

**Network Space Limited**  
**Directors' report and consolidated**  
**financial statements**  
Registered number 08030717  
for the year ended 30 June 2017



## Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	3
Independent auditor's report to the members of Network Space Limited	4
Consolidated profit and loss account and other comprehensive income	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated statement of changes in equity	9
Company statement of changes in equity	10
Notes to the financial statements	11

## Strategic report

The directors present their strategic report and audited financial statements for the year ended 30 June 2017.

### Principal activities

Network Space Limited is a commercial property investment and management operations group and is a subsidiary of Network Space Holdings Limited.

### Results

At the year-end date of 30 June 2017, the group profit and loss account reports a profit before tax of £13.5 million (2016: £16.7million). Net asset value has increased to £66.9 million (2016: £54.3 million).

### Principal risks and uncertainties

#### *Credit risk*

Credit risk is managed by a detailed credit assessment of every tenancy application, overseen by the Group Finance Director. Trade debts are closely monitored and regular meetings held to agree recovery strategies.

#### *Revenue risk*

The Property Director actively monitors and budgets asking rents in both gross and net terms, any deviation from budget pricing requiring approval.

#### *EU referendum & economic uncertainties*

The company is selective about its retained investment assets and is prudent in both valuation and gearing levels. The effects of an economic downturn and a material reduction in values are regularly analysed.

#### *Interest rates risk*

The directors use a number of analyses to ensure income returns continue to exceed borrowing costs, forecasts regularly test resilience to an increase in interest rates. Due to the volatility of pricing and the strength of internal controls in place, the directors have elected not to obtain a hedging facility.

#### *Valuation risk*

Investment portfolio valuation risk is mitigated by the formal valuation of one-third of the overall investment portfolio every year. The remaining two-thirds are valued by directors and audited by KPMG LLP.

### Future developments

The group continues to employ a strategy of re-investing earnings and capital receipts in complementary land and buildings.

By order of the board



**Richard Ainscough**  
Group Managing Director

 February 2018

Centrix House  
Crow Lane East  
Newton-le-Willows  
WA12 9UY

## Directors' report

The directors present their report for the year ended 30 June 2017.

### Dividends

The company paid a dividend of £nil (2016: £6,565,000) to shareholders.

### Directors

The directors who held office during the year and at the date of this report were as follows:

Mr R Ainscough

Mrs N Jones

Mr M Mellor

Mr R Gaskell (*resigned 18 September 2017*)

Mr W Ainscough

Mr H George

Mr. D Adamson (*appointed 4 December 2017*)

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Dan Adamson  
Group Finance Director

26<sup>th</sup> February 2018

Centrix House  
Crow Lane East  
Newton-le-Willows  
WA12 9UY

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP  
1 St Peter's Square  
Manchester  
M2 3AE

## **Independent auditor's report to the members of Network Space Limited**

### **Opinion**

We have audited the financial statements of Network Space Limited for the year ended 30 June 2017 which comprise the Consolidated profit and loss account and other comprehensive income, Consolidated balance sheet, Company balance sheet, Consolidated statement of changes in equity, Company statement of changes in equity and related notes, including the Accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and Directors' report**

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Independent auditor's report to the members of Network Space Limited** *(continued)*

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

*Nicola Quayle*

Nicola Quayle (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

*27 February 2018*

**Consolidated profit and loss account and other comprehensive income**  
*for the year ended 30 June 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>10,573</b>	<b>11,415</b>
<b>Expenses</b>		<b>(3,939)</b>	<b>(4,592)</b>
<b>Operating profit</b>		<b>6,634</b>	<b>6,823</b>
Revaluation of investment property	<b>3</b>	<b>7,516</b>	<b>7,147</b>
Profit on the disposal of investment property	<b>3</b>	<b>748</b>	<b>4,283</b>
Interest receivable and similar income		<b>-</b>	<b>2</b>
Interest payable and similar expenses	<b>7</b>	<b>(1,422)</b>	<b>(1,523)</b>
<b>Profit on ordinary activities before taxation</b>		<b>13,476</b>	<b>16,732</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(864)</b>	<b>(966)</b>
<b>Profit for the year</b>		<b>12,612</b>	<b>15,766</b>
<b>Total comprehensive income</b>		<b>12,612</b>	<b>15,766</b>

The notes on pages 13 to 26 form part of these financial statements.

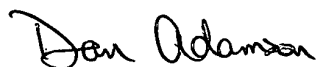


**Consolidated balance sheet**  
**As at 30 June 2017**

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Fixed assets</b>					
Tangible assets	9		30		42
Investment property	10		127,074		107,104
			<u>127,104</u>		<u>107,146</u>
<b>Current assets</b>					
Stock		76		75	
Debtors	12	2,102		2,515	
Cash at bank and in hand		1,444		1,114	
		<u>3,622</u>		<u>3,704</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,995)</u>		<u>(9,703)</u>	
<b>Net current liabilities</b>			<u>(4,373)</u>		<u>(5,999)</u>
<b>Total assets less current liabilities</b>			<u>122,731</u>		<u>101,147</u>
<b>Creditors: amounts falling due after more than one year</b>	14		(55,000)		(45,925)
<b>Provisions for liabilities and charges</b>					
Deferred tax liability	16		(799)		(902)
<b>Net assets</b>			<u>66,932</u>		<u>54,320</u>
<b>Capital and reserves</b>					
Called-up share capital	17		101		101
Share premium account			28,263		28,263
Revaluation reserve			18,417		13,290
Merger reserve			514		514
Profit and loss account			19,637		12,152
<b>Equity shareholders' funds</b>			<u>66,932</u>		<u>54,320</u>

The notes on pages 13 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 26<sup>th</sup> February 2018 and were signed on its behalf by:



**Dan Adamson**  
*Group Finance Director*  
Company No: 08030717

**Company balance sheet**  
*As at 30 June 2017*

	Note	2017 £000	2017 £000	2016 £000	2016 £000
<b>Fixed assets</b>					
Tangible assets	9		30		42
Investment property	10		101,334		83,579
Investments	11		-		-
			<u>101,364</u>		<u>83,621</u>
<b>Current assets</b>					
Stock		76		75	
Debtors: (including £11,078,000 due in more than one year, (2016: £13,303,000))	12	12,983		15,603	
Cash at bank and in hand		1,239		144	
		<u>14,298</u>		<u>15,822</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,104)</u>		<u>(7,878)</u>	
<b>Net current assets</b>			8,194		7,944
<b>Total assets less current liabilities</b>			109,558		91,565
<b>Creditors: amounts falling due after more than one year</b>	14		(55,000)		(45,925)
<b>Provisions for liabilities and charges</b>					
Deferred tax liability	16		(338)		(102)
<b>Net assets</b>			<u>54,220</u>		<u>45,538</u>
<b>Capital and reserves</b>					
Called up share capital	17		101		101
Share premium account			28,263		28,263
Revaluation reserve			15,910		10,467
Profit and loss account			9,946		6,707
<b>Equity shareholders' funds</b>			<u>54,220</u>		<u>45,538</u>

The notes on pages 13 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on  
signed on its behalf by:

26<sup>th</sup>

February 2018 and were

*Dan Adamson*

**Dan Adamson**  
Group Finance Director  
Company No: 08030717

**Consolidated statement of changes in equity**  
*For the year ended 30 June 2017*

	Called up share capital £000	Share Premium account £000	Revaluation reserve £000	Merger reserve £000	Profit & loss account £000	Total equity £000
<b>Balance at 1 July 2015</b>	101	28,263	7,672	514	8,569	45,119
Total comprehensive income for the period						
Profit for the year	-	-	-	-	15,766	15,766
Transfer between reserves	-	-	5,618	-	(5,618)	-
<b>Total comprehensive income for the period</b>	-	-	5,618	-	10,148	15,766
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(6,565)	(6,565)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	(6,565)	(6,565)
<b>Balance at 30 June 2016</b>	101	28,263	13,290	514	12,152	54,320
	Called up share capital £000	Share premium account £000	Revaluation reserve £000	Merger reserve £000	Profit & loss account £000	Total equity £000
<b>Balance at 1 July 2016</b>	101	28,263	13,290	514	12,152	54,320
Total comprehensive income for the period						
Profit for the year	-	-	-	-	12,612	12,612
Transfer between reserves	-	-	5,127	-	(5,127)	-
<b>Total comprehensive income for the period</b>	-	-	5,127	-	7,485	12,612
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-
<b>Balance at 30 June 2017</b>	101	28,263	18,417	514	19,637	66,932

**Company statement of changes in equity**  
*For the year ended 30 June 2017*

	Called up Share capital £000	Share Premium account £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
<b>Balance at 1 July 2015</b>	101	28,263	6,607	4,443	39,414
Total comprehensive income for the period					
Profit for the year	-	-	-	12,689	12,689
Transfer between reserves	-	-	3,860	(3,860)	-
<b>Total comprehensive income for the period</b>	-	-	3,860	8,829	12,689
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(6,565)	(6,565)
<b>Total contributions by and distributions to owners</b>	-	-	-	(6,565)	(6,565)
<b>Balance at 30 June 2016</b>	101	28,263	10,467	6,707	45,538
	Called up Share capital £000	Share Premium account £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
<b>Balance at 1 July 2016</b>	101	28,263	10,467	6,707	45,538
Total comprehensive income for the period					
Profit for the year	-	-	-	8,682	8,682
Transfer between reserves	-	-	5,443	(5,443)	-
<b>Total comprehensive income for the period</b>	-	-	5,443	3,239	8,682
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-
<b>Balance at 30 June 2017</b>	101	28,263	15,910	9,946	54,220

## Notes to the financial statements

### 1 Accounting policies

Network Space Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Network Space Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Network Space Holdings Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Network Space Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments*

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

#### **Going concern**

As at 30 June 2017 the Group had cash reserves of £1.4m, net debt of £53.6m and undrawn Revolving Credit Facilities of £25m which do not expire until December 2019. Together with the Group's low gearing level of 42%, significant capacity exists to raise additional finance or to provide additional security for existing facilities should property values fall. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

#### ***Basic financial instruments***

##### ***Trade and other debtors / creditors***

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### ***Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets.

Plant & machinery, fixtures & fittings etc

4-25% straight line

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *Investment properties*

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and

ii. no depreciation is provided in respect of investment properties applying the fair value model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

Investment properties have been valued by the directors at 30 June 2017.

#### *Investments*

In the company's financial statements, investments in subsidiary undertakings are stated at cost.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### *Employee benefits*

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### *Leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### *Grant income*

Grant income in respect of investment properties is held on the balance sheet. Investment properties are deemed to have an indefinite useful life, as such the grant income is only recorded in the profit and loss once the associated investment property is disposed of.

### 2 Turnover

Turnover represents the rental income receivable and amounts derived from the provision of site services to customers during the period (excluding value added tax). Sales of fixed asset investments are accounted for in the Profit on the disposal of fixed assets. All turnover is derived from UK operations and is recognised when the service is delivered.

### 3 Other income

	2017 £000	2016 £000
Profit on disposal of investment property	748	4,283
Revaluation of investment property	7,516	7,147
	<u>          </u>	<u>          </u>

### 4 Expenses and auditor's remuneration

*Included in profit/(loss) are the following:*

	2017 £000	2016 £000
<i>Auditor's remuneration:</i>		
Audit of these financial statements	17	19
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	7	8
Other services in relation to taxation	8	8
	<u>          </u>	<u>          </u>



## Notes to the financial statements *(continued)*

### 5 Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	Number of employees	
	2017	2016
Administration	14	29
Management	2	4
	<hr/>	<hr/>
	16	33
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	498	1,290
Social security costs	53	134
Pension costs	19	38
	<hr/>	<hr/>
	570	1,462
	<hr/>	<hr/>

### 6 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments	574	599
Pension costs	32	30
	<hr/>	<hr/>
	606	629
	<hr/>	<hr/>

The aggregate of emoluments of the highest paid director was £150,000 (2016: £228,905) and pension contributions of £8,625 (2016: £7,844) were made to a money purchase scheme on their behalf.

During the year there were two directors (2016: four) to whom retirement benefits were accruing under a money purchase scheme.

## Notes to the financial statements (continued)

### 7 Interest payable and similar expenses

	2017 £000	2016 £000
On bank loans	1,309	1,515
On loans with group companies	113	-
Other loans	-	8
	<u>1,422</u>	<u>1,523</u>

### 8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2017 £000	2016 £'000
<i>Current tax</i>		
Current tax on income for the period	963	1,080
Adjustment in respect of prior year	4	(39)
	<u>967</u>	<u>1,041</u>
<i>Deferred tax</i>		
Adjustment in respect of prior year	(197)	(75)
Change in tax rate	(73)	-
Origination and reversal of timing differences	167	-
	<u>(103)</u>	<u>(75)</u>
Total deferred tax		
	<u>864</u>	<u>966</u>

	2017 £000	2016 £000	2017 £000	2016 £000	2016 £000	2016 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	967	(103)	864	1,041	(75)	966
	<u>967</u>	<u>(103)</u>	<u>864</u>	<u>1,041</u>	<u>(75)</u>	<u>966</u>

## Notes to the financial statements *(continued)*

### 8 Taxation (continued)

#### Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit after tax for the year	12,612	15,766
Total tax expense	864	966
	<hr/>	<hr/>
Profit excluding taxation	13,476	16,732
Tax expense using the UK corporation tax rate of 19.75% (2016: 20 %)	2,662	3,346
Non-deductible expenses	2	-
Income not taxable	(1,520)	(1,429)
Adjustment in respect of prior years	(192)	10
Deferred tax – adjustment to average rate	(72)	(100)
Fixed asset differences	(16)	(861)
	<hr/>	<hr/>
Total tax expense included in profit or loss	864	966
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016. The deferred tax liability at 30 June 2017 has been calculated based on these rates. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability accordingly.

## Notes to the financial statements *(continued)*

### 9 Tangible fixed assets

Group	Plant, machinery, fixtures & fittings	Total
<i>Cost or valuation</i>	<b>£000</b>	<b>£000</b>
At 1 July 2016	257	257
Additions	16	16
Disposals	(18)	(18)
	<hr/>	<hr/>
<b>At 30 June 2017</b>	<b>255</b>	<b>255</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>		
At 1 July 2016	215	215
Charge for the year	22	22
On disposals	(12)	(12)
	<hr/>	<hr/>
<b>At 30 June 2017</b>	<b>225</b>	<b>225</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>		
<b>At 30 June 2017</b>	<b>30</b>	<b>30</b>
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2016	42	42
	<hr/> <hr/>	<hr/> <hr/>
 Company	 Plant, machinery, fixtures & fittings	 Total
<i>Cost or valuation</i>	<b>£000</b>	<b>£000</b>
At 1 July 2016	134	134
Additions	16	16
Disposals	(18)	(18)
	<hr/>	<hr/>
<b>At 30 June 2017</b>	<b>132</b>	<b>132</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>		
At 1 July 2016	92	92
Charge for year	22	22
On disposals	(12)	(12)
	<hr/>	<hr/>
<b>At 30 June 2017</b>	<b>102</b>	<b>102</b>
	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>		
<b>At 30 June 2017</b>	<b>30</b>	<b>30</b>
	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2016	42	42
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements *(continued)*

### 10 Investment property

	Group £000	Company £000
Balance at 1 July 2016	107,104	83,579
Additions	13,725	13,706
Net gain from fair value adjustments	7,516	5,320
Disposals	(1,271)	(1,271)
<b>Balance at 30 June 2017</b>	<b>127,074</b>	<b>101,334</b>

The historical cost of re-valued investment properties as at 30 June 2017 was £108,657,000 (2016: £93,814,000)

Investment properties have been valued by the directors at 30 June 2017. An independent external valuation was undertaken by Jones Lang LaSalle in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6<sup>th</sup> Edition) in June 2017 for a sample of properties. The directors used these external valuations to inform their valuations at 30 June 2017.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

### 11 Investments

The principal operating subsidiary undertakings included in the consolidation comprise the following:

	Registered Office	Principal Activity	Class and percentage of shares held
Network Space (Networkcentres) Limited	Centrix House, Crow Lane East, Newton-le-Willows	Property Investment	Ordinary 100%

## Notes to the financial statements *(continued)*

### 12 Debtors

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade debtors	347	332	280	253
Amounts owed by group undertakings	10	185	11,088	13,488
Other debtors	21	27	3	16
Prepayments and accrued income	1,724	1,971	1,612	1,846
	<u>2,102</u>	<u>2,515</u>	<u>12,983</u>	<u>15,603</u>

Amounts owed by group undertakings includes £11,079,000 (2016: £13,488,000) due in more than one year. The balances are interest bearing.

### 13 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Trade creditors	266	394	191	268
Amounts owed to group undertakings	1,379	3,536	1,072	3,229
Corporation tax	462	428	284	261
Other taxes and social security	-	39	-	39
Other creditors	824	413	633	340
Accruals and deferred income	1,947	2,076	1,451	1,636
Rents in advance	1,498	1,451	1,473	1,215
Deposits	1,619	1,366	1,000	890
	<u>7,995</u>	<u>9,703</u>	<u>6,104</u>	<u>7,878</u>

The amounts owed to group undertakings are intercompany loans to other subsidiaries of the company. These balances are repayable on demand and no interest is charged.

## Notes to the financial statements *(continued)*

### 14 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Bank loans	40,000	45,925	40,000	45,925
Amounts due to related undertakings	15,000	-	15,000	-
	<u>55,000</u>	<u>45,925</u>	<u>55,000</u>	<u>45,925</u>

Details regarding the bank loans included in the table above can be found in note 15, interest bearing loans and borrowings.

The amounts due to related undertakings are interest bearing with no fixed repayment date.

### 15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Creditors falling due more than one year</b>				
Bank loans	40,000	45,925	40,000	45,925
	<u>40,000</u>	<u>45,925</u>	<u>40,000</u>	<u>45,925</u>

The group operates under a banking facility totalling £65m which was approved in December 2014 and runs to December 2019. Interest rates are charged on a variable basis.

The bank loans are secured by fixed and floating charges on certain investment properties of the group. All bank loans are repayable between two and five years (2016: two and five years).

## Notes to the financial statements *(continued)*

### 16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2017 £000	Liabilities 2017 £000	Net 2017 £000	Assets 2016 £000	Liabilities 2016 £000	Net 2016 £000
Accelerated capital allowances	-	(799)	(799)	-	(902)	(902)
	<u>-</u>	<u>(799)</u>	<u>(799)</u>	<u>-</u>	<u>(902)</u>	<u>(902)</u>
Net tax liabilities	<u>-</u>	<u>(799)</u>	<u>(799)</u>	<u>-</u>	<u>(902)</u>	<u>(902)</u>
<b>Company</b>	<b>Assets 2017 £000</b>	<b>Liabilities 2017 £000</b>	<b>Net 2017 £000</b>	<b>Assets 2016 £000</b>	<b>Liabilities 2016 £000</b>	<b>Net 2016 £000</b>
Accelerated capital allowances	-	(338)	(338)	-	(102)	(102)
	<u>-</u>	<u>(338)</u>	<u>(338)</u>	<u>-</u>	<u>(102)</u>	<u>(102)</u>
Net tax liabilities	<u>-</u>	<u>(338)</u>	<u>(338)</u>	<u>-</u>	<u>(102)</u>	<u>(102)</u>

### 17 Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
Ordinary Shares of £1 each	101	101
	<u>101</u>	<u>101</u>

Each holder of an Ordinary Share is entitled to receive notice of, and to attend and speak at, any general meeting of the company. Any such holder shall, on a show of hands have one vote, and on a poll have one vote, for each Ordinary Share that they hold.

### 18 Pension scheme

The pension cost charge for the year represents contributions payable by the group to the scheme and amounts to £19,000 (2016: £38,000). There were no outstanding amounts or prepayments at the year end.



## Notes to the financial statements *(continued)*

### 19 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2017 Land and Buildings £000	2016 Land and Buildings £000
<b>Group and Company</b>		
- Within 1 year	28	26
- Between two and five years	19	23
	<hr/> 47	<hr/> 49
	<hr/> <hr/>	<hr/> <hr/>

### 20 Ultimate controlling party

The company is a subsidiary undertaking of Network Space Holdings Ltd which is the ultimate parent company incorporated in England and Wales. The majority of the shares in Network Space Holdings Ltd are owned by Mr W Ainscough who is the ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Network Space Holdings Ltd. The consolidated financial statements of this group are available to the public and may be obtained from the Company's registered office at Centrix House, Crow Lane East, Newton-le-Willows, St. Helens, Merseyside, WA12 9UY.

### 21 Accounting estimates and judgements

#### *Critical accounting judgements and key sources of estimation uncertainty*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### *Revaluation of investment properties*

The Group carries its investment property at fair value, with changes in fair value being recorded in the profit and loss account. The properties have been valued by the directors as at 30 June 2017. Valuations are sensitive to estimated yields and occupancy rates.

## **Notes to the financial statements** *(continued)*

### **21 Accounting estimates and judgements** *(continued)*

#### *Recoverability and impairment of non-financial assets*

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. Recoverable amounts are sensitive to the discount rates used in a discounted cash flow model, and to the estimates of future cash flows and growth rates used to extrapolate values. Any impairment losses recognised will only be reversed in a subsequent period if the reasons for the impairment loss have ceased to apply. The following areas of the financial statements have been reviewed for recoverability and impairment.

#### *Taxation*

The Group establishes tax provisions based on reasonable estimates. The amount of such provisions is based on various factors, such as experience with previous tax audits and interpretations of tax regulations. Management estimation is required to determine the amount of deferred tax assets or liabilities to be recognised, based upon the likely future timing and level of taxable profits, together with an assessment of the effect of future tax planning strategies.