

BUSINESS ENVIRONMENT NO. 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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BUSINESS ENVIRONMENT NO. 1 LIMITED

COMPANY INFORMATION

Directors	S Rusk D Saul A Stewart J Jenkins A Emden G Hefferman N Gandy
Company secretary	S Rusk
Registered number	05723408
Registered office	26 Red Lion Square London WC1R 4AG
Independent auditors	haysmacintyre Chartered Accountants & Registered Auditors 26 Red Lion Square London WC1R 4AG

BUSINESS ENVIRONMENT NO. 1 LIMITED

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BUSINESS ENVIRONMENT NO. 1 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

The principal activity of the company in the period under review was that of holding company for its subsidiaries which provides services offices, business services, co-working and conference space.

Aside from the provision of services offices, co-working and conferences, the company's subsidiaries also provide business services such as IT and telephony, building refurbishment, cleaning, security, food and beverage, health and safety and facilities management.

The company incurs management costs which it then recharges to group companies. No dividends were received during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Turnover risk

A review of the group's top ten largest clients indicates that no single client represents a material risk and, this exposure has decreased from the preceding year as a result of the expansion of the portfolio. Consequently, the directors are satisfied that the risk to the group from its income stream is satisfactory and requires no action.

A further review of the number of workstations per client also shows that 80% are between one and ten indicating the client base is predominantly SME's and spread amongst multiple small customers. This again reduces the inherent risk in the customer base.

Operating expenditure risk

The wider group's costs are split between direct costs, being the running costs of the centres, and head office functions. Once a centre is open the direct costs are mainly fixed or vary slightly with the turnover at that centre. The head office costs are predominantly fixed.

During the year, the wider group expanded its portfolio by acquiring four new centres resulting in an increase in direct costs but little change in head office costs. Therefore, the directors are content that they have reduced this area of risk during the year by our expansion.

In addition, a centre was under refurbishment during the year. Once this is open it will further spread the predominantly fixed head office costs and improve margins.

Interest rate risk

The group completed the refinancing of its senior debt in January 2017 for a further five years and the disposal of two assets reducing the principal to £65m. This has removed the group's refinancing risk and reduced its exposure to interest costs and future rate movements.

The group's senior debt is predominately held on a floating basis and is subject to fluctuations in LIBOR. The directors are satisfied that this does not present a material risk for two reasons.

- Firstly, the future predictions of both base rate and LIBOR show a flat curve over the medium to long term suggesting the market does not perceive any material increases.
- Secondly, the group's income stream tends to provide a natural hedge with interest rate movements.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

KEY PERFORMANCE INDICATORS

The directors do not consider the inclusion of an analysis using key performance indicators to be necessary to assist users of the financial statements in their understanding of the financial performance or position of the company as the primary role is to invest in trading subsidiary companies.

This report was approved by the board on 28 July 2017 and signed on its behalf.



J Jenkins
Director

BUSINESS ENVIRONMENT NO. 1 LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year, after taxation, amounted to £684,002 (2015 - loss £8,051,792).

The directors have not approved any dividends in the year.

Directors

The directors who served during the year were:

S Rusk
D Saul
G Mercer (resigned 9 February 2017)
A Stewart
J Jenkins
A Emden
G Hefferman
N Gandy

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

The company continues to prioritise core initiatives focused on building a long term sustainable business, notably dedication to Service, Quality and Value for money.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to auditors

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

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

Post balance sheet events

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

Auditors

The auditors, haysmacintyre, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 30 April 2007.

This report was approved by the board on 28 July 2017 and signed on its behalf.



J Jenkins
Director

BUSINESS ENVIRONMENT NO. 1 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BUSINESS ENVIRONMENT NO. 1 LIMITED

We have audited the financial statements of Business Environment No. 1 Limited for the year ended 31 December 2016, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BUSINESS ENVIRONMENT NO. 1
LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Neil M Gillam (senior statutory auditor)

for and on behalf of
haysmacintyre, Statutory Auditor

Chartered Accountants
Registered Auditors

26 Red Lion Square
London
WC1R 4AG

28 July 2017

BUSINESS ENVIRONMENT NO. 1 LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Operating expenses		(86,092)	(2,687,829)
Operating loss	4	(86,092)	(2,687,829)
Amounts written off investments		-	(5,082,965)
Interest receivable and similar income	7	38	838
Interest payable and similar expenses	8	(647,385)	(252,315)
Loss before tax		(733,439)	(8,022,271)
Tax on loss	9	49,437	(29,521)
Loss for the year		(684,002)	(8,051,792)

The notes on pages 12 to 25 form part of these financial statements.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £
Loss for the financial year		(684,002)	(8,051,792)

There were no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 12 to 25 form part of these financial statements.

BUSINESS ENVIRONMENT NO. 1 LIMITED
REGISTERED NUMBER: 05723408

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	11	6,957,756	6,957,756
		<u>6,957,756</u>	<u>6,957,756</u>
Current assets			
Debtors: amounts falling due after more than one year	12	12,694,507	12,694,507
Debtors: amounts falling due within one year	12	7,008,038	909,597
Cash at bank and in hand	13	-	2,380,808
		<u>19,702,545</u>	<u>15,984,912</u>
Creditors: amounts falling due within one year	14	(7,425,251)	(3,366,768)
Net current assets		<u>12,277,294</u>	<u>12,618,144</u>
Total assets less current liabilities		<u>19,235,050</u>	<u>19,575,900</u>
Creditors: amounts falling due after more than one year	15	(12,194,437)	(11,851,285)
Net assets		<u><u>7,040,613</u></u>	<u><u>7,724,615</u></u>
Capital and reserves			
Called up share capital	19	1	1
Other reserves	18	16,427,666	16,427,666
Profit and loss account	18	(9,387,054)	(8,703,052)
		<u><u>7,040,613</u></u>	<u><u>7,724,615</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 July 2017.



J Jenkins
Director

The notes on pages 12 to 25 form part of these financial statements.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	1	16,427,666	(8,703,052)	7,724,615
Comprehensive income for the year				
Loss for the year	-	-	(684,002)	(684,002)
Total comprehensive income for the year	-	-	(684,002)	(684,002)
At 31 December 2016	1	16,427,666	(9,387,054)	7,040,613

BUSINESS ENVIRONMENT NO. 1 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	1	-	(651,260)	(651,259)
Comprehensive income for the year				
Loss for the year	-	-	(8,051,792)	(8,051,792)
Total comprehensive income for the year	-	-	(8,051,792)	(8,051,792)
Contributions by and distributions to owners				
Capital contribution	-	16,427,666	-	16,427,666
Total transactions with owners	-	16,427,666	-	16,427,666
At 31 December 2015	1	16,427,666	(8,703,052)	7,724,615

The notes on pages 12 to 25 form part of these financial statements.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Business Environment Holding Limited as at 31 December 2016 and these financial statements may be obtained from the Registrar at Companies House.

1.3 Tangible fixed assets

Tangible fixed assets under the cost model 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.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.3 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:

Fixtures & fittings	-	13% straight line
Office equipment	-	13% straight line
Computer equipment	-	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 income statement.

1.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company 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 income statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

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

1.5 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.

1.6 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.

BUSINESS ENVIRONMENT NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

1.7 Financial instruments

The Company only enters into basic financial instruments 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. 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 financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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 income statement.

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.

The group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate borrowings.

Interest rate swaps are initially measured at fair value and carried at the balance sheet date as an asset or liability. Subsequent measurement is at fair value determined by reference to market value for similar instruments. If a derivative does not qualify for hedge accounting, the gain or loss arising on the movement in fair value is recognised in the profit and loss account.

1.8 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.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Accounting policies (continued)

1.9 Finance costs

Finance costs are charged to the income statement 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.

1.10 Interest income

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

1.11 Borrowing costs

All borrowing costs are recognised in the income statement in the year in which they are incurred.

1.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, 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.

1.13 Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the company's financial statements.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying its accounting policies, the company is required to make certain estimates, judgements and assumptions that it believes are reasonable based on the information available. These judgements, estimates and assumptions affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses recognised during the reporting periods presented.

On an ongoing basis, the company evaluates its estimates using historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known.

The following paragraphs detail the estimates and judgements the company believes to have the most significant impact on the results under FRS 102.

Investments

At each reporting date, the company evaluates the carrying value of the investments in the subsidiary companies. These valuations are based on the net asset value of the relevant subsidiary with any reduction in valuation being recognised as an impairment within the income statement. The unwinding of the discount as disclosed below is recognised as an addition to investments in subsidiaries until the end of the loan period.

Loans

Where loans which are not repayable on demand are made to its subsidiaries or from Business Environment Limited which are not considered to be at a market rate of interest, the loan is discounted to its present value using a discount rate equivalent to the presumed market rate of interest of 20%, less the interest accruing on the loan.

3. General information

Business Environment No 1 Limited is a company domiciled in England and Wales, registration number 05723408. The registered office is 26 Red Lion Square London WC1R 4AG and its principal place of business is 45 Beech Street London EC2Y 8AD.

The company's principal activity is that of an investment holding parent company.

The company's functional currency and reporting currency is pounds sterling.

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	-	1,826

The directors of the company are paid by fellow group undertakings and no specific recharge for directors' remuneration is made to the company. Details of directors' remuneration are disclosed in the notes to the accounts of Business Environment Holding Limited.

5. Auditors' remuneration

Fees payable to the company's auditor for the audit of the company's annual accounts have been charged to the ultimate parent undertaking, Business Environment Holding Limited.

6. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2015 - £NIL).

7. Interest receivable

	2016 £	2015 £
Other interest receivable	38	838

8. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	304,233	314,361
Fair value movement in SWAP valuation	343,152	(62,046)
	<u>647,385</u>	<u>252,315</u>

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. Taxation

	2016 £	2015 £
Deferred tax		
Origination and reversal of timing differences	577	416
Changes to tax rates	8,323	17,937
Origination and reversal of timing differences - SWAP	(58,337)	11,168
Total deferred tax	<u>(49,437)</u>	<u>29,521</u>
Taxation on loss on ordinary activities	<u>(49,437)</u>	<u>29,521</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(733,439)</u>	<u>(8,022,271)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	<u>(146,688)</u>	<u>(1,624,510)</u>
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	75,883	1,241,870
Non-taxable income	(232)	-
Adjust opening and closing deferred tax to average rate of 20.25%	40,185	23,227
Deferred tax not recognised	(21,670)	(6,736)
Deferred tax timing difference on SWAP not recognised in computation	(68,630)	12,562
Group relief	71,715	395,670
Impact of FRS 102 adjustments on SWAP	-	(12,562)
Total tax (credit)/charge for the year	<u>(49,437)</u>	<u>29,521</u>

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. Taxation (continued)

Factors that may affect future tax charges

The UK corporation tax rate remains at 20% from 1 April 2015. This is set to reduce to 19% from 1 April 2017. A further reduction was announced in the 2016 Budget and has been enacted to reduce the rate to 17% in 2020.

For the purposes of deferred tax, the rate change to 17% had been substantively enacted by the balance sheet date. The deferred tax is therefore provided for at the rate it is expected to crystallise of 17%.

10. Tangible fixed assets

	Plant & machinery £
Cost or valuation	
At 1 January 2016	44,564
At 31 December 2016	44,564
Depreciation	
At 1 January 2016	44,564
At 31 December 2016	44,564
Net book value	
At 31 December 2016	-
At 31 December 2015	-

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2016	12,040,721
At 31 December 2016	12,040,721
Impairment	
At 1 January 2016	5,082,965
At 31 December 2016	5,082,965
Net book value	
At 31 December 2016	6,957,756
At 31 December 2015	6,957,756

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Business Environment Basingstoke Limited	Ordinary	100 %	Provider of office accommodati on
Business Environment City Limited	Ordinary	100 %	Provider of serviced office accommodati on
Business Environment CityPoint Limited	Ordinary	100 %	Provider of office accommodati on
Business Environment Wembley Limited	Ordinary	100 %	Investment property

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Fixed asset investments (continued)

Business Environment Wembley No 1 Limited	Ordinary	100 %	Provider of office accommodation
Business Environment Milton Keynes Limited	Ordinary	100 %	Provider of office accommodation
Business Environment Minorities Limited	Ordinary	100 %	Provider of serviced office accommodation
Business Environment Reading Limited	Ordinary	100 %	Provider of office accommodation
Business Environment SoanePoint Limited	Ordinary	100 %	Investment property
Business Environment Threadneedle Street Limited	Ordinary	100 %	Non-trading
Business Environment Groveland Limited	Ordinary	100 %	Non-trading Provider of serviced office accommodation
Business Environment Rex Limited	Ordinary	100 %	Non-trading
Business Environment Watling Limited	Ordinary	100 %	Non-trading
Business Environment Spare Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Business Environment Basingstoke Limited	(7,126,968)	201,762
Business Environment City Limited	15,279,624	64,861
Business Environment CityPoint Limited	(923,541)	(75,922)

BUSINESS ENVIRONMENT NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Fixed asset investments (continued)

Business Environment Wembley Limited	(269,153)	(4,297,281)
Business Environment Wembley No 1 Limited	10,242,861	(215,264)
Business Environment Milton Keynes Limited	649,200	(713,304)
Business Environment Minories Limited	30,633,263	2,228,316
Business Environment Reading Limited	462,799	270,536
Business Environment SoanePoint Limited	(369,786)	(1,036,187)
Business Environment Threadneedle Street Limited	823,938	(22,199)
Business Environment Groveland Limited	532,749	-
Business Environment Rex Limited	3,142,983	47,408
Business Environment Watling Limited	197,315	-
Business Environment Spare Limited	1	-
	<u> </u>	<u> </u>

12. Debtors

	2016 £	2015 £
Due after more than one year		
Amounts owed by group undertakings	12,694,507	12,694,507
	<u> </u>	<u> </u>

During the year, the company made a provision of £Nil (2015: £1,049,407) against amounts owed by group undertakings.

	2016 £	2015 £
Due within one year		
Amounts owed by group undertakings	6,305,450	-
Other debtors	2,033	4,157
Prepayments and accrued income	501,286	755,608
Deferred taxation	199,269	149,832
	<u> </u>	<u> </u>
	7,008,038	909,597
	<u> </u>	<u> </u>

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	-	2,380,808
Less: bank overdrafts	(1,731,002)	-
	<u>(1,731,002)</u>	<u>2,380,808</u>

14. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	1,731,002	-
Trade creditors	702,719	718,118
Amounts owed to group undertakings	4,973,130	2,531,174
Accruals and deferred income	18,400	117,476
	<u>7,425,251</u>	<u>3,366,768</u>

15. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans	1,156,713	813,561
Amounts owed to group undertakings	11,037,724	11,037,724
	<u>12,194,437</u>	<u>11,851,285</u>

16. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
Amounts falling due after more than 5 years		
SWAP	<u>1,156,713</u>	<u>813,561</u>

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Deferred taxation

	2016 £	2015 £
At beginning of year	149,832	179,353
Charged to the profit or loss	49,437	(29,521)
At end of year	199,269	149,832

The deferred tax asset is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	2,627	3,392
On interest rate swaps	196,642	146,440
	199,269	149,832

18. Reserves

Other reserves

Other reserves comprise the capital contribution arising on the discounting of the inter company loan as required by FRS 102.

Profit & loss account

Profit and loss account includes all current and prior period retained profits and losses.

19. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

BUSINESS ENVIRONMENT NO. 1 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Other financial commitments

The company has cross-guaranteed group bank borrowings totalling £89,924,491 (2015: £89,924,491).

The company is part of a multilateral guarantee with other group members as security for a group overdraft facility of £500,000 and a bank loan of £1,620,000.

21. Related party transactions

Advantage has been taken by the company of the exemptions provided by section 33.1A of FRS 102 not to disclose group transactions because it is a wholly owned subsidiary of a company preparing consolidated accounts.

22. Controlling party

The ultimate parent undertaking and controlling party is considered to be Business Environment Holding Limited, which heads the largest and smallest group for which consolidated accounts are prepared.

The consolidated accounts are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.