

Kadans Science Partner 1 UK Limited

Directors' Report and Unaudited

Financial Statements

Period Ended

31 December 2019

Company Number 11757995

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Kadans Science Partner 1 UK Limited

Company Information

Directors	S J Ribbens Kadans Holding B.V.
Registered number	11757995
Registered office	1 St. James Court Whitefriars Norwich Norfolk NR3 1RU

Kadans Science Partner 1 UK Limited

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Kadans Science Partner 1 UK Limited

Directors' Report For the Period Ended 31 December 2019

The directors present their report together with the unaudited financial statements for the period ended 31 December 2019.

The company was incorporated on 9 January 2019. Thus these financial statements cover the period from this date to 31 December 2019.

Principal activity

Kadans activities consist of the development of, investment in, and managing of science parks combining offices with laboratories and other R&D facilities for companies in innovative sectors.

Going concern

2020 has been marked by considerable uncertainty linked to the COVID-19 pandemic. Sweeping government measures have been adopted due to the spread of the virus. The risks posed by the coronavirus will certainly affect the economies in the countries in which the Kadans Group, of which this company is a member, is active in both the short and long term. Whilst it is at too early a stage to forecast the full financial consequences of this pandemic, the directors have considered various cash flow forecast calculations assessed against a range of possible downside outcomes. Having performed this assessment, the directors are of the opinion that the company will be able to satisfy its liabilities as they fall due for at least the next 12 months and therefore these financial statements have been prepared on a going concern basis. Further information is provided in note 2.2 to these financial statements.

Directors

The directors who served during the period were:

S J Ribbens (appointed 9 January 2019)

Kadans Holding B.V. (appointed 9 January 2019)

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 on 11 December 2020 and signed on its behalf.



S J Ribbens
Director

Kadans Science Partner 1 UK Limited

Statement of Comprehensive Income For the Period Ended 31 December 2019

	Note	Period ended 31 December 2019 £
Turnover		969,262
Cost of sales		(283,745)
Gross profit		685,517
Administrative expenses		(90,299)
Fair value movements		(1,811,168)
Operating loss		(1,215,950)
Interest receivable and similar income		365
Interest payable and expenses		(1,314,810)
Loss before tax		(2,530,395)
Tax on loss	5	(22,799)
Loss for the financial period		(2,553,194)
Other comprehensive income		-
Total comprehensive loss for the period		(2,553,194)

The notes on pages 5 to 14 form part of these financial statements.

Kadans Science Partner 1 UK Limited

Registered number: 11757995

Statement of Financial Position As at 31 December 2019

	Note	2019 £	2019 £
Fixed assets			
Investment property	6		20,660,000
			<u>20,660,000</u>
Current assets			
Debtors: amounts falling due within one year	7	267,401	
Cash at bank and in hand		11,131	
		<u>278,532</u>	
Creditors: amounts falling due within one year	8	(458,646)	
Net current liabilities			(180,114)
Creditors: amounts falling due after more than one year	9		(23,033,079)
Net liabilities			<u>(2,553,193)</u>
Capital and reserves			
Called up share capital	11		1
Profit and loss account	12		(2,553,194)
Total equity			<u>(2,553,193)</u>

The directors consider that the company is entitled to exemption from audit under section 479A of the Companies Act 2006.

The members have not required the company to obtain an audit for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 December 2020.


S. J. Ribbens
Director

The notes on pages 5 to 14 form part of these financial statements.

Kadans Science Partner 1 UK Limited

Statement of Changes in Equity For the Period Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 9 January 2019	-	-	-
Comprehensive loss for the period			
Loss for the period	-	(2,553,194)	(2,553,194)
Total comprehensive loss for the period	-	(2,553,194)	(2,553,194)
Shares issued during the period	1	-	1
At 31 December 2019	1	(2,553,194)	(2,553,193)

The notes on pages 5 to 14 form part of these financial statements.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

1. General information

Kadans Science Partner 1 UK Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

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 Section 1A of 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 Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

2020 has been marked by considerable uncertainty linked to the COVID-19 pandemic. Sweeping government measures have been adopted due to the spread of the virus. The risks posed by the coronavirus will certainly affect the economies in the countries in which the Kadans Group, of which this company is a member, is active in both the short and long-term. It is at too early a stage to forecast the full financial consequences of this pandemic. At present, the Kadans Group is assessing the risks and its position as follows:

Concerning the existing investment property portfolio, the Kadans Group can fall back on a diversified and qualitative tenant base with a significant number of long-term contracts. The vast majority of our rental income comes from financially strong and less affected tenants. At present, the 2020 year-to-date rental income is paid and no notices were received.

Forecast calculations have been assessed against a range of possible downside outcomes, including tenant defaults and payment holidays for periods up to 12 months after the date of this report. This also includes analysis of the impact of tenants not paying rent on bank covenants.

Before reaching the (soft level) Interest Cover or Debt Service Cover covenants on the bank loan finance agreement to which this entity is party, net rental income across the loan security group can decrease up to c. 20%.

Kadans expects its assets to be less susceptible than several other real estate. However, increasing interest rates and decreasing investment activity could have a negative impact on valuations. Sensitivity analysis on bank covenants show the following:

The combined value as at 31 December 2019 of the investment properties against which the bank loan is secured, which includes the investment property held by the company, can decrease up to 12% before Loan-to-Value covenant breaches would arise.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

2. Accounting policies (continued)

2.2 Going concern (continued)

The Kadans Group is considered to be in a healthy financial position having long-term bank financing arrangements in place for the existing investment property portfolio.

At this moment, our business is experiencing only minimal impact of the COVID-19 outbreak. Management believes that the Kadans Group as a whole, and therefore each subsidiary company within it, has good resilience in the face of this crisis, which comes from its healthy overall financial position and the solid operational and financial position of our broad tenant base. In the longer term, Kadans believes that the demand for R&D facilities and campus space will remain or even be strengthened by this crisis and does not expect fundamentals of its business to change.

Although the equity of the company is negative, the entity has sufficient liquidity available from existing facilities and cash flows to continue the business. The negative equity is mainly caused by the negative revaluation at acquisition, and annual interest on shareholder loans (paid-in-kind) which does not involve an outgoing cash flow. The company's operating cash flow is positive. Furthermore, the company is financed by its shareholder with long-term loans to which no repayment is due ahead of maturity in 2024. In response to the COVID-19 virus outbreak, as referred to above, management have considered various cash flow forecast calculations assessed against a range of possible downside outcomes. Based on all of the above considerations, the directors are of the opinion that the company will be able to satisfy its liabilities as they fall due for at least the next 12 months and therefore these financial statements have been prepared on a going concern basis.

2.3 Turnover

Turnover is recognised at fair value of the consideration received or receivable for the sale of goods and added services to external customers in the ordinary course of business. Turnover is shown net of Value Added Tax.

Turnover comprises rents receivable on the company's investment properties, which is measured on a straight line basis, taking account of any lease incentives over the lease term.

2.4 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.5 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

2. Accounting policies (continued)

2.6 Investment property

Investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined by suitably qualified individuals and approved by the directors. The fair value is 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. Changes in fair value are recognised in profit or loss.

Properties under construction are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue costs or effort. Changes in fair value are recognised in profit or loss.

2.7 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 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. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 statement of comprehensive income.

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. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

2. Accounting policies (continued)

2.8 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.

2.9 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.

2.10 Taxation

Tax is recognised in profit or loss 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 reporting 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 statement of financial position 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 reporting date.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

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

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that influence the application of principles and the reported value of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

The following accounting policies are in the opinion of management the most critical for the purpose of presenting the financial position and require estimates and assumptions.

- Investment property (note 6)

4. Employees

The company has no employees.

During the period, no directors received any emoluments from the company.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

5. Taxation

	Period ended 31 December 2019 £
UK Taxation	
Current tax on result for the year	22,799

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	Period ended 31 December 2019 £
Loss on ordinary activities before tax	(2,530,395)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(480,775)
Effects of:	
Expenses not deductible for tax purposes	545,452
Capital allowances for period in excess of depreciation	(28,113)
Group relief	(13,765)
Total tax charge for the period	22,799

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 19% to 17% (effective from 1 April 2020) had been substantively enacted at the date of the statement of financial position. However, subsequent to this, in March 2020, legislation was passed to reinstate the UK Corporation tax rate from 1 April 2020 back to 19%. Accordingly, there are currently no factors that will materially affect future tax charges.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

6. Investment property

	Leasehold investment property £
Valuation	
Additions at cost	22,471,168
Deficit on revaluation	(1,811,168)
At 31 December 2019	20,660,000

The historical cost of the investment property is £22,471,168.

The investment property is held at fair value as at 31 December 2019 based on internal valuations performed by suitably qualified individuals and approved by directors. In undertaking these valuations, the internal valuer has reference to the valuations that were undertaken by independent experts at the point of acquisition of each property.

The investment property was valued using a yield methodology approach with certain unobservable inputs. The significant unobservable inputs used in the valuation at 31 December 2019 were the estimated rental value (ERV) of the properties and the market capitalisation rate (yield). The ERV was determined by reference to rents currently achieved on existing leases and the rents being asked by landlords advertising properties of a similar specification in that geographical region. The yield was determined by reference to evidence derived from comparable market transactions. A decrease in the ERV or an increase in the yield will typically result in a decrease in the fair value of the property.

7. Debtors: amounts falling due within one year

	2019 £
Trade debtors	12,514
Other debtors	159,919
Prepayments and accrued income	94,968
	267,401

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

8. Creditors: amounts falling due within one year

	2019 £
Loan from parent company	103,466
Trade creditors	137,455
Loan from group undertakings	26,682
Corporation tax	22,799
Accruals and deferred income	168,244
	<u>458,646</u>

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

	2019 £
Other loans	11,998,136
Loan from parent company	11,034,943
	<u>23,033,079</u>

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

10. Loans

Analysis of the maturity of loans is given below:

	2019 £
Amounts falling due within 1 year	
Loan from parent company	103,466
Amounts falling due between 1 and 2 years	
Loan from parent company	103,466
Amounts falling due between 2 and 5 years	
Other loans	11,998,136
Loan from parent company	10,931,477
	<u>23,136,545</u>

The company is party to an agreement with the lender to the immediate parent company to guarantee the bank loans made to that entity. The assets of the company are subject to fixed and floating charges in favour of the lender. At 31 December 2019 these bank loans amounted to £18,920,750 and the amounts due to group undertakings represent the onward lending of part of that bank loan to the company.

The amounts due to group undertakings do not have any fixed terms of repayment but are due to be called for repayment as the underlying bank loan falls due for repayment. They have therefore been classified as current or non current liabilities in the statement of financial position on this basis. Interest is charged on these amounts at the same rate as charged by the bank, being LIBOR + 2.5%.

The other loan has been provided by OCM Luxembourg EPF IV Kadans Topco S.À R.L., a shareholder of the wider group, and is repayable in full in July 2024. Interest is payable at a fixed rate of 11.625% per annum and is capable of being rolled up into the loan capital rather than being paid in cash.

11. Share capital

	2019 £
Allotted, called up and fully paid	
1 ordinary share of £1	<u>1</u>

On incorporation, the company issued 1 ordinary share of £1.

Kadans Science Partner 1 UK Limited

Notes to the Financial Statements For the Period Ended 31 December 2019

12. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

13. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with other wholly owned undertakings within the group of which it is a member.

14. Ultimate parent undertaking and controlling party

The company's immediate parent company is Kadans Science Partner UK Limited, a company registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by Kadans Science Partner UK Limited. The largest group in which the results of the company are consolidated is that headed by Kadans Holding B.V., a company incorporated in the Netherlands. The consolidated accounts of these companies are available to the public and may be obtained from the company's registered office. In the opinion of the directors, OCM Luxembourg EPF IV Kadans Topco S.à.r.l is the ultimate controlling party.

15. Subsequent events

2020 has been marked by considerable uncertainty linked to the COVID-19 pandemic. Sweeping government measures have been adopted due to the spread of the virus. The risks posed by the coronavirus will certainly affect the economies in the countries in which the Kadans Group, of which this company is a member, is active in both the short and long term. It is at too early stage to forecast the full financial consequences of this pandemic but, at this moment, our business is experiencing only minimal impact of the COVID-19 outbreak with all 2020 year-to-date rental income being paid and no notices received.

In October 2020, the bank loan facility provided to the immediate parent company, to which the company is a guarantor, was amended by the addition of a new £9.9 million development facility.

There are no other subsequent events outside the normal course of business.