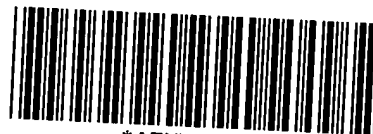


Company Registration No. 02825044 (England and Wales)

BRUNTWOOD GROUP LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018

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For the Year Ended 30 September 2018

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BRUNTWOOD GROUP LIMITED

COMPANY INFORMATION

For the Year Ended 30 September 2018

DIRECTORS

M J Oglesby
C G Oglesby
K J Vokes

REGISTERED OFFICE

Union
Albert Square
Manchester
M2 6LW

COMPANY REGISTRATION NUMBER

02825044 (England and Wales)

AUDITOR

Deloitte LLP
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Manchester
M3 3HF

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 2018

I am pleased to report on another strong set of results for the Bruntwood Group of Companies, with pre-tax profit up at a record £116m and Shareholders Funds increasing 11% to £570m. On a like for like basis, our property portfolio increased to £1.3bn, up from £1.1bn last year, although some £330m of this is now netted within the 'Investment in Joint Ventures' line where joint venture assets and liabilities are now accounted for on an equity basis. As a result of the disposal of 50% of Bruntwood Scitech Limited, the associated non-controlling interest has also been disposed, without this our net worth would have been a further £35m (7%) higher on a like for like basis.

The result is clear evidence of the power of our customer focused culture and business model and our team's strong asset management and development skills. It is also a reflection of the business operating slightly higher up the risk curve than we have traditionally operated, as a result of the scale of development opportunities arising from our strong partnerships with local authorities, NHS Trusts and academic institutions. It was clear that in order to continue to deliver on our partnerships and to seize the competitive advantage that we had created in the high growth Science and Technology arena, whilst at the same time reducing the risk, we would have to bring an equity partner into part of the business. We are really pleased to have brought Legal and General Capital (LGC) in as a 50:50 partner in our science and technology business (SciTech). This has halved our development exposure and reduced our group financial gearing to 45% loan to value whilst bringing in a partner that shares our vision and values and enables us to grow SciTech from a £330m property business today to a £3bn business over the next 10 years.

The record profits this year are entirely down to revaluation growth as a result of the level of development activity that we have been undertaking. The fact that we develop to hold, rather than develop to sell means that the efforts of our development team are reflected in revaluation rather than gross profits, and as a prudent, privately owned company, much of the excess interest and overhead incurred on development is expensed to the profit and loss account rather than being capitalised. That said, half of the reported value-add arose in the SciTech portfolio, and by LGC buying in at a level in excess of Net Assets, this has effectively been realised in cash.

Due to the sharing of our development pipeline with LGC, and the deleveraging of the business that has taken place, although our overall result in 2019 will not be quite as spectacular as £116m, the underlying profit prior to revaluation will deliver a healthy surplus. Profit will also be boosted by the expiration (in October 2018) of £175m of historical costly interest rate swaps and the fact that our five key developments which completed in late 2017 / early 2018 are now all fully let and income producing. The operating losses at Alderley Park will also fall further as the site continues its five year transformation program.

Our financial results are, and will continue to be, impacted by the dynamics of both the markets in which we operate and of the relative performance of our business in those markets. I am as confident as ever of the latter as our experienced and committed team of people continue to improve our customer proposition and the efficiency of our operations.

Our business is set against a backdrop of change and uncertainty in the wider world. As well as unprecedented levels of disruption in many areas of life driven by rapid technological and digital developments, the political and economic uncertainty related to Brexit continued through 2018 and it looks set to over the coming months. While we are not yet seeing a major impact of Brexit on the regional property markets or the majority of businesses in our regional cities, we will not be complacent. We will continue to look to disrupt, developing new models that shape markets and meet the needs of new sectors, ways of living and working and the opportunities that come with these. We will continue to focus on the needs of our customers and the success of our cities in a global marketplace. We believe this is the best way to navigate the choppy waters ahead.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

For the Year Ended 30 September 2018

We continue to engage deeply with the regional cities where we operate, helping to shape as well as deliver their growth strategies. As a member of the Northern Powerhouse Partnership Board, in our many roles in City leadership and as an active partner to academic, clinical and local government institutions we continue to make the case for investment in infrastructure, skills and research and development. This is a critical backbone to the success of the North and Midlands and the rebalancing of the economy that is required.

With 10 year gilt rates still hovering around 1.2%, and equity yields just shy of 4%, property still looks sensibly priced, with prime yields just below 5% and the average valuation yield of our portfolio being around 8%. We are however very mindful of the uncertain political and economic environment, especially with Brexit on the horizon. Whilst the fundamentals of our local markets still remain in favour of the property owner, with demand for space continuing to exceed supply, we will continue to play our part in addressing this imbalance whilst preparing ourselves for any potential turbulence ahead. Following our Joint Venture deal, the group is well positioned to not only ride out any storms that lie ahead, but also take advantage of the opportunities that this would bring.

The strategic sale of non-core assets continues to form a part of our business plan, allowing us to optimise our portfolio as we grow by recycling capital to fund our development pipeline. We do, however, remain long term holders of our core investment portfolio.

The ability to attract, retain and expand customers is due in part to our constant investment in both product and service. In 2018 the group invested £19.3m in refurbishment and capital improvement projects across the existing investment portfolio and a further £49.0m in development schemes.

Union, opposite Manchester Town Hall, was the key development which completed in 2018 in our core market. In parallel we expanded our serviced office offer at Neo and 111 Piccadilly with plans for further evolution of our core products and opened our exciting new retail and leisure pop up 'Hatch' on Oxford Road next to Manchester Technology Centre and Circle Square. Our development schemes that completed in 2017 - Neo, Platform in Leeds and Comerblock in Birmingham are all fully let or in legals demonstrating the strength of our product offer in these markets. We have opened Tech Incubators at Platform and Manchester Technology Centre this year which offer coworking space and bespoke programmes of business support to entrepreneurs and start-ups from the digital technology and creative sectors and both have seen exceptional take up with MSP's Tech Incubator at MTC 89% let 6 months after opening. Strong progress has been made at Alderley Park, with 200 life science and biotech businesses on site, the sale of 'Parklands' to Royal London Group, the redevelopment of Glasshouse providing a full product mix for tech companies and other forward thinking businesses and work to create a new sports complex.

At Manchester's Oxford Road construction commenced on Citylabs 2.0 (92,000 sq ft) in December 2018. This has been 100% pre-let to global molecular diagnostics company Qiagen and will become a globally-leading genomics campus for innovation, translational science, precision medicine and molecular diagnostics creating over 1,500 high value jobs over the next decade. Further along Oxford Road at Circle Square - our joint venture with Select Property Group to create a new city centre neighbourhood - work commenced on the construction of Bruntwood's first two commercial buildings on the site. Also on Oxford Road the University Green retail scheme, part of the Alliance Manchester Business School redevelopment, completed and opened fully let.


In March 2018, Bruntwood acquired Innovation Birmingham Campus, the region's leading location for digital technology businesses. This strategic acquisition allows us to begin to create, with partners, an Innovation District in Birmingham. In April 2018 we acquired the former Kellogg's building in a Joint Venture with Trafford Borough Council and will be transforming this iconic building into an education facility as part of the University Academy 92 Campus being led by Gary Neville.

CHIEF EXECUTIVE'S REPORT (CONTINUED)
For the Year Ended 30 September 2018

We are very grateful for the continued support of our funders: RBS, Barclays, Santander, HSBC, Lloyds, Aviva, Legal and General, the NW Evergreen Fund and all the investors in our Retail Bond. The strength, depth and breadth of these 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. Our ability to recycle capital raised from asset disposals and the value added to our investment and development portfolios enabled us to continue to invest in our core product and thrive.

Looking forward, the group is well placed, with a strong balance sheet, a business model and evolving product aligned to the needs of its customers and a strong portfolio both geographically in the significant regional cities and also one that is increasingly focussed on the growth sectors of tomorrow.

The biggest source of Bruntwood's competitive advantage is our people, and the greatest source of my personal motivation remains the culture we have together built in the business. Our team of over 800 people work tirelessly in pursuit of our purpose of Creating Thriving Cities and live by the values that are the absolute foundation of our brand.

A handwritten signature in black ink, appearing to read 'Chris Oglesby', written over a large, stylized capital 'G' that serves as a background for the signature.

C G Oglesby - Chief Executive Officer

19 December 2018

STRATEGIC REPORT
For the Year Ended 30 September 2018

BUSINESS OVERVIEW

Bruntwood is a leading regional property investment, development and management company driven by an overarching aim of creating thriving cities. This business has an enduring focus on its “3Cs” - its Colleagues, Customers and Communities and deep rooted values. It increasingly operates through partnerships with civic, academic, commercial and third sector organisations.

The company owns over 100 properties in the city regions of Manchester, Liverpool, Leeds and Birmingham, providing office, retail and laboratory space plus related services. The group offers all sizes of accommodation from virtual, co-working, serviced and managed offices through to more traditional lease arrangements. Bruntwood is continually evolving its product and service offer to meet the changing needs of businesses in our markets and to support the growth of the UK’s regional cities. A major focus of this evolution has been in providing facilities for science and technology businesses within strong innovation eco-systems and partnerships with academic and clinical institutions.

Over its 42-year history, the group has developed a proven business model based on an innovative approach to property development combined with a single minded focus on the needs of the customer. Bruntwood develops, lets and manages all its own properties, allowing it to control the whole experience to make sure it meets customers’ expectations at every stage. The business in-sources as many functions as it can and in particular those with a customer facing element. This is an important part of the business model and drives greater insight, better delivery and more targeted support for our customers.

By owning a concentrated portfolio in markets where ownership is otherwise fragmented, Bruntwood benefits from better market knowledge when sourcing buildings, a better understanding of customers’ needs when designing developments, a strong position in the leasing market and economies of scale when managing and maintaining the portfolio. The delivery of these areas by in-house teams results in a flexible and personal service offer, which in turn results in customer retention rates vastly exceeding the national average.

The relationships developed in the cities where we operate have enabled the business to move into new markets. The company is increasingly investing in facilities and eco-systems to support science and technology businesses that want to access the research and talent from academic and clinical institutions. Manchester Science Partnerships, of which we are the majority shareholder, has proven the value of and demand for these types of facilities. Throughout 2018 we continued to expand this offer in Leeds, creating the Leeds Tech Hub in Platform and in Birmingham, through the acquisition of Innovation Birmingham and the development, working with partners, of a masterplan for a Knowledge District. At the end of September 2018 the business entered into a 50/50 joint venture with Legal and General Capital (LGC) - Bruntwood SciTech - to create a platform for the further growth of this business in our existing cities and in new areas. The intention is to grow this from the existing £330m property portfolio to nearly £3bn over 10 years, half of which will come from already secured opportunities.

At the end of the year the group and joint venture employed over 800 people to provide management services and support to all Bruntwood companies. Over 100 of these people have been with the business for more than 10 years. Other than our 50/50 joint venture Bruntwood SciTech and its subsidiaries, all companies within the group operate under unified management and control and are owned by the Oglesby family.

STRATEGY

The longer term strategy of the group remains to increase the supply of offices and laboratories in core markets to more than 10m sq ft, deploying both capital and resource in acquiring and developing property to complement the existing business model. The progress made on each of our development projects and the partnership with LGC means we are on track to deliver our growth targets.

The business operates most effectively with c15% of the portfolio in development at any one time, providing the space its growing customers require and at the same time providing capital returns to supplement the income performance of our existing multi-let property. The close partnerships that we have forged with Local Authorities, Education institutions and Health Trusts has meant we have a very strong pipeline of development opportunities which have continued to emerge such that we were predicting to be operating closer to 15-20% development activity over the next 2-3 years. Bringing LGC into the SciTech portfolio has shared the development pipeline, not only halving the risk, but also helping to deleverage the business via the repayment of debt. This provides a strong platform for the growth of both our core commercial office offering and our science and technology asset base.

STRATEGIC REPORT (CONTINUED)

For the Year Ended 30 September 2018

STRATEGY (CONTINUED)

We will also continue to look at ways in which we can recycle our equity by realising certain assets that are non-core, have options for alternative use, or where they are largely single let to customers who are largely interested in only a transactional relationship.

The strategic priorities for the company are:

Growing and investing well

The business will continue to grow in terms of the overall scale of the portfolio and the cities in which we operate. The partnership with Legal and General Capital - Bruntwood SciTech - is focused on creating a thriving network of innovation districts building on our existing assets, experience and the opportunity cities and universities want to exploit in commercialising their R&D assets. Bruntwood Works which brings together responsibility for core assets across all our regions will continue to focus on growing this portfolio of buildings, clusters and locations, providing workspace for forward thinking businesses from all sectors. The business will continue to evolve this product offer and strengthen the sense of community between our customers.

Creating brilliant spaces and places

The business will continue to innovate and evolve its offer to meet the needs of our customers. This goes beyond the traditional focus of property companies on bricks and mortar but recognises the critical importance of the whole customer experience and the opportunity to create communities within our spaces. There is a major opportunity for the 3,000 businesses customers and 50,000 individuals in our buildings to connect to each other and become part of a broader community. The business is supporting this with the Collective which curates a programme of events and an online platform for collaboration.

Supporting our cities

Bruntwood will continue to align our business' strategy with those of the cities in which we operate and, through the communities in our buildings, enable our customers to do the same. The business will engage in shaping strategies as well as delivering them. Investing in arts, culture, sport, health and the future talent in our communities is at the heart of the Bruntwood values.

Working smarter

The business is continuing to implement new systems and processes to improve the way we work and so we can improve the support for customers. We are also focused on improving productivity in lower paid roles in order to start to close the equality gap.

Strengthening our culture

We are continuing to build on the company's strong culture, deepening the engagement of our 800+ colleagues through increasing their connection with the company's purpose of creating thriving cities, developing the skills to be able to meet the challenges of the fast moving world and through creating a greater sense of autonomy in all roles.

The primary operating risks for the group centre around the micro economic supply and demand drivers affecting the markets in which it operates. These are primarily the level of customer demand for commercial property (which in turn is dependent 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. With demand and supply in a more balanced position than the business has ever seen, headline rents continue to inflate and concessions have reduced in the past year, with encouraging signs that this will continue. The main caveat is the potential impact of the Brexit negotiations and Geo-political uncertainty on UK GDP and subsequent demand for property, however with low interest rates and the supply and demand in balance, our markets look well set to withstand any future challenges from macro factors.

STRATEGIC REPORT (CONTINUED)

For the Year Ended 30 September 2018

STRATEGY (CONTINUED)

The directors consider the group's concentration of offices in strategic city regions to be one of its key strengths. The group has 42 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 42 year history.

75% of the group's borrowing facilities have three or more years until expiry. 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.

The tax charge in the year of £9.4m on profits of £116.3m results in an effective tax rate of 8.12%, which is considerably lower than the main rate of corporation tax at 19%. The main contributor to the reduced rate is the impact of indexation allowance and capital losses offsetting profits generated through capital disposals.

REVIEW OF THE YEAR

Financial highlights for the year ended 30 September 2018 are:

- Profit before tax increased 62% to £116.3m (2017: £71.6m)
- Shareholders Funds increase of 11% to £570m (2017: £513m)
- Turnover up 5% to £137.7m (2017: £131.5m)
- Gearing falling to 45% (2017: 50%)

The group has had another very successful year across all of our core markets with over 1,350,000 sq ft of leasing transactions taking place in the period and new sales and customer expansions of 690,000 sq ft. The group secured over 70% of customers at break or expiry.

The ability to attract, retain and expand customers is due in part to our constant investment in both product and service. In 2018 the group invested £19.3m (2017: £17.1m) in refurbishment and capital improvement projects across the existing investment portfolio, with a further £49.0m invested in development schemes. The directors continue to review ways in which the group can meet the changing occupational requirements of our customers and develop property which can satisfy different business sectors.

Union, opposite Manchester Town Hall, was the key development which completed in 2018 in our core market, creating 60,000 sq ft of office space which will be fully let once the deals currently with solicitors complete. A full floor has been taken by the Barclays flagship Manchester Eagle Lab partnership. The 8,000 sq ft Lab, laid out over two floors, incorporates a brand-new café, an 80-seat auditorium, co-working and breakout space at street level and a combination of private offices, meeting rooms and breakout spaces on the first floor. Created as a space for businesses and ambitious entrepreneurs to scale and grow their ventures, and to innovate by adopting cutting edge technologies, the Manchester Eagle Lab is the seventeenth launched by Barclays, following successful sites in locations including London, Liverpool, Cambridge and Cardiff. The Eagle Lab also acts as the Manchester base for Barclays' Digital Eagles community activity.

STRATEGIC REPORT (CONTINUED)

For the Year Ended 30 September 2018

REVIEW OF THE YEAR (CONTINUED)

This year our refurbishment in Birmingham of a nine storey 1980s building on Cornwall Street, now renamed Cornerblock, was officially launched and subsequently recognised with a Renaissance Award from Birmingham Civic Society. The award recognises successful conservation and renovation projects across the community which help to give old buildings a new lease of life. The £14m project, carried out in conjunction with Glenn Howells Architects, resulted in Cornerblock being the first office building in Birmingham to receive an A-rated energy performance certificate (EPC). This, combined with excellent modern facilities, has proved attractive; Cornerblock is fully let, with customers including design consultancy Arcadis, law firm Slater and Gordon, and HS2 contractor Fusion JV.

Platform launched in 2018, taking eight years from acquisition of the property in 2010 to the launch. Always intended to play an important role in the wider digital ecosystem of Leeds, the development received local authority support, reflecting its importance for strategic priorities in the city. Just nine months after the launch of Platform, the building was 95 per cent let, significantly, a number of businesses new to the area have chosen Platform as their first step into the city. As a result a variety of nominations for awards have been received including commercial development of the year at the Insider Yorkshire Property Industry Awards and a Game Changer Award at the Yorkshire Property Awards. A tech incubator opened at Platform in the year offering coworking space and bespoke programmes of business support to entrepreneurs and start-ups from the digital technology and creative sectors. The incubator will support the creation of over 1000 new jobs over the next 10 years, helping to grow Leeds' burgeoning digital tech sector, with 70 businesses already making the Platform Tech Incubator their home.

The group's serviced office business made another positive contribution this year with occupancy levels across the 14 centres closing at 72%. Additional expansions were delivered at Neo and 111 Piccadilly, where our ability to innovate our product saw high levels of take up and supports our expectation of continued growth in co-working and demand for stylish flexible workspace, with significant further investment planned in a number of legacy centres in 2019.

Planning approval was granted in October 2017 for 'Hatch', an exciting new retail and leisure pop up destination, which is now open under the Mancunian Way on Oxford Road, next to Manchester Technology Centre and Circle Square. Hatch offers a range of pop-up retail, food and drink shipping containers designed to attract aspiring entrepreneurs and established traders looking to try something new. Flexible and affordable licenses are offered as well as additional support, from business planning right the way through to delivery.

This year saw a change in the management structure within property services to help support the group's strategy of developing a full service proposition to customers. This has helped to support our growth, with Property Services turnover (including service charge, utilities and projects delivery income) increasing by 10% to £47.5m and delivering a profit of £2.3m. Included within these results is significant growth in the delivery of project services, where our teams delivered £11.5m worth of projects compared to £10.0m in the prior year. There is further growth represented by the service charge offering where turnover has grown by £2m where we are providing services to more sites through the group acquisitions. This is expected to grow throughout 2019 through the expansion of services provided to Bruntwood SciTech.

Combined occupancy across the two Oxford Road Corridor campuses (Manchester Science Park and Citylabs) is 87%, following its launch in 2017 the 70,000 sq ft Bright Building at Manchester Science Park is fully let to some of the region's leading science and technology companies, including the recently expanded BAFTA-winning facial animation software company Cubic Motion. The Bright Building is also home to Mi-IDEA (Manchester Inspired - Innovation Digital Enterprise Alliance) - a post-accelerator programme and co-innovation ecosystem delivered in partnership between Manchester Science Partnerships (MSP) and Cisco. Mi-IDEA provides support to SMEs working within IoT, Smart Cities and Digital Health. In May MSP announced its advanced energy storage strategy and deployed its first phase with a Tesla Powerpack Battery at Manchester Science Park. The installation will substantially reduce the campus' carbon footprint through wider use of renewable energy and will enable the Bright Building to be taken 'off grid' and become an 'energy island' within 12 months.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2018

REVIEW OF THE YEAR (CONTINUED)

This year also saw the launch of MSP's Tech Incubator at Manchester Technology Centre, part of Circle Square. The Incubator, delivered in partnership with Manchester Digital and Complete Resourcing, supports entrepreneurs and early phase data science and digital technology innovation companies to scale and grow through a specialist programme of business support including access to finance, talent, markets and mentorship. The Incubator was 89% let within 6 months of launch to some of the regions most innovative and disruptive tech businesses including Ai Patient, Blockrocket and Wakelet.

Construction commenced on Citylabs 2.0 (92,000 sq ft) in December 2018. Located on the Manchester University NHS Foundation Trust (MFT) campus in the heart of Manchester's Oxford Road Corridor, Citylabs 2.0 has been 100% pre-let to global molecular diagnostics company Qiagen. Due for completion in 2020, the £60m expanded Citylabs campus will become a globally-leading genomics campus for innovation, translational science, precision medicine and molecular diagnostics and will create over 1,500 high value jobs over the next decade; adding over £150m to the Manchester economy and helping to transform the lives of over 3m citizens through access to new tests and targeted treatments developed through pioneering research. The extension to the campus will also see a continued operational joint venture partnership between MSP and MFT. Bruntwood will provide a range of services including planning and construction advice and design services.

At Alderley Park, there are now over 200 life science and biotech businesses based in the Mereside campus and it continues to develop its scientific services offering including Nuclear Magnetic Resonance (NMR), Open Access Lab, Oncology and Imaging services which launched this year.

Elsewhere on the site, strong progress has been made with the development of the masterplan; a further plot of land for residential development was sold to Bellway during the year for gross proceeds of £14.2m which has been directly reinvested into the development of the life science facilities at the Park. The sale of 'Parklands' the 100,000 sq ft commercial office building was also announced to Royal London Group for £15.4m. Work is underway to expand the building which will be home to over 1,200 people when complete in 2020.

The £29m redevelopment of Glasshouse (150,000 sq ft) continues and when launched in summer 2019 will offer high specification workspace to tech companies and forward thinking innovative businesses, providing co-working, serviced, managed and leased space options. Work has also commenced on the new 20,000 sq ft sports complex which will include a health and fitness studio and sports hall along with three tennis courts, and which will provide additional amenities to customers and the local community.

The pace continues at Circle Square - our joint venture with Select Property Group to create a new city centre neighbourhood in the heart of Manchester's Oxford Road Corridor innovation district. The signing of a £96m build contract with Sisk saw the commencement of the construction of Bruntwood's first two commercial buildings on the site. The 235,430 sq ft No 1 Circle Square and the 155,317 sq ft No 2 Circle Square are both due for practical completion in June 2020 and both have very strong pre-let interest from leading digital tech businesses. Strong progress is also being made with the letting of the 100,000 sq ft of retail space along with the development of the 1,040 space car park, 150 bed hotel and 250,000 sq ft of public realm. Elsewhere on the site, Select Property Group are progressing with the development of a third VITA student building, bringing the total number of student homes in the neighbourhood to 1,100, and a new private rented sector development which when complete will offer a total of 683 new homes at Circle Square.

Further progress was made with Phase 1 of Didsbury Technology Park, with the 20,000 sq ft building due to complete in January 2019 already 50% pre-let to the Spire's Orthopaedic team and with strong interest on the remaining 10,000 sq ft in the pipeline.

Our 40,000 sq ft University Green retail scheme, part of the re-development of the Alliance Manchester Business School completed and opened this year. Fully let on completion, retailers include Utility, Mowgli, Takk and Five Guys adding much needed retail and amenity to the Oxford Road Corridor.

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2018

REVIEW OF THE YEAR (CONTINUED)

In March 2018, Bruntwood acquired Innovation Birmingham Campus, the region's leading location for digital technology businesses. Home to a thriving community of over 170 digital tech businesses, the Campus provides opportunities for innovators, entrepreneurs and investors looking to develop or fund innovative digital start-ups with high growth potential. Totalling 113,000 sq ft across three buildings - iCentrum, Universities Centre and Faraday Wharf, the Campus and its community of over 1000 techies is at the centre of Bruntwood's ambitious plans for the development and growth of additional science and technology space in the city.

In April 2018, Bruntwood acquired the former Kellogg's building through a joint venture partnership with Trafford Borough Council. As lead developers we are regenerating the iconic building on Talbot Road, Old Trafford into educational space. Since acquiring the building earlier in the year, work has continued at pace for the University Academy 92 (UA92) campus. UA92 is an initiative led by Gary Neville and The Class of 92'. The higher education institution is due to open its doors in September 2019 and will offer degrees in media, business and sport and has the backing of Lancaster University, Microsoft, Trafford Borough Council and Trafford College.

A significant portion of the exceptional loss in our accounts relates to the development and sale of the Alliance Manchester Business School Hotel which encompasses the 212 bed Crowne Plaza Hotel and 116 studio one bedroom Staybridge Suites. The disposal price was agreed in a different economic environment which was underpinned by a fixed price build contract. Unfortunately a number of challenging factors, including the collapse of the main contractor followed by variations and significant cost inflation led to significant cost overrun. We'd particularly like to thank Lloyds, who provided the development finance for their support on this project. In this project, we demonstrated our ability, desire and commitment to see all projects through no matter how difficult.

In addition to the disposals on the Alderley Park site, the group completed the sale of two investment properties during the year: Arden Business Park and 16 Queens Avenue (part of Queen Insurance Buildings) for combined proceeds of £1.8m.

FUTURE OUTLOOK

The balance sheet within the financial statements shows that the group's net assets were £570m at 30 September 2018 (2017: £539m). It must be noted that the 50% disposal of Bruntwood SciTech to LGC means that this entity and its subsidiaries are now accounted for on an equity basis rather than a controlled basis. The result is that we no longer carry any non controlling interests on the balance sheet. The increase in Shareholder Funds (which excludes assets attributable to non-controlling interests) is therefore a like for like comparison. These have risen by 11% to £570m at September 2018 (2017: £513m)

Our property portfolio increased to £1.3bn during the year, up from £1.1bn last year, this is a great result in an environment where valuation yields have been largely flat and is due to the strength of our asset management and development expertise. The accounts do not show this figure as SciTech's properties are now accounted for within investment in Joint Ventures following the disposal of a 50% interest on the 29th September 2018.

Demand for Bruntwood's product and services remains strong and at the date of this report the business has over 198,000 sq ft of new deal transactions, of which 100,000 sq ft has exchanged or been instructed by solicitors. Additionally, the business has in excess of 200,000 sq ft of renewal and regrant transactions of which 106,000 sq ft has exchanged.

At Alderley Park a £10m investment has additionally been made in the development of over 50,000 sq ft of new laboratory space. Due for completion Spring 2019, this development will be followed by the creation of a further 100,000 sq ft of larger laboratories ranging up to 15,000 sq ft. Overall, demand from potential new customers for Alderley Park remains strong with approximately 90,000 sq ft of lettings in the pipeline and a further 22,000 sq ft of demand from existing customers looking to expand.

STRATEGIC REPORT (CONTINUED)

For the Year Ended 30 September 2018

FUTURE OUTLOOK (CONTINUED)

Since launching, Hatch has generated amazing feedback from consumers and customers. Building on this feedback, the positive placemaking impact and its ability to incubate ideas, planning was obtained in 2018 to expand. Phase 2 will see Hatch extend from the current courtyard area, through underneath the Mancunian Way. An additional 18 units will be added, taking the total to 29. There will be an exciting mix of food & beverage and retail units together with shared spaces to host the vibrant and imaginative events programme.

Via both the joint venture partnership with Legal and General Capital, and completion of the aforementioned schemes the business expects further growth in future years.

EMPLOYEES

The group employed an average of 715 people during the year ended 30 September 2018 (2017: 642). Further details of employment costs can be found in the notes to the financial statements.

During the course of year, the People and Talent team focussed much of its resources to supporting the business' overall strategic plans and activity.

In March, the team along with key members of the Executive team, began an integration and onboarding programme with the new team members joining from Innovation Birmingham. The TUPE and integration process ran through the summer and was delivered alongside the overall Bruntwood group restructure that supported the introduction of Bruntwood Works and Bruntwood SciTech.

A focus on the ongoing development of our existing talent continued. In February, we launched Bruntwood Heroes celebrating colleague stories where they have gone above and beyond in helping customers, communities and other colleagues. A new approach to performance management was introduced in April 2018 along with the ongoing progress of the senior leadership team forums and 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), in line with our development & collaboration principles. The impact of our development & collaboration programme has had on the business was subsequently recognised by the Chartered Institute of Personnel Development following a nomination for best Learning & Development initiative.

This year also saw a renewed focus on developing our talent pipeline of the future. In August 2018 we hosted the first ever Bruntwood Insight Week. Open to colleagues' friends and families, it provided a great insight into the workplace environment through a week of networking, solving real workplace challenges, reflecting on current skills and considering areas for development.

Taking this to the next level, in September, we welcomed our first degree apprenticeships through our partnership with the University of Salford to launch a new degree apprenticeship programme – providing training and development opportunities for the next generation of property professionals in parallel to the academic side. And we continued to provide young people support through our 'Cares' days (providing mentoring and coaching support) and through a range of work experiences across the Bruntwood portfolio.

Corporate and colleague communications continued to develop in 2017 / 2018 through the increasing use of Universe as well as dedicated communications campaign to support the likes of the restructure, Union move and Project Connect. Generally, business-wide updates have also increased in frequency including external activity round-ups, monthly CEO updates and monthly customer activity summaries.

Finally, in August 2018, we confirmed the businesses new employee value proposition, employer brand and values. The values, along with a refreshed purpose, are the latest iteration of how things are done at Bruntwood and will form a critical part of the ongoing work to develop our culture. Supporting that, is our employee value proposition and employer brand. "Shape Your World" sets out what existing and future colleagues can expect from working at Bruntwood, tied in with our employer brand, it will help keep talented colleagues and attract and develop our future pipeline. The updated purpose and values, along with our employer brand, were soft-launched at the business' all-colleague event in November (Thrive 2018).

STRATEGIC REPORT (CONTINUED)
For the Year Ended 30 September 2018

EMPLOYEES (CONTINUED)

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 2018 the cumulative value amounted to £3.6m (2017: £2.6m).

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. 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 company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

ENVIRONMENT & SUSTAINABILITY

Bruntwood, as a family-owned and run business, is committed to making a difference in the communities they operate in. Each year Bruntwood and the family shareholders donate a figure of 20% 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 £4,604,000 (2017: £4,789,000). The activities supported range across a wide area and all aim to have a real impact on communities and to raise the quality of life in them. Included are projects based around the environment, the arts, medical research, education and tackling social inequality.

Every year the Bruntwood group donates to environmental, arts and charity organisations to make a positive change to the cities we operate in. We support activity that can really make a difference, from investing in climate change research and reducing carbon emissions to encouraging new writing talent and fundraising for local charities.

We are currently revisiting our overarching sustainability strategy and part of that work will involve introducing new carbon targets for 2018 onwards. This year Bruntwood were the first commercial property company to join the UK Green Building Council's Net Zero Carbon Commitment and dedicated to achieve a zero carbon future through multiple pledges, including becoming an accredited Gold Standard Low Carbon Company and achieving the ISO50001 Energy Management Standard.

The group's long term partnerships with a wide range of innovative and ambitious arts organisations, including The Bruntwood Prize for Playwriting and Manchester International Festival, are helping to add to the vibrancy of the cities we operate in by providing a platform to showcase new creative talent. Each year Bruntwood staff raise money for its nominated charities and also donated over 2,300 hours, a 15% increase compared to 2017, to volunteering in the local communities. All of this is done because it's the right thing to do and because it is essential that the cities and communities in which the business operates continue to prosper.

APPROVED AND SIGNED ON BEHALF OF THE BOARD:



C G Oglesby - Chief Executive Officer

19 December 2018

REPORT OF DIRECTORS

For the Year Ended 30 September 2018

The directors present their annual report and the audited financial statements for Bruntwood Group Limited for the year ended 30 September 2018.

Further information on the operations of the Bruntwood Group ("the group"), its approach to customer service, facilities management and the environment can be found on our website at www.bruntwood.co.uk.

GOING CONCERN

After making enquiries, the directors believe that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

RESULTS

The results for the year can be found on the consolidated profit and loss account (page 18) and are discussed in the Strategic Report on pages 5 to 12.

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 financial risks of the group are managed and controlled on a unified basis. The group's use of derivative instruments is disclosed in note 23 to the financial statements. Hedge accounting for derivatives is not adopted.

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 5 to 12.

DIVIDENDS

A dividend of £40.0m (2017: £4.3m) was paid during the year.

REPORT OF DIRECTORS (CONTINUED)
For the Year Ended 30 September 2018

FIXED ASSETS

During the year the group disposed of three properties: Arden Business Park, 16 Queen Avenue (part of Queen Insurance Buildings) and Parklands on the Alderley Park site for combined proceeds of £18.2m; the carrying value of these properties amounted to £14.0m. Additionally, the group disposed of two portions of land on the Alderley Park site for combined proceeds of £17.2m, the carrying value amounted to £13.7m. On 29th September 2018, fixed assets with a carrying value amounting to £335m were disposed of when Bruntwood Limited sold 50 percent of its 100 percent interest in the ordinary share capital of Bruntwood Scitech Limited. Property valuations increased by £127.4m (2017: £54.3m) taking the total value of investment property and associated fixtures to £936m (2017: £1,098m). Further details of movements in fixed assets are detailed in the fixed asset note.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2017 to the date of this report.

M J Oglesby

C G Oglesby

K J Vokes

DIRECTORS' INDEMNITIES

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

HEALTH & SAFETY

Across the Bruntwood 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.

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 - Chief Executive Officer 19 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT
For the Year Ended 30 September 2018

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 the group and of the profit or loss of the group 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 30th September 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise: the 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 29.

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

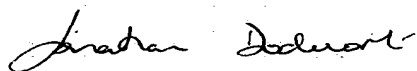
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

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 (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Manchester

United Kingdom

19 December 2018

BRUNTWOOD GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
TURNOVER	3	137,653	131,522
Cost of sales		(77,598)	(73,581)
Share of results of joint ventures		<u>226</u>	<u>(155)</u>
GROSS PROFIT		60,281	57,786
Administrative expenses		<u>(35,964)</u>	<u>(27,953)</u>
GROSS PROFIT NET OF ADMINISTRATIVE EXPENSES		24,317	29,833
Gain on revaluation of investment property		127,377	54,261
Gain on interest rate derivatives		5,986	6,549
Loss on revaluation of listed investments		(308)	(1,224)
Other exceptional (loss) / profit	6	(12,023)	2,523
(Loss) / profit on the sale of investment properties	6	(105)	6,038
PROFIT BEFORE INTEREST AND TAX		<u>145,244</u>	<u>97,980</u>
Net interest payable	7	<u>(28,913)</u>	<u>(26,357)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>116,331</u>	<u>71,623</u>
Tax charge on profit on ordinary activities	8	(9,443)	(911)
PROFIT FOR THE FINANCIAL YEAR		<u><u>106,888</u></u>	<u><u>70,712</u></u>
Total comprehensive income for the year attributable to			
Non- controlling interest		9,208	2,168
Equity shareholders of the company		<u>97,680</u>	<u>68,544</u>
		<u><u>106,888</u></u>	<u><u>70,712</u></u>

CONTINUING OPERATIONS

All of the above relate to continuing operations.

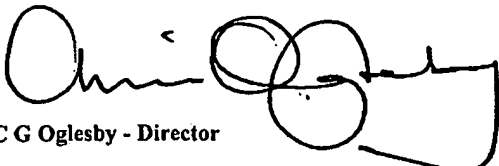
There are no items of other comprehensive income in the current or prior year and therefore no separate statement of comprehensive income has been presented.

BRUNTWOOD GROUP LIMITED

CONSOLIDATED BALANCE SHEET
 As at 30 September 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	11	118	153
Tangible assets	12	935,736	1,097,828
Fixed asset investments	13		
- Investment in Joint Ventures		104,280	-
		1,040,134	1,097,981
CURRENT ASSETS			
Debtors: amounts receivable within one year	16	64,482	74,757
Debtors: amounts receivable after more than one year	16	39,376	37,744
Current asset investments	17	-	1,271
Developments in progress	18	12,217	39,047
Cash at bank and in hand		14,046	16,375
		130,121	169,194
CREDITORS: amounts falling due within one year	19	(125,234)	(192,272)
NET CURRENT ASSETS / (LIABILITIES)		4,887	(23,078)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,045,021	1,074,903
CREDITORS: amounts falling due after more than one year	20	(459,559)	(512,926)
PROVISIONS FOR LIABILITIES	22	(15,327)	(22,998)
NET ASSETS		<u>570,135</u>	<u>538,979</u>
CAPITAL AND RESERVES			
Called up share capital	24	50,645	50,683
Share premium	24	1,491	1,304
Capital redemption reserve	24	11,489	11,390
Other reserve	24	(32,841)	(32,841)
Profit and loss account	24	539,351	482,631
SHAREHOLDERS' FUNDS		570,135	513,167
NON-CONTROLLING INTEREST	25	-	25,812
TOTAL CAPITAL EMPLOYED		<u>570,135</u>	<u>538,979</u>

The financial statements of Bruntwood Group Limited, company number 02825044, were approved by the Board of Directors on 19 December 2018 and were signed on its behalf by:



C G Oglesby - Director

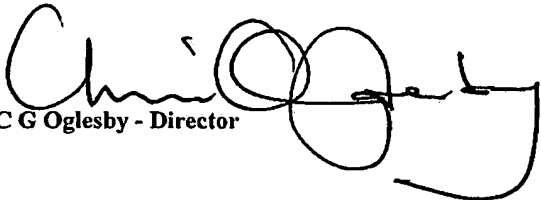
BRUNTWOOD GROUP LIMITED

COMPANY BALANCE SHEET
As at 30 September 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Investments	13	55,048	55,048
CURRENT ASSETS			
Debtors	16	16,296	36,244
Cash		<u>1</u>	<u>2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		71,345	91,296
CREDITORS: amounts falling due within one year	19	(7,503)	(742)
NET ASSETS		<u>63,842</u>	<u>90,554</u>
CAPITAL AND RESERVES			
Called up share capital	24	50,645	50,683
Share premium	24	1,491	1,304
Capital redemption reserve	24	6,351	6,252
Profit and loss account	24	5,355	32,315
SHAREHOLDERS' FUNDS		<u>63,842</u>	<u>90,554</u>

The profit for the financial year dealt with in the financial statements of the parent company was £14.0m (2017: loss £0.3m).

The financial statements of Bruntwood Group Limited, company number 02825044, were approved by the Board of Directors on 19 December 2018 and were signed on its behalf by:


C G Oglesby - Director

BRUNTWOOD GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2018

	Called up share capital £000	Profit and loss account £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Non- controlling interest £000	Total equity £000
At 1 October 2016	50,629	419,344	919	11,277	(32,841)	23,644	472,972
Profit for the financial year	-	68,544	-	-	-	2,168	70,712
Total comprehensive income	-	68,544	-	-	-	2,168	70,712
Dividends paid	-	(4,257)	-	-	-	-	(4,257)
Share buy back	(113)	(1,000)	-	113	-	-	(1,000)
Share purchase	167	0	385	0	0	0	552
At 30 September 2017 and 1 October 2017	<u>50,683</u>	<u>482,631</u>	<u>1,304</u>	<u>11,390</u>	<u>(32,841)</u>	<u>25,812</u>	<u>538,979</u>
Profit for the financial year	-	97,680	-	-	-	9,208	106,888
Total comprehensive income	-	97,680	-	-	-	9,208	106,888
Disposal of non-controlling interest	-	-	-	-	-	(35,020)	(35,020)
Dividends paid	-	(39,960)	-	-	-	-	(39,960)
Share buy back	(99)	(1,000)	-	99	-	-	(1,000)
Share purchase	61	-	187	-	-	-	248
At 30 September 2018	<u>50,645</u>	<u>539,351</u>	<u>1,491</u>	<u>11,489</u>	<u>(32,841)</u>	<u>-</u>	<u>570,135</u>

BRUNTWOOD GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2018

	Called up share capital £000	Share premium £000	Profit and loss account £000	Capital redemption reserve £000	Total equity £000
At 30 September 2016 and 1 October 2016	50,629	919	37,967	6,139	95,654
Loss for the financial year	-	-	(349)	-	(349)
Total comprehensive expense	-	-	(349)	-	(349)
Dividends paid	-	-	(4,303)	-	(4,303)
Share buyback	(113)	-	(1,000)	113	(1,000)
Share purchase	167	385	-	-	552
At 30 September 2017 and 1 October 2017	<u>50,683</u>	<u>1,304</u>	<u>32,315</u>	<u>6,252</u>	<u>90,554</u>
Profit for the financial year	-	-	14,000	-	14,000
Total comprehensive income	-	-	14,000	-	14,000
Dividends paid	-	-	(39,960)	-	(39,960)
Share buyback	(99)	-	(1,000)	99	(1,000)
Share purchase	61	187	-	-	248
At 30 September 2018	<u>50,645</u>	<u>1,491</u>	<u>5,355</u>	<u>6,351</u>	<u>63,842</u>

BRUNTWOOD GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
Net cash inflow from operating activities	26	19,640	5,712
Taxation (paid) / received		<u>(9,378)</u>	<u>284</u>
Net cash generated from operating activities		<u>10,262</u>	<u>5,996</u>
Cash flows from investing activities			
Purchase of investments		(847)	(726)
Investment in joint venture		(6,612)	-
Acquisition of subsidiary		(429)	-
Disposal of subsidiary		103,079	-
Disposal of development land		23,054	11,700
Disposal of tangible fixed assets		40,836	24,839
Purchase of tangible fixed assets		<u>(60,426)</u>	<u>(56,574)</u>
Net cash flows from investing activities		<u>98,655</u>	<u>(20,761)</u>
Cash flows from financing activities			
Share buyback		(751)	(448)
Net interest paid		(25,714)	(23,572)
Dividends paid		(39,960)	(4,257)
Repayment of short term loan		(24,253)	(16,256)
Repayment of long term bank loan		(2,847)	(1,915)
Repayment of medium term bank loan		(81,153)	(293,379)
Draw down of short term borrowings		3,258	-
Draw down of existing medium term loan		50,000	-
New short term borrowings		8,854	15,726
New medium term bank loans		-	199,450
New long term bank loans		-	114,900
Draw down of existing loans		2,500	9,405
Expenses incurred on loans		<u>(1,180)</u>	<u>(4,363)</u>
Net cash flows from financing activities		<u>(111,246)</u>	<u>(4,709)</u>
Net decrease in cash and cash equivalents		<u>(2,329)</u>	<u>(19,474)</u>
Cash and cash equivalents at beginning of year		<u>16,375</u>	<u>35,849</u>
Cash and cash equivalents at end of year		<u>14,046</u>	<u>16,375</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 30 September 2018

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 5 to 12.

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

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 5 to 12. 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 21 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 loans within the group's subsidiaries are subject to loan to value and interest cover covenant tests. These covenants have been met in the current financial year and the forecasts do not project any breaches. They show adequate levels of headroom within the interest cover tests and the LTV covenants. At year end the group had £14.0m of cash deposits. The group's forecasts and projections, taking account of a number of possible changes in trading performance and potential future economic uncertainty, show that the group should be able to operate within the level of the current facilities.

The directors believe that the group and parent company is well placed to manage its business risks satisfactorily taking all these factors into account the directors believe that the group and company have the resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018**1 ACCOUNTING POLICIES (CONTINUED)****Basis of consolidation**

The group financial statements consolidate the financial results of Bruntwood Group Limited and its subsidiary undertakings drawn up to 30 September 2018. 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. Transitional relief per Section 35 of FRS 102 has been applied in these financial statements in respect of business combinations effected prior to the date of transition.

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.

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. The goodwill arising on the acquisition of Innovation Birmingham Limited during the year ended 30 September 2018 has been released to the profit and loss account in full as the directors do not believe the goodwill to have a 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
- Motor vehicles 25% - 30% on reducing balance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018

1 ACCOUNTING POLICIES (CONTINUED)

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 received in respect of operational fixed assets are credited to a deferred income account and released to the profit and loss account over the useful economic life of the asset to which they relate.

Grants received on the construction of investment properties are credited directly to the cost of the asset. This treatment is not in accordance with Schedule 1 of the Accounting Regulations which requires grants to be treated as deferred income and amortised through the profit and loss account on a basis consistent with the depreciation policy. Investment properties are not depreciated and accordingly no basis exists on which to recognise the release of deferred income to the profit and loss account. The treatment has been adopted in accordance with section 404(5) of the Companies Act 2006 in order to show a true and fair view as, in the opinion of the directors, it is not appropriate to treat this grant as deferred income.

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.

Fixed asset investments

Fixed asset investments are shown in the accounts at cost less any provisions for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018

1 ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
For the Year Ended 30 September 2018

1 ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

1 ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

1 ACCOUNTING POLICIES (CONTINUED)

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 2018

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 2018 is £930m (2017: £1,091m). Further information can be found in note 12.

Developments in Progress

Amounts recoverable on long-term contracts which are included in debtors, are stated at the net sales value of the work completed less amounts received as progress payments on account. Recognition of revenue and profit on developments in progress is based on judgements made in respect of the ultimate profitability of a contract. Such judgements are arrived at through the use of estimates in relation to the costs and value of work performed to date and to be performed in bringing the contracts to completion. These estimates are made by reference to surveys of progress against the development programme, changes in scope, the contractual terms under which the work is being performed, including the recoverability of any unagreed income from variations and the likely external certification of the work performed. The group has appropriate control procedures to ensure all estimates are determined on a consistent basis and subject to appropriate review and authorisation.

Value of developments in progress as at 30 September 2018 is £12.2m (2017: £39.0m), Further information can be found in note 18.

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 2018

3 TURNOVER

	2018	2017
	£000	£000
Rental and related income	87,614	82,106
Service charge income	25,166	22,208
Property services income	13,981	13,631
Development income	6,546	6,466
Net development land disposal proceeds	938	7,111
Net Alderley Park investment property disposal	3,408	-
	<u>137,653</u>	<u>131,522</u>

During the financial year the group disposed of two portions of land on the Alderley Park site for residential redevelopment. On 29 December 2017 the group disposed of The Ride generating gross proceeds of £3.0m and on 22 June 2018 the group disposed of Heatherley Woods generating gross proceeds of £14.2m. In accordance with the contractual obligations of the s106 agreement related to the site, and the requirement to reinvest these proceeds into the site, net proceeds of £0.9m were credited to turnover to offset operating losses.

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

	2018	2017
	£000	£000
Directors' remuneration		
Emoluments	<u>709</u>	<u>771</u>

Remuneration of the highest paid director:

Emoluments	<u>488</u>	<u>494</u>
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	2018	2017
	£000	£000
Key management personnel remuneration		
Emoluments	<u>2,624</u>	<u>2,145</u>

The number of directors and key management personnel who:

Had awards receivable in the form of shares under a long term incentive scheme	<u>8</u>	<u>8</u>
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	Average	Average
	2018	2017
Number of persons employed (including directors)		
Administration and management	424	367
Customer service staff	291	275
	<u>715</u>	<u>642</u>

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

	2018	2017
	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	24,736	21,414
Social security costs	2,633	2,219
All Employee Share Ownership Plan	1,592	1,289
Executive Share Option Plan	3,362	2,861
Pension costs	846	678
	<u>33,169</u>	<u>28,461</u>

BRUNTWOOD GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

4 INFORMATION REGARDING DIRECTORS, KEY MANAGEMENT PERSONNEL AND EMPLOYEES (CONTINUED)

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.

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.

The company also runs an executive share option scheme, which provides for the granting of options for certain directors to acquire shares in Bruntwood Group Limited. The executive share option scheme requires that the group pays the intrinsic value of the share options at the date of exercise.

In respect of the above schemes the group has recorded liabilities at the intrinsic values of £8,009,987 (2017: £2,756,667) which are included in creditors due in less than one year (note 19) and £1,890,987 (2017: £1,422,755) which are included in creditors due in more than one year (note 20).

Under both share option schemes the fair value is determined by reference to the net asset value less an appropriate discount for a non controlling interest in a private company.

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018 £000	2017 £000
Profit on ordinary activities before taxation is stated after (charging)/crediting:		
Depreciation	(2,032)	(1,278)
Amortisation of intangible assets	(35)	(35)
Rent paid on operating leases	(900)	(858)
Increase in market value of share options	5,725	4,732
Loss on disposal of fixed assets	(176)	(16)
Gain on revaluation of investment properties	127,377	54,261
Gain on interest rate derivatives	5,986	6,549
Loss on revaluation of listed investments	(308)	(1,224)
(Write down) / write back of receivables	(171)	150
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	9	9
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	294	216
Non-audit fees		
- Other non-audit fees	448	203

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

6 EXCEPTIONAL (LOSS) / PROFIT**Loss on sale of hotel development**

The MBS Hotel project reached completion on 7 August 2018. This was a forward sale contract for the construction and disposal of a Hotel to an external buyer. Bruntwood Construction Limited acted as main contractor under a design and build contract, having stepped in after the original contractor went into administration. The total loss on the project currently stands at £17.4m, with £14.2m of this being recognised in the year ended 30 September 2018, with the balance recognised in prior years. The total loss comprises the actual current loss (recognised from amounts billed less current costs incurred), plus further provisions for claims associated with the project which are yet to reach a resolution.

A provision of £2.7m has also been included within the accounts in relation to a twelve year contractor warranty provision which Bruntwood Construction holds on the Hotel. The provision has been calculated based on our internal experts' estimate of probability of defect arising and possible cost to rectify, giving a total loss recognised in the accounts for the year ended 30 September 2018 of £16.9m.

Write off service charge major projects balances

During the year the group reviewed the recoverability over a five to ten year period of service charge major project balances held on the balance sheet. Following this review the group has written off £6.2m of major project deficit balances deemed not recoverable from customers at 30 September 2018.

Profit on sale of subsidiary undertakings

On 29 September 2018 the group sold 50 percent of its 100 percent interest in the ordinary share capital of Bruntwood Scitech Limited (formerly Bruntwood 2000 Limited), generating a profit on disposal of £11.1m. Further information is given in note 15.

Loss on sale of investment properties

During the year the group disposed of two properties: Arden Business Park and 16 Queen Avenue (part of Queen Insurance Buildings) for combined gross proceeds of £1.8m. The loss on disposal of £0.1m represents proceeds net of all disposal costs minus the book value on disposal.

7 FINANCE COSTS (NET)

	2018	2017
	£000	£000
Investment income		
Deposit account interest	1,688	722
Commitment fees	32	149
	<u>1,720</u>	<u>871</u>
	2018	2017
	£000	£000
Interest payable and similar expenses		
Bank loans and overdraft	14,709	12,619
Amortisation of finance costs	2,989	2,749
Interest payable on retail bonds maturing 2020	3,000	3,000
Interest payable on loans maturing 2021	174	-
Interest payable on loans maturing 2022	5,530	5,620
Interest payable on loans maturing December 2031	3,954	3,072
Other bank/ financing charges	277	168
	<u>30,633</u>	<u>27,228</u>
Finance costs (net)	<u>28,913</u>	<u>26,357</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

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

	2018	2017
	£000	£000
Corporation tax	-	221
Group taxation payable tax based on profit for the year	(72)	(670)
Adjustments in respect of prior years - group		
Total current tax credit	(72)	(449)
Deferred tax		
Timing differences, origination and reversal	10,192	307
Adjustments in respect of previous periods	(677)	1,053
Total deferred tax charge	9,515	1,360
Tax charge on profit on ordinary activities	9,443	911

Factors affecting the tax charge

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018	2017
	£000	£000
Profit on ordinary activities before tax	116,331	71,623
Tax on profit on ordinary activities at standard rate of 19.0% (2017: 19.5%)	22,103	13,966
Factors affecting the charge:		
Disallowable expenses/(Non-taxable income)	707	(282)
Utilisation of tax losses not previously recognised	-	(12)
Recognition of capital losses available to offset unrealised revaluation gains	4,838	(6,879)
Adjustment to tax charge in respect of previous periods - current	(72)	(670)
Adjustment to tax charge in respect of previous periods - deferred	(677)	1,053
Contaminated land relief	-	(22)
Difference in tax rate	(1,199)	(45)
Differences on chargeable gain calculations not recognised in deferred tax	(16,251)	(6,198)
UK dividend income	(6)	-
Interest payable in tax computation not in accounts	(141)	-
Group relief surrendered for nil payment	141	-
Current tax charge for the year	9,443	911

The Government announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. This legislation has been given effect by Finance Bill 2016 which was substantively enacted on 6 September 2016. Accordingly, all deferred tax assets and liabilities have been calculated on the basis that they reverse in future at the 17% rate. 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 profit for the financial year was £14.0m (2017: loss £0.3m). The audit fee payable has been borne by another group company and not recharged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018

10 DIVIDENDS PAID

	2018 £000	2017 £000
Final dividends paid on ordinary shares at 79p per share (2017: 8p per share)	39,720	4,017
Final dividends paid on equity preference shares	240	240
	<u>39,960</u>	<u>4,257</u>

11 INTANGIBLE FIXED ASSETS

Group	Goodwill £000	Brands £000	Negative goodwill £000	Total £000
COST				
At 1 October 2017 and 30 September 2018	<u>308</u>	<u>151</u>	<u>(5,462)</u>	<u>(5,003)</u>
AMORTISATION				
At 1 October 2017	238	68	(5,462)	(5,156)
Amortisation for year	20	15	-	35
At 30 September 2018	<u>258</u>	<u>83</u>	<u>(5,462)</u>	<u>(5,121)</u>
NET BOOK VALUE				
At 30 September 2018	<u>50</u>	<u>68</u>	<u>-</u>	<u>118</u>
At 30 September 2017	<u>70</u>	<u>83</u>	<u>-</u>	<u>153</u>

12 TANGIBLE FIXED ASSETS

Group	<u>Investment properties</u>		Fixtures, fittings & IT equipment £000	Motor vehicles £000	Total £000
	Freehold £000	Long leasehold £000			
COST OR VALUATION					
At 1 October 2017	770,973	320,183	15,085	760	1,107,001
Additions	40,463	27,215	8,602	70	76,350
Disposals	(173,375)	(183,286)	(8,717)	(11)	(365,389)
Revaluation	76,754	50,623	-	-	127,377
At 30 September 2018	<u>714,815</u>	<u>214,735</u>	<u>14,970</u>	<u>819</u>	<u>945,339</u>
DEPRECIATION					
At 1 October 2017	-	-	8,805	368	9,173
Charge for year	-	-	1,933	99	2,032
Disposals	-	-	(1,591)	(11)	(1,602)
At 30 September 2018	<u>-</u>	<u>-</u>	<u>9,147</u>	<u>456</u>	<u>9,603</u>
NET BOOK VALUE					
At 30 September 2018	<u>714,815</u>	<u>214,735</u>	<u>5,823</u>	<u>363</u>	<u>935,736</u>
At 30 September 2017	<u>770,973</u>	<u>320,183</u>	<u>6,280</u>	<u>392</u>	<u>1,097,828</u>

The historical cost of the group properties at the year end is £638.2m (2017: £694.8m) for freehold properties and £174.7m (2017: £262.3m) for leasehold properties. Other fixed assets are stated at cost.

Of the disposals, freehold investment property valued at £146.9m (2017: £106.5m), leasehold investment property valued at £182.1m (2017: £82.8m) and other tangible fixed assets valued at £6.3m (2017: £0.8m) were disposed of on 29 September 2018 with the formation of a joint venture partnership. Further information is given in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

12 TANGIBLE FIXED ASSETS (CONTINUED)

The freehold and leasehold investment properties held by the group at 30th September 2018 were valued as at 30th September 2018 by our external valuers Jones Lang Lasalle Ltd and Knight Frank LLP. The freehold and leasehold investment properties disposed of on 29 September 2018 were valued as at 30th June 2018 by our external valuers CBRE. The valuations were undertaken in accordance with 'Red Book Principles' and were conducted on the basis of Market Value. The process included an independent senior partner review.

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

C.G. Oglesby, Chief Executive, Bruntwood Limited, qualified as a Chartered Surveyor in 1993 and has 29 years' experience in the property investment industry.

P.A. Crowther, Property Director, Bruntwood Limited, qualified as a Chartered Surveyor in 2000 and has 23 years' experience in the property investment industry.

K J Crotty, Chief Financial Officer, Chartered Accountant, has 16 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.

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 2017	677
Additions	70
At 30 September 2018	<u>747</u>
DEPRECIATION	
At 1 October 2017	295
Charge for year	97
At 30 September 2018	<u>392</u>
NET BOOK VALUE	
At 30 September 2018	<u>355</u>
At 30 September 2017	<u>382</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018

13 FIXED ASSET INVESTMENTS

Group	AESOP Investment in own shares £000
COST	
At 1 October 2017	953
Shares allotted in year	61
At 30 September 2018	<u>1,014</u>
PROVISIONS/ (ACCRETION)	
At 1 October 2017	(953)
Shares allotted in year	(61)
At 30 September 2018	<u>(1,014)</u>
NET BOOK VALUE	
At 30 September 2018 and 30 September 2017	<u>-</u>
	Investment in Joint Ventures £000
	-
Share of net assets as at 1 October 2017	-
Additions	104,334
Share of loss for the year	(54)
Share of net assets at 30 September 2018	<u>104,280</u>
On 29th September 2018 the group entered into a joint venture partnership with Legal and General Capital Investments Ltd, further information is given in note 15.	
Company	Shares in subsidiaries 2018 £'000
COST AND NET BOOK VALUE	
At 1 October 2017 and at 30 September 2018	<u>55,048</u>

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 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 Energy Services Limited	England and Wales	Utility trading company	100% *	^
Bruntwood Estates Alpha Portfolio Ltd	England and Wales	Property investment	100% *	^
Bruntwood Estates Beta Portfolio Ltd	England and Wales	Property investment	100% *	^

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

13 FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiaries	Country of incorporation	Activity	Effective Proportion of ordinary shares held	
Bruntwood Estates Holdings Ltd	England and Wales	Holding company	100% *	^
Bruntwood Estates Ltd	England and Wales	Holding company	100% *	^
Bruntwood Limited	England and Wales	Holding company	100% *	^
Bruntwood Management Services Ltd	England and Wales	Management 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 LG Holding Limited	England and Wales	Holding company	100% *	^
Bruntwood LG 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% *	^
Building Sustainability Services Limited	England and Wales	Utility metering company	100% *	^
Chandlers Point Management Company	England and Wales	Management company	100% *	^
Manchester Gas and Power Limited	England and Wales	Utility trading company	100% *	^
K Site Limited	England and Wales	Property investment	100% *	^
Principal Agent Management Limited	England and Wales	Management company	100% *	^
Joint Ventures				
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	^^
Trafford Bruntwood LLP	England and Wales	Property development	50% *	^
Bruntwood Scitech Ltd (formerly 2000 Ltd)	England and Wales	Holding company	50% *	^
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	^
Circle Square Green Company Limited	England and Wales	Development company	50% * 2	^
Innovation Birmingham Limited	England and Wales	Property investment	50% * 2	^
Alderley Imaging Limited	England and Wales	Dormant	76% * 3	^
Alderley Park Holdings Limited	England and Wales	Holding company	76% * 3	^
Alderley Park Limited	England and Wales	Property investment	76% * 3	^
Citylabs Ltd	England and Wales	Property investment	64% * 4	^
Citylabs 2.0 Ltd	England and Wales	Development company	64% * 4	^
Manchester Science Partnerships Limited	England and Wales	Property investment	64% * 4	^
Manchester Technopark Limited	England and Wales	Dormant	64% * 4	^
Mi Idea Ltd	England and Wales	Management company	64% * 4	^
Salford Innovation Park Ltd	England and Wales	Management company	64% * 4	^
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	^^
Associates				
AMR Centre Limited	England and Wales	Research and development	21% * 6	^^^

Audit exemption

The following subsidiary undertakings also consolidated at 30 September 2018 claimed exemption from audit under section 479A Companies Act 2006:

Subsidiaries	Country of incorporation	Activity	Effective Proportion of ordinary shares held	
Bruntwood ORS Limited	England and Wales	Development company	100% *	^
Bruntwood Science Management Services Ltd	England and Wales	Management company	50% * 2	^
Bruntwood Scitech 1 Limited	England and Wales	Dormant	50% * 2	^
Citylabs 3.0 Limited	England and Wales	Development company	64% * 4	^

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 30 September 2018

13 FIXED ASSET INVESTMENTS (CONTINUED)

* 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

^ 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

On 9 April 2018 the group acquired 100 percent of the issued share capital of K-Site Limited, which subsequently entered into a joint venture partnership with Trafford Borough Council, investing jointly in Trafford Bruntwood LLP. Further information is given in note 14.

On 18 April 2018 the group acquired 100 percent of the issued share capital of Innovation Birmingham Limited, and its 100 percent subsidiaries Birmingham Technology (Property) Limited, Birmingham Technology (Venture Capital) Limited and Birmingham Technology (Property One) Limited. Additionally, on 29 May 2018 the group acquired 100 percent of the issued share capital of Manchester Gas and Power Limited. Further information is given in note 14.

Additionally, during the year the group set up newly incorporated companies Bruntwood Meeting Rooms Limited, Bruntwood ORS Limited and Bruntwood (Didsbury TP) Limited.

On 24 April 2018 dormant company Bruntwood St Chads Hotel Limited was liquidated. Additionally, on 14 September 2018 following the disposal of Arden Business Park, the group sold its 100 percent holding in Arden Business Centre (Bredbury) Limited, further information is given in note 15.

On 29 September 2018 the group entered into a joint venture partnership with Legal and General Capital Investments Limited, investing jointly in Bruntwood Scitech Limited (formerly Bruntwood 2000 Limited) and its subsidiary companies. Further information is given in note 15.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended 30 September 2018**

**14 ACQUISITION OF SUBSIDIARY UNDERTAKINGS**

On 9 April 2018 Bruntwood Development Holdings Limited, a 100 percent subsidiary of the group acquired 100 percent of the issued share capital of K-Site Limited, net assets acquired were £1. Subsequently, K-Site Limited entered into a joint venture partnership with Trafford Council, investing jointly in Trafford Bruntwood LLP. Following the joint venture agreement, Trafford Bruntwood LLP purchased the Kellogg's building in Old Trafford and plans have been submitted to convert this into educational space.

On 18 April 2018 Birmingham Science Limited, a 100 percent subsidiary of the group acquired 100 percent of the issued share capital of Innovation Birmingham Limited, and its 100 percent subsidiaries Birmingham Technology (Property) Limited, Birmingham Technology (Venture Capital) Limited and Birmingham Technology (Property One) Limited.

The acquisition has been accounted for under the acquisition method, the following table sets out the book values of the identifiable assets and liabilities acquired. There was no accounting policy alignments, revaluation or other adjustments arising on acquisition as such the fair value to the group of the identifiable assets and liabilities acquired are as follows:

|                                              |                        |
|----------------------------------------------|------------------------|
|                                              | <b>£000</b>            |
| Fixed assets                                 | 13,603                 |
| Current assets                               | 715                    |
| Cash                                         | 326                    |
| <b>Total assets</b>                          | <b><u>14,644</u></b>   |
| Loans                                        | (12,690)               |
| Trade creditors                              | (539)                  |
| Other creditors and accruals                 | (1,035)                |
| <b>Total liabilities</b>                     | <b><u>(14,264)</u></b> |
| <b>Net identifiable assets at fair value</b> | <b><u>380</u></b>      |
| Goodwill arising from acquisition            | 375                    |
| <b>Satisfied by</b>                          |                        |
| Directly attributable acquisition costs      | <b><u>755</u></b>      |

In the year ended 30 September 2018, turnover of £1.6m and loss of £0.03m was included in the consolidated profit and loss account in respect of Innovation Birmingham Limited, and its 100 percent subsidiaries since the acquisition date. There was no deferred or contingent consideration as a result of the acquisition.

Additionally, on 29 May 2018 Bruntwood Energy Services Limited, a 100 percent subsidiary of the group acquired 100 percent of the issued share capital of Manchester Gas and Power Limited, net assets acquired were £1.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended 30 September 2018**

**15 SALE OF SUBSIDIARY UNDERTAKINGS**

On 29 September 2018 the group sold 50 percent of its 100 percent interest in the ordinary share capital of Bruntwood Scitech Limited (formerly Bruntwood 2000 Limited). The profit of Bruntwood Scitech Limited and its subsidiary companies up to the date of disposal was £32.2m, and for its last financial year was £12.3m.

Net assets disposed of and the related sale proceeds were as follows:

|                                                           | £000                    |
|-----------------------------------------------------------|-------------------------|
| <b>Fixed assets</b>                                       |                         |
| Tangible assets                                           | 335,307                 |
| Fixed asset investments                                   | <u>2,900</u>            |
|                                                           | 338,207                 |
| <b>Current assets</b>                                     |                         |
| Debtors                                                   | 27,987                  |
| Current asset investments                                 | 254                     |
| Cash                                                      | <u>8,097</u>            |
|                                                           | 36,338                  |
| <b>Total assets</b>                                       | <u><u>374,545</u></u>   |
| <b>Loans</b>                                              | (79,650)                |
| <b>Trade creditors</b>                                    | (9,243)                 |
| <b>Other creditors and accruals</b>                       | (34,185)                |
| <b>Provisions for liabilities</b>                         | <u>(17,183)</u>         |
| <b>Total liabilities</b>                                  | <u><u>(140,261)</u></u> |
| <b>Net assets</b>                                         | <u><u>234,284</u></u>   |
| <b>Sale proceeds</b>                                      | <u><u>115,446</u></u>   |
| <b>Satisfied by:</b>                                      |                         |
| Cash and cash equivalents                                 | 113,286                 |
| Contingent consideration                                  | <u>2,160</u>            |
|                                                           | <u><u>115,446</u></u>   |
| <b>Profit on sale</b>                                     |                         |
| Sale proceeds                                             | 115,446                 |
| Fair value of interest retained                           | 99,633                  |
| Non-controlling interest                                  | 35,019                  |
| Less: net assets disposed of                              | (234,284)               |
| Less: directly attributable costs of disposal             | <u>(4,684)</u>          |
|                                                           | <u><u>11,130</u></u>    |
| <b>Net cash inflows in respect of the sale comprised:</b> |                         |
| Cash and cash equivalents                                 | 113,286                 |
| Less: cash and cash equivalents disposed of               | (8,097)                 |
| Less: directly attributable expenses incurred             | <u>(2,110)</u>          |
|                                                           | <u><u>103,079</u></u>   |

Contingent consideration arising on the transaction has been received post year end.

Additionally, on 14 September 2018 following the disposal of Arden Business Park, the group sold its 100 percent interest in the ordinary share capital of Arden Business Centre (Bredbury) Limited. The profit of Arden Business Centre (Bredbury) Limited up to the date of disposal was £nil, and for its last financial year was £nil. Net assets disposed of were £100.

**BRUNTWOOD GROUP LIMITED**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended 30 September 2018**
**16 DEBTORS**

|                                                     | 2018<br>£000   | Group<br>2017<br>£000 | 2018<br>£000  | Company<br>2017<br>£000 |
|-----------------------------------------------------|----------------|-----------------------|---------------|-------------------------|
| Amounts falling due within one year:                |                |                       |               |                         |
| Trade debtors                                       | 29,495         | 32,216                | -             | -                       |
| Amounts owed by related parties (note 29)           | 275            | 275                   | 275           | 275                     |
| Amounts owed by group undertakings                  | -              | -                     | 16,021        | 35,969                  |
| Amounts owed by joint venture undertaking (note 29) | 32             | -                     | -             | -                       |
| Corporation tax debtor                              | 67             | -                     | -             | -                       |
| Other debtors and prepayments                       | 34,613         | 42,266                | -             | -                       |
|                                                     | <u>64,482</u>  | <u>74,757</u>         | <u>16,296</u> | <u>36,244</u>           |
| Amounts falling due after more than one year:       |                |                       |               |                         |
| Amounts owed by related parties (note 29)           | 2,433          | 2,242                 | -             | -                       |
| Derivative financial instruments (note 23)          | 1,063          | -                     | -             | -                       |
| Other debtors                                       | 35,880         | 35,502                | -             | -                       |
|                                                     | <u>39,376</u>  | <u>37,744</u>         | <u>-</u>      | <u>-</u>                |
|                                                     | <u>103,858</u> | <u>112,501</u>        | <u>16,296</u> | <u>36,244</u>           |

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

**17 CURRENT ASSET INVESTMENTS**

|                      | 2018<br>£000 | Group<br>2017<br>£000 |
|----------------------|--------------|-----------------------|
| Listed investments   | -            | 1,271                 |
|                      |              | £000                  |
| At 1 October 2017    |              | 1,271                 |
| Additions            |              | (308)                 |
| Disposals (note 15)  |              | (963)                 |
| At 30 September 2018 |              | -                     |

The fair value of listed investments, which are traded in active markets, was determined with reference to the quoted market price at the reporting date. On 29 December 2018 the current asset investments being held by the group were disposed of as the investments were held by subsidiaries of Bruntwood Scitech Limited, which entered into a joint venture partnership with Legal and General Capital Investments Ltd.

**18 DEVELOPMENTS IN PROGRESS**

|                          | 2018<br>£000 | Group<br>2017<br>£000 |
|--------------------------|--------------|-----------------------|
| Developments in progress | 12,217       | 39,047                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

## 19 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                                        | 2018           | Group          | 2018         | Company    |
|--------------------------------------------------------|----------------|----------------|--------------|------------|
|                                                        | £000           | 2017           | £000         | 2017       |
|                                                        |                | £000           |              | £000       |
| Trade creditors                                        | 9,659          | 11,830         | -            | -          |
| Other loans (note 21)                                  | -              | 20,849         | -            | -          |
| Bank loans (note 21)                                   | -              | 39,983         | -            | -          |
| Amounts owed to related parties (note 29)              | 7,450          | 2,381          | 7,453        | 692        |
| Corporation tax creditor                               | -              | 173            | -            | -          |
| Other creditors including taxation and social security | 32,049         | 21,416         | -            | -          |
| Accruals and deferred income                           | 73,625         | 92,428         | -            | -          |
| Amounts owed to joint venture undertaking              | 2,451          | 3,212          | -            | -          |
| Amounts owed to group undertakings                     | -              | -              | 50           | 50         |
|                                                        | <u>125,234</u> | <u>192,272</u> | <u>7,503</u> | <u>742</u> |

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

## 20 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                            | 2018           | Group          | 2018     | Company  |
|--------------------------------------------|----------------|----------------|----------|----------|
|                                            | £000           | 2017           | £000     | 2017     |
|                                            |                | £000           |          | £000     |
| Bank loans (note 21)                       | 165,293        | 215,870        | -        | -        |
| Other loans (note 21)                      | 289,748        | 286,721        | -        | -        |
| Derivative financial instruments (note 23) | -              | 4,865          | -        | -        |
| Other creditors                            | 4,518          | 5,470          | -        | -        |
|                                            | <u>459,559</u> | <u>512,926</u> | <u>-</u> | <u>-</u> |

Included within other creditors is an amount relating to the share option schemes amounting to £1,890,987 (2017: £1,422,775).

## 21 LOANS

An analysis of the maturity of loans is given below:

|                                                   | 2018          | Group         | 2018     | Company  |
|---------------------------------------------------|---------------|---------------|----------|----------|
|                                                   | £000          | 2017          | £000     | 2017     |
|                                                   |               | £000          |          | £000     |
| Amounts falling due within one year or on demand: |               |               |          |          |
| Other loans maturing March 2018                   | -             | 15,726        | -        | -        |
| Bank loans maturing August 2018                   | -             | 40,000        | -        | -        |
| Loan facility fees                                | -             | (17)          | -        | -        |
| Other loans maturing June 2018                    | -             | 5,187         | -        | -        |
| Loan facility fees                                | -             | (64)          | -        | -        |
|                                                   | <u>-</u>      | <u>60,832</u> | <u>-</u> | <u>-</u> |
| Amounts falling due between one and two years:    |               |               |          |          |
| Other loans maturing May 2020                     | 2,260         | -             | -        | -        |
| Bonds maturing July 2020                          | 50,000        | -             | -        | -        |
| Loan facility fees                                | (351)         | -             | -        | -        |
|                                                   | <u>51,909</u> | <u>-</u>      | <u>-</u> | <u>-</u> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

## 21 LOANS (CONTINUED)

|                                                 | 2018           | 2017           | 2018     | 2017     |
|-------------------------------------------------|----------------|----------------|----------|----------|
|                                                 | £000           | £000           | £000     | £000     |
| Amounts falling due between two and five years: |                |                |          |          |
| Bonds maturing July 2020                        | -              | 50,000         | -        | -        |
| Loan facility fees                              | -              | (545)          | -        | -        |
| Bank loans maturing March 2021                  | -              | 25,000         | -        | -        |
| Loan facility fees                              | -              | (300)          | -        | -        |
| Other loans maturing May 2021                   | 6,612          | -              | -        | -        |
| Loan facility fees                              | (157)          | -              | -        | -        |
| Bank loans maturing April 2022                  | 168,297        | 199,450        | -        | -        |
| Loan facility fees                              | (3,004)        | (4,930)        | -        | -        |
| Loans maturing December 2022                    | 119,752        | -              | -        | -        |
| Loan facility fees                              | (817)          | -              | -        | -        |
|                                                 | <u>290,683</u> | <u>268,675</u> | <u>-</u> | <u>-</u> |
| Amounts falling due in greater than five years: |                |                |          |          |
| Loans maturing December 2022                    | -              | 121,757        | -        | -        |
| Loan facility fees                              | -              | (1,011)        | -        | -        |
| Loans maturing December 2031                    | 114,059        | 114,900        | -        | -        |
| Loan facility fees                              | (1,610)        | (1,731)        | -        | -        |
|                                                 | <u>112,449</u> | <u>233,915</u> | <u>-</u> | <u>-</u> |

On 20 April 2018 the group amended its five year fully cross collateralised syndicated loan agreement with its Banking Club. This amendment saw the group exercising its option agreed during 2017 to increase the facility by £30 million such that available funds under the facility increased to £260 million. A further amendment resulted in a temporary relaxation of the funding draw stop limit whereby funds under the rolling credit element of the facility could not be drawn if the loan to value exceeded 60%. This limit has been relaxed until 31 March 2019 and allows the group to draw funds under the facility as long as it remains within the overall 65% Loan to Value covenant.

On 29 September 2018 the group repaid £80 million from its five year syndicated loan agreement out of funds received from the disposal of a 50% interest in Bruntwood Scitech Limited to Legal & General Capital Investments Limited. The repayment was facilitated by a release of security of certain properties charged to the facility such that they could be transferred into the new Joint Venture structure. Following the repayment, drawings under the facility as at 30 September 2018 stood at £168 million. The facility 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 and Bruntwood 2000 (NW Regen) Limited. There is also a downstream parental guarantee from Bruntwood Estates Holdings Limited. The margin attached to this facility is 2%.

On 12 June 2018, the group exercised a release of security mechanism within its ten year fixed rate loan facility with Legal & General Investment Management. The facility contains a mechanism whereby properties can be released from the security arrangements with the consent of the lender as long as the Loan to Value post release remains below 50%. With the loan to value on the facility at that time at 45.1% the group sought the consent of the lender to release Oxford House from the security arrangements such that it could be offered as security against other group funding facilities. The Loan to Value on the facility following this release of security stood at 48.9%. With an increase in property valuation recognised as at 30 September 2018 the Loan to Value on the facility at the year end stood at 44.5%.

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.

Following the disposal of a 50% interest in Bruntwood Scitech Limited and its subsidiaries on 29 September 2018 drawings of £42.5m (2017: £40m) under the facility with Lloyds Bank and drawings of £25m (2017: £25m) with HSBC are no longer consolidated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended 30 September 2018**

**22 PROVISIONS FOR LIABILITIES**

|                                              | 2018<br>£000  | 2017<br>£000        |
|----------------------------------------------|---------------|---------------------|
| Deferred tax                                 |               |                     |
| Capital allowances in excess of depreciation | 20,030        | 22,718              |
| Other short term timing differences          | (1,286)       | (590)               |
| Tax losses carried forward                   | (3,598)       | (1,292)             |
| Property revaluations                        | 29,422        | 36,361              |
| Listed investment revaluations               | -             | 125                 |
| Derivative contracts                         | 181           | (827)               |
| Capital losses                               | (29,422)      | (33,497)            |
|                                              | <u>15,327</u> | <u>22,998</u>       |
|                                              |               | <b>Deferred tax</b> |
|                                              |               | <b>£000</b>         |
| At 1 October 2017                            |               | 22,998              |
| Provided during year                         |               | 10,192              |
| Adjustment in respect of prior years         |               | (680)               |
| Impact of deferred tax disposed of           |               | (17,183)            |
| At 30 September 2018                         |               | <u>15,327</u>       |

The amount of deferred tax not provided on capital losses is £11,016,347 (2017: £12,866,248).

**23 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<br>fixed interest rate |           | Notional principal value |                | Fair Value    |                |
|------------------|-----------------------------------------|-----------|--------------------------|----------------|---------------|----------------|
|                  | 2018<br>%                               | 2017<br>% | 2018<br>£000s            | 2017<br>£000s  | 2018<br>£000s | 2017<br>£000s  |
| Less than 1 year | 3.44%                                   | 1.25%     | 175,370                  | 13,500         | (222)         | (23)           |
| 1 to 2 years     | -                                       | 3.44%     | -                        | 175,370        | -             | (5,192)        |
| 2 to 5 years     | 1.06%                                   | 1.06%     | 180,000                  | 180,000        | 1,285         | 350            |
|                  |                                         |           | <u>355,370</u>           | <u>368,870</u> | <u>1,063</u>  | <u>(4,865)</u> |

**Interest rates swaps**

The group continued to hold £175m of a £200m five year interest rate swap at a rate of 3.437% entered into in 2013 to hedge the floating rate funding, expiring on 15 October 2018. In line with the Facility Agreement, the £200m swap was split at origination such that £50m was allocated to each bank involved in the facility. As at 30 September 2018 the principal value of such swaps is £175m (2017: £175m).

In addition, the group continues to hold a forward start swap at a rate of 1.055% maturing on 31 March 2022. 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 2018 the principal value of such swaps is £180m (2017: £180m).

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

The carrying amount of financial assets measured at fair value through profit or loss as at 30 September 2018 was £124.825m (2017: £49.884m).

The carrying amount of debt instruments measured at amortised cost as at 30 September 2018 was £535.041m (2017: £563.424m).

The carrying amount of financial liabilities measured at fair value through profit or loss as at 30 September 2018 was £69.652m (2017: £84.689m).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

## 24 CALLED UP SHARE CAPITAL AND RESERVES

## Group and company

Allotted, issued and fully paid:

| Number:    | Class:                             | Nominal Value: | 2018<br>£         | 2017<br>£         |
|------------|------------------------------------|----------------|-------------------|-------------------|
| 21,025,944 | Non-voting 'C' Ordinary shares     | £1             | 21,025,944        | 21,125,266        |
| 28,515,632 | Non-voting 'D1' Ordinary D1 shares | £0.99          | 28,230,476        | 28,230,476        |
| 28,515,632 | D2' Ordinary Shares                | £0.01          | 285,156           | 285,156           |
| 1,013,501  | Non-voting 'A' Ordinary shares     | £1             | 1,013,501         | 952,282           |
| 40,000     | Non-voting 'A' Preference shares   | £1             | 40,000            | 40,000            |
| 50,000     | Non-voting 'B' Preference shares   | £1             | 50,000            | 50,000            |
|            |                                    |                | <u>50,645,077</u> | <u>50,683,180</u> |

During the year the company completed a share issue of 61,219 ordinary A shares at £4.06.

During the year the company completed a share buy back of 99,322 ordinary C shares at £1, the shares were also cancelled.

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.

## 25 NON-CONTROLLING INTEREST

|                                                | 2018<br>£000 |
|------------------------------------------------|--------------|
| At 1 October 2017                              | 25,812       |
| Share of profit for the year                   | 9,208        |
| Disposal of non-controlling interest (note 15) | (35,020)     |
| At 30 September 2018                           | <u>-</u>     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 30 September 2018

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

|                                                        | 2018          | 2017         |
|--------------------------------------------------------|---------------|--------------|
| Group only                                             | £000          | £000         |
| Profit before interest and tax                         | 145,244       | 97,980       |
| Adjustment for:                                        |               |              |
| Depreciation                                           | 2,032         | 1,278        |
| Amortisation of intangible assets                      | 35            | 35           |
| Loss on revaluation of investments                     | 308           | 1,224        |
| Gain on revaluation of investment properties           | (127,377)     | (54,261)     |
| Movement in fair value of derivative instruments       | (5,986)       | (6,549)      |
| Gain on disposal of investment properties              | (3,304)       | (6,038)      |
| Gain on disposal of development land                   | (938)         | (7,110)      |
| Other exceptional loss / (profit)                      | 12,023        | (2,523)      |
| Impairment of goodwill                                 | 375           | -            |
| Share of results of joint ventures                     | (226)         | 155          |
| Operating cash flow before movement in working capital | 22,186        | 24,207       |
| (Increase) / decrease in developments in progress      | (13,439)      | (18,408)     |
| (Increase) / decrease in debtors                       | (21,592)      | (19,983)     |
| Increase / (decrease) in creditors                     | 32,485        | 19,896       |
| Cash generated by operations                           | <u>19,640</u> | <u>5,712</u> |

## 27 FINANCIAL COMMITMENTS AND OPERATING LEASES

At 30 September 2018, the group had amounts contracted for but not provided for of £17,327,000 for capital expenditure (2017: £19,146,000).

At 30 September 2018, total minimum lease payments under non-cancellable operating leases are as follows:

|                          | 2018          | 2017          |
|--------------------------|---------------|---------------|
| Leases which expire:     | £000          | £000          |
| Within one year          | 759           | 707           |
| Within two to five years | 3,036         | 2,827         |
| After five years         | 79,153        | 69,851        |
|                          | <u>82,948</u> | <u>73,385</u> |

At 30 September 2018 the future minimum lease payments receivable under non-cancellable operating leases:

|                          | 2018           | 2017           |
|--------------------------|----------------|----------------|
|                          | £000           | £000           |
| Within one year          | 45,748         | 52,152         |
| Within two to five years | 74,290         | 106,106        |
| After five years         | 43,927         | 54,413         |
|                          | <u>163,965</u> | <u>212,671</u> |

## 28 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 Mr 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 2018**

**29 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. Following the sale of 50% of the share capital of Bruntwood Scitech Limited group of companies on 29th September 2018 this company is no longer wholly owned by Bruntwood Group Limited and as such is not covered by the Section 33 exemption from this date. There were no transactions with related companies from this date to the year-end. Unless otherwise stated no interest was charged or incurred on related party balances.

Included in creditors falling due within one year is a balance of £1,901,000 (2017: balance eliminated on consolidation) owed to Bruntwood Scitech Limited, a joint venture partner.

Included in creditors falling due within one year is a balance of £151,000 (2017: £nil) owed to Bruntwood Platform Leeds Limited. This is a related party because the company is a subsidiary of Bruntwood Scitech Limited, a joint venture partner.

Included in debtors falling due within one year is an amount of £275,000 (2017: £275,000) owed by The Oglesby Charitable Trust. This is a related party as the trustees include, Mr M J Oglesby, Mr C G Oglesby and Ms K J Vokes, all directors of this company.

Included in debtors falling due within one year is an amount of £32,000 (2017: £nil) owed by Trafford Bruntwood LLP, a joint venture partner.

Included in debtors falling due after more than one year is a balance of £308,000 (2017: £117,000) owed by Roundthorn Group Pension and Life Assurance Scheme. This is a related party because the scheme trustees include Mr M J Oglesby, Mr C G Oglesby and Ms K J Vokes, all directors of this company.

Included in debtors falling due after more than one year is a balance of £2,125,000 (2017: £2,125,000) owed by Select Property Group. This is a related party because they are a shareholder of one of the group's joint venture partnerships. Interest at a rate of 7.25% was charged on this balance and recognised in the profit and loss account.

Included in creditors falling due within one year is a balance of £7,450,000 (2017: £690,000) owed to Abney 2003 Limited which is a shareholder of the company.

Included in creditors falling due within one year is a balance of £nil (2017: £125,000) owed to Manchester City Council which is a shareholder of Principal Asset Management Limited.

Included in creditors falling due within one year is an amount of £2,000 (2017: £2,000) owed to Bruntwood Outsourced Properties Limited, a company of which Mr M J Oglesby and Mr C G Oglesby are directors and shareholders.

Included in creditors falling due after more than one year is an amount of £6,612,000 (2017: £nil) owed to Trafford Borough Council who are a shareholder of Trafford Bruntwood LLP. Interest of 4% plus EU reference rate was charged on this balance and expensed to the profit and loss account.

There were no other related party transactions in the year.