Company Registration No. 02825044 (England and Wales)

BRUNTWOOD GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

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For the Year Ended 30 September 2020

COMPANY INFORMATION
For the Year Ended 30 September 2020

DIRECTORS

C G Oglesby
K J Vokes

REGISTERED OFFICE

Union
Albert Square
Manchester
M2 6LW

COMPANY REGISTRATION NUMBER

02825044 (England and Wales)

AUDITOR

Deloitte LLP
2 Hardman Street
Manchester
M3 3HF
United Kingdom

BANKERS

The Royal Bank of Scotland plc
HSBC plc
Barclays plc
Santander UK plc
Lloyds Banking Group plc
US Bank Inc

SOLICITORS

Addleshaw Goddard LLP, Manchester
Weightmans LLP, Liverpool

CHIEF EXECUTIVE'S REPORT
For the Year Ended 30 September 2020

It may surprise the reader that I should open this report once again by saying I am pleased to report a strong set of results for the Group. These are however, very unusual times and against the backdrop of a global pandemic and an uncertain economic environment, a fall in net worth of 4.1% from £614m to £589m represents an excellent achievement by the team at Bruntwood.

2019 was a very successful year so heading into 2020, we were buoyant. Bruntwood Works and Bruntwood SciTech, our 50/50 JV with Legal and General Capital, continued to flourish side by side. Despite their individual targets and differing sectors, our two business areas continue to operate seamlessly together on a common platform, all while working towards our purpose of Creating Thriving Cities.

Then Covid-19 hit. Like many other businesses, we had to quickly re-group, pivot, and work to deliver a completely new strategy of stabilising our operations, supporting our customers,managing our costs, and keeping our team together. Despite the upheaval and turbulence, the strategy saw us accelerate the direction of our Works and SciTech propositions in a way that supports crucial areas of the economy going forward. It also saw us get closer to our customers, deepening our relationships as we navigated the pandemic together and supported each other through it.

Since the start of the Covid crisis - our primary focus has always been the safety and wellbeing of our colleagues and customers. Over the last seven months, we have made every effort to stay connected with them; providing a wide range of both colleague and customer support and communications. We have sought to pass on the benefit of any savings made by Bruntwood in respect of lightly utilised customer space during the Covid period. We continue to speak with all our customers on a regular basis and support them as far as possible through these challenging times. Where support is required we will seek to reach a fair solution for everyone. At 17 December 2020 our cash collection rates remained in excess of industry standards: 96% of March quarter rents, 92% of June rents and 92% of September rents have been collected.

Our proactive approach to existing customers means that we look to help those in difficulty to downsize, and in doing so help to minimise our voids. As a result, to date we have had little in the way of customer default, a situation not reflected in the wider economy. Our exceptional level of customer retention reflects our focus on providing customers with the highest levels of service and continues to out-perform industry benchmarks.

To that end, our gross profit excluding increased debtor provisioning (gross profit less debtor provisioning per note 5) has increased from £62.4m to £65.2m a 4.5% increase, an excellent result in the current environment. The 16.1% reduction in turnover seen in the year is a combination of a reduction in development income in the current year, which is inherently lumpier due to its one-off nature, and a reduction in property services income, with fewer external consulting and contracting works completed in the year. Our core rent and related income increased from £71.3m to £72.7m (excluding increased debtor provisioning per note 3). The value of the portfolio remained flat year on year at £973.1m with the £21.3m valuation loss in the P&L compared to a £31.9m gain in the prior year predominantly resulting from the capital invested in the portfolio to maintain that flat position. We believe an effective 2% capital loss is a strong achievement in the current environment and is testament to the expertise of our team in deploying capital securing new customers and managing existing relationships. We recognise the importance of continuing to invest in our portfolio to maintain and increase valuations over the long term. Our share of joint ventures decreased from £3.8m in the prior year to loss of £9.8m in the current year, with joint venture results also impacted by valuation losses in the year.

Covid-19 has changed the way we live and work forever, to what extent no one really knows, but what we have seen is innovation come to the fore, the importance of partnership and the need to adapt at speed. One of the highlights of the year within Bruntwood SciTech has been the establishment of the Lighthouse Lab at Alderley Park, one of the UK government's national testing centres at the forefront of the fight against Covid-19. It took just five weeks from discussions with Alderley Park based Medicines Discovery Catapult to the first samples being tested - a project that would normally take six months. The megalab can now process up to 65,000 samples per week, providing much needed diagnostics capability and capacity in the North West.

We also saw many other businesses from across the Bruntwood SciTech network pivot and adapt in the face of adversity. Place Dashboard quickly switched their GPS technology to measure social distancing, whilst companies such as Dicey Tech, Blueberry Therapeutics and Energym all used their 3D printing equipment to produce much needed face shields for the NHS.

We worked closely with our customers to understand how they needed to adapt their spaces, providing guidance and support, and ensuring that the communal areas followed social distancing guidelines and had increased cleaning schedules. The implementation of these additional safety measures led us to receive a positive Covid-19 assurance assessment from the British Safety Council, testament to the hard work and dedication of our team. Off the back of this, we've seen more and more of our customers return to their workspaces and feel confident that they're in a safe environment they can work in and enjoy, when restrictions have allowed.

CHIEF EXECUTIVE'S REPORT (CONTINUED)
For the Year Ended 30 September 2020

We were pleased to be able to keep our high streets and malls running smoothly throughout lockdown. Stretford Mall became a community hub for locals during lockdown, supporting the need for essential items, as well as the mental need for connection.

We also launched Spark by Bruntwood Works, our business support programme. This focussed on supporting core business functions, which was really needed at the time, but also helped to connect leaders within our customers' businesses with one another and to our partners to provide much needed help.

But it has been business as usual, too, and there have been highlights across our regions. Bruntwood SciTech saw the opening in February of the new 150,000 sq ft, £30m redevelopment 'Glasshouse' at Alderley Park, the Practical Completion of the £25m, 92,000 sq ft Citylabs 2.0 in July which will be home to QIAGEN's new European Centre of Excellence for Precision Medicine, and the start of Bruntwood SciTech's new partnership with the University of Birmingham to develop Birmingham Health Innovation Campus, providing additional life science infrastructure for the region.

While navigating the 'new normal', Bruntwood Works has gone full steam ahead with exciting developments including the Pioneer refurbishment programme - our £50 million commitment to creating the buildings of tomorrow, today. Blackfriars House reopened in March to create one of the city's most sought-after workspaces. The reimagined 111 Piccadilly reopens shortly as Manchester's "smartest" workspace; and work to revitalise Lowry House, now renamed Bloc, is well underway, transforming it into an urban oasis.

Bruntwood has always had to adapt and evolve what it does. In the last 30 years, we've seen the death of the typical "call centre" style 80's office. Covid has now helped us shift to a more progressive way of thinking around our proposition, in particular where wellbeing, social connection and collaboration, diversity and inclusion, and sustainability must be prioritised in order to reinforce business culture and make the workplace somewhere that people want to go. In challenging economic times, our business model has historically prospered. New customers become more discerning, looking for flexibility and value for money, both cornerstones of the Bruntwood proposition.

The ability to attract, retain and expand customers is due in part to our constant investment in both product and service. In 2020, despite a difficult economic backdrop, the Group continued to recognise the importance of investment in our assets, and invested £16.2m in refurbishment and capital improvement projects across the portfolio, and a further £11.6m in development schemes. The Group also invested a further £12.8m into Bruntwood SciTech to fund ambitious growth within this portfolio, with the SciTech Group investing £1.4m in refurbishment and capital improvements and £84.4m in development schemes.

The company's financial position is solid, having raised £90.9m through the issue of new unsecured retail bonds in February. The proceeds were used to repay the existing £50.0m secured retail bond which expired in July, thus not only raising an additional £40.9m of funds at the same interest rate but also releasing £70.6m of property security. Through this issue we have been able to diversify our funding base, meaning we can better manage risk across our portfolio and create further headroom in our secured facilities, all of which have a very comfortable level of covenant headroom, together with £50.0m of undrawn commitments.

The strength, depth and breadth of all our funders is key to the ongoing performance of our business, and our flexible customer proposition is only possible due to it being reflected in their approach to lending. As ever, we appreciate the continued support of our funders in these difficult times.

Being commercially successful means we can continue to contribute through the Oglesby Charitable Trust, putting back into our cities, and building stronger, more vibrant places. This in turn stimulates and attracts better businesses creating a virtuous circle, that we believe will help Create Thriving Cities.

Given events across the world it is impossible to second guess what is going to happen to the economy over the next year, save to say it is going to be tough. Those businesses which will prosper in our industry are those with a customer proposition right at the heart of their strategy. The one thing we have clearly seen over the last few months is how closely linked and interdependent all aspects of our cities are. As a business, we've made it our purpose to Create Thriving Cities. We are inherently embedded in our cities and our communities - with a purpose that is aligned to ensuring their ongoing success and sustainability. Now, more than ever, we feel a very real sense of responsibility to support, to enable, to empower and to influence all the elements to come together in order that our cities thrive again as we learn to live with Covid-19.

Chris Oglesby

C G Oglesby - Chief Executive Officer 17 December 2020

STRATEGIC REPORT
For the Year Ended 30 September 2020

Business Overview

Bruntwood was set up 44 years ago and is now a leading regional property company. The business develops, owns and manages a portfolio of commercial property across Greater Manchester, Leeds, Liverpool and Birmingham. The business has always taken a long term view of investment and has derived real value in working across the whole property ownership lifecycle. Bruntwood has a deep commitment to the success of the cities in which it operates, playing an important part in their growth - economically and socially. Creating thriving cities has always been at the heart of the business's ambitions.

The focus on our customers has been a key part of the Bruntwood offer, innovating and providing services and experiences ahead of the market throughout our 44 year history. The focus on flexible products, the ability to support individual businesses as they grow and create a true sense of business community is central to our proposition. The business's 921 colleagues and unique culture are arguably Bruntwood's greatest asset. The approach to insourcing and growing talent provides real competitive advantage, allowing us to get close to customers and deliver what they need when they need it.

In 2012 Bruntwood began to create specialist facilities for science and technology businesses, first as majority shareholder at Manchester Science Park and then through its ownership of Alderley Park. This has become a significant part of the business and opportunity for growth and a new Joint Venture, Bruntwood SciTech, was created with Legal and General Capital in September 2018. The business continues to grow new opportunities in new markets and these grow from our experience of creating partnerships, particularly with academic and clinical institutions and local government. These will create further new business models of their own over time.

The Bruntwood Group brings together Bruntwood SciTech, Bruntwood Works, and Central Services. The business model - comprised of our purpose, brand and values, products, commercial and operational models and systems and processes - are almost entirely common across the Group. This creates the greatest efficiency and allows each area of the business to gain from the expertise and activity of the others. The Group has a series of strategic priorities to support the division plans of Bruntwood Works and Bruntwood SciTech plus new business opportunities. We believe for cities to thrive they need to; unlock their innovation potential to power their economies; to unlock social mobility and health equality for all; and have sustainability at the heart of their growth strategy. We create long term, deeply embedded relationships with public, private, academic and health sector partners within cities to help them further their ambitions and drive our purpose activity.

The business has delivery priorities to support our purpose which set ambitious targets and goals, for example:

- As a developer we take into consideration a city's eco-system and how our buildings fit into that landscape. We aim to reduce our environmental impact by designing, building and improving our district's buildings with sustainability at their core.
- As a partner to our customers and suppliers we operate our buildings to provide brilliant spaces and communities that work well - always performing like part of their business and caring like part of their family.
- As an employer we are committed to creating a healthy working environment where our colleagues understand how to shape their world and the one outside. We are dedicated to developing talent and improving employability of the workforce of the future.
- As a supporter of cities and communities we recognise the contribution which we as a business can make through creating connections and using our finest assets - our people and our spaces.

Further information on our delivery priorities can be found in the following s172 Corporate Governance review.

Section 172

The revised UK Corporate Governance Code and requires Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('s172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. This s172 statement, which is reported for the first time, explains how Bruntwood Group Directors:

- have engaged with employees, suppliers, customers and others; and
- have had regard to employee interests, the need to foster the company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the company during the financial year.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

Section 172	
(a) The likely consequence of any decision in the long term	The Group undertakes a robust business planning process on an annual basis with a four year plan approved by the board. Performance against this is monitored by the board on a quarterly basis, on an operational and financial level. The board considers capital allocation as part of the planning process, including triggers for approval of specific capital spend. The board monitors the risk levels of its deployment of capital, against pre-agreed levels. The Bruntwood Group is funded via a mix of medium and longer term funding, spreading the refinancing risk. The Group reviews future financing requirements quarterly, alongside clear targets for financial resilience.
(b) The interest of the company's employees	The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the company. Corporate and colleague communications continued to develop throughout the financial year, through the increasing use of Universe, our internal internet. Business-wide updates also include external activity round-ups, monthly CEO updates and monthly customer activity summaries. The Group has an established colleague forum for specific issues that our staff tell us they think we need to do more. In 2019 the Group launched a new Diversity & Inclusion strategy which articulates our genuine commitment to becoming a workplace known for being truly diverse, where all colleagues' unique backgrounds, perspectives, voices, experiences and ideas are championed and encouraged. Ambitious yet achievable targets have been set around having a gender balanced workforce, an age balanced workforce and an increase in the number of BAME and disabled colleagues. A programme is underway to support the achievement of these targets. The Group was a founding member of the Greater Manchester Good Employer Charter which reflects the strength of our employment practices. The senior leadership team meet on a quarterly basis, and also utilise colleague learning Groups; Groups of peers who meet regularly and share experiences and expertise, as well as working collaboratively to improve Bruntwood, our ways of working and our culture.
(c) The need to foster the company's business relationships with suppliers, customers and others	Our overarching purpose Creating Thriving Cities sees us doing more than just developing individual buildings but contributing fully to making cities that work for people and businesses. Delivering this purpose requires strong and mutually beneficial relationships with our customers, suppliers and other key stakeholders. The shareholders and key management personnel recognise the importance of shaping the cities we live in, we contribute as individuals too - helping to shape the communities we're in by offering our talent and energy to everything from shaping a city's long-term strategy to helping young people from deprived communities write their CVs.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

	The Group conducts regular customer engagement surveys to determine the Net Promoter Score (NPS) of the Group. The results are reviewed by the Board on a regular basis. Additionally, the Group's internal customer experience team carry out regular internal customer interview and mystery shopper exercises to ensure the Group is engaging with customers in the best possible way. The Group is also running a Voice of the Customer (VOC) programme. The VOC programme is a customer insights programme that tracks the customer journey which allows us to gain and act on customers feedback against crucial stages in their experience with us. This insight is used to help shape customer-led decision making at a senior level in the business and helps us to react quickly to the ever-changing market based on external customer insight. Part of the VOC is looking outwards as well as inwards, focussing not just on our own customer's experience but those of people outside of Bruntwood across our own and other industries. Again this helps us to sculpt the future of the Bruntwood customer experience and stay competitive in the market. It includes: - Automated and manual feedback loops - Deep dives into specific topics or market trends - Mystery shopping and quality assurance checks The Board reviews and approves the Group's Supplier Management policy on an annual basis. The Board continuously assess the priorities of those we do business with, reflected in one of our underlying values 'Be brilliant to work with'. We act with integrity, respect and a passion for collaboration, as we know the greatest outcomes benefit everyone.
(d) The impact of the company's operations on the community and environment	As a business, we can only help to create thriving cities if we deliver sustainable and environmentally-conscious spaces that support the wellbeing of our customers, communities and colleagues. That's why we are embedding a culture of sustainability across all our ways of working in order to limit our impact on global warming and mitigate the effects of climate change. In October 2018, Bruntwood became the first commercial property partner to join the Net Zero Carbon Commitment, dedicating ourselves to operating at net zero carbon by 2030. Along with this commitment, we will also be advocating others to do the same by helping our customers and communities become more aware of their carbon emissions, and supporting them to take action. Working with the Carbon Trust, we have developed our own science based targets, creating a 'carbon budget' for the business to support the Paris Agreement global target of restricting global warming to 1.5°C above pre-industrial levels. There will be a reduction in our carbon emissions, creating positive benefits for health outcomes and air quality. We'll see a new approach to both construction and office waste, with more circular economy principles, recycling and reduced waste to landfill, and our water usage will be reduced.

	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. Every year, the Bruntwood Group and the Oglesby family shareholders donate over 10% of annual distributable profits to meet these aims (assessed by the directors to be gross profit net of administrative expenses). This year that figure is £4,925,000 (2019: £5,137,000). These donations have supported activities across our regions, including projects based around the environment, the arts, medical research, education and tackling social inequality. As well as raising money for our nominated charities, Bruntwood colleagues have also donated over 1,229 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.
(e) The desirability of the company maintaining a reputation for high standards of business conduct	The reputation of the company and maintaining high standards of business conduct are under-pinned by the Group's strategy. One of the Group's values is being brilliant to work with, for customers, colleagues and suppliers. The Group has ambitious targets for the workforce with a good platform to build from; a gender pay gap of 10% and 40% of the Board being women. The Group launched its Diversity and Inclusion strategy in 2019, and has a clear programme underway to support the achievement of the Diversity and Inclusion targets.
(f) The need to act fairly as between members of the company.	The Bruntwood Group continues to adopt a family owned and managed structure. M J Oglesby founded the Bruntwood Group and his son, C G Oglesby, took over as Chief Executive in 1999. The Bruntwood Group's activities are directed through a single unified corporate management and control structure which is run by the board of Directors (the "Group Board"). The Group Board is responsible for designing and managing the strategic direction of the Bruntwood Group, major funding and acquisition decisions and controlling the corporate management and operational structure of the Group. The Group Board contains Oglesby family members, alongside non-family directors.

Review of business

Financial highlights for the year ended 30 September 2020 are:

- Loss before tax of £18.9m (2019: Profit before Tax £51.8m)
- Shareholders' Funds decrease of 4.1% to £588.6 m (2019: £614.1m)
- Turnover of £134.4m (2019: £160.1m)
- Gearing of 53.6% (2019: 48.7%)

The Group has had another successful year against a difficult economic backdrop, across all of our core markets with over 204,000 sq ft of leasing transactions taking place in the period. The Group secured over 73% of customers at lease break or expiry.

The loss before tax is largely driven by the revaluation loss in the year, and additional debtor provisioning of £4.5m as debts have been paid slower but we have maintained our consistent provisioning policy. Both are indicative of the uncertain economic environment, driven by Covid-19. The 16.1% reduction in turnover is a combination of a reduction in development income, recognised in line with progress on the Circle Square MSCP and Hotel and a reduction in property services income, with fewer external consulting and contracting works completed in the year. Excluding debtor provisioning, rent and related income has increased 2.0% year on year, with occupancy remaining steady and marginal increase in headline rents on new deals. Shareholders' funds have decreased 4.1% on 2019, based on the loss generated in the year less dividends paid of £1.0m.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

Cash performance in the year was particularly pleasing given the challenging conditions from the onset of Covid-19. We ended the year with a cash inflow in the year of £9.1m (2019: £3.1m), meaning we ended the year with significant cash reserves. Whilst a portion of this is due to the retail bond re-finance in the year, some this is due to taking advantage of government schemes allowing deferral of VAT payments alongside careful management of operating and capital expenditure. The Group also accessed the coronavirus job retention scheme available. However, the majority of the support related to building specific staff, and these savings have been passed on to our customers via the service charge.

Bruntwood Works announced the £50m transformational refurbishment programme of Pioneer buildings in 2019, the launch of Blackfriars House, Manchester's £5.5m refurbishment followed in March 2020. This saw the new ground floor transformed with an independent coffee shop operated by Bean, co-working, reading room that doubles up as a podcast studio and a fireplace. The building is already 83% let, with 11 new customers.

Over £4.5m has been invested into 111 Piccadilly, Manchester in 2020, with completion of the refurbishment due to complete in December. This includes an external lighting scheme which has been in place throughout 2020, the 'gem' on the exterior, an integrated ground floor coffee shop securing a hero retail letting with Ancoats Coffee and the first co-working space in Europe to be accredited with the WELL Building Standard by The International WELL Building Institute.

Bloc, located on Marble Street in Manchester is the third pioneer building underway with its refurbishment. Renovation works underway to develop a ground floor annex that will include the addition of 180 new flexible desks, 12 new spaces in the coworking studio and 12 modern meeting rooms that have fully integrated hi-tech audio-visual equipment. This follows the refurbishment of the serviced suites on the upper floors and are 85% let. In addition the buildings will bring a local independent coffee shop into the ground floor, a new cinema room, bespoke spaces for community pop-up events, and shared event and co-working spaces to help foster collaboration.

This year planning was approved at Booths Park, Knutsford to create a new purpose-built office building for local business PortSwigger. Booths No.6 comprises more than 65,000 sq ft of floor space across two storeys, complete with landscaped gardens that align to the surroundings in 220 acres of parkland at Booths Park in Knutsford.

Cornwall Buildings Birmingham, a grade II-listed building, completed its £1.3 million refurbishment and welcomed project management and recruitment specialist TXM Projects to its community of like-minded businesses.

In Leeds Bruntwood Works secured the biggest property deal of 2020 with TTEC, who took more than 22,000 sq ft in newly-refurbished West Gate creating 400 jobs for the City. The move also coincided with the completion of Bruntwood Works' extensive refurbishment of West Gate, which has seen 33,373 sq ft of space transformed across the fourth, fifth and sixth floors into high-quality, flexible workspaces with a clean, modern finish.

Over the last three years we've been working in a joint venture partnership with Trafford Council to regenerate the former Kellogs Site. In September 2020, Bruntwood Works and Trafford Council secured planning for the new Trafford neighbourhood, Lumina Village. The site which is over 12 acres and is home to University Academy 92 (UA92), will create a new vibrant, mixed-use neighbourhood. Lumina Village will consist of 750 new homes, 200,000 sqft of office space, a primary school, a new park and a 100-bedroom hotel.

In October 2019, Bruntwood Works extended the existing joint venture partnership with Trafford Council to acquire Stretford Mall and Stamford Quarter in Altrincham for £50m with a focus on town centre development to evolve the communities in town centres and the contribution they play in supporting cities thrive. This was as a direct result of the successful UA92 joint venture with the development of K Site.

In Stretford 300,000 sq ft of retail space exists, with the long term vision for Stretford to create a new neighbourhood, with homes and a new "old fashioned" high street at its heart. The commitment was there at the outset to engage with the local community throughout the scheme to ensure the space created can be used by all. Therefore over the last twelve months we've been undergoing public consultation with the Stretford community in person in November 2019 and January 2020, with thousands of people attending the drop-in sessions. In September 2020 'virtual' public consultation was launched with the wider Stretford masterplan and Area Action Plan which has been well engaged with so far.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

The Stamford Quarter has retained positive footfall levels throughout 2020, including during the pandemic, consistently over 35,000 people. The additions of Stutter and Twitch, with their 'Caravan of Love' serving up sustainable coffee, cakes and vinyls and The Plant Shop to the Altrincham high street, has provided a shift in the blend of customers in the Stamford Quarter.

Bruntwood SciTech continued its strong performance in the year, with a number of notable highlights. In March, Alderley Park was chosen by the UK government as the location for one of three national 'Lighthouse Lab' testing centres to support the fight against Covid-19. The 24,500 sq ft laboratory was refurbished and the first clinical sample tested in just five weeks; a process that should typically take approximately six months. Providing the capacity to test up to 65,000 samples per day, the Lighthouse Laboratory at Alderley Park has added much needed diagnostic infrastructure to the UK life science sector, significantly increasing the UK's capability and capacity now and for the future.

Further investment was committed by the UK government to Alderley Park in August with the announcement by the Ministry for Housing, Communities and Local Government (MHCLG) of £5m grant funding to the Medicines Discovery Catapult to establish a new Validation Centre of Excellence as part of its 'Getting Building Fund' for shovel-ready projects. The new Validation Centre of Excellence for innovative diagnostics, biomarkers and complex medicines will help to develop the UK's onshore diagnostic capability and capacity and the associated supply chain. The Centre will include a range of new specialist laboratories, including a Category 3 biosafety facility for the testing of new diagnostics, biomarkers and therapeutics for highly-infectious pathogens, including respiratory viruses such as Covid-19.

This was also the year that the 150,000 sq ft, £30m re-development of Glasshouse -a new hub for forward thinking, innovative tech businesses completed and opened. Glasshouse is already home to a rapidly expanding cluster of over 20 businesses working areas such as AI, digital animation, software development and digital health.

In Manchester, significant progress was made with both Citylabs 2.0 reaching practical completion in July and No1 (232,654 sq ft) and No2 Circle Square (155,317 sq ft) on track to achieve Practical Completion in January. The 92,000 sq ft Citylabs 2.0 has been 100% pre-let to global molecular diagnostics company QIAGEN to house the company's Global Centre of Excellence for Precision Medicine. Citylabs 2.0 sits at the heart of the Citylabs campus - a genomics, precision medicine and health innovation hub of international strategic importance for the UK. The Citylabs campus is located on the Manchester University NHS Foundation Trust estate, part of Manchester's Oxford Road Corridor innovation district and is set for further expansion with the development of the £35m, 125,000 sq ft Citylabs 4.0 which received planning permission this year and subject to construction start date is set to complete in 2022.

At Circle Square, multinational construction equipment and software services specialist, Hilti announced their relocation to No1 Circle Square, taking 42,000 sq ft of office space for their new headquarters. This follows on the back of lettings announcements of 30,000 sq ft to Hewlett Packard Enterprises and 15,000 sq ft to Mills and Reeve also in No1 Circle Square and 5,000 sq ft to Accenture at No2 Circle Square.

Significant progress was also made in the year on retail lettings with deals announced to a new UK-first retail and leisure concept 'Canvas'. The new lifestyle venue made up of three unique elements: Canvas Kitchen - a 100 seater day/night restaurant, Canvas Club - a members only lounge and Canvas Events - a flexible subterranean events space for up to 400 people has taken 8,800 sq ft of space in the basement and ground floors of No1 Circle Square. Boutique bootcamp operator Trib3 announced plans to take 7,000 sq ft for their new flagship studio and HQ in Circle Square's North Pavilion, while new market hall and dining destination Hello Oriental (another first for Manchester) took 6000 sq ft in the South Pavilion.

At Manchester Science Park, £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.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

In October 2020 a new partnership was announced between Bruntwood SciTech and the University of Birmingham to develop a new 10 acre life science park for the Midlands. The £210m Birmingham Health Innovation Campus will support the creation of up to 10,000 new high value jobs and provide a 400m gross value add boost to the local economy over the next 10 years, and was awarded a total of £14m funding from Birmingham City Council, Greater Birmingham and Solihull LEP and the Government's 'Getting Building Fund' to help the region 'Build Back Better'. Phase 1, set for completion in 2023 will provide 130,000 sq ft of world-leading commercial office, lab and incubation space for companies working in sectors such as genomics, biopharma and digital health. A pre-let has been agreed to The University of Birmingham for 60,000 sq ft to house their Precision Health Technologies Accelerator (PHTA) providing incubation space, wet and dry labs, clean rooms, prototyping and maker space, and the Birmingham Precision Medicine Centre and Healthcare Technologies Innovation Hub.

At Innovation Birmingham, planning permission was granted for the development of £30m, 110,000 sq ft Enterprise Wharf. Set to become Bruntwood SciTech's and Birmingham's first 'smart-enabled' building. Enterprise Wharf will provide much needed grow-on and expansion space for larger digital and tech businesses at the Campus and help to attract significant inward investment to the region.

In Liverpool, Bruntwood SciTech's £12m acquisition of a 25% stake in Sciontec Liverpool alongside Liverpool City Council, University of Liverpool and Liverpool John Moores University completed at the height of the Coronavirus crisis on 1 May 2020. The investment is intended to help progress the delivery of a pipeline of projects including plans for a new entrance and reception at Liverpool Science Park and a 160,000 sq ft office for the creative and scientific sectors, at No5 Paddington Village.

In October 2020 Bruntwood announced the creation of three new businesses Unify, Unify Energy, and CubicWorks – to overhaul the way it delivers facilities management, fit-out and utilities services to clients.

Unify will provide a range of integrated facilities management solutions, including mechanical and electrical repairs and maintenance, energy, cleaning and specialist cleaning, while Unify Energy will provide energy as a managed service to help occupiers across Bruntwood's property portfolio to cut costs.

Meanwhile, CubicWorks will offer construction, refurbishment and fit-out services alongside mechanical and electrical design and installation.

Key performance Indicators

The Group measures performance using a number of financial and non-financial performance measures. Key measures are discussed below, the majority of which can be derived directly from the financial statements.

- Deliver a sustainable, low double-digit shareholder return 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 decrease of 4.1% from £614.1m to £588.6m. Whilst measures have worsened on the prior year, these are indicative of the environment we are operating in, and our commitment to continue investing in our portfolio over the longer term.
- Maintain appropriate levels of gearing and net debt, whilst delivering growth within the Group. Gearing stood at 53.6% in 2020 compared to 48.7% in 2019. Net debt was £521.3m compared to £474.0m. Gearing has increased on the prior year, reflecting the retail bond refinance in the year enabling us to better diversify our funding base and create further headroom in our secured facilities.
- Improve relationships with customers and strive for increases in net promoter scores. Our Bruntwood Group net promoter score in October 2019 was 38. Net promotor scores range from -100 to 100, with a positive score being a good result. Our target going forward is to increase this, our next survey will be in 2021.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2020

Principal risks and uncertainties

The Covid-19 pandemic is the most significant external risk currently facing the Group, impacting customers, colleagues and suppliers. The primary operating risks for the Group centre around the micro economic supply and demand factors affecting the markets in which it operates, which have also been impacted by the Covid-19 pandemic. The group continues to monitor the impact of Brexit on customers, colleagues and suppliers. These are primarily the level of customer demand for commercial property (which in turn is dependant on the economic success of the city regions) which dictates occupancy and rental levels, the investor demand for property which dictates the value put on those rental levels and the supply of property which is a function of the level of development activity. In turn, these micro factors are impacted by the macro factors in the wider economy, particularly levels of GDP, inflation and interest rate levels.

The directors consider the Group's concentration of offices in strategic city regions to be one of its key strengths. The Group has 44 years of focused experience within this market that allows it to react quickly to changing market conditions and customer needs. The directors believe that the scale of the business, its flexible approach to customers, and enhanced service offer provides a competitive advantage and enables the Group to pro-actively mitigate these risks. With an ambitious plan to grow the business it remains important that the Group continues with its policy of investing in its people and systems and encouraging innovation and creativity in its approach.

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 Group to meet the covenant requirements of all borrowing facilities, and to successfully refinance borrowing facilities at their maturity date. The directors regularly review compliance with the covenants and the Group is proud that it has not breached any financial covenant in its 44 year history. The Group have modelled the impact on loan covenants of reduced income and significant decreases in valuations of properties. There are no covenant breaches forecast.

65% of the Group's borrowing facilities have two or more years until expiry and we are in talks with our lenders about extension or refinance of those expiring earlier. The continued success of the Group in securing new facilities, its ability to diversify sources and tenure of funding and the close relationships with all of its current lenders give the directors confidence that these financing risks will continue to be mitigated effectively.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:

C G Oglesby - Director 17 December 2020

REPORT OF DIRECTORS
For the Year Ended 30 September 2020

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 September 2020.

Going Concern

The directors have assessed the impact of the current uncertainty around Covid-19 on all aspects of the business, focussing specifically on operations and cashflows of the Group. This stress-testing included assessing the levels of cash and available finance within the Group assuming a very 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 Group is a going concern 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.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. *The Group does not use derivative financial instruments for speculative purposes.*

i. Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. Exposure to interest rate risk is managed in two ways, firstly by securing low borrowing margins and secondly by hedging the Group's variable interest rate exposure.

ii. Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

iii. Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

Further details regarding liquidity risk can be found in the Strategic Report on pages 4 to 11.

REPORT OF DIRECTORS (CONTINUED)
For the Year Ended 30 September 2020

Dividends

A dividend of £1.0m (2019: £4.2m) was paid during the year.

Directors

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

C G Oglesby

K J Vokes

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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In 2019 the Group launched a new diversity and inclusion strategy which articulates our genuine commitment to becoming a workplace known for being truly diverse, where all colleagues' unique backgrounds, perspectives, voices, experiences and ideas are championed and encouraged. Ambitious yet achievable targets have been set around having a gender balanced workforce, an age balanced workforce and an increase in the number of BAME and disabled colleagues. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees

The Group employed an average of 921 people during the year ended 30 September 2020 (2019: 759). Further details of employment costs can be found in the notes to the financial statements.

All employees are eligible to join the Group's contributory pension scheme. The Group's all employee share ownership scheme is open to all employees who have completed one year of employment. Each year the company sets aside reserves out of profits to meet both these liabilities and those of the directors' share option scheme and at 30 September 2020 the cumulative value amounted to £2.3m (2019: £4.0m).

For further information around the Group's commitments to employees please see the s172 disclosure within the Strategic Report.

Health and Safety

Across the Group a program of continuous improvement is implemented to reduce health and safety risks in all buildings on a prioritised basis to ensure cost effective and pragmatic risk management. There is a rolling program of required statutory inspections and risk assessments to ensure safe buildings for our customers, employees, contractors and visitors. All employees receive tailored health and safety training to undertake their role to minimise the risk of adverse health effects or injury. The reporting of all incidents including near-misses and hazard identification is encouraged in order to learn lessons wherever possible. Despite the wide range of refurbishment, development and facilities management activities undertaken by Bruntwood and its contractors there have been no Prohibition or Improvement Notices issued during the year by the Health & Safety Executive.

Energy and carbon reporting

We have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. The GHG Protocol Corporate Accounting and Reporting Standard has been used throughout and we have used our monthly billing data (from both fiscal and submetered supplies) to collate the data for this report. Emissions factors have been taken from the 2019 UK Government Conversion Factors for Company Reporting.

The organisational boundary includes all of the office space that Bruntwood's own staff occupy , plus the common areas of all of our buildings. The let-able areas are excluded whether or not the sites are fully occupied. Bruntwood's vehicle fleet (whether leased or owned) is included within the organisational boundary.

We have measured our scope 1 and 2 emissions and also included scope 3 emissions related to employee use of their own vehicles, where they claim mileage allowance. We have also reported on the transmission and distribution losses associated with our purchased electricity as a voluntary measure.

REPORT OF DIRECTORS (CONTINUED)
For the Year Ended 30 September 2020

GHG emissions and energy usage

GHG emissions and energy usage data for period 1 October 2019 to 30 September 2020	
Mandatory Information	
Total annual energy consumption used to calculate emissions in kwh	47,226,472
Total annual gas consumption for combustion purposes in kWh	29,478,176
Total annual purchased electricity consumption in kWh	16,827,433
Total annual transport fuel use in kWh	920,863
Emissions from combustion of fuel for heat in tCO2e (Scope 1)	6,006
Emissions from combustion of fuel for transport purposes in tCO2e (Scope 1)	220
Process/Fugitive Emissions in tCO2e (Scope 1)	322
Emissions from purchased electricity (Scope 2)	3,923
Emissions from the Transport & Distribution of purchased electricity (Scope 3)	337
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel in tCO2e (Scope 3)	146
Total gross CO2e based on above	10,954
Intensity ratio: chosen ratio is tCO2e per M2	0.053 tCO2 per M2

The intensity ratio chosen was tCO2e per metre squared. This is the recognised intensity ratio for our sector and allows for consistent measurement over time. As this is the first year of reporting, there is no comparative figure available for the previous year. It should be noted that our portfolio includes both general office space and laboratory/R&D facilities and as such whole building intensities vary greatly.

Bruntwood was the first property company in the UK to commit to becoming net zero and as such we have an ongoing energy reduction strategy that reflects our target of operating at net zero carbon by 2030. This includes:

- Creating science based targets across the Group.
- Compliance with the requirements of Bruntwood SciTech's 'Green Loan' which has a number of energy efficiency requirements. Under the conditions of the Green Loan, Bruntwood SciTech secures a discount on its cost of funding if it achieves a BREEAM Excellent rating for the three new buildings on their expected completion in 2021, in addition to agreeing so-called 'Green Memorandums of Understanding' with occupiers in which they agree support on-going environmental best practice in the use of the facilities. In addition, Bruntwood SciTech has committed to delivering an investment of £3.5m into sustainably-linked improvements across its estate, covering things such as Combined Heat and Power, storage batteries and small-scale renewable energy. It has also pledged to reduce the energy intensity of its portfolio by more than 10% over the lifetime of the loan.
- Implementing a net zero framework that sets out specific targets for both embodied and operational targets in our buildings. This includes a target to move away from the use of fossil fuels for heating where possible.
- Electrification of our pool car fleet.
- Smart building trials to integrate a range of sensor technology and optimise our building management systems are underway in several areas..
- Incorporating energy saving principles and smart energy into our refurbishment programmes, particularly our Pioneer workspaces.
- On-going solar installation programme .
- *Incorporating sub-metering as standard practice across the portfolio.*
- Committing to developing asset plans for each building with committed investment in energy efficiency measures.
- Implementing ISO50001 and hope to achieve certification in early 2021. ISO 50001 is an international standard recognising organisations that enhance their energy performance by implementing an energy management system based on a model of continual improvement.
- Within Bruntwood SciTech at Alderley Park we have supported a multi million pound investment in converting the existing oversized and inefficient gas powered, High Pressure Hot Water heat network to Combined Heat and Power.

REPORT OF DIRECTORS (CONTINUED)
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 directors have 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 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:

C G Oglesby - Director **17 December 2020**

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 judgments 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUNTWOOD GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Bruntwood Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's loss 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 consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

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 group and the parent 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 group's or the parent 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUNTWOOD GROUP LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the chief executive's 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the report of directors.

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 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRUNTWOOD GROUP LIMITED (CONTINUED)

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.

Jonathan Dodworth

Jonathan Dodworth (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Manchester
United Kingdom
17 December 2020

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the Year Ended 30 September 2020

	Note	2020 £000	2019 £000
TURNOVER	3	134,375	160,066
Cost of sales		(73,455)	(98,779)
GROSS PROFIT		60,920	61,287
Administrative expenses		(25,144)	(23,572)
OPERATING PROFIT		35,776	37,715
Share of results of joint ventures		(9,843)	3,777
(Loss)/gain on revaluation of investment property		(21,291)	31,940
Loss on interest rate derivatives		(588)	(3,256)
Other exceptional profit	6	-	579
Gain on the sale of investment properties	6	852	2,364
PROFIT BEFORE INTEREST AND TAX		4,906	73,119
Net interest payable	7	(23,821)	(21,321)
(LOSS)/PROFIT BEFORE TAXATION	5	(18,915)	51,798
Tax on (loss)/profit	8	(5,898)	(2,695)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(24,813)	49,103

CONTINUING OPERATIONS
All of the above relate to continuing operations.

There are no items of other comprehensive income in the current or prior year and therefore no separate statement of comprehensive income has been presented.

CONSOLIDATED BALANCE SHEET
As at 30 September 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Intangible assets	11	48	83
Tangible assets	12	973,121	973,664
Investments	13		
- Investment in Joint Ventures		127,358	112,124
		1,100,527	1,085,871
CURRENT ASSETS			
Debtors: amounts receivable within one year	15	115,323	102,805
Debtors: amounts receivable after more than one year	15	23,217	30,782
Cash at bank and in hand		26,288	17,142
		164,828	150,729
CREDITORS: amounts falling due within one year	16	(101,995)	(159,950)
NET CURRENT ASSETS/ (LIABILITIES)		62,833	(9,221)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,163,360	1,076,650
CREDITORS: amounts falling due after more than one year	17	(551,066)	(444,586)
PROVISIONS FOR LIABILITIES	19	(23,668)	(17,956)
NET ASSETS		588,626	614,108
CAPITAL AND RESERVES			
Called up share capital	21	50,652	50,582
Share premium	21	1,736	1,491
Capital redemption reserve	21	11,580	11,580
Other reserve	21	(32,841)	(32,841)
Profit and loss account	21	557,499	583,296
SHAREHOLDERS' FUNDS		588,626	614,108

The financial statements of Bruntwood Group Limited, company number 02825044, were approved by the Board of Directors on 17 December 2020 and signed on its behalf by:

C G Oglesby - Director

COMPANY BALANCE SHEET
As at 30 September 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Investments	13	55,098	55,048
CURRENT ASSETS			
Debtors	15	6,273	5,823
Cash		1	1
		6,274	5,824
CREDITORS: amounts falling due within one year	16	(1,848)	(1,172)
NET CURRENT ASSETS		4,426	4,652
NET ASSETS		59,524	59,700
CAPITAL AND RESERVES			
Called up share capital	21	50,652	50,582
Share premium	21	1,736	1,491
Capital redemption reserve	21	6,442	6,442
Profit and loss account	21	694	1,185
SHAREHOLDERS' FUNDS		59,524	59,700

The loss for the financial year dealt with in the financial statements of the parent company was £491k (2019: £988k profit).

The financial statements of Bruntwood Group Limited, company number 02825044, were approved by the Board of Directors on 17 December 2020 and signed on its behalf by:

C G Oglesby - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2020

	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 October 2018	50,645	1,491	11,489	(32,841)	539,351	570,135
Profit for the financial year	-	-	-	-	49,103	49,103
Total comprehensive income	-	-	-	-	49,103	49,103
Dividends paid	-	-	-	-	(4,158)	(4,158)
Share buy back	(91)	-	91	-	(1,000)	(1,000)
Share issue	28	-	-	-	-	28
At 30 September 2019 and 1 October 2019	50,582	1,491	11,580	(32,841)	583,296	614,108
Loss for the financial year	-	-	-	-	(24,813)	(24,813)
Total comprehensive expense	-	-	-	-	(24,813)	(24,813)
Dividends paid	-	-	-	-	(984)	(984)
Share issue	70	245	-	-	-	315
At 30 September 2020	50,652	1,736	11,580	(32,841)	557,499	588,626

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2020

	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 October 2018	50,645	1,491	6,351	5,355	63,842
Profit for the financial year	-	-	-	988	988
Total comprehensive income	-	-	-	988	988
Dividends paid	-	-	-	(4,158)	(4,158)
Share buyback	(91)	-	91	(1,000)	(1,000)
Share issue	28	-	-	-	28
At 30 September 2019 and 1 October 2019	50,582	1,491	6,442	1,185	59,700
Profit for the financial year	-	-	-	493	493
Total comprehensive income	-	-	-	493	493
Dividends paid	-	-	-	(984)	(984)
Share buyback	-	-	-	-	-
Share issue	70	245	-	-	315
At 30 September 2020	50,652	1,736	6,442	694	59,524

CONSOLIDATED CASH FLOW STATEMENT
For the Year Ended 30 September 2020

	Note	2020 £000	2019 £000
Net cash inflow from operating activities	22	35,708	19,390
Taxation paid		(460)	(455)
Net cash generated from operating activities		35,248	18,935
Cash flows (used in) / from investing activities			
Investment in joint ventures		(25,937)	(4,067)
Disposal of investment property		3,692	-
Disposal of subsidiary		-	718
Disposal of development land		-	5,500
Disposal of tangible fixed assets		-	12,357
Purchase of tangible fixed assets		(18,978)	(20,966)
Distribution from joint ventures		861	-
Loan to joint venture		(17,723)	(20,142)
Net cash flows used in investing activities		(58,085)	(26,600)
Cash flows from financing activities			
Net interest paid		(21,929)	(18,654)
Dividends paid	10	(984)	(4,158)
Repayment of short term borrowings	18	(3,000)	-
Repayment of medium term bank loan	18	(10,491)	(7,806)
Draw down of long term loan		10,000	-
Repayment of long term loan		(3,142)	(2,967)
Draw down of existing short term borrowings		353	4,825
Draw down of existing medium term loan		-	40,000
Proceeds of retail bond issue	18	90,873	-
Repayment of retail bond	18	(50,000)	-
Buy back of listed debt	18	(3,950)	-
Draw down of new short term loan		1,687	-
Draw down of new medium term loan	18	25,895	-
Expenses incurred on loans		(3,329)	(479)
Net cash flows from financing activities		31,983	10,761
Net increase in cash and cash equivalents		9,146	3,096
Cash and cash equivalents at beginning of year		17,142	14,046
Cash and cash equivalents at end of year		26,288	17,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 September 2020

1 ACCOUNTING POLICIES

General information and basis of preparation

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

Bruntwood Group Limited (the company) is a company incorporated in the United Kingdom under the Companies Act. The address of the company's registered office is shown on page 1.

The principal activities of the company and its subsidiaries (together the group) and the nature of the group's operations are set out in the Strategic Report on pages 4 to 11.

The company is a private company limited by shares and is registered in England and Wales.

The financial statements are prepared under the historical cost convention modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Bruntwood Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement.

The functional currency of the group is considered to be pounds sterling, because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 11. The Strategic Report describes the financial position of the group; its borrowing facilities; its financial risk management objectives and its financial instruments and hedging activities.

As highlighted in note 18 to the financial statements, the group meets its funding requirements through a combination of overdraft facilities, bank loan facilities and a retail bond issue.

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 Group. This stress-testing included assessing the levels of cash and available finance within the Group assuming a very 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 of uncommitted capital expenditure where necessary.

The Group has taken advantage of the governments VAT deferral scheme and the Coronavirus Job Retention Scheme. VAT payments were deferred in March through to June and are expected to be repaid prior to March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

1 ACCOUNTING POLICIES (CONTINUED)

Going concern (continued)

The loans within the group's subsidiaries are subject to loan to value and interest cover covenant tests. The directors have also considered the on-going availability of finance by modelling the impact on loan covenants of reduced income and significant decreases in valutions of properties. Even considering reasonably likely downside scenarios there are no covenant breaches forecast. At year end the group had £26.3m of cash deposits.

The Group has, at the date of this report, sufficient existing financing available with £50m headroom on banking facilities and £68.9m of unsecured properties. This, together with the proven ability to generate cash from trading activities, the performance of the Group's Strategic Portfolio, and its leading market positions and geographical spread, provides the directors with the confidence that the Group is well placed to manage its business risks successfully in the context of current financial conditions and the general outlook in the global economy. After reviewing the Group's annual budget, plans and financing arrangements for the next three years, the directors consider that the Group has adequate resources to continue operating, and accordingly these financial statements have been prepared on a going concern basis.

Basis of consolidation

The group financial statements consolidate the financial results of Bruntwood Group Limited and its subsidiary undertakings drawn up to 30 September 2020. The results of subsidiary undertakings acquired or disposed of in the period are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. All intra-group transactions, balances, expenses and income are eliminated on consolidation.

Joint ventures

Joint ventures are accounted for using the gross equity method. The consolidated profit and loss account includes the group's share of the joint venture's operating profit, interest and tax while the group's net share of the assets and liabilities of the joint venture are shown in the consolidated balance sheet.

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 balance sheet. Trading property sales are accounted for on a legal completion basis. Development income is recognised in accordance with construction contracts policy below.

Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is probable they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs if the contract is obtained in a subsequent period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

1 ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life.

Negative goodwill is included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair value of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Intangible fixed assets - Brands

Brands are included at cost and amortised in equal instalments over a 10-year period which is their estimated useful life. Provision is made for any impairment. No change has been made to the useful life of intangible assets previously amortised under UK GAAP as allowed by FRS 102 section 19, as the useful life assumed is deemed a reliable estimate.

Fixed assets (excluding investment properties)

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation of each asset over its expected useful life, as follows:

- Fixtures, fitting & IT equipment 10% - 30% on cost; and
- Motor vehicles 25% - 30% on reducing balance.

Investment properties

Investment properties for which fair value can be measured reliably without undue cost and effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

Properties in the course of development are included in the balance sheet at cost subject to provisions if the directors deem relevant. Cost includes interest and directly attributable overheads whilst the property is in the course of development.

Disposal of investment properties

The profit or loss on disposal of investment properties are reported separately within the consolidated profit and loss, in accordance with Section 5 of FRS 102. Profit or loss is calculated as net proceeds less book value at the time of disposal. The profit or loss on disposal is recognised upon legal completion.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised in income over the period in which the related costs are recognised.

Government grants received in respect of operational fixed assets are credited to a deferred income account and released to the profit and loss account over the usesul economic life of the asset to which they relate. Government grants received on the construction of investment properties are credit to a deferred income account.

1 ACCOUNTING POLICIES (CONTINUED)

Government Grants (continued)

In response to the Covid-19 pandemic the group took advantage of the Coronavirus Job Retention Scheme which resulted in the group receiving a government grant to cover the salary costs of a number of employees. The receipt was recognised in the profit and loss account and offset against staff costs. The group also took part in the VAT Deferral Scheme which was announced by the government to assist businesses with their cash flow during the Covid-19 pandemic. Therefore the VAT payments which were payable in March through to June 2020 were deferred with the total amount payable at year end included in other taxation and social security amounts due (see note 16).

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i. Warranties

Provisions for the expected cost of warranty obligations are recognised at the balance sheet date, at the directors' best estimate of the expenditure required to settle the group's obligation.

Investments

Investments are shown in the accounts at cost less any provisions for impairment.

Current asset investments

Current asset investments are initially measured at cost then remeasured to fair value at each year end, with any gain or loss recognised in the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised when the group 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 group after deducting all of its liabilities.

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 balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

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. Derivative financial instruments

The group uses derivative financial instruments to reduce exposure to interest rate movements. The group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. Hedge accounting for derivatives is not adopted.

III. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

1 ACCOUNTING POLICIES (CONTINUED)

Leases

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. The transitional exemption available in respect of incentives offered for leases entered into before the date of transition to FRS 102 has been applied.

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.

Rentals under operating leases are charge on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pensions

The group makes discretionary contributions to personal pension plans in respect of all employees. The amount charged to the profit and loss account in respect of the pension cost are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

Taxation

Current UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet 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 group'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 Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

1 ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the group has a legally enforceable right to offset 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.

Bank borrowings and finance costs

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. In accordance with Section 11 of FRS 102, finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. Capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

Share-based payments

Fair value is measured by reference to the net assets of the group at year end less a discount for a non-controlling interest in a private company. The group has a choice to issue either cash-settled share-based or equity-settled share based payments to certain employees. Given the lack of readily available market for the shares they are accounted for as cash settled and as such a liability equal to the portion of the employment services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Development in progress

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payment on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Service charge

Service charges are collected from customers quarterly in advance to enable the sharing of costs of common services in buildings between more than one occupier. Service charge collections and associated expenditure are held on the balance sheet and reconciled annually. Part of the service charge collected from customers over the duration of their lease is to fund large scale maintenance projects in buildings. This collection to fund service charge major projects is held on the balance sheet, and at any time a building can be in a surplus or deficit position depending on the level of collection or works required.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in note 1, 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. 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 periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

Investment Properties

A key source of estimation uncertainty relates to the valuation of investment properties, where a valuation is obtained annually, either by professionally qualified external valuers, or by the group'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. Key assumptions applied to the valuations are inherently subjective and so are subject to a degree of uncertainty, the key assumptions applied are described in further detail below.

A key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the cash flow profile of the property for a number of years. The valuation assumes adjustments from these rental values to current market rent at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. The current market level of rent is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations.

The nominal equivalent yield is applied as a discount rate to the rental cash flows which, after taking into account other input assumptions such as vacancies and costs, generates the market value of the property. The equivalent yield applied is assessed by reference to market transactions for similar properties and takes into account, amongst other things, any risks associated with the rent uplift assumptions. The net initial yield is calculated as the current net income over the gross market value of the asset and is used as a sense check and to compare against market transactions for similar properties. The valuation outputs, along with inputs and assumptions, are reviewed to ensure these are in line with what a market participant would use when pricing each asset. The reversionary yield is the return received from an asset once the estimated rental value has been captured on today's assessment of market value.

Value of investment property as at 30 September 2020 is £962.0m (2019: £963.6m). Further information can be found in note 12.

Critical Accounting Judgements

The directors do not consider there to be any critical accounting judgements in preparing these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

3 TURNOVER

	2020	2019
	£000	£000
Rental and related income	72,705	71,311
Debtor Provision	(4,291)	(1,102)
Service charge income	22,331	21,401
Property services income	10,129	19,753
Utilities Income	15,910	18,878
Development income	17,591	29,825
	134,375	160,066

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.

4 INFORMATION REGARDING DIRECTORS, KEY MANAGEMENT PERSONNEL AND EMPLOYEES

	2020	2019
	£000	£000
Directors' remuneration		
Emoluments	503	619
Remuneration of the highest paid director:		
Emoluments	384	435

	2020	2019
	£000	£000
Key management personnel remuneration		
Emoluments	2,814	2,442
The number of directors and key management personnel who:		
Had awards receivable in the form of shares under a long term incentive scheme	10	8

	Average	Average
Average monthly number of persons employed (including directors)	2020	2019
Administration and management	472	484
Customer service staff	335	275
Cleaning Staff	114	-
	921	759

The company itself has no employees, other than the directors.

	2020	2019
Staff costs during the year (including directors)	£000	£000
Wages and salaries	24,268	24,594
Social security costs	2,214	2,505
All Employee Share Ownership Plan	(49)	1,165
Pension costs	1,309	1,078
	27,742	29,342

The directors of Bruntwood Limited are considered by the group to be key management personnel. Bruntwood Limited is the direct 100% owed subsidiary of Bruntwood Group Limited. Directors are remunerated for their services to the group and it is not practicable to allocate this between group companies.

On 1 April 2020 in accordance with TUPE regualations 265 employees were transferred from third party cleaning contractors Breanheath Limited and Time-Out Services Limited to Bruntwood Management Services Limited, a 100% owned subsidiary of Bruntwood Group Limited. On 1 October 2020 in accordance with TUPE regulations 359 employees were transferred to Unify Management Solutions Limited, and 51 employees to CubicWorks Limited. Unify Management Solutions Limited and Cubic Works Limited are two new businesses sitting outside the Bruntwood Group structure delivering facilities management and project delivery services respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

Share-based payments

The company runs, for all employees after a qualifying period of service, an All Employee Share Ownership Plan (AESOP), which provides for the granting of shares on an annual basis for all eligible members of staff based upon performance targets.

In respect of the above schemes the group has recorded liabilities at the intrinsic values of £1.7m (2019: £2.4m) which are included in creditors due within one year (note 16) and £0.6m (2019: £1.6m) which are included in creditors due after more than one year (note 17).

5 (LOSS)/PROFIT BEFORE TAXATION

	2020 £000	2019 £000
(Loss)/Profit before taxation is stated after (charging)/crediting:		
Depreciation	(1,883)	(1,453)
Amortisation of intangible assets	(35)	(35)
Rent paid on operating leases	(990)	(745)
Movement in market value of share options	1,653	(1,165)
Loss on disposal of fixed assets	(43)	(109)
(Loss)/gain on revaluation of investment properties	(21,291)	31,940
Loss on interest rate derivatives	(588)	(3,256)
Gain on revaluation of listed investments	30	-
Gain on the sale of investment properties	852	2,364
Increase in debtor provision	(4,291)	(1,102)
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual accounts	11	10
Fees payable to the company's auditor and their associates for other services to the group		
- The audit of the company's subsidiaries pursuant to legislation	209	192
Non-audit fees		
- Other non-audit fees	264	85

In 2020 £59k of the other non-audit fees related to real estate services, £83k related to tax advisory, £72k related to tax compliance services and £50k related to other audit related services. All non-audit fees in 2019 are in relation to real estate services.

The disclosures above are for the group. The company is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the company because the consolidated financial statements are required to disclose such fees on a consolidated basis.

6 EXCEPTIONAL PROFIT / (LOSS)

During the year the group disposed of Haw Bank House for gross proceeds of £3.8m. The profit on disposal of £0.9m represents proceeds net of all disposal costs minus the book value on disposal.

In the prior year the group disposed of two properties for combined gross proceeds of £12.8m. The profit on disposal was £0.4m representing proceeds net of disposal costs less book value on disposal. In 2019 the group also disposed of land for £5.5m generating a profit on disposal of £1.9m.

The other exceptional profit in the prior year relates to additional consideration of £0.6m received in relation to the sale of 50% of Bruntwood SciTech Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

7 FINANCE COSTS (NET)

	2020	2019
Investment income	£000	£000
Deposit account interest	235	227
	235	227

	2020	2019
Interest payable and similar expenses	£000	£000
Bank loans and overdraft	6,330	5,939
Amortisation of finance costs	2,029	2,618
Interest payable on retail bonds maturing 2020	1,604	3,000
Interest payable on retail bonds maturing 2025	3,264	-
Interest payable on loans maturing 2022	5,336	5,435
Interest payable on loans maturing 2023	539	510
Interest payable on loans maturing 2026	1,038	-
Interest payable on loans maturing December 2031	3,916	3,957
Other bank/ financing charges	-	89
	24,056	21,548
Finance costs (net)	23,821	21,321
Borrowing costs capitalised (note 12)	87	-

Borrowing costs have been capitalised at a rate of 2.5% being the rate of interest applicable to development specific borrowings.

8 TAX ON (LOSS)/PROFIT

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

	2020	2019
Corporation tax	£000	£000
Group taxation payable tax based on (loss)/profit for the year	186	-
Adjustments in respect of prior years - group	-	66
Total current tax	186	66
Deferred tax		
Timing differences, origination and reversal	1,848	1,869
Adjustments in respect of previous periods	1,374	760
Effect of change in taxation rate	2,490	-
Total deferred tax charge	5,712	2,629
Tax charge on (loss)/profit	5,898	2,695

Factors affecting the tax charge
The tax assessed for the year is lower (2019: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	2019
	£000	£000
(Loss)/profit on ordinary activities before tax	(18,915)	51,798
Tax on (loss)/profit on ordinary activities at standard rate of 19.0% (2019: 19.0%)	(3,594)	9,842
Factors affecting the charge:		
Disallowable expenses/(Non-taxable income)	1,405	379
Recognition of capital losses available to offset unrealised revaluation gains	1,562	(5,853)
Adjustment to tax charge in respect of previous periods - current	-	66
Adjustment to tax charge in respect of previous periods - deferred	1,374	760
Difference in tax rate	2,274	(219)
Differences on chargeable gain calculations not recognised in deferred tax	1,809	(1,556)
Joint venture profits	1,000	(743)
Interest receivable in tax computation not in accounts	68	19
Total tax charge for the year	5,898	2,695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

8 TAX ON PROFIT ON ORDINARY ACTIVITIES (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 (2019: calculated at the 17% tax rate) .The overall effect of the change is to increase the deferred tax debit in the profit and loss account and increase the associated deferred tax liability by £2.5m. Bruntwood Group Limited is a 100% UK domiciled group.

9 PROFIT OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £491k (2019: profit £988k). The audit fee payable has been borne by another group company and not recharged.

10 DIVIDENDS PAID

	2020	2019
	£000	£000
Final dividends paid on ordinary shares at 1.2p per share (2019: 10p per share)	984	3,918
Final dividends paid on equity preference shares	-	240
	984	4,158

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill	Brands	Negative goodwill	Total
COST	£000	£000	£000	£000
At 1 October 2019 and 30 September 2020	308	151	(5,462)	(5,003)
AMORTISATION				
At 1 October 2019	278	98	(5,462)	(5,086)
Amortisation for year	20	15	-	35
At 30 September 2020	298	113	(5,462)	(5,051)
NET BOOK VALUE				
At 30 September 2020	10	38	-	48
At 30 September 2019	30	53	-	83

12 TANGIBLE FIXED ASSETS

Group	Investment properties Freehold £000	Long leasehold £000	Fixtures, fittings & IT equipment £000	Motor vehicles £000	Total £000
COST OR VALUATION					
At 1 October 2019	731,526	232,036	20,279	490	984,331
Additions	22,215	115	2,915	-	25,245
Disposals	(2,570)	-	(48)	(10)	(2,628)
Revaluation	(17,045)	(4,246)	-	-	(21,291)
At 30 September 2020	734,126	227,905	23,146	480	985,657
DEPRECIATION					
At 1 October 2019	-	-	10,388	279	10,667
Charge for year	-	-	1,837	46	1,883
Disposals	-	-	(6)	(8)	(14)
At 30 September 2020	-	-	12,219	317	12,536
NET BOOK VALUE					
At 30 September 2020	734,126	227,905	10,928	163	973,121
At 30 September 2019	731,526	232,036	9,891	211	973,664

The historical cost of the group properties at the year end is £649.6m (2019: £629.2m) for freehold properties and 184.8m (2019: £183.2m) for leasehold properties. Other fixed assets are stated at cost.

Investment properties includes capitalised interest in aggregate amounting to £87k (2019: £23k).

The freehold and leasehold investment properties held by the group at 30 September 2020 were valued as at 30 September 2020. The properties held by Bruntwood LG Limited, amounting to £281.8m of the total group portfolio were revalued by our external valuers Jones Lang LaSalle Limited, generating a revaluation loss in the period of £1.2m. The remainder of the portfolio was valued internally by the Directors' Valuation Panel generating a revaluation loss of £20.1m. The valuations were undertaken in accordance with 'Red Book Principles' and were conducted on the basis of Market Value.

The Directors' Valuation Panel of the company undertook a detailed valuation appraisal of all of the group's properties on a customer by customer basis. 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, Chartered Accountant, has 18 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. For further information please see note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

12 TANGIBLE FIXED ASSETS (CONTINUED)

Group

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Motor vehicles £000
COST	
At 1 October 2019	464
Disposals	(10)
At 30 September 2020	454
DEPRECIATION	
At 1 October 2019	257
Charge for year	46
Disposals	(8)
At 30 September 2020	295
NET BOOK VALUE	
At 30 September 2020	159
At 30 September 2019	207

13 INVESTMENTS

Group	AESOP Investment in own shares £000
COST	
At 1 October 2019	1,014
Shares allotted in year	69
At 30 September 2020	1,083
PROVISIONS/ (ACCRETION)	
At 1 October 2019	(1,014)
Shares allotted in year	(69)
At 30 September 2020	(1,083)
NET BOOK VALUE	
At 30 September 2020 and 30 September 2019	-

	Investment in Joint Ventures £000
Share of net assets as at 1 October 2019	112,124
Investment into joint ventures in the year	25,938
Share of profit for the year	(9,843)
Distributions	(861)
Share of net assets at 30 September 2020	127,358

A detailed analysis of the Group's share of results of joint ventures is not provided as they are not material to the Group. Investments in joint ventures entail a 50% share of Bruntwood SciTech Limited and Trafford Bruntwood LLP. In October 2019, in a 50:50 partnership with Trafford Borough Council, Bruntwood Group invested £25.5m into two new LLPs; Trafford Bruntwood (Stamford Quarter) LLP and Trafford Bruntwood (Stretford Mall) LLP.

Tangible fixed assets held by Bruntwood SciTech Limited Group amount to £545.7m (2019: £445.6m). Trafford Bruntwood LLP £17.6m (2019: £20.2m). Trafford Bruntwood (Stamford Quarter) LLP £29.5m (2019: nil) and Trafford Bruntwood (Stretford Mall) LLP £15.0m (2019: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

13 INVESTMENTS (CONTINUED)

Company	Shares in subsidiaries 2020 £'000
COST AND NET BOOK VALUE	
At 1 October 2019	55,048
Additions	50
At 30 September 2020	55,098

Subsidiaries	Country of incorporation	Activity	Effective Proportion of ordinary shares held	
Afflecks Ltd	England and Wales	Shopping Emporium Management	100% *	^
Bruntwood 2000 Alpha Portfolio Ltd	England and Wales	Property investment	100% *	^
Bruntwood 2000 Beta Portfolio Ltd	England and Wales	Property investment	100% *	^
Bruntwood 2000 Fourth Properties Ltd	England and Wales	Property investment	100% *	^
Bruntwood 2000 Holdings Ltd	England and Wales	Holding company	100% *	^
Bruntwood 2000 (NW Regen) Ltd	England and Wales	Property investment	100% *	^
Bruntwood Albert Square Limited	England and Wales	Property investment	100% *	^
Bruntwood AV Holdings Limited	England and Wales	Holding company	100% *	^
Bruntwood AV Limited	England and Wales	Property investment	100% *	^
Bruntwood Bond 2 Plc	England and Wales	Investment company	100% *	^
Bruntwood Circle Square 14 Limited	England and Wales	Development company	100% *	^
Bruntwood Construction Limited	England and Wales	Construction company	100% *	^
Bruntwood Cornwall Street Limited	England and Wales	Property investment	100% *	^
Bruntwood Development Holdings Ltd	England and Wales	Holding company	100% *	^
Bruntwood (Didsbury TP) Limited	England and Wales	Development company	100% *	^
Bruntwood Estates Alpha Portfolio Ltd	England and Wales	Property investment	100% *	^
Bruntwood Estates Beta Portfolio Ltd	England and Wales	Property investment	100% *	^
Bruntwood Estates Holdings Ltd	England and Wales	Holding company	100% *	^
Bruntwood Estates Ltd	England and Wales	Holding company	100% *	^
Bruntwood Investments Plc	England and Wales	Investment company	100% *	^
Bruntwood LG Holding Limited	England and Wales	Holding company	100% *	^
Bruntwood LG Limited	England and Wales	Property investment	100% *	^
Bruntwood MBS Retail Limited	England and Wales	Property investment	100% *	^
Bruntwood Management Services Ltd	England and Wales	Management company	100% *	^
Bruntwood NQ Holdings Limited	England and Wales	Holding company	100% *	^
Bruntwood Paragon A Limited	England and Wales	Dormant	100% *	^
Bruntwood Paragon B Limited	England and Wales	Dormant	100% *	^
Bruntwood RB Limited	England and Wales	Property investment	100% *	^
Bruntwood MBS Developments Ltd	England and Wales	Property investment	100% *	^
Bruntwood Meeting Rooms Limited	England and Wales	Meeting room management company	100% *	^
Bruntwood Sixth Properties Limited	England and Wales	Property investment	100% *	^
Bruntwood Trafford Holdings Limited	England and Wales	Holding company	100% *	^
Building Sustainability Services Limited	England and Wales	Utility metering company	100% *	^
Chandlers Point Management Company	England and Wales	Management company	100% *	^
K Site Limited	England and Wales	Property investment	100% *	^
Manchester Gas and Power Limited	England and Wales	Utility trading company	100% *	^
Principal Agent Management Limited	England and Wales	Management company	100% *	^
Unify Energy Limited	England and Wales	Utility trading company	100% *	^

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

13 INVESTMENTS (CONTINUED)

Joint Ventures	Country of incorporation	Activity	Effective Proportion of ordinary shares held			
3 Sovereign Square Holdings 1 LLP	England and Wales	Holding company	50%	*		^^
3 Sovereign Square Holdings 2 LLP	England and Wales	Holding company	50%	*		^^
3 Sovereign Square LLP	England and Wales	Property development	50%	*	1	^^
Alderley Imaging Limited	England and Wales	Dormant	38%	*	3	^
Alderley Park Holdings Limited	England and Wales	Holding company	38%	*	3	^
Alderley Park Limited	England and Wales	Property investment	38%	*	3	^
Birmingham Health Innovation Campus Ltd	England and Wales	Property investment	50%	*	2	^
Birmingham Science Limited	England and Wales	Holding company	50%	*	2	^
Birmingham Technology (Property) Limited	England and Wales	Dormant	50%	*	2	^
Birmingham Technology (Property One) Ltd	England and Wales	Dormant	50%	*	2	^
Birmingham Technology (Venture Capital) Ltd	England and Wales	Dormant	50%	*	2	^
Bruntwood Circle Square 1 Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Circle Square 2 Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Circle Square 4 Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Circle Square 12 Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Circle Square 13 Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Platform Leeds Limited	England and Wales	Development company	50%	*	2	^
Bruntwood Science Limited	England and Wales	Holding company	50%	*	2	^
Bruntwood Scitech Ltd (formerly 2000 Ltd)	England and Wales	Holding company	50%	*		^
Circle Square District Holdings Company Ltd	England and Wales	Holding company	50%	*	5	^
Circle Square District Company Ltd	England and Wales	Property development	50%	*	5	^^^
Circle Square Green Company Limited	England and Wales	Development company	50%	*	2	^
Citylabs Ltd	England and Wales	Property investment	32%	*	4	^
Citylabs 2.0 Ltd	England and Wales	Development company	32%	*	4	^
Innovation Birmingham Limited	England and Wales	Property investment	32%	*	2	^
Manchester Science Partnerships Limited	England and Wales	Property investment	32%	*	4	^
Manchester Technopark Limited	England and Wales	Dormant	32%	*	4	^
Mi Idea Ltd	England and Wales	Management company	32%	*	4	^
Salford Innovation Park Ltd	England and Wales	Management company	32%	*	4	^
Trafford Bruntwood LLP	England and Wales	Property development	50%	*		^
Trafford Bruntwood (Clarendon House) LLP	England and Wales	Property development	50%	*		^
Trafford Bruntwood (Stamford Quarter) LLP	England and Wales	Property investment	50%	*		^
Trafford Bruntwood (Stretford Mall) LLP	England and Wales	Property investment	50%	*		^
Associates						
AMR Centre Limited	England and Wales	Research and development	21%		6	^^^^
Liverpool Science Park Developments Limited	England and Wales	Dormant	25%		7	^^^^^
Liverpool Science Park Limited	England and Wales	Property development	25%		7	^^^^^
Sciontec Developments Limited	England and Wales	Holding company	25%			^^^^^

* These companies are held through Bruntwood Limited and its subsidiary companies

1 - Held via 50% investment in both 3 Sovereign Square Holdings 1 LLP and 3 Sovereign Square Holdings 2 LLP

2 - Held via 50% investment in Bruntwood Scitech Ltd (formerly Bruntwood 2000 Limited)

3 - Bruntwood Scitech Ltd holds a 76% investment in Alderley Park Holdings Ltd, and its 100% owned subsidiaries Alderley Park Ltd and Alderley Imaging Ltd

4 - Bruntwood Scitech Ltd holds a 64% investment in Manchester Science Partnerships Ltd, and its 100% owned subsidiaries; Citylabs Ltd, Citylabs 2.0 Ltd, Citylabs 3.0 Ltd, Manchester Technopark Ltd, Mi Idea Ltd and Salford Innovation Park Ltd

5 - Bruntwood Scitech Ltd holds a 50% investment in Circle Square District Holdings Company Ltd. Circle Square District Company Ltd is a 100% owned subsidiary of Circle Square District Holdings Company Ltd

6 - Held via Bruntwood Science Ltd, a 100% owned subsidiary of Bruntwood Scitech Ltd

7 - Held via 25% investment in Sciontec Developments Limited

^ registered address Union, Albert Square, Manchester, England, M2 6LW

^^ registered address: Tempsford Hall, Sandy, Bedfordshire, SG19 2BD

^^^ registered address: The Box, Horseshoe Lane, Alderley Edge, England, SK9 7QP

^^^^ registered address: 19b70 Alderley Park, Macclesfield, Cheshire, SK10 4TG

^^^^^ registered address: Liverpool Science Park, 131 Mount Pleasant, Liverpool, L3 5TF

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

13 INVESTMENTS (CONTINUED)

Audit exemption

The following subsidiary undertaking also consolidated at 30 September 2020 claimed exemption from audit under section 479A Companies Act 2006:

Subsidiaries	Country of incorporation	Activity	Company Number	Effective Proportion of ordinary shares held
Bruntwood ORS Limited	England and Wales	Development company	11372736	100%
Bruntwood Sixth Properties Limited	England and Wales	Property Investment	08998755	100%
Chandlers Point Management Company Limited	England and Wales	Management Company	02482170	100%
Principal Agent Management Limited	England and Wales	Management Company	08926929	100%

Preparation and Filing Exemption

The following subsidiary undertakings also consolidated at 30 September 2020 claimed exemption from preparation of individual company accounts under section 394A Companies Act 2006:

Subsidiaries	Country of incorporation	Activity	Company Number	Effective Proportion of ordinary shares held
Bruntwood Paragon A Limited	England and Wales	Dormant	04452281	100%
Bruntwood Paragon B Limited	England and Wales	Dormant	04452285	100%

3 Sovereign Square Holdings 1 LLP, 3 Sovereign Square Holdings 2 LLP and 3 Sovereign Square LLP are joint venture partnerships with Kier Property Developments Limited. Circle Square District Holdings Company Limited and Circle Square District Company Limited are joint venture partnerships with Affinity Living Limited. Trafford Bruntwood LLP, Trafford Bruntwood (Stamford Quarter) LLP, Trafford Bruntwood (Stretford Mall) LLP and Trafford Bruntwood (Clarendon House) LLP are joint venture partnerships with Trafford Borough Council.

14 INCORPORATION OF NEW SUBSIDIARY UNDERTAKINGS

On 20 November 2019 the Group set up the newly incorporated Bruntwood Bond 2 Plc. On 9 September 2020 the Group set up the newly incorporated Bruntwood NQ Holdings Limited.

15 DEBTORS

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Amounts falling due within one year:				
Trade debtors	23,176	23,497	-	-
Amounts owed by related parties (note 25)	2,109	683	275	275
Amounts owed by group undertakings	-	-	5,994	5,548
Amounts owed by joint venture undertaking (note 25)	39,550	21,721	-	-
Corporation tax debtor	732	458	-	-
Other debtors and prepayments	49,756	56,446	4	-
	115,323	102,805	6,273	5,823
Amounts falling due after more than one year:				
Other debtors	23,217	30,782	-	-
	23,217	30,782	-	-
	138,540	133,587	6,273	5,823

The balance due from group undertakings is unsecured, interest free and repayable on demand.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £000	*Group* 2019 £000	*Company* 2020 £000	*Company* 2019 £000
Trade creditors	9,269	8,328	-	-
Other loans (note 18)	-	52,972	-	-
Amounts owed to related parties (note 25)	1,389	1,114	1,389	1,114
Other creditors including taxation and social security	34,147	29,656	-	-
Accruals and deferred income	56,890	67,461	-	8
Amounts owed to joint venture undertaking (note 25)	299	419	-	-
Amounts owed to group undertakings	-	-	459	50
	101,995	159,950	1,848	1,172

The balance due to group undertakings is unsecured, interest free and repayable on demand.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Bank loans (note 18)	188,995	198,903	-	-
Other loans (note 18)	358,639	239,315	-	-
Derivative financial instruments (note 20)	2,782	2,194	-	-
Other creditors	650	4,174	-	-
	551,066	444,586	-	-

Included within other creditors is an amount relating to the share option schemes amounting to £0.6m (2019: £1.6m).

18 LOANS

An analysis of the maturity of loans is given below:

		Group
	2020	2019
Amounts falling due within one year or on demand:	£000	£000
Bonds maturing July 2020	-	50,000
Loan facility fees	-	(158)
Other loans maturing May 2020	-	3,130
	-	52,972
Amounts falling due between two and five years:		
Bank loans maturing March 2022	190,000	200,491
Loan facility fees	(1,005)	(1,588)
Loans maturing December 2022	115,453	117,652
Loan facility fees	(430)	(624)
Loans maturing May 2023	11,074	10,679
Loan facility fees	(74)	(96)
Bonds maturing 2025	86,892	-
Loan facility fees	(2,282)	-
	399,628	326,514
Amounts falling due in greater than five years:		
Loans maturing 2026	25,895	-
Loan facility fees	(315)	-
Loans maturing December 2031	122,249	113,192
Loan facility fees	(1,545)	(1,488)
Other loans	1,722	-
	148,006	111,704

The group's five-year syndicated bank loan maturing March 2022 is secured via a first fixed charge over the commercial property held by Bruntwood 2000 Beta Portfolio Limited, Bruntwood Estates Beta Portfolio Limited, Bruntwood Estates Alpha Portfolio Limited, Bruntwood 2000 Alpha Portfolio Limited, Bruntwood Cornwall Street Limited, Bruntwood Albert Square Limited, Bruntwood MBS Retail Limited, and Bruntwood 2000 (NW Regen) Limited. There is also a downstream parental guarantee from Bruntwood Estates Holdings Limited. The margin over LIBOR attached to this facility is 2%. Drawings on this facility stand at £190.0m at 30 September 2020 (2019: £200.5m).

On 1 October 2019 Bruntwood Trafford Holdings Limited entered into a new seven year facility maturing 2026, drawing £25.9m. The margin over the EU reference rate attached to this facility is 3.25%.

In June 2020 K Site Limited extended the three year facility it held expiring May 2021, by a further two years to May 2023. Drawings on this facility stand at £11.1m at 30 September 2020 (2019:£10.7m).

On 25 February 2020 Bruntwood Bond 2 plc issued £110.0m of unsecured retail bonds. The bonds were issued with a five year term expiring 25 February 2025, and with a fixed coupon of 6% payable bi-annually. £19.1m of the bonds were retained by Bruntwood Bond 2 plc and can be issued into the market if trading above par. A further £4.4m of bonds have subsequently been bought back by the group. £32.8m of the new bonds issued were used to settle the outstanding 2020 secured retail bonds in a bond for bond exchange. The remainder of the outstanding 2020 retail bonds were repaid in full on 24 July 2020, thus releasing £68.9m of property which was used to secure the 2020 bond.

The present market value of the retail bonds shows a "mark to market" value of £82,285k.

On 4 March 2020 Bruntwood (Didsbury TP) Limited repaid the development facility held with the North West Evergreen Fund in full (2019: balance drawn £3.1m).

On 21 December 2016 the group agreed a new 15 year fixed rate loan facility with Aviva investors which expires in December 2031. The fixed rate attached to the facility is 3.46%. The facility is secured against the properties held by Bruntwood AV Limited. On 14 August 2020 an additional £10m was drawn on the facility attracting a 3.98% interest rate for 12 months, before decreasing to 2.98%. Drawings on the loan facility stood at £122.2m at 30 September 2020 (2019: £113.2m).

The group also has the use of an overdraft facility agreed with The Royal Bank of Scotland with a maximum limit of £7.5m. This is secured by way of a floating charge over the assets of Bruntwood Estates Beta Portfolio Limited.

19 PROVISIONS FOR LIABILITIES

		Group
	2020	2019
Deferred tax	£000	£000
Capital allowances in excess of depreciation	24,840	20,558
Other short-term timing differences	(619)	(966)
Tax losses carried forward	(24)	(1,263)
Property revaluations	36,684	35,082
Derivative contracts	(529)	(373)
Capital losses	(36,684)	(35,082)
	23,668	17,956

	Deferred tax
	£000
At 1 October 2019	17,956
Provided during year	4,338
Adjustment in respect of prior years	1,374
At 30 September 2020	23,668

The amount of deferred tax not provided on capital losses is £5.4m (2019: £2.4m).

20 DERIVATIVE FINANCIAL INSTRUMENTS

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract		Notional principal value		Fair value	
	2020	2019	2020	2019	2020	2019
	%	%	£000	£000	£000	£000
Less than 1 year	-	-	-	-	-	-
1 to 2 years	1.06%	-	180,000	-	(2,782)	-
2 to 5 years	-	1.06%	-	180,000	-	(2,194)
			180,000	180,000	(2,782)	(2,194)

Interest rates swaps

The group continues to hold a forward start swap at a rate of 1.055% maturing on 31 March 2022 to hedge the floating rate funding. In line with the Facility Agreement, the swap has been split at origination such that £45m has been allocated to each bank involved in the facility. As at 30 September 2020 the principal value of such swaps is £180m (2019: £180m).

The group will settle the difference between the fixed and floating interest on a net basis.

21 CALLED UP SHARE CAPITAL AND RESERVES

Group and company

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2020 £	2019 £
20,935,095	Non-voting 'C' Ordinary shares	£1	20,935,095	20,935,095
28,515,632	Non-voting 'D1' Ordinary D1 shares	£0.99	28,230,476	28,230,476
31,316,309	D2' Ordinary Shares	£0.01	313,163	313,163
1,083,359	Non-voting 'A' Ordinary shares	£1	1,083,359	1,013,501
40,000	Non-voting 'A' Preference shares	£1	40,000	40,000
50,000	Non-voting 'B' Preference shares	£1	50,000	50,000
			50,652,093	50,582,235

During the year the company completed a share issue of 69,858 ordinary A shares at £4.51.

The group and company's other reserves are as follows:

The profit and loss reserve represents cumulative profit or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The capital redemption reserve represents consolidated profit and loss reserves considered to be non-distributable and therefore capitalised in prior years arising predominantly through group acquisitions and reconstructions.

The group's other reserve is as follows:

The other reserve arose on consolidation following the group reconstruction that took place on in 2012. It represented the difference between the nominal value of the shares issued by the company and the nominal value of the shares issued by its subsidiary in the share for share exchange.

22 RECONCILIATION OF PROFIT BEFORE INTEREST AND TAX TO CASH GENERATED BY OPERATIONS

	2020	2019
Group only	£000	£000
Profit before interest and tax	4,906	73,119
Adjustment for:		
Depreciation	1,883	1,453
Amortisation of intangible assets	35	35
Loss/(gain) on revaluation of investment properties	21,291	(31,940)
Movement in fair value of derivative instruments	588	3,256
Gain on disposal of investment properties	(852)	(391)
Gain on disposal of development land	-	(1,973)
(Gain)/loss on disposal of fixed assets	(14)	109
Other exceptional profit	-	(579)
Share of results of joint ventures	9,843	(3,777)
Operating cash flow before movement in working capital	37,680	39,312
Decrease in developments in progress	-	12,217
Decrease/ (increase) in debtors	12,734	(8,189)
Decrease in creditors	(14,706)	(23,950)
Cash generated by operations	35,708	19,390

23 FINANCIAL COMMITMENTS AND OPERATING LEASES

At 30 September 2020, the group had amounts contracted for but not provided for of £9.8m for capital expenditure (2019: £16.5m).

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

	2020	2019
Leases which expire:	£000	£000
Within one year	673	884
Within two to five years	2,692	3,535
After five years	59,993	81,895
	63,358	86,314

At 30 September 2020 the future minimum lease payments receivable under non-cancellable operating leases:

	2020	2019
	£000	£000
Within one year	47,015	45,218
Within two to five years	62,487	74,877
After five years	47,410	45,891
	156,912	165,986

24 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Bruntwood Group Limited is the ultimate parent company of the largest group of which the company is a member and for which group financial statements are drawn up. The ultimate controlling party is considered by the directors to be C G Oglesby, close members of his family and Oglesby family trusts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

25 RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption under the terms of Section 33 *FRS 102* not to disclose related party transactions with wholly owned subsidiaries within the group.

During the year ended 30 September 2019 the group entered into the following transactions with Bruntwood SciTech Group companies, related parties by nature of the Group holding a 50% share in Bruntwood SciTech Limited and its associated subsidiaries:

Income receivable in respect of service level agreements for the provision of facilities management, utilities supply, fixed recharges in respect of overheads and project and development management;

	2020 £000	2019 £000
Alderley Park Limited	17,875	9,093
Birmingham Enterprise Wharf Limited	317	-
Bruntwood Circle Square 1 Limited	1,090	3,311
Bruntwood Circle Square 2 Limited	315	142
Bruntwood Circle Square 4 Limited	422	184
Bruntwood Circle Square 12 Limited	787	-
Bruntwood Circle Square 13 Limited	20	-
Bruntwood Platform Leeds Limited	1,273	2,555
Bruntwood Science Management Services Limited	4,068	3,461
Circle Square District Holdings Company Ltd	-	259
Circle Square Green Company Limited	25	16
Citylabs 2.0 Limited	354	141
Citylabs 4.0 Limited	656	883
Citylabs Limited	750	1,012
Innovation Birmingham Limited	3,590	1,125
Manchester Science Partnerships Limited	3,443	5,576
MI-IDEA Limited	2	23

Expenses payable and purchase credits receivable in respect of service charge expenditure incurred on behalf of Bruntwood Group companies and internal rent payable;

Alderley Park Limited	(323)	2,497
Bruntwood Circle Square 1 Limited	190	80
Bruntwood Platform Leeds Limited	2	44
Bruntwood Science Management Services Limited	70	382
Circle Square District Company Ltd	-	261
Citylabs Limited	-	41
Citylabs 2.0 Limited	17	-
Innovation Birmingham Limited	27	87
Manchester Science Partnerships Limited	11	393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

25 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year the group received income from Trafford Bruntwood LLP of £729k, Trafford Bruntwood (Stretford Mall) LLP of £903k and Trafford Bruntwood (Stamford Quarter) LLP of £1,010k. These are related parties due to the Group's 50% share in the LLPs. Income received was in respect of development and management fees earned.

During the year expenses were payable to 3 Sovereign Square LLP of £26k in respect of the Group's share of empty property costs. This is a related party due to the Group's 50% share in the LLP. Income received was in respect of utilities supply.

During the year the group received income from Roundthorn Group Pension and Life Assurance Scheme of £177k, a related party due to the schemes trustees Mr M J Oglesby, Mr C G Oglesby and Ms K J Vokes all being directors of this company. Income received was in respect of utilities supply.

The following amounts with joint venture undertakings were outstanding at the reporting dates:

	Debtor 2020 £000	Creditor 2020 £000
Alderley Park Limited	3,145	-
Bruntwood Circle Square 1 Limited (Oxford House)	69	39
Bruntwood Circle Square 2 Limited	162	-
Bruntwood Circle Square 4 Limited	154	-
Bruntwood Platform Leeds Limited	220	2
Bruntwood Science Management Services Limited	799	46
Bruntwood SciTech Limited	32,851	-
Circle Square Green Company Limited	13	-
Citylabs 2.0 Limited	16	-
Citylabs Limited	106	-
Innovation Birmingham Limited	398	-
Manchester Science Partnerships Limited	374	-
Mi-IDEA Limited	-	1
Trafford Bruntwood (Stamford Quarter) LLP	163	189
Trafford Bruntwood (Stretford Mall) LLP	46	22
Trafford Bruntwood LLP	1,034	-

	2019 £000	2019 £000
3 Sovereign Square LLP	54	-
Alderley Park Limited	673	4
Bruntwood Circle Square 1 Limited	50	14
Bruntwood Circle Square 2 Limited	13	-
Bruntwood Circle Square 4 Limited	17	-
Bruntwood Platform Leeds Limited	26	39
Bruntwood Science Management Services Limited	259	0
Bruntwood SciTech Limited	20,101	-
Circle Square Green Company Limited	4	-
Citylabs 2.0 Limited	35	-
Citylabs 4.0 Limited	78	-
Citylabs Limited	0	41
Innovation Birmingham Limited	241	87
Manchester Science Partnerships Limited	98	233
MI-IDEA Limited	1	-
Trafford Bruntwood LLP	70	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2020

The following amounts with other related parties were outstanding at the reporting dates:

	Debtor 2020 £000	Creditor 2020 £000
Roundthorn Group Pension and Life Assurance Scheme	141	-
The Oglesby Charitable Trust	275	-
Trafford Borough Council	-	36,968
Unify Management Solutions Limited	149	-
CubicWorks Limited	156	-

	2019 £000	2019 £000
Abney 2003 Limited	-	1,114
Roundthorn Group Pension and Life Assurance Scheme	-	-
The Oglesby Charitable Trust	408	-
Trafford Borough Council	275	10,679

Abney 2003 Limited is a related party due to its shareholding in this company.

The Oglesby Charitable Trust is a related party as the trustees include Mr M J Oglesby, Mr C G Oglesby and Ms K J Vokes all being directors of this company.

Trafford Borough Council is a related party due to being 50/50 joint venture partner in Trafford Bruntwood LLP, Trafford Bruntwood (Stretford Mall) LLP and Trafford Bruntwood (Stamford Quarter) LLP. Interest of 4% plus EU reference rate was charged on the balnace throughout the year and expensed to the profit and loss account.

Unify Management Solutions Limited and CubicWorks Limited are related parties as the directors include Mr C G Oglesby and Ms K J Vokes, both being directors of this company.

All related party balances are unsecured, do not accrue interest and are expected to be settled in cash.

26 SUBSEQUENT EVENTS

On 1 October 2020 Bruntwood Limited disposed of its investments in Bruntwood Development Holdings Limited, Salford Innovation Park Limited, Bruntwood Energy Services Limited and Bruntwood Circle Square 14 Limited to Bruntwood NQ Holdings Limited for book value. Bruntwood NQ Holdings Limited and Bruntwood Limited are both 100% subsidiaries of Bruntwood Group Limited.