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**NHF PROPERTY & SERVICES
LIMITED**

FINANCIAL STATEMENTS

**For the Year ended
31 March 2018**

Company no. 04904686

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2018

Company registration number: 04904686

Registered office: NHF Property & Services Limited
Lion Court
25 Procter Street
London
WC1V 6NY

Bankers: Lloyds
Kings Cross Branch
344 Gray's Inn Road
London
WC1X 8BX

Auditor: Mazars LLP
Registered Auditor
Chartered Accountants
45 Church Street
Birmingham
B3 2RT

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REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 March 2018.

Principal activity

The company's main purpose is renting and providing office space.

Business review

Operations

The company owns the freehold of Lion Court, 25 Procter Street, London, WC1V 6NY. It rents out the building to its holding company the National Housing Federation Limited which in turn has let 79.8% (2017 -61.6%) of the usable space to a serviced office provider.

Risks and uncertainties

The lease to the serviced office provider is for ten years with no break clause. There is a risk that the serviced office provider may default on the rent however this is mitigated by holding a £200k rent deposit.

The company has obtained the support of its parent to ensure that it can meet its cashflow needs for twelve months from date of signing these accounts; the parent has confirmed that it will not demand settlement of the inter-company balance of £6,655k unless the company has the available funds to make the payment.

Financial Review

There was a loss (2017: profit) for the year after taxation amounting to £(646)k (2017: £2,265k) as shown on page 10. The loss in the year is in relation to a fall in the value of Lion Court By £1.52m since last year.

Movements on fixed assets are disclosed in note 6.

REPORT OF THE DIRECTORS

The company rents out its freehold property to its holding company the National Housing Federation Limited, which in turn has let 79.8% (2017 -61.6%) of the usable space to a serviced office provider on a ten year commercial lease.

The whole property is treated as an investment property and included at valuation. The property was independently valued at 31 March 2018 at £26.32m (2017 £27.84m) by BNP Paribas Real Estate, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Global Standards 2017. The basis of valuation was market value of the freehold interest in the property subject to any tenancies.

The accounts have been prepared on a going concern basis and the Director's confirm that there are no material uncertainties that may cast significant doubt of the ability of the company to continue as a going concern.

Directors

The membership of the Board is set out below. The directors received no fees or remuneration for their services.

Simon Charlick
Baroness Diana Warwick

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including FRS 102 - 'The Financial Reporting Standard applicable in the United Kingdom 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

REPORT OF THE DIRECTORS

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 confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

Auditors

Mazars LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notification under section 488(1) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD



Jackie Cunningham
Company Secretary

3 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NHF PROPERTY & SERVICES LIMITED

Opinion

We have audited the financial statements of NHF Property & Services Limited (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.



Lee Cartwright (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

45 Church Street

Birmingham

B3 2RT

Date

12 July 2018

PRINCIPAL ACCOUNTING POLICIES

Status

NHF Property & Services Limited is a private company limited by shares incorporated in England and Wales. It is a wholly owned subsidiary of the National Housing Federation Ltd.

Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102- 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to market value of investment properties.

The functional currency of the Financial Statements is Pounds Sterling.

NHF Property & Services Limited has taken advantage of the following disclosure exception in preparing these financial statements, as permitted by FRS102 – the requirement to present a statement of cash flows and related notes.

The directors have assessed the company's future activities and commitments against the working capital in place and access to funds. The directors view the level of working capital as sufficient to ensure future operations. Accordingly, the directors are satisfied that it is appropriate to apply the going concern principle and that there are no material uncertainties that may cast significant doubt of the ability of the company to continue as a going concern.

Significant Judgements and estimates

Preparation of the financial statements requires management to make judgements and estimates. These are evaluated continually and based on historical performance and any other relevant factors. The only judgement or estimate in these accounts which are considered significant is the valuation of investment properties - the company has re-valued its investment property to fair value based on advice from independent experts as detailed in note 6.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT and trade discounts.

All income is accounted for on a receivable basis.

PRINCIPAL ACCOUNTING POLICIES

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provisions for impairment.

Depreciation is provided at rates which are calculated to write off the cost of tangible fixed assets by equal annual instalments over the following estimated useful lives.

Plant and machinery	14 - 20 years
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No depreciation is provided on investment properties. Depreciation is charged monthly from the period of acquisition or commencement of use, up until the period of disposal.

Investment Properties

No depreciation is provided in respect of investment properties. Such properties are held for their investment potential and not for consumption within the business. This is a departure from the Companies Act 2006 which requires all properties to be depreciated and the directors consider that to depreciate them would not enable the financial statements to give a true and fair view.

Investment properties are stated at valuation; the basis of which was market value of the freehold interest in the property subject to any tenancies.

Taxation

Provision is made for taxation on rents received, interest and on the trading surplus arising from non mutual trading.

Deferred tax is provided in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The deferred tax balance has not been discounted.

VAT recovery is accrued on the basis of a partial exemption formula agreed with HM Customs and Excise on 23 August 2004 which was effective from 28 January 2004. Amounts are included in the income and expenditure account and in the balance sheet gross of VAT where the VAT is reclaimable under this formula. The company is in a VAT grouping with its parent company, National Housing Federation Limited.

PRINCIPAL ACCOUNTING POLICIES

Financial Instruments

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The Company has not issued and is not in receipt of any compound financial instruments.

NHF PROPERTY & SERVICES LIMITED

For the year ended 31 March 2018

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2018 £'000	2017 £'000
Turnover	1	<u>1,708</u>	<u>1,708</u>
Administrative expenses	2	(1,025)	(821)
(Deficit)/surplus on revaluation of investment properties	3	<u>(1,520)</u>	<u>1,860</u>
Operating (loss)/profit		(837)	2,747
Interest payable	4	<u>(186)</u>	<u>(213)</u>
(Loss)/profit on ordinary activities before taxation		(1,023)	2,534
Tax on (loss)/profit on ordinary activities	5	<u>(377)</u>	<u>269</u>
(Loss)/profit of the financial year		(646)	2,265
Retained profit at 1 April		<u>11,331</u>	<u>9,066</u>
Retained profit transferred to reserves		<u>10,685</u>	<u>11,331</u>

All transactions arise from continuing operations.

The principal accounting policies on pages 7 to 9 and the notes on pages 12 to 18 form part of the Financial Statements

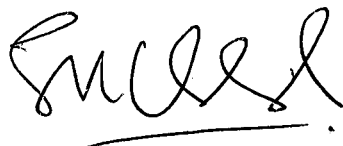
For the year ended 31 March 2018

BALANCE SHEET AS AT 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Fixed assets	6	26,517	28,065
Tangible assets			
Current assets			
Cash at bank and in hand		<u>46</u>	<u>46</u>
		46	46
Creditors: amounts falling due within one year	7	<u>(7,400)</u>	<u>(7,194)</u>
Net current liabilities		<u>(7,354)</u>	<u>(7,148)</u>
Total assets less current liabilities		<u>19,163</u>	<u>20,917</u>
Creditors: amounts falling due after more than one year	8	<u>(8,478)</u>	<u>(9,586)</u>
Net assets		<u><u>10,685</u></u>	<u><u>11,331</u></u>
Reserves			
Issued share capital	12	-	-
Profit and loss reserve		<u>10,685</u>	<u>11,331</u>
Shareholders' funds		<u><u>10,685</u></u>	<u><u>11,331</u></u>

The financial statements have been prepared in accordance with the special provisions applicable to the small companies regime.

The financial statements were approved by the Board of Directors on 3 July 2018 and signed on their behalf on 3 July 2018.



Simon Charlick

Company registration no. 04904686

The principal accounting policies on pages 7 to 9 and the notes on pages 12 to 18 form part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Turnover and profit on ordinary activities before taxation

	2018 £'000	2017 £'000
Rental income	<u>1,708</u>	<u>1,708</u>
	<u>1,708</u>	<u>1,708</u>

2. Administrative expenses

	2018 £'000	2017 £'000
Depreciation	28	28
Management charge	<u>997</u>	<u>793</u>
	<u>1,025</u>	<u>821</u>

The company's audit fee is borne by its holding company the National Housing Federation Limited.

3. Other income/expenditure

	2018 £'000	2017 £'000
(Deficit)/surplus on revaluation of investment properties	<u>(1,520)</u>	<u>1,860</u>
	<u>(1,520)</u>	<u>1,860</u>

4. Interest payable

	2018 £'000	2017 £'000
On bank loans	<u>186</u>	<u>213</u>

NOTES TO THE FINANCIAL STATEMENTS**5. Taxation**

The tax (credit)/charge is based on the profit / (loss) for the year and represents:

	2018 £'000	2017 £'000
UK Corporation tax	-	-
Deferred tax	(377)	269
Current tax (credit)/charge for the period	<u>(377)</u>	<u>269</u>
The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom of 19% (2017 -20%). The differences are explained as follows:		
(Loss) / profit on ordinary activities before taxation	<u>(1,023)</u>	<u>2,534</u>
Tax on (loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2017 - 20%).	(194)	507
Effect of:		
Difference in deferred tax rate	44	(109)
Group relief claimed	(93)	(26)
Income not taxable for tax purposes	(5)	(372)
Expenses not deductible for tax purposes	294	-
Chargeable (loss)/gain on property revaluation	(423)	269
Current tax charge for the period	<u>(377)</u>	<u>269</u>

NOTES TO THE FINANCIAL STATEMENTS

6. Tangible fixed assets

	Investment Property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2017	27,840	615	28,455
Revaluation	(1,520)	-	(1,520)
At 31 March 2018	<u>26,320</u>	<u>615</u>	<u>26,935</u>
Depreciation			
At 1 April 2017	-	390	390
Provided in the year	-	28	28
At 31 March 2018	<u>-</u>	<u>418</u>	<u>418</u>
Net book amount at 31 March 2018	<u>26,320</u>	<u>197</u>	<u>26,517</u>
Net book amount at 31 March 2017	<u>27,840</u>	<u>225</u>	<u>28,065</u>

On 27 February 2014 three floors of the freehold property Lion Court were let on a ten year commercial lease. The other two floors were leased to the company's ultimate parent undertaking (National Housing Federation Limited) until 31 December 2017. From 31 December 2017 the National Housing Federation moved to one floor and the other floor is being let on a commercial basis. Heads of terms for a ten year commercial lease on the additional floor were agreed in June 2018.

The whole property was independently valued at 31 March 2018 at £26.32m by BNP Paribas Real Estate, acting as an independent valuer as defined by Professional Standard 2 of the RICS Valuation Global Standards 2017.

The basis of valuation was market value of the freehold interest in the property (as defined in the RICS Valuation Professional Standards), subject to any external tenancies.

NOTES TO THE FINANCIAL STATEMENTS

7. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank loan (note 9)	731	709
Amounts owed to group undertakings	6,655	6,469
Accruals and deferred income	14	16
	<u>7,400</u>	<u>7,194</u>

The parent company has agreed not to recall the intercompany balance of £6,655k for twelve months from the date of signing these accounts unless the company has the available funds to make the payment.

8. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings (note 11)	3,500	3,500
Bank loan (note 9)	4,147	4,878
Deferred Taxation (note 10)	831	1,208
	<u>8,478</u>	<u>9,586</u>

9. Creditors: capital borrowings

Creditors include bank loans which are due for repayment as follows:

	2018	2017
	£'000	£'000
Amounts repayable:		
In one year or less or on demand	731	709
In more than one year, but not more than two years	750	730
In more than two years, but not more than five years	2,290	2,272
In more than five years	1,106	1,876
	<u>4,877</u>	<u>5,587</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Deferred Tax

Deferred taxation creditor (note 8) consists of the tax effect of timing differences in respect of:

	2018 £'000	2017 £'000
Property revaluation	685	1,063
Accelerated capital allowances	1	-
Trading losses	145	145
	<u>831</u>	<u>1,208</u>

Deferred taxation credit/(charge) consists of the tax effect of timing differences in respect of:

	2018 £'000	2017 £'000
Property revaluation	(378)	179
Accelerated capital allowances	1	(6)
Trading losses	-	96
	<u>(377)</u>	<u>269</u>

	£'000
Balance at 1 April 2016	939
Charge for the year (note 8)	269
Balance at 1 April 2017	<u>1,208</u>
Charge for the year	<u>(377)</u>
Balance at 31 March 2018 (note 8)	<u>831</u>

NOTES TO THE FINANCIAL STATEMENTS**11. Financial commitments**

- i) On 29 January 2004, the company purchased Lion Court in Holborn for the sum of £13.74m. The purchase was financed by a 25 year loan from the Bank of Scotland of £11.74m at an interest rate of 1.5% plus base. At 31 March 2018 the amount outstanding was £4.88 m (2017: £5.59m). On 11 June 2004, the company elected to fix the interest rate on £4m of the loan for 5 years at 7.315%, this then reverted to a base rate loan and on 29 July 2011 the outstanding amount of £2.04m was changed to a LIBOR loan repayable at 1.5% over LIBOR. On 11 June 2004 the interest rate on a further £4m of the loan was fixed for 10 years at 7.295% which reverted back to a base rate loan on 11 June 2015. On 22 February 2010, the company elected a further interest fix at 5.595% for 10 years, £3.32m to run from 11 March 2010 and £0.79m to run from 29 April 2010.
- ii) Bank of Scotland holds a first and only debenture over the whole assets and undertakings of NHF Property & Services Limited, and a first legal charge over Lion Court as security against the loan.
- iii) The remaining £2m of the purchase price of Lion Court was raised from the sale of 175 Gray's Inn Road, a property owned by the National Housing Federation Limited, the company's parent. Following the sale, a non-interest bearing deferred loan was made to the company by the National Housing Federation Limited in January 2004, to be repaid 20 years from date of issue. At 31 March 2018 the amount outstanding on the loan was £3.5m (2017: £3.5m).

12. Called up Share capital

	2018 £'000	2017 £'000
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13. Reserves

Called up share capital – represents the nominal value of shares that have been issued

Statement of Comprehensive Income and Retained Earnings – includes all current and prior period retained profits and losses.

NOTES TO THE FINANCIAL STATEMENTS

14. Capital commitments

The company had no capital commitments at 31 March 2018 or 31 March 2017.

15. Contingent liabilities

There were no contingent liabilities at 31 March 2018 or 31 March 2017.

16. Ultimate parent undertaking

The company's immediate and ultimate parent undertaking and controlling party is the National Housing Federation Limited, which owns 100% of the allotted, called up and fully paid share capital. The largest and smallest group of undertakings for which group accounts are prepared is that headed by the National Housing Federation Limited. Consolidated financial statements are available from the National Housing Federation Limited's registered address, Lion Court, 25 Procter Street, London, WC1V 6NY.

17. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 102 from the requirement to disclose transactions with the National Housing Federation Limited on the grounds that consolidated financial statements are prepared by that organisation.

18. Financial risk management

The company has exposure to three main areas of risk:

Customer credit exposure

The company has leased three floors of its freehold property to a serviced office provider for ten years with no break clause. In June 2018 heads of terms were agreed with the same office provider for a new lease of the additional floor and to extend their other leases for a further four years so that all four leases will run for ten years from the date the lease is signed with no break clause. There is a risk that the serviced office provider may default on the rent however this is mitigated by holding a £200k rent deposit.

Liquidity risk

The company has obtained the support of its parent to ensure that it can meet its cashflow needs for twelve months from date of signing these accounts; the parent has confirmed that it will not demand settlement of the inter-company balance of £6,513k unless the company has the available funds to make the payment.

Interest rate risk

The company financed the purchase of its freehold property by way of a term loan from the Bank of Scotland and is therefore subject to interest rate changes. This is mitigated by fixing the interest on a portion of the loan as disclosed in note 11.