
NETWORK SPACE DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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NETWORK SPACE DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	R Ainscough D Adamson S Barnes M J Mellor
Registered number	01604509
Registered office	Centrix House Crow Lane East Newton Le Willows St Helens Merseyside WA12 9UY
Independent auditor	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants Royal Liver Building Liverpool L3 1PS

NETWORK SPACE DEVELOPMENTS LIMITED

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NETWORK SPACE DEVELOPMENTS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Objective

The objective of Network Space Developments (NSD) is to act as the property development company for the Network Space Holdings Group.

Strategy

The board of directors recognise their responsibilities with regard to strategy and regularly consider new development opportunities. The company's strategy is to source and develop best-in-class pre-let and speculative property to meet latent occupier demand. The company currently operates in multiple sectors but with a weighted focus in the industrial property sector, consistent with the strategy of the Network Space Holdings group.

As a foundation for dynamic and effective strategic governance, the board of Network Space Developments recognise and adhere to the Vision, Mission and Values which have been developed by Network Space Holdings.

Business model

The company is responsible for implementing an individual strategy which is complementary to that of the group. The company holds its own monthly board meeting where strategy is reviewed and for which a full suite of financial and operational board reports is produced.

The company is funded by equity investment and loan facilities from the parent company alongside project specific external funding packages.

Matters of strategic importance

As at 30th June 2018 the company had agreed terms with Infrared Capital Partners to deliver for them two new development properties on a forward contract basis. The agreement completed on 26th October 2018.

NETWORK SPACE DEVELOPMENTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Analysis of performance and position

Financial

At the year-end balance sheet date of 30th June 2018, the company profit and loss account reports a profit before tax of £2.1m (2017: £5.9m). The company balance sheet shows development land stock of £35.1m and cash at bank and in hand of £6.4m.

Development

The development company continued its strategy of speculative and pre-let industrial development, with two new speculative schemes in St Helens and Stoke-on-Trent totalling 220,000 sq ft being started and developed during the year, achieving practical completion shortly after the year-end. A new speculative scheme in Knowsley totalling 104,000 sq ft in 3 units commenced in June 2018 with completion expected in the first quarter of 2019.

The Company's strategy to develop assets for 3rd party partners also continued with exchange of a development agreement in December 2017 for the delivery of a new Wellness Centre in Denton, Manchester for Tameside MBC. The construction contract was let after year-end, in November 2018, with completion expected in the first quarter of 2020.

In March 2018 a pre-let agreement for a 50,000 sq ft unit was exchanged for the next phase in St Helens with practical completion expected in April 2019.

Trends and factors

The industrial property sector as a whole has continued to perform very well during the reported financial year, this is believed to be a consequence of increasing investor interest in the sector coupled with a lack of quality supply for occupiers.

It is anticipated that the next financial year will see a cooling in market sentiment as the uncertainty of Brexit causes both investors and occupiers to defer major decisions until the nature of our ongoing relationship with the EU is more clearly defined.

Key performance indicators (KPIs)

The board focusses on performance that will result in growth of net asset value of the company. To support this several KPIs are used.

Capital transactions are usually appraised and monitored through IRR analysis and cash-flows with allowances made for the associated risk. Return on Equity and Return on Capital Employed is also calculated.

NETWORK SPACE DEVELOPMENTS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Principal risks and uncertainties

Credit risk

For development projects, both contractors and clients of development management contracts or pre-let/pre-sale agreements are also subject to detailed credit assessments. Appropriate cashflow protections are sought if considered necessary.

Planning risk

Development projects by their nature require planning consent from the relevant local authority. Before making a significant capital commitment on a given project, pre-application consultations and representations are undertaken to gain comfort that the proposed developments will be approved.

Political, Economic, Sociological, Technological, Legal and Environmental risk

As part of regularly revisiting the strategic process, the directors monitor external risks by use of a PESTLE analysis. By the nature of the industry external risk has a bearing on market sentiment, from both an investor and occupier perspective. The board ensures that current and future possible risks are considered when committing to significant capital transactions.

Valuation risk

Land stock values are reviewed and tested to ensure the lower of cost and net realisable value is recorded for asset. All values are audited.

Environmental, employee, social, community and human rights matters

All new developments undertaken by the group are awarded a BREEAM rating of "Very Good" or "Excellent" and EPC ratings of B and higher.

Employee, social, community and human rights matters are reviewed, considered and implemented at group level by Network Space Holdings Ltd.

This report was approved by the board and signed on its behalf.



R Ainscough
Director

Date: 29 MARCH 2019

NETWORK SPACE DEVELOPMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

Directors' Responsibilities Statement

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Results and dividends

The profit for the year, after taxation, amounted to £3.4m (2017: £6.4m).

The company paid a dividend of £9m in 2018 (2017: £Nil).

Directors

The directors who served during the year were:

R Ainscough
D Adamson (appointed 4 December 2017)
S Barnes
N Jones (resigned 21 February 2019)
M J Mellor
W Ainscough (resigned 9 April 2018)
R Gaskell (resigned 18 September 2017)
H George (resigned 22 March 2018)
T Johnston (resigned 9 April 2018)

NETWORK SPACE DEVELOPMENTS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018**

Future developments

The company continues to employ a strategy of re-investing earnings and capital receipts in new opportunities.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.


Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



D Adamson

Director

Date: 29 MARCH 2019



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETWORK SPACE DEVELOPMENTS LIMITED

Opinion

We have audited the financial statements of Network Space Developments Limited (the 'company') for the year ended 30 June 2018, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity 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 Financial Reporting Standard 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 30 June 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETWORK SPACE DEVELOPMENTS
LIMITED (CONTINUED)**

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

Matter on which we are required to report under the Companies Act 2006

In the 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 Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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 specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETWORK SPACE DEVELOPMENTS LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement 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, 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 our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Emma Stoddart
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool
Date: 29 March 2019

NETWORK SPACE DEVELOPMENTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 £000	2017 £000
Turnover	4	2,201	11,914
Gross profit		<u>2,201</u>	<u>11,914</u>
Administrative expenses		(2,599)	(7,867)
Profit on disposal of investment properties		2,366	176
Revaluation of investment properties		-	1,443
Operating profit		<u>1,968</u>	<u>5,666</u>
Interest receivable and similar income	9	177	193
Interest payable and expenses	10	(10)	-
Profit before tax		<u>2,135</u>	<u>5,859</u>
Tax on profit	11	1,281	544
Profit for the financial year		<u><u>3,416</u></u>	<u><u>6,403</u></u>

There were no recognised gains and losses for 2018 or 2017 other than those included in the profit and loss account.


The notes on pages 12 to 27 form part of these financial statements.

NETWORK SPACE DEVELOPMENTS LIMITED
REGISTERED NUMBER: 01604509

BALANCE SHEET
AS AT 30 JUNE 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	13	2	39
Investments	14	238	238
Investment property	15	-	16,170
		<u>240</u>	<u>16,447</u>
Current assets			
Stocks	16	35,065	15,856
Debtors: amounts falling due within one year	17	3,521	14,639
Cash at bank and in hand	18	6,411	1,298
		<u>44,997</u>	<u>31,793</u>
Creditors: amounts falling due within one year	19	(13,770)	(11,159)
Net current assets		<u>31,227</u>	<u>20,634</u>
Total assets less current liabilities		<u>31,467</u>	<u>37,081</u>
Provisions for liabilities			
Deferred tax	20	-	(30)
Net assets		<u><u>31,467</u></u>	<u><u>37,051</u></u>
Capital and reserves			
Called up share capital	21	52	52
Share premium account	22	2,068	2,068
Revaluation reserve	22	-	1,521
Capital redemption reserve	22	15,000	15,000
Profit and loss account	22	14,347	18,410
		<u><u>31,467</u></u>	<u><u>37,051</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29 MARCH 2019.


D Adamson
 Director

The notes on pages 12 to 27 form part of these financial statements.

NETWORK SPACE DEVELOPMENTS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2017	52	2,068	15,000	1,521	18,410	37,051
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,416	3,416
Transfer between reserves	-	-	-	(1,521)	1,521	-
Dividends: Equity capital	-	-	-	-	(9,000)	(9,000)
At 30 June 2018	52	2,068	15,000	-	14,347	31,467

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2016	52	2,068	15,000	1,197	12,331	30,648
Comprehensive income for the year						
Profit for the year	-	-	-	-	6,403	6,403
Transfer between reserves	-	-	-	324	(324)	-
At 30 June 2017	52	2,068	15,000	1,521	18,410	37,051

The notes on pages 12 to 27 form part of these financial statements.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Network Space Developments Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Centrix House, Crow Lane East, Newton Le Willows, St Helens, Merseyside, WA12 9UY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The functional and presentational currency is pound sterling (£). All amounts in the financial statements have been rounded to the nearest £1,000.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Network Space Holdings Limited as at 30 June 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 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.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.4 Going concern

During the year the company met its day to day working capital requirements through a combination of cash generated from rental income, capital receipts and an intercompany loan facility with its parent company Network Space Holdings Limited. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared cash flow forecasts for 12 months from the date of approval of these statutory accounts which demonstrate the group is able to continue to operate as a going concern. Accordingly, the continue to adopt the going concern basis in preparing the annual report and accounts.

2.5 Revenue

Rental income is recognised on a straight line basis over the course of the period of the lease. Any differences between the cash receipts and straight line recognition is deferred/accrued as appropriate.

Other income is recognised at the point which the economic benefits flow to the company and the revenue can be reliably measured.

2.6 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.7 Finance costs

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.8 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- life of lease
Plant and machinery, fixture and fittings etc	- 4 - 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

2.9 Investment property

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 the 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.

Investment properties have been valued by the directors at 30 June 2018.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (01 July 2016) to continue to be charged over the period to the first market rent review rather than the term of the lease.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.19 Grant income

Grant income in respect of investment or development 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 required conditions have been met.

2.20 Transfer of items

Where management's intention is to dispose of an investment property through development, the investment property has been transferred at its fair value, which may be higher than cost, from fixed assets to stock. Stocks are carried at the lower of cost or net realisable value.

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3. Judgements in applying accounting policies 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 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 amounts recognised in the financial statements.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy set out for stock in note 2. Initial capitalisation is based on management's judgement that technical and economic feasibility is confirmed through the use of established project management models. In determining the ongoing amounts to be capitalised, management make assumptions regarding the expected future cash generation of the asset and the expected period of benefits.

Taxation

The company 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.

4. Turnover

Turnover represents the rental income receivable in the year and amounts (excluding value added tax) derived from the provision of site services to customers during the year. All income is derived in the UK. Rental incentives are spread over the life of the related lease. Sales of investment properties are recorded in profit on sale of investment properties.

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Sale of trading developments	460	9,137
Investment property rentals	1,741	2,777
	<u>2,201</u>	<u>11,914</u>

All turnover arose within the United Kingdom.

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. Other operating income

	2018	2017
	£000	£000
Revaluation of investment properties	-	1,443
Profit on disposal of investment properties	2,366	176
	<u>2,366</u>	<u>1,619</u>

6. Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	14	3

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

7. Employees

There were no employees of the business in either current and or the prior year. All employee costs are incurred by the parent entity and recharged to Network Space Developments Limited.

8. Directors' remuneration

Remuneration of directors was incurred by Network Space Holdings Limited in both the current and prior years. All retirement and other benefits accruing to directors were also incurred by Network Space Holdings Limited.

9. Interest receivable

	2018	2017
	£000	£000
On group loans	104	46
On cash at bank	-	12
Interest on loans receivable from associates	73	133
Other interest received	-	2
	<u>177</u>	<u>193</u>

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. Interest payable and similar expenses

	2018 £000	2017 £000
Loans from group undertakings	10	-

11. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	(212)	(746)
Total current tax	(212)	(746)
Deferred tax		
Origination and reversal of timing differences	(1,406)	(1,290)
Adjustments in respect of prior periods	(2)	-
Effect of tax rate change on opening balance	(85)	-
Total deferred tax	(1,493)	(1,290)
Taxation on profit on ordinary activities	1,281	544

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: *lower than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	2,135	5,859
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	406	1,157
Effects of:		
Fixed asset differences	(382)	(1,475)
Expenses not deductible for tax purposes	29	12
Chargeable gains/(losses)	(696)	-
Adjustments to tax charge in respect of previous periods	47	(77)
Adjustments to tax charge in respect of previous periods - deferred tax	(2)	-
Adjust closing deferred tax to average rate of 19.00%	(5)	(5)
Adjust opening deferred tax to average rate of 19.00%	(83)	128
Deferred tax not recognised	(725)	-
S171a tax relief reversal	130	-
Income not taxable	-	(284)
Group relief surrendered/(claimed)	(35)	(22)
Payment of group relief	35	22
Total tax charge for the year	(1,281)	(544)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2016. The deferred tax liability at 30 June 2018 has been calculated based on these rates. An additional reduction to 17% (effective from 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.

12. Dividends

	2018 £000	2017 £000
Dividends (£172.87 per ordinary share)	9,000	-

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Tangible fixed assets

	Short leasehold property £000	Plant, machinery & fixtures & fittings £000	Total £000
Cost			
At 1 July 2017	61	860	921
Additions	-	6	6
Disposals	(61)	(824)	(885)
At 30 June 2018	-	42	42
Depreciation			
At 1 July 2017	31	852	883
Charge for the year on owned assets	-	5	5
Disposals	(31)	(817)	(848)
At 30 June 2018	-	40	40
Net book value			
At 30 June 2018	-	2	2
At 30 June 2017	31	8	39

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14. Fixed asset investments

	Investments in associate company £000
Cost	
At 1 July 2017	10,470
At 30 June 2018	<u>10,470</u>
Impairment	
At 1 July 2017	10,232
At 30 June 2018	<u>10,232</u>
Net book value	
At 30 June 2018	<u><u>238</u></u>
At 30 June 2017	<u><u>238</u></u>

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14. Fixed asset investments (continued)

Direct or indirect subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
NS Festival Gardens Limited	Ordinary	100 %	Property Development
NS (PDMS) Limited	Ordinary	100 %	Property Management
Network Space Management Limited	Ordinary	100 %	Property Management
Network Space Projects limited	Ordinary	100 %	Property Development
NS Midwest Nominees Limited	Ordinary	100 %	Dormant
NS Investments North East Limited	Ordinary	100 %	Property Development
NS Artisan Limited	Ordinary	100 %	Property Development
High Carr Axis Management Company Limited	Ordinary	100 %	Property Management
St Helens Stadium Limited	Ordinary	100 %	Property Management
Network Space NE Limited	Ordinary	100 %	Dormant
NS Managed Services Limited	Ordinary	100 %	Dormant
NS Shelfco 1 Limited	Ordinary	50 %	Dormant
NS Shelfco 2 Limited	Ordinary	100 %	Dormant
NS Shelfco 3 Limited	Ordinary	100 %	Dormant
NS North East Nominees Limited	Ordinary	100 %	Dormant

Associated companies

The following were associated companies of the company:

Name	Class of shares	Holding	Principal activity
Langtree Property Partners Limited	Ordinary	30 %	Property Investment, Development and Management

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. Investment property

	Freehold investment property £000
At 1 July 2017	16,170
Disposals	(16,170)
At 30 June 2018	-

The historical cost of re-valued investment properties as at 30 June 2018 was £Nil (2017: £14,649k).

16. Stocks

	2018 £000	2017 £000
Land and properties held for development	35,065	15,856

17. Debtors

	2018 £000	2017 £000
Trade debtors	174	4,650
Amounts owed by group undertakings	62	8,002
Amounts owed by associated undertakings	-	1,500
Other debtors	1,610	49
Prepayments and accrued income	213	438
Deferred taxation	1,462	-
	3,521	14,639

Amounts owed by associated undertakings were due in more than one year.

Amounts owed by group undertakings are interest bearing with no fixed repayment date. Other amounts owed by group undertakings are repayable on demand.

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	6,411	1,298

19. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,774	438
Amounts owed to group undertakings	7,468	6,835
Corporation tax	-	392
Other creditors	111	841
Accruals and deferred income	4,367	1,971
Rents in advance	14	391
Deposits	36	291
	<u>13,770</u>	<u>11,159</u>

20. Deferred taxation

	2018 £000
At beginning of year	(30)
Charged to profit or loss	1,493
At end of year	<u>1,463</u>

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	(120)	(106)
Short term timing differences	76	76
Capital losses	1,506	-
	<u>1,462</u>	<u>(30)</u>

NETWORK SPACE DEVELOPMENTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

21. Share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid		
52,063 (2017 - 52,063) Ordinary shares shares of £1.00 each	52	52

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.

22. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

Includes all historic revaluations on investment properties.

Capital redemption reserve

Purchase of own shares.

Profit and loss account

Includes all current and prior periods retained profits and losses.

23. Commitments under operating leases

At 30 June 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Not later than 1 year	275	293
Later than 1 year and not later than 5 years	1,100	1,148
Later than 5 years	10,523	12,087
	11,898	13,528

NETWORK SPACE DEVELOPMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24. Receipts under operating leases

At 30 June 2018 the company had future minimum lease receipts under non-cancellable operating leases as follows;

	2018 £000	2017 £000
Not later than 1 year	332	1,841
Later than 1 year and not later than 5 years	-	3,056
Later than 5 years	-	490
	<u>332</u>	<u>5,387</u>

25. Related party transactions

As a wholly owned subsidiary of Datum Edge Limited, the company is exempt from the requirements of FRS102 Section 33 to disclose transactions with members of the group.

No key management personnel received remuneration from the company in either current or prior year.

26. Ultimate holding company and controlling party

The company is a subsidiary undertaking of Network Space Holdings Ltd which is the immediate parent company incorporated in England and Wales. Network Space Holdings Ltd is 100% subsidiary of Datum Edge Limited and the smallest group into which Network Space Developments Limited is consolidated. The majority of the shares in Datum Edge Limited are owned by Mr R Ainscough who is the ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by the ultimate parent undertaking, Datum Edge Limited. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.