

Registered number: 08028388

NETWORK SPACE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019



NETWORK SPACE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Ainscough D Adamson S Barnes N Jones M Mellor
Registered number	08028388
Registered office	Centrix House Crow Lane East Newton Le Willows Merseyside WA12 9UY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS

NETWORK SPACE HOLDINGS LIMITED

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NETWORK SPACE HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2019

Objective

Network Space's objective is to create "Better places for business". This is achieved by specialising in the provision of exceptional industrial property for local, national and international organisations. Network Space Holdings Limited is the group parent of three autonomous business operations undertaking Investment, Development and Management activities in the industrial property sector.

Strategy

The board of directors recognise their responsibilities in developing and delivering a robust and effective group corporate strategy in order to deliver the stated objective. Market turbulence, coupled with political and economic uncertainty requires that strategy is reviewed frequently, therefore the board meet regularly to revisit the strategic process.

The board continue to pursue a group corporate strategy of value creation and continuous improvement through:

- selective investment in industrial property, for both proprietary and partner portfolios
- pre-let and speculative development of best-in-class industrial property, to meet latent occupier demand
- proactive, sector-leading asset and estate management of both proprietary and partner portfolios supported by cutting edge IT systems.

As a foundation for dynamic and effective strategic governance, the board have recognised the importance of a clearly defined Vision, Mission and Values which have been developed in consultation with the wider workforce.

Vision

To provide the best and most complete solution for industrial workspace

Mission

The purpose of our business:

1. We generate sustainable long-term value
2. We create and maintain industrial property that is fit for the future
3. We develop firm and enduring business relationships
4. We deliver bespoke and comprehensive solutions

Values

Our beliefs and our standards of conduct:

1. Aspiration: Try to be the best. Do not be afraid to think big.
2. Innovation: Test the status quo in all that we do, look for a better way.
3. Collaboration: Work together – with our colleagues, our customers, our partners and our community.
4. Agility: Respond quickly and thoughtfully.
5. Proactivity: Think ahead, see opportunity. Propose solutions.
6. Integrity: Be honest, ethical and fair.
7. Dedication: A commitment to delivery and a clear sense of purpose.
8. Approachable: Be accessible and be prepared to listen.

Business Model

As the group holding company, the board of Network Space Holdings ensure that the three operating subsidiaries collaborate and adhere to the group's corporate strategy and the stated objective, vision, mission and values. Beyond this each business is responsible for implementing its own individual strategy that is complementary to that of the group. Each business holds its own monthly board meeting where business strategy is reviewed and for which a full suite of financial and operational board reports are produced.

NETWORK SPACE HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Matters of strategic importance

On 26th October 2018 the group completed Project Vantage with Infrared Capital Partners, a deal which comprised the sale of 25 existing investment properties, the sale of two new development properties on a forward contract basis and an agreement to provide ongoing property and asset management services.

Analysis of performance and position

Financial

At the year-end balance sheet date of 30th June 2019, the consolidated profit and loss account reports a profit before tax of £20.0m (2018: £27.7m). The table below shows how this has been achieved:

	£m
Retained portfolio income returns	4.2
Profits on the sale of investment property	2.4
Increases in the value of retained investment property	10.1
Profits on development activity	4.2
Management Fees and Other income	3.5
	24.4
Overheads and interest	(4.4)
	20.0

The consolidated balance sheet shows an investment portfolio valued at £78.1m, development land stock of £16.8m and cash at bank and in hand of £3.1m. Bank debt stands at £7m equating to a group wide net loan to value ratio of 9%. This is considered to be a very strong platform from which to continue the group's growth and success.

The cash position has decreased by £9.1m during the year being the net of an increase in cash from operating activities of £22m, an increase in cash from investing activities of £63m and an outflow of £94.0m from financing activities.

Investment

In keeping with the strategy of value creation and industrial sector focus, the investment company sold another large industrial property portfolio in the year, as well as selling a number of other non-industrial assets. This has resulted in a profit on disposal of fixed assets totalling £2.4m.

Development

The development company continued its strategy of speculative and pre-let industrial development, with the first phases of two speculative schemes in St Helens and Stoke-on-Trent totalling 220,000 sq ft achieving practical completion early in the reported financial year. An additional 50,000 sq ft unit in St. Helens, developed under a pre-let agreement, achieved practical completion on 18th April 2019. A new speculative scheme in Knowsley totalling 104,000 sq ft in 3 units commenced in June 2018 and achieved practical completion on 25th July 2019. In June 2019 work commenced on site at Ashroyd Business Park, Barnsley. This is a speculative 5 unit, 109,000 sq ft scheme jointly funded by Sheffield City Region's Jessica Fund.

The design and planning applications for a number of further schemes were also advanced during the year.

The Company's strategy to develop assets for 3rd party partners continued with good progress being made towards the delivery of a new Wellness Centre in Denton, Manchester for Tameside MBC.

NETWORK SPACE HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Analysis of performance and position (continued)

Management

A total of 105 new leases and renewals were completed in the year with a rental gain totalling £1.14m. In accordance with our strategy of providing sector leading management services, the newly formed subsidiary Network Space Management (NSM) has already obtained RICS accreditation.

Trends and factors

The industrial property sector as a whole has continued to perform comparatively well during the reported financial year, although year-on-year performance has flattened as expected due to the prolonged political and economic uncertainty as a result of the Brexit process.

Key performance indicators (KPIs)

The board focusses on performance that will result in growth of net asset value of both the group and the individual business operations. To support this, several KPIs are used across the business units.

Capital transactions, whether investment or development in nature, are usually appraised and monitored through IRR analysis and cash-flows with allowances made for the associated risk. Income returns are monitored every month against financial budgets and commercial KPIs such as void rates, net portfolio yields, weighted unexpired lease terms (WAULT) and average net effective rent (ANER).

Return on Equity and Return on Capital Employed is also calculated for each subsidiary operation.

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. The credit rating and key appointments of the top tenancies by value (which at year-end constituted 45% of the overall passing rent) are actively monitored and form part of the management accounts reporting. Trade debts are closely monitored and regular meetings are held to agree recovery strategies.

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.

Revenue risk

The Managing Director of NSM actively monitors and sets budgets for quoting rents and term lengths in both gross and net terms. The management IT system contains a pricing function and ensures that the terms quoted match or exceed budget. Any deviation from budget pricing requires senior management approval.

NETWORK SPACE HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

Principal risks and uncertainties (continued)

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 ("PESTLE") 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, whether for development or investment purposes.

Interest rates risk

The group is prudent with regard to debt financing and does not typically take loans against speculative developments or where gearing of investment property would exceed 50%. The Directors use a number of analyses to ensure income returns continue to exceed borrowing costs. Long-term business forecasts regularly test resilience to an increase in interest rates. The group interest cover significantly exceeds that required by the bank loan facility. The Directors will consider a hedging facility at the renewal of the loan facility, due on 5th December 2019.

Valuation risk

A formal, HSBC bank instructed valuation by JLL has been carried out on the entire investment portfolio, excepting only properties that are under offer to be sold. The valuation policy is to adopt JLL's valuations as they are conducted, with the balance of the portfolio being valued by Directors, guided by JLL's comparable valuations. All values are audited.

COVID-19

COVID-19 is considered to be a non-adjusting event for the purposes of these financial statements since the effect of the pandemic only became apparent some months after the balance sheet reporting date of 30th June 2019. The board do not consider there to be any transactions or balances in the reported year that require restatement as a consequence.

It is expected that COVID-19 will have a negative impact on the performance of the company, and this will be fully reported in future financial statements. At the time of writing this report, the following has been observed:

- A rent collection rate in excess of 90%
- A temporary reduction in enquiries for vacant space; this had generally recovered well in May 2020 although demand was not consistent across unit size ranges.
- Development agreements and property sales under contract have continued and / or completed as planned
- Live construction contracts have continued on-site, as client we have considered extensions of time when applied for
- Investor sentiment for high-quality industrial property, of which the subsidiary investment company is largely comprised, remained relatively robust
- Management fees due from clients have continued to be collected in full

There is no doubt that the property industry has been negatively affected by the pandemic, but the industrial sector less so than others. The board are of the opinion that the group's performance through the pandemic compares very favourably to that of its peers in the sector, and the forecast for the year ending 30th June 2020 remains a healthy profit which is broadly in line with budgeted expectations.

The group has made substantial investments in IT and associated systems in recent years which has enabled all staff to quickly transition to working from home at short notice. Our workforce remained generally busy through the lockdown; the group has not Furloughed any staff and does not intend to.

NETWORK SPACE HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

COVID -19 (continued)

The board continue to manage the company and wider group very closely Since the beginning of lockdown they have been meeting three times a week by video conference. At the outset of the pandemic the board set out two principal objectives.

The primary principal objective was to ensure that group cashflow remains positive, both current and forecast, and this continues to be met.

For each operating company in the group, and for the group itself, a detailed and prudent modelling of income and expenditure is regularly undertaken.

This informs the board's decision making for the purposes of meeting the secondary objective, being that there are sufficient cash and debt reserves immediately available to provide cover for overheads (with all staff working their usual contracted hours on full pay) and bank loan interest (and in compliance with banking covenants) for a period of at least 12 months.

The group does not maintain a formal policy for dividends, these are only considered in response to a request by the board of the group's parent company (Datum Edge Limited) and when the company board are satisfied that there are sufficient capital and reserves on the balance sheet to make distributions. Earnings have historically been retained for reinvestment and this is intended to remain the case.

By continuing to meet the two principal objectives, and in the expectation that earnings will be retained for reinvestment, the board are of the reasonable expectation that the company will continue to be viable and profitable for the foreseeable future.

Environmental, employee, social, community and human rights matters

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

As at the 30th June 2019 Network Space Holdings employed 14 male and 21 female members of staff. The board of directors was made up of 4 males and 1 female.

Network Space Holdings observes the National Living Wage and ensures that employee pay matches or exceeds it.

During the financial year the group made charitable contributions totalling £23,450, through both direct donations and the supporting of fundraising events.

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

Richard Ainscough

R Ainscough

Director

Date: 25 June 2020

NETWORK SPACE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Financial performance

The profit for the year, after taxation, amounted to £17.7m (2018 - £25.3m).

Dividends

The company paid a dividend of £59.8m (2018: £41m) to shareholders.

Directors

The directors who served during the year were:

R Ainscough
D Adamson
S Barnes
N Jones
M Mellor

Directors' Responsibilities Statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 and profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the Group 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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NETWORK SPACE HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019**

Post balance sheet events

Post year end the group has sold its investment in Langtree Property Partners Limited for £1.7m.

On 20 August 2019 Network Space Capital Limited has entered into an LLP agreement in relation to the organisation and management of Interchange 26 LLP and entered into a loan agreement with the joint venture to provide the company with a maximum of £8.265m to acquire land for development.

On 11 December 2019 Network Space Investments Limited agreed to amend and extend the current loan facility. Refer to note 22.

Disclosure of information to auditor

The directors confirm that:

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

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



D Adamson
Director
Date: 25 June 2020



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

Opinion

We have audited the financial statements of Network Space Holdings Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2019, which comprise the Consolidated Profit and Loss Account, the Consolidated and company Balance Sheets, the Consolidated Statement of Cash Flows, the Consolidated and company Statement of Changes in Equity and the 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 Group's and of the parent company's affairs as at 30 June 2019 and of the Group's 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 Group 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.



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

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 Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETWORK SPACE HOLDINGS 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 Group 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 Group 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 Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 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.



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

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

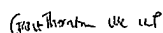
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the 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.



Carl Williams
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Liverpool

25 June 2020

NETWORK SPACE HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 £000	2018 £000
Turnover	4	18,613	12,325
Expenses		(13,092)	(6,499)
Profit on disposal of tangible fixed assets		2,416	5,075
Revaluation of investment property		10,090	17,449
Government grants receivable		977	-
Operating profit	5	19,004	28,350
Share of profit of associates	15	1,313	229
Total operating profit		20,317	28,579
Dividends received		2	-
Interest receivable and similar income	9	175	180
Interest payable and expenses	10	(513)	(1,045)
Profit before taxation		19,981	27,714
Tax on profit	11	(2,254)	(2,407)
Profit for the financial year		17,727	25,307
Profit for the year attributable to:			
Non-controlling interests		-	211
Owners of the parent company		17,727	25,096
		17,727	25,307

All amounts relate to continuing operations.

There were no recognised gains and losses for 2019 or 2018 other than those included in the Consolidated Profit and Loss account.

There was no other comprehensive income for 2019 (2018: £Nil).

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED
REGISTERED NUMBER:08028388

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	105	(2,276)
Tangible assets	14	98	220
Investments	15	1,675	1,134
Investment property	16	78,146	129,216
		<u>80,024</u>	<u>128,294</u>
Current assets			
Stocks	17	16,780	16,496
Debtors: amounts falling due within one year	18	7,967	4,686
Cash at bank and in hand	19	3,145	12,273
		<u>27,892</u>	<u>33,455</u>
Creditors: amounts falling due within one year	20	(41,725)	(13,376)
Net current (liabilities)/assets		<u>(13,833)</u>	<u>20,079</u>
Total assets less current liabilities		<u>66,191</u>	<u>148,373</u>
Creditors: amounts falling due after more than one year	21	-	(40,000)
Provisions for liabilities			
Deferred taxation	24	(2,725)	(2,179)
		<u>(2,725)</u>	<u>(2,179)</u>
Net assets		<u><u>63,466</u></u>	<u><u>106,194</u></u>

NETWORK SPACE HOLDINGS LIMITED
REGISTERED NUMBER:08028388

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Capital and reserves			
Called up share capital	25	47	47
Share premium account	26	-	2,068
Capital redemption reserve	26	5	15,005
Investment property reserve	26	16,680	34,051
Profit and loss account	26	46,734	54,368
Equity attributable to owners of the parent company		63,466	105,539
Non-controlling interests		-	655
		63,466	106,194

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



D Adamson
Director

Date: 25 June 2020


The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED
REGISTERED NUMBER:08028388

COMPANY BALANCE SHEET
AS AT 30 JUNE 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	14	77	203
Investments	15	28,712	28,042
		<u>28,789</u>	<u>28,245</u>
Current assets			
Debtors: amounts falling due within one year	18	37,277	1,989
Cash at bank and in hand	19	485	1,197
		<u>37,762</u>	<u>3,186</u>
Creditors: amounts falling due within one year	20	(24,293)	(1,970)
Net current assets		<u>13,469</u>	<u>1,216</u>
Total assets less current liabilities		<u>42,258</u>	<u>29,461</u>
Provisions for liabilities			
Deferred taxation	24	-	(22)
		<u>-</u>	<u>(22)</u>
Net assets		<u><u>42,258</u></u>	<u><u>29,439</u></u>
Capital and reserves			
Called up share capital	25	47	47
Capital redemption reserve	26	5	5
Profit and loss account	26	42,206	29,387
		<u>42,258</u>	<u>29,439</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


D Adamson
 Director
 Date: 25 June 2020

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 July 2018	47	2,068	15,005	34,051	54,368	105,539	655	106,194
Comprehensive income for the year								
Profit for the year	-	-	-	-	17,727	17,727	-	17,727
Total comprehensive income for the year	-	-	-	-	17,727	17,727	-	17,727
Dividends	-	-	-	-	(59,800)	(59,800)	-	(59,800)
Transfer to/from profit and loss account	-	(2,068)	(15,000)	-	17,068	-	-	-
Transfers from revaluation reserve	-	-	-	(17,371)	17,371	-	-	-
Purchase of non-controlling interests	-	-	-	-	-	-	(655)	(655)
Total transactions with owners	-	(2,068)	(15,000)	(17,371)	(25,361)	(59,800)	(655)	(60,455)
At 30 June 2019	47	-	5	16,680	46,734	63,466	-	63,466

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED

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

	Called up share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 July 2017	47	2,068	15,005	22,839	81,280	121,239	669	121,908
Comprehensive income for the year								
Profit for the year	-	-	-	-	25,096	25,096	211	25,307
Prior year adjustment	-	-	-	-	4	4	-	4
Total comprehensive income for the year	-	-	-	-	25,100	25,100	211	25,311
Dividends	-	-	-	-	(40,800)	(40,800)	-	(40,800)
Transfers	-	-	-	(6,063)	6,063	-	-	-
Property revaluations	-	-	-	17,275	(17,275)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(225)	(225)
Total transactions with owners	-	-	-	11,212	(52,012)	(40,800)	(225)	(41,025)
At 30 June 2018	47	2,068	15,005	34,051	54,368	105,539	655	106,194

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2018	47	5	29,387	29,439
Comprehensive income for the year				
Profit for the year	-	-	72,619	72,619
Total comprehensive income for the year	-	-	72,619	72,619
Contributions by and distributions to owners				
Dividends	-	-	(59,800)	(59,800)
Total transactions with owners	-	-	(59,800)	(59,800)
At 30 June 2019	47	5	42,206	42,258

The notes on pages 21 to 45 form part of these financial statements.

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

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2017	47	5	39,368	39,420
Comprehensive income for the year				
Profit for the year	-	-	30,819	30,819
Total comprehensive income for the year	-	-	30,819	30,819
Contributions by and distributions to owners				
Dividends	-	-	(40,800)	(40,800)
Total transactions with owners	-	-	(40,800)	(40,800)
At 30 June 2018	47	5	29,387	29,439

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	£000	£000
Cash flows from operating activities		
Profit for the financial year	17,727	25,307
Adjustments for:		
Amortisation of intangible assets	34	(527)
Depreciation and amortisation	28	65
Impairments of fixed assets	172	-
Change in value of investment property	(10,090)	(17,449)
Government grants	(977)	-
Interest paid	513	1,045
Interest received	(175)	(180)
Gain on sale of tangible assets	(2,416)	(5,077)
Share of operating (loss) in joint ventures	(1,313)	(229)
Taxation	2,254	2,407
	<hr/>	<hr/>
(Increase)/decrease in debtors	(3,755)	857
Decrease in amounts owed by groups	476	-
Increase in amounts owed to groups	23,871	-
(Increase) in stocks	(284)	(5,942)
(Decrease)/increase in creditors	(2,251)	5,636
	<hr/>	<hr/>
Tax paid	(1,983)	(2,645)
	<hr/>	<hr/>
Net cash generated from operating activities	21,831	3,268
	<hr/>	<hr/>

NETWORK SPACE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2019

	2019 £000	2018 £000
Cash flows from investing activities		
Sale of tangible fixed assets	72,763	55,637
Purchase of tangible fixed assets	(42)	(96)
Purchase of investment properties	(11,466)	(13,608)
Government grants received	977	-
Dividends received	602	-
Interest received	175	145
Associates interest received	-	35
Net cash from investing activities	63,009	42,113
Cash flows from financing activities		
Interest paid	(513)	(1,045)
Repayment of loans	(40,000)	-
New secured loans	7,000	-
Repayment of loans from associates	-	1,500
Dividends paid	(59,800)	(40,800)
Dividends paid to non controlling interests	(655)	(225)
Net cash used in financing activities	(93,968)	(40,570)
Net (decrease)/increase in cash and cash equivalents	(9,128)	4,811
Cash and cash equivalents at beginning of year	12,273	7,462
Cash and cash equivalents at the end of year	3,145	12,273
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,145	12,273
	3,145	12,273

The notes on pages 21 to 45 form part of these financial statements.

NETWORK SPACE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. General information

Network Space Holdings 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 financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss account in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Profit and Loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 30 June 2014.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)**2.3 Going concern**

As at 30 June 2019, the group had net debt of £3.9m (2018: £27.7m), with access to a further £18m of funds from a Revolving Credit Facility which expired in December 2019. Subsequent to the year end, this facility has been renewed, with the facility limit increased to £35m, expiring December 2022. Further, the development business has secured significant cash receipts, and this, coupled with the group's low level of gearing and £28.8m of unencumbered properties at the Balance Sheet date, give the group significant capacity to raise additional funds or to provide additional security for the existing facilities, should property values fall or additional funding be required.

Management have produced forecasts and business models for all group businesses covering the period to June 2021 and in light of the increased economic uncertainty caused by the ongoing Covid-19 pandemic, the Network Space Holdings Board has scrutinised the business models and tested the robustness of future trading forecasts, and has satisfied itself with the assumptions, results and the going concern assumption of the group and businesses therein. Throughout this period, the Board have met at regular, frequent intervals, in addition to the normal Board meeting cycle, and have continued to ensure that adequate resource is made available to all operating businesses. At the time of signing the financial statements, the group had seen a negligible impact on trading, which has remained robust and cash generative. Therefore the directors continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 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.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated 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 Group 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 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Consolidated Profit and Loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Profit and Loss account in the same period as the related expenditure.

2.7 Interest income

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

2.8 Finance costs

Finance costs are charged to the Consolidated 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.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Profit and Loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated 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 and the Group operate and generate 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 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 HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)**2.12 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:

Freehold property	- 2% straight line
Short-term leasehold property	- over life of the lease
Plant and machinery, fixtures and fittings etc.	- 4 - 33% 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 Consolidated Profit and Loss account.

2.13 Investment property

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Profit and Loss account.

Fair values are determined from market based evidence. Professionally qualified external valuers are engaged to value a portion of the property portfolio each year. All properties receive a valuation externally at least once every 3 years.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Investments in unlisted group shares, whose market value can be reliably determined, are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in the Consolidated Profit and Loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.15 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The Consolidated Profit and Loss account includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the Consolidated Balance Sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

2.16 Stocks

Stocks comprise land held for developments and developments under construction and 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.

At each balance sheet 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

2.17 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.

2.18 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.

2.19 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.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)**2.20 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Profit and Loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.21 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.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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 Consolidated Profit and Loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

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 Group 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.

2.22 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.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

3. Judgements in applying accounting policies and key sources of estimation uncertainty*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 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.

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.

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 2019. Valuations are sensitive to estimated yields and occupancy rates, as well as current market conditions (see note 16).

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.

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.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. Turnover

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

	2019 £000	2018 £000
Sale of trading developments	6,556	1,797
Investment property rentals	5,888	10,528
Development management fee	5,635	-
Management of real estate fee	534	-
	<u>18,613</u>	<u>12,325</u>

All turnover is derived from UK operations and is recognised when the services are delivered.

5. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Amortisation of intangible assets, including goodwill	34	(527)
Depreciation of tangible fixed assets	28	65
Other operating lease rentals	-	10
	<u>-</u>	<u>10</u>

6. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>14</u>	<u>13</u>

Fees payable to the Group's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	45	37
Taxation compliance services	21	14
Other services relating to taxation	<u>49</u>	<u>-</u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group and Company 2019 £000	<i>Group and Company 2018 £000</i>
Wages and salaries	2,248	2,574
Social security costs	270	293
Cost of defined contribution scheme	62	54
	<u>2,580</u>	<u>2,921</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	<i>2018 No.</i>
Administration	28	31
Management	5	6
	<u>33</u>	<u>37</u>

All employees were employed and remunerated by the company.

8. Directors' remuneration

	2019 £000	<i>2018 £000</i>
Directors' emoluments	1,155	1,793
Pension cost	32	32
	<u>1,187</u>	<u>1,825</u>

The aggregate of emoluments of the highest paid director was £326,865 (2018: £588,639) and company pension contributions of £9,750 (2018: £9,375) were made to a money purchase scheme on their behalf.

During the year retirement benefits accrued to four (2018: five) directors under a money purchase pension scheme.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Interest receivable

	2019 £000	2018 £000
Bank and other interest receivable	175	145
Share of associates' interest receivable	-	35
	<u>175</u>	<u>180</u>

10. Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	471	1,045
Other loan interest payable	2	-
Loans from group undertakings	40	-
	<u>513</u>	<u>1,045</u>

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	1,592	1,084
Adjustments in respect of previous periods	(67)	-
s171A transfers payable	(62)	-
Group relief	246	-
Total current tax	<u>1,709</u>	<u>1,084</u>
Deferred tax		
Origination and reversal of timing differences	536	1,323
Adjustment in respect of prior year	(206)	-
Effect of tax rate change on opening balance	215	-
Total deferred tax	<u>545</u>	<u>1,323</u>
Taxation on profit on ordinary activities	<u>2,254</u>	<u>2,407</u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	19,981	27,714
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	3,796	5,266
Effects of:		
Non-deductible expenses	415	60
Fixed asset timing differences	(660)	(836)
Income not taxable for tax purposes	(1,124)	-
Current tax - adjustment in respect of prior years	(67)	96
Deferred tax - adjustment in respect of prior years	(206)	(2)
Adjustment for opening deferred tax to average rate	137	-
Group relief surrendered/(claimed)	(245)	-
Payment/(receipt) of group relief	245	-
Receipt (credit) for s171A transfers	(62)	-
Land remediation increased deduction - trade	(57)	-
Chargeable gains/(losses)	701	-
Deferred tax not recognised	32	-
Deferred tax - adjustment in respect of revaluations	-	(3,315)
Other differences	(651)	1,138
Total tax charge for the year	2,254	2,407

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

12. Dividends

	2019 £000	2018 £000
Dividends paid £1,272 per ordinary share (2018: £873 per ordinary share)	59,800	41,025

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

13. Intangible assets

Group and Company

	Software £000	Negative goodwill £000	Total £000
Cost			
At 1 July 2018	-	(2,953)	(2,953)
Additions	139	-	139
Disposals	-	2,953	2,953
	<hr/>	<hr/>	<hr/>
At 30 June 2019	139	-	139
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 July 2018	-	(677)	(677)
Charge for the year	34	-	34
On disposals	-	677	677
	<hr/>	<hr/>	<hr/>
At 30 June 2019	34	-	34
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2019	<hr/> 105	<hr/> -	<hr/> 105
	<hr/>	<hr/>	<hr/>
At 30 June 2018	<hr/> -	<hr/> (2,276)	<hr/> (2,276)
	<hr/>	<hr/>	<hr/>

Negative goodwill relates to the acquisition of the remaining 49% share in Network Space (Networkcentres) Limited in November 2012 as consideration was less than the fair value of the non-monetary assets acquired. The resulting negative goodwill has been recognised on the Balance Sheet. An amount equal to the fair value of the non-monetary assets acquired has been released to the Consolidated Profit and Loss account commensurately with the sale of the non-monetary assets acquired.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

14. Tangible fixed assets

Group

	Plant, machinery & fixtures & fittings £000
Cost or valuation	
At 1 July 2018	345
Additions	42
Disposals	(172)
At 30 June 2019	<u>215</u>
Depreciation	
At 1 July 2018	125
Charge for the year on owned assets	28
Disposals	(36)
At 30 June 2019	<u>117</u>
Net book value	
At 30 June 2019	<u><u>98</u></u>
At 30 June 2018	<u><u>220</u></u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

14. Tangible fixed assets (continued)

Company

	Plant, machinery & fixtures & fittings £000
Cost or valuation	
At 1 July 2018	257
Additions	31
Disposals	(172)
At 30 June 2019	<u>116</u>
Depreciation	
At 1 July 2018	54
Charge for the year on owned assets	19
Disposals	(34)
At 30 June 2019	<u>39</u>
Net book value	
At 30 June 2019	<u><u>77</u></u>
At 30 June 2018	<u><u>203</u></u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. Fixed asset investments

Group

	Investments in associates £000
Cost or valuation	
At 1 July 2018	1,134
Share of profit/(loss)	541
At 30 June 2019	<u>1,675</u>
 Net book value	
At 30 June 2019	<u><u>1,675</u></u>
 <i>At 30 June 2018</i>	<u><u>1,134</u></u>

At 30 June 2019 the Group had an investment in Langtree Property Partners Ltd valued at £1,675k (2018: £1,134k).

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2018	28,042
Additions	910
Disposals	(240)
At 30 June 2019	<u>28,712</u>
Net book value	
At 30 June 2019	<u><u>28,712</u></u>
At 30 June 2018	<u><u>28,042</u></u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Network Space Investments Limited	Property Investment	Ordinary	100%
Network Space (Networkcentres) Limited	Property Investment	Ordinary	100%
Network Space Land Limited (formerly Network Space Developments Limited)	Property Investment and Development	Ordinary	100%
NS Festival Gardens Limited	Property Development	Ordinary	100%
NS (PDMS) Limited	Property Management	Ordinary	100%
NSM Property & Asset Management Limited (formerly Network Space Management Limited)	Property Management	Ordinary	100%
Network Space Projects Limited	Property Development	Ordinary	100%
NS Midwest Nominees Limited	Dormant	Ordinary	100%
NS Investments North East Limited	Property Investment	Ordinary	100%
Network Space Capital Limited	Property Development	Ordinary	100%
St Helens Stadium Limited	Property Management	Ordinary	100%
Network Space NE Limited	Dormant	Ordinary	100%
NS Managed Services Limited	Dormant	Ordinary	100%
NS Shelfco 1 Limited	Dormant	Ordinary	50%
NS Shelfco 2 Limited	Dormant	Ordinary	100%
NS Shelfco 3 Limited	Dormant	Ordinary	100%
NS North East Nominees Limited	Dormant	Ordinary	100%

NS Midwest Nominees Limited is a direct subsidiary of NSM Property & Asset Management Limited (formerly Network Space Management Limited). Network Space NE Limited and NS North East Nominees Limited are direct subsidiaries of NS Investments North East Limited.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

16. Investment property

Group

	Development property £000	Investment property £000	Total £000
Valuation			
At 1 July 2018	18,967	110,249	129,216
Additions at cost	11,466	-	11,466
Disposals	-	(72,626)	(72,626)
Surplus on revaluation	-	10,090	10,090
Transfers between classes	(20,707)	20,707	-
At 30 June 2019	9,726	68,420	78,146

The historical cost of re-valued investment properties as at 30 June 2019 was £49,693,000 (2018: £76,284,000).

Investment properties have been valued by the directors at 30 June 2019. An independent external valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition) in June 2019 for a sample of properties. The directors used these external valuations to inform their valuations at 30 June 2019.

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.

Development property represents properties in course of development at the year end.

17. Stocks

	Group 2019 £000	Group 2018 £000
Land and property held for development	16,780	16,496

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

18. Debtors

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Trade debtors	3,920	47	-	1
Amounts owed by group undertakings	-	476	36,944	1,785
Other debtors	1,031	2,365	9	42
Prepayments and accrued income	3,016	1,798	308	161
Deferred taxation	-	-	16	-
	<u>7,967</u>	<u>4,686</u>	<u>37,277</u>	<u>1,989</u>

Amounts owed to the company by group undertakings are interest bearing and repayable on demand.

19. Cash and cash equivalents

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Cash at bank and in hand	3,145	12,273	485	1,197
	<u>3,145</u>	<u>12,273</u>	<u>485</u>	<u>1,197</u>

20. Creditors: Amounts falling due within one year

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Bank loans	7,000	-	-	-
Trade creditors	981	2,179	102	94
Amounts owed to group undertakings	23,871	-	23,802	410
Corporation tax	378	648	-	1
Other taxation and social security	210	162	210	162
Deposits	707	1,381	-	-
Other creditors	83	1,142	13	14
Accruals and deferred income	7,773	6,543	166	1,289
Rents in advance	722	1,321	-	-
	<u>41,725</u>	<u>13,376</u>	<u>24,293</u>	<u>1,970</u>

The amounts owed to group undertakings falling due within one year are repayable on demand and interest is charged at a commercial rate.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. Creditors: Amounts falling due after more than one year

	Group 2019 £000	<i>Group 2018 £000</i>
Bank loans	-	40,000

Details regarding the bank loans included in the table above can be found in note 22, interest bearing loans and borrowings.

22. Loans

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

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Bank loans	7,000	-	-	-
Amounts falling due 1-2 years				
Bank loans	-	40,000	-	-
	<u>7,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>

The group operates under two banking facilities totalling £65m which were both approved in December 2014 and ran 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.

During the year, following a review of the group's borrowing requirements, the group repaid and cancelled £40m of the available facility.

On 11 December 2019 the facility was amended and restated, the group now operates a £35m banking facility which runs to December 2022.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

23. Financial instruments

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>8,096</u>	<u>16,736</u>	<u>37,429</u>	<u>2,990</u>
Financial liabilities				
Liabilities measured at amortised cost	(33,480)	(10,302)	(24,083)	(639)
Loan commitments measured at cost less impairment	(7,000)	(40,000)	-	-
	<u>(40,480)</u>	<u>(50,302)</u>	<u>(24,083)</u>	<u>(639)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group, amounts owed by associates, other debtors and cash.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and deferred income.

24. Deferred taxation

Group

	2019 £000	<i>2018 £000</i>
At beginning of year	(2,179)	(856)
Charged to profit or loss	(546)	(1,323)
At end of year	<u>(2,725)</u>	<u>(2,179)</u>

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Deferred taxation (continued)

Company

	2019 £000	2018 £000
At beginning of year	(22)	(27)
Credited to profit or loss	38	5
At end of year	16	(22)

The provision for deferred taxation is made up as follows:

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Accelerated capital allowances	(859)	(2,179)	16	(22)
Tax losses carried forward	30	-	-	-
Capital gains/losses	(1,896)	-	-	-

25. Share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
47,000 (2018 - 47,000) Ordinary shares of £1 each	47	47

Ordinary shares

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.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

26. 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 revaluation gains recognised on investment properties net of deferred tax.

Capital redemption reserve

A non-distributable reserve which includes amounts transferred following the purchase of the company's own shares.

Profit and loss account

Includes all current and prior period retained profits and losses.

27. Pension commitments

The pension cost charge for the year represents contributions payable by the group to the scheme and amounts to £62,295 (2018: £60,000). There were no outstanding amounts or prepayments at the year end.

28. Commitments under operating leases

At 30 June 2019 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	<i>Group 2018 £000</i>
Land and buildings		
Within 1 year	309	296
Between two and five years	1,142	1,150
After five years	11,157	11,800
	<u>12,608</u>	<u>13,246</u>
Company		

At as 30 June 2019 and 30 June 2018 the company had no annual commitments under non-cancellable operating leases.

NETWORK SPACE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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29. Receipts under operating leases

At 30 June 2019 the group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2019 £000	<i>Group 2018 £000</i>
Not later than 1 year	3,628	6,785
Later than 1 year and not later than 5 years	10,920	14,986
Later than 5 years	16,810	4,359
	<u>31,358</u>	<u>26,130</u>

Company

At as 30 June 2019 and 30 June 2018 the company had no annual receipts under non-cancellable operating leases.

30. Related party transactions

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £1,187,000 (2018: 1,826,000).

31. Controlling party

The immediate and ultimate parent company is Datum Edge Limited, which is controlled by Mr. R Ainscough by virtue of his controlling interest.

The results of the group are consolidated into Datum Edge Limited as the largest entity into which they are consolidated. Those accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.