment	(110)	-
Chargeable gains	<u>20</u>	<u>3</u>
Total tax charge	<u>1,067</u>	<u>232</u>

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

8. TAXATION - continued

On 11 March 2020 the UK Chancellor announced that the main rate of UK corporation tax would remain at 19% with effect from 1 April 2020 (instead of 17% as previously announced). This change became substantively enacted on 17 March 2020. Accordingly, all deferred tax assets and liabilities have been calculated on the basis that they reverse in future at the 19% tax rate (PY: calculated at the 17% tax rate).

However, in the March 2021 Budget it was announced that the main UK rate will increase to 25% after 1 April 2023. As the substantive enactment is after the statement of financial position date, deferred tax balances as at 30 September 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax liability would have increased by £1,632k.

9. TANGIBLE FIXED ASSETS

	Freehold property £'000	Long leasehold £'000	Fixtures, fittings & IT equipment £'000	Motor vehicles £'000	Totals £'000
COST OR VALUATION					
At 1 October 2019	3,956	67,952	2,729	11	74,648
Additions	-	1,268	3	-	1,271
Revaluations	(247)	3,304	-	-	3,057
At 30 September 2020	<u>3,709</u>	<u>72,524</u>	<u>2,732</u>	<u>11</u>	<u>78,976</u>
DEPRECIATION					
At 1 October 2019	-	-	789	11	800
Charge for year	-	-	332	-	332
At 30 September 2020	-	-	<u>1,121</u>	<u>11</u>	<u>1,132</u>
NET BOOK VALUE					
At 30 September 2020	<u>3,709</u>	<u>72,524</u>	<u>1,611</u>	<u>-</u>	<u>77,844</u>
At 30 September 2019	<u>3,956</u>	<u>67,952</u>	<u>1,940</u>	<u>-</u>	<u>73,848</u>

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

9. TANGIBLE FIXED ASSETS - continued

The historical cost of investment properties at the year end is £40.1m for freehold and leasehold properties (2019: £38.8m).

The freehold and leasehold investment properties were valued as at 30th September 2020 by our external valuers CBRE. The valuations were undertaken in accordance with 'Red Book Principles' and were conducted on the basis of Market Value. The process included an independent senior partner review.

The Directors' Valuation Panel of the company also undertook a detailed valuation appraisal of all of the group's properties on a customer by customer basis using the same methodology as the external valuer and concur with their valuation of the portfolio which has been adopted in these accounts. The Directors' Valuation Panel comprises of the following:

C G Oglesby, Chief Executive Officer, Bruntwood Limited, qualified as a Chartered Surveyor in 1993 and has 31 years' experience in the property investment industry.

K J Crotty, Chief Financial Officer, Bruntwood Limited, Chartered Accountant, has 18 years' experience in the property investment industry.

P A Crowther, Property Director, Bruntwood Science Limited, qualified as a Chartered Surveyor in 2000 and has 25 years' experience in the property investment industry.

Investment properties are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to current and future rental streams net of income voids arising from vacancies or rent-free periods and associated running costs. These capitalisation yields and future rental values are based on comparable property and leasing transactions in the market using the valuers' professional judgement and market observation. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

10. FIXED ASSET INVESTMENTS

	Shares in subsidiaries £'000
COST	
At 1 October 2019	
and 30 September 2020	<u>6,904</u>
NET BOOK VALUE	
At 30 September 2020	<u>6,904</u>
At 30 September 2019	<u>6,904</u>

Subsidiaries	Country of incorporation	Activity	Effective Proportion of ordinary shares held	Registered Address
Citylabs Limited	England and Wales	Trading	100%	*
Manchester Technopark Limited	England and Wales	Dormant	100%	*
Citylabs 2.0 Limited	England and Wales	Trading	96.5%	*
Citylabs 3.0 Limited	England and Wales	Trading	100%	*
Citylabs 4.0 Limited	England and Wales	Trading	100%	*
Mi-idea Limited	England and Wales	Trading	100%	*
Associates				
Alderley Park Holdings Limited	England and Wales	Holding Company	39%	*
Alderley Park Limited	England and Wales	Trading	39%	*
Alderley Imaging Limited	England and Wales	Dormant	39%	*
*Union, Albert Square, Manchester, M2 6LW				

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
For The Year Ended 30 September 2020

11. DEBTORS

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	838	1,266
Amounts owed by group undertakings	18,355	16,248
Amounts owed by related parties	3	234
Other debtors and prepayments	<u>86</u>	<u>1,055</u>
	<u>19,282</u>	<u>18,803</u>
Amounts falling due after more than one year:		
Other debtors	<u>1,802</u>	<u>1,038</u>
Aggregate amounts	<u>21,084</u>	<u>19,841</u>

Amounts receivable from group undertakings are unsecured, and are repayable on demand.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Trade creditors	54	402
Amounts owed to group undertakings	9,869	8,763
Amounts owed to related parties	456	138
Other creditors including taxation and social security	1,369	907
Accruals and deferred income	<u>4,225</u>	<u>4,807</u>
	<u>15,973</u>	<u>15,017</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	2020	2019
	£'000	£'000
Loans (see note 14)	33,769	33,646
Derivative financial instruments	<u>240</u>	<u>102</u>
	<u>34,009</u>	<u>33,748</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2020	2019
	£'000	£'000
Amounts falling due between two and five years:		
Bank loan	34,000	34,000
Loan facility fees	<u>(231)</u>	<u>(354)</u>
	<u>33,769</u>	<u>33,646</u>

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

For The Year Ended 30 September 2020

14. LOANS - continued

On 5 July 2019 Bruntwood SciTech Limited agreed a new three-year, £185m funding deal with a banking club formed of Lloyds, Santander, NatWest and HSBC. The facility is secured against the assets held by Alderley Park Limited, Manchester Science Partnerships Limited, Bruntwood Platform Leeds Limited, Citylabs Limited, Bruntwood Circle Square 1 Limited, Bruntwood Circle Square 2 Limited, Bruntwood Circle Square 4 Limited, Bruntwood Circle Square 12 Limited, Bruntwood Circle Square 13 Limited and Bruntwood Circle Square Green Company.

The total facility has been granted under a green loan initiative which sees the SciTech Group secure a discount on its cost of borrowing if it meets certain green covenants such as the achievement of BREEAM Excellent rating for the new buildings currently under development at Circle Square, a commitment to invest in green energy equipment and a commitment to procure energy from renewable sources.

Drawings on this loan stand at £176.8m as at 30 September 2020 (2019: £110.0m), with £34.0m (2019: £34.0m) allocated to this company.

15. PROVISIONS FOR LIABILITIES

	2020 £'000	2019 £'000
Deferred tax		
Capital allowances in excess of depreciation	930	768
Other short term timing differences	(52)	(10)
Derivative contracts	(46)	(17)
Property revaluations	<u>4,335</u>	<u>3,359</u>
	<u>5,167</u>	<u>4,100</u>

	Deferred tax £'000
Balance at 1 October 2019	4,100
Current year charge	459
Adjustment in respect of prior years	64
Effect of change in tax rate	<u>544</u>
Balance at 30 September 2020	<u>5,167</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

			2020 £'000	2019 £'000
Number:	Class:	Nominal Value:		
207,534	Ordinary A	£1	208	208
368,025	Ordinary B	£1	<u>368</u>	<u>368</u>
			<u>576</u>	<u>576</u>

The entity has two classes of ordinary share with no right to fixed income.

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

17. FINANCIAL COMMITMENTS

At 30 September 2020, the future minimum lease payments receivable under non-cancellable operating leases are as follows;

	2020 £'000	2019 £'000
Leases which expire		
Less than 1 year	3,036	2,717
Between 1 - 5 years	1,779	3,145
After 5 years	137	282
	<u>4,952</u>	<u>6,144</u>

At 30 September 2020, total minimum lease payments payable under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Leases which expire:		
Less than 1 year	298	298
Between 1 - 5 years	1,191	1,191
After 5 years	26,128	26,425
	<u>27,617</u>	<u>27,914</u>

18. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year ended 30 September 2020 the company entered into the following transactions with Bruntwood Group companies, related parties by nature of Bruntwood Group being 50/50 joint venture parent of Bruntwood SciTech Group companies:

Income receivable in respect of service charge expenditure incurred on behalf of Bruntwood Group companies and internal rent;

	2020 £'000	2019 £'000
Bruntwood 2000 Fourth Properties Limited	-	8
Bruntwood Energy Services Limited	-	12
Bruntwood LG Limited	-	186
Bruntwood Management Services Limited	40	144
Bruntwood Meeting Rooms Limited	-	43

Expenses payable in respect of service charge expenditure and internal rent payable;

	2020 £'000	2019 £'000
Bruntwood Management Services Limited	-	4,914
Bruntwood LG Limited	28	-
Afflecks Limited	-	3
Bruntwood Energy Services Limited	-	659

MANCHESTER SCIENCE PARTNERSHIPS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued For The Year Ended 30 September 2020

The following amounts were outstanding at year end:

	2020 £'000 Debtor	2020 £'000 Creditor
Bruntwood Group Companies:		
Bruntwood LG Limited	3	2
Bruntwood Management Services Limited	-	372
Unify Energy Limited	-	3
	<u>3</u>	<u>377</u>

Other:

University of Manchester	-	79
	<u>-</u>	<u>79</u>

	2019 £'000 Debtor	2019 £'000 Creditor
Bruntwood Group Companies:		
Bruntwood LG Limited	186	-
Bruntwood Management Services Limited	4	91
Unify Energy Limited	-	4
Afflecks Limited	-	3
Bruntwood Meeting Rooms Limited	43	-
	<u>233</u>	<u>98</u>

Other:

Manchester City Council	1	-
University of Manchester	-	40
	<u>1</u>	<u>40</u>

During the year the company made sales of £169k to University of Manchester (2019: £332k) in relation to rent and related income. University of Manchester are a shareholder in Manchester Science Partnerships Limited. At year end there was a £79k outstanding creditor balance with University of Manchester (2019: £40k).

19. ULTIMATE CONTROLLING PARTY

Bruntwood Science Limited is the immediate parent company, Bruntwood SciTech Limited is the ultimate parent company of the largest group in which the company is a member and for which group financial statements are drawn up. Copies of the financial statements are available from the registered office, Union, Albert Square, Manchester, M2 6LW.

The directors consider there to be no ultimate controlling party. Bruntwood SciTech Limited is jointly owned by Bruntwood Limited and Legal and General Capital Investments Limited.