

NEEDSPACE? LIMITED
Directors' report and accounts
for the year ended
31 December 2017

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Needspace? Limited
Directors' report and accounts
For the year ended 31 December 2017
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NEEDSPACE? LIMITED
DIRECTORS AND ADVISORS

31 DECEMBER 2017

Directors	C.W.R. Wates R.M. Trimming D.O. Allen D.A. Bowen H. P. Bunch
Secretary	D.A. Bowen
Bankers	HSBC Bank plc Dorking Commercial Centre 67 West Street Dorking Surrey RH4 1BW
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Registered Office	Wates House Station Approach Leatherhead Surrey KT22 7SW
Telephone	0870 085 8840
Website	www.needspace.co.uk

NEEDSPACE? LIMITED

DIRECTORS' REPORT

31 DECEMBER 2017

The directors present their annual report and the audited accounts of the Company for the year ended 31 December 2017.

Directors

The directors during the year were:

D.O. Allen
C.W.R. Wates
R.M. Trimming
D.A. Bowen
H. P. Bunch

Director's indemnity

A director benefited from a qualifying pension scheme indemnity provision during the financial year and benefits from this at the date of this report.

Statement of Disclosure of Information to Auditors

In the case of each of the persons who were directors at the time this report was signed, the following applies:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Approved by the Board of Directors on 12 March 2018 and signed on its behalf by:



D.O. ALLEN
DIRECTOR

NEEDSPACE? LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

NEEDSPACE? LIMITED

Independent auditors' report to the members of Needspace? Limited

Report on the financial statements

Our opinion

In our opinion, Needspace? Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

What we have audited

The financial statements, included within the Directors' Report and Accounts (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2017;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

NEEDSPACE? LIMITED

Independent auditors' report to the members of Needspace? Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

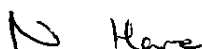
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Nick Hare (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 March 2018

NEEDSPACE? LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2017

	Notes	2017 £	2016 £
TURNOVER		3,731,776	2,756,414
Cost of sales		<u>(1,077,717)</u>	<u>(884,200)</u>
GROSS PROFIT		2,654,059	1,872,214
Administrative expenses		(715,444)	(589,426)
Net surplus on revaluation of investment properties		<u>749,807</u>	<u>5,000</u>
OPERATING PROFIT	2	<u>2,688,422</u>	<u>1,287,788</u>
Interest receivable	5	574	1,019
Interest payable and similar charges	6	<u>(479,488)</u>	<u>(322,713)</u>
PROFIT BEFORE TAXATION		2,209,508	966,094
Taxation on profit	7	<u>(263,201)</u>	<u>(158,344)</u>
PROFIT FOR THE FINANCIAL YEAR		1,946,307	807,750
Profit and loss retained at 1 January		<u>5,963,409</u>	<u>5,155,659</u>
PROFIT AND LOSS RETAINED AT 31 DECEMBER		<u><u>7,909,716</u></u>	<u><u>5,963,409</u></u>

The above results have been derived from continuing operations.

Statements of comprehensive income and changes in equity have not been presented as the only change to the equity of the Company for the above two financial years is the profit for those financial years.

NEEDSPACE? LIMITED

Company number: 05438910

BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
FIXED ASSETS			
Tangible assets	8	48,512,132	24,175,390
CURRENT ASSETS			
Debtors	9	149,736	84,187
Cash at bank and in hand		<u>1,678,474</u>	<u>855,520</u>
		1,828,210	939,707
CREDITORS: amounts falling due within one year	10	<u>(17,085,950)</u>	<u>(1,301,364)</u>
NET CURRENT LIABILITIES		(15,257,740)	(361,657)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,254,392</u>	<u>23,813,733</u>
CREDITORS: amounts falling due after more than one year	11	(20,303,676)	(12,785,324)
PROVISIONS FOR LIABILITIES	12	<u>(541,000)</u>	<u>(565,000)</u>
NET ASSETS		<u>12,409,716</u>	<u>10,463,409</u>
CAPITAL AND RESERVES			
Called up shared capital	14	4,500,000	4,500,000
Profit and loss account	14	<u>7,909,716</u>	<u>5,963,409</u>
SHAREHOLDERS' FUNDS		<u>12,409,716</u>	<u>10,463,409</u>

The notes on pages 8 to 13 form part of these accounts.

Approved by the Board of Directors on 12 March 2018 and signed on its behalf by:



D.O. ALLEN
DIRECTOR

NEEDSPACE? LIMITED

31 DECEMBER 2017

NOTES TO THE ACCOUNTS

1. Accounting Policies

The principal accounting policies, which have all been applied consistently throughout the year and the preceding year, are set out below.

(i) Basis of accounting

Needspace? Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is given on page one.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Notwithstanding the deficiency on net current assets, these accounts have been prepared on a going concern basis. In the general interests of the group, Wates Group Limited, the ultimate parent company, will continue to provide financial support and other support to the Company at least for the next 12 months from the date of approval of the financial statements and thereafter for the foreseeable future to enable it to continue to trade.

Under FRS 102 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated accounts.

(ii) Turnover

Turnover represents net rents/licence fees and is stated exclusive of VAT. The Company's single category of turnover is wholly within the United Kingdom.

(iii) Tangible fixed assets and depreciation

Investment properties are measured at fair value annually with any change recognised in the profit and loss account. Depreciation is not provided in respect of freehold investment properties.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on the following tangible fixed assets in equal annual instalments over the estimated useful lives of assets so as to write off the cost less the estimated residual values over the following periods:

Plant and equipment	2 to 4 years
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No depreciation is charged in the month of acquisition.

(iv) Taxation

Current tax is provided at the 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 Company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NEEDSPACE? LIMITED
31 DECEMBER 2017
NOTES TO THE ACCOUNTS
(CONTINUED)

1. Accounting Policies (continued)

(v) Retirement benefits

The Wates Group Limited group operates a defined contribution scheme, of which Needspace? Limited is a member. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

(vi) Significant areas of judgement and uncertainty

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

The most critical accounting policies and significant areas of judgement and estimation arise from the valuation of investment property.

The annual valuation of investment properties is carried out by an independent chartered surveyor or by a director who is a Fellow of the Royal Institution of Chartered Surveyors, to the required standard for such valuations. Assumptions on which the valuations have been based include, but are not limited to, matters such as tenure and tenancy details, ground conditions and the structural condition of the properties, prevailing market yields and comparable market transactions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income from that property.

2. Operating profit

The operating profit is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	5,264	14,055
Auditors' remuneration for audit services	5,000	5,000

3. Staff numbers and costs

The monthly average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows

	2017	2016
	Number	Number
Administration	9	9
The aggregate payroll cost of these persons was as follows:		
	£	£
Wages and salaries	649,377	586,155
Social security costs	80,039	70,715
Other pension costs	33,187	34,386
	<u>762,603</u>	<u>691,256</u>

NEEDSPACE? LIMITED
31 DECEMBER 2017
NOTES TO THE ACCOUNTS
(CONTINUED)

4. Remuneration of directors

One director receives remuneration from the Company as follows:

	2017	2016
	£	£
Director's emoluments	168,875	161,769
Contributions to money purchase pension scheme	2,131	2,021
	<u>171,006</u>	<u>163,790</u>

None of the other directors received any emoluments for their services as directors of this company.

5. Interest receivable

	2017	2016
	£	£
Bank interest	<u>574</u>	<u>1,019</u>

6. Interest payable and similar charges

	2017	2016
	£	£
Group interest	83,988	73,455
Bank interest	343,081	180,643
Amortised loan fees	52,419	68,615
	<u>479,488</u>	<u>322,713</u>

7. Taxation on profit

	2017	2016
	£	£
a) Analysis of the charge in the year		
Current tax		
UK corporation tax on the profit for the year at 19.25% (2016: 20%)	290,107	190,945
Adjustments in respect of prior years	(2,906)	(4,601)
Total current tax	<u>287,201</u>	<u>186,344</u>
Deferred tax		
Origination and reversal of timing differences	(24,000)	(2,000)
Decrease in tax rate	-	(32,000)
Adjustments in respect of prior years	-	6,000
Total deferred tax credit	<u>(24,000)</u>	<u>(28,000)</u>
Total tax charge on profit	<u>263,201</u>	<u>158,344</u>

During the year beginning 1 January 2018, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry on timing differences.

NEEDSPACE? LIMITED
31 DECEMBER 2017
NOTES TO THE ACCOUNTS
(CONTINUED)

7. Taxation on profit (continued)

b) Factors affecting the total tax charge for the year

The total tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit before taxation	<u>2,209,508</u>	<u>966,094</u>
Profit at the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	425,330	193,219
Effects of:		
Permanent disallowable costs	21,175	22,800
Decrease in tax rate / timing differences	(180,398)	(59,074)
Adjustments in respect of prior years	(2,906)	1,399
Total tax charge for the year	<u>263,201</u>	<u>158,344</u>

8. Tangible assets

	Investment properties - freehold £	Plant and equipment £	Total £
COST OR VALUATION			
At 1 January 2017	24,170,000	72,577	24,242,577
Additions	23,590,310	1,889	23,592,199
Disposals	-	(167)	(167)
Revaluation	749,807	-	749,807
At 31 December 2017	<u>48,510,117</u>	<u>74,299</u>	<u>48,584,416</u>
ACCUMULATED DEPRECIATION			
At 1 January 2017	-	67,187	67,187
Charge for the year	-	5,264	5,264
Written off in the year	-	(167)	(167)
At 31 December 2017	<u>-</u>	<u>72,284</u>	<u>72,284</u>
NET BOOK VALUE			
At 31 December 2017	<u>48,510,117</u>	<u>2,015</u>	<u>48,512,132</u>
At 31 December 2016	<u>24,170,000</u>	<u>5,390</u>	<u>24,175,390</u>

Investment properties, which are all freehold, were revalued as at 31 December 2017 to fair value at £48,510,117, based on a valuation undertaken by Richard M. Trimming BSc FRICS, a director of the Company who is a valuer with recent experience of the location and class of the investment properties being valued. Other tangible fixed assets are stated at cost less depreciation. The method of determining fair value and assumptions on which the valuations have been based are set out in note 1(vi).

NEEDSPACE? LIMITED
31 DECEMBER 2017
NOTES TO THE ACCOUNTS
(CONTINUED)

8. Tangible assets (continued)

On an historical cost basis the investment properties which have been included above at valuation would have been shown at cost as £43,357,610 (2016: £19,767,300).

The Company has a general contractual obligation to maintain its investment properties in a reasonable state of repair. The cost of annual repairs and maintenance in the current year amounted to £283,257 (2016: £224,716).

At the balance sheet date the Company had contracted with licence and lease holders regarding provision of workplace and support services for minimum payments due within one year of £975,617 (2016: £340,414) and due over one year up to 5 years of £923,147 (2016: £56,697). Contracts are mainly licence agreements which are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

9. Debtors	2017	2016
	£	£
Trade debtors	64,303	1,809
Deferred taxation (note 13)	4,000	4,000
Amounts owed by group undertakings	960	3,285
Prepayments and accrued income	80,473	75,093
	<u>149,736</u>	<u>84,187</u>

10. Creditors: amounts falling due within one year	2017	2016
	£	£
Trade creditors	804,978	520,293
Bank loan (note 11)	473,003	288,563
Amounts owed to group undertakings	5,907,471	51,180
Corporation tax payable	290,107	190,945
Other taxation and social security	122,242	67,506
Other creditors	9,005,711	7,561
Accruals	273,619	157,890
Deferred income	208,819	17,426
	<u>17,085,950</u>	<u>1,301,364</u>

11. Creditors: amounts falling due after more than one year	2017	2016
	£	£
Bank loan	<u>20,303,676</u>	<u>12,785,324</u>

The new five year secured senior term bank loan is repayable in instalments of £534,000 per annum with the balance repayable in 2021. It is secured on the freehold investment properties and other assets of the Company and is guaranteed by the parent company.

12. Provisions for liabilities	2017	2016
	£	£
Deferred taxation (note 13)	<u>541,000</u>	<u>565,000</u>

NEEDSPACE? LIMITED
31 DECEMBER 2017
NOTES TO THE ACCOUNTS
(CONTINUED)

13. Deferred taxation

	£
At 1 January 2017	561,000
Credited to profit and loss account	(24,000)
At 31 December 2017	<u>537,000</u>

Deferred tax liability is provided as follows:

	2017 £	2016 £
Accumulated capital allowances in excess of depreciation	185,000	178,000
Revaluation surplus	361,000	383,000
Other timing differences	(9,000)	-
	<u>537,000</u>	<u>561,000</u>

Deferred tax is recorded on the balance sheet as follows:

	2017 £	2016 £
Deferred taxation asset under one year (note 9)	(4,000)	(4,000)
Provisions for liabilities – deferred taxation (note 12)	541,000	565,000
	<u>537,000</u>	<u>561,000</u>

14. Called up share capital and reserves

	2017 £	2016 £
Issued and fully paid share capital		
4,500,000 (2016: 4,500,000) Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses.

15. Ultimate parent company

The Company's immediate and ultimate parent company is Wates Group Limited, which is incorporated in Great Britain and registered in England and Wales. The smallest and largest group into which the results of the company are consolidated is Wates Group Limited.

The consolidated financial statements for Wates Group Limited are available to the public and may be obtained from Wates House, Station Approach, Leatherhead, Surrey, KT22 7SW.