Registered number: 09633921

Bizspace Holdings Limited

Annual report and consolidated financial statements

for the year ended 31 December 2016

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Bizspace Holdings Limited

Contents

	Page
Company information	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement	8
Independent auditor's report	9
Consolidated income statement	11
Consolidated balance sheet	12
Company balance sheet	13
Consolidated statement of changes in equity	14
Company statement of changes in equity	15
Consolidated cash flow statement	16
Notes to the consolidated financial statements	17

Bizspace Holdings Limited

Company information

Directors	G Evans K Drozd P Dennis P Marcuse
Company secretary	P Dennis
Registered office	3rd Floor, Winston House 2 Dollis Park Finchley London N3 1HF
Solicitors	Addleshaw Goddard LLP 60 Chiswell Street London EC1Y 4AG
Bankers	Royal Bank of Scotland PO Box 412 62/63 Threadneedle Street London EC2R 8LA
Statutory Auditor	Deloitte LLP Statutory Auditor London United Kingdom

Bizspace Holdings Limited

Strategic report
For the year ended 31 December 2016

The Directors present their strategic report for Bizspace Holdings Limited (the "Group" and "Company") for the year ended 31 December 2016. The Company is ultimately owned by and consolidated into the Source Property 1 Limited Group (the "SP1 Group"). Source Property 1 Limited is a Jersey registered entity.

The Directors, in preparing this strategic report, have complied with the Companies Act 2006.

Principal activity

The principal activity of the Company is that of a holding company for Bizspace Limited (registered number 5988148) and Bizspace II Limited (registered number 09896882). These companies manage the properties that are owned by the Source Property 1 Limited group of companies.

The principal activity of Bizspace Limited is the provision of flexible workspace for workshop, light industrial, office and storage use for properties leased from the property owning companies within the SP1 Group. The principal activity of Bizspace II Limited is to manage the central property management functions that were subcontracted to it on 1 March 2016 by Bizspace Limited.

The Company has fully owned Bizspace II Limited since its incorporation on 1 December 2015.

Review of the business

Bizspace Limited and Bizspace II Limited, as the operating entities for the SP1 Group, manage the SP1 Group properties, hold employment contracts and enter into underlying lease and licence agreements with customers.

These consolidated financial statements reflect the performance of the Group comprised of the Company and its two fully owned subsidiaries Bizspace Limited and Bizspace II Limited.

The results for the Group are set out in the financial statements on pages 11 to 16, and the analysis of operating performance is detailed in notes 1 to 23.

The Directors expect the general level of activity to continue at current levels.

Results and dividends

The audited consolidated financial statements and associated notes to the consolidated financial statements for the Group for the year ended 31 December 2016 are set out on pages 11 to 39.

The loss for the year before taxation was £1.5m (2015: £14.4m loss for the period from 11 June 2015 to 31 December 2015) as shown in the consolidated income statement on page 11.

Net rental income for the year amounted to £13.1m (2015: £7.0m for the period from 11 June 2015 to 31 December 2015).

Rental payments of £7.8m (2015: £5.3m for the period from 11 June 2015 to 31 December 2015) have been made to property companies belonging to SP1 Group to settle the Group's obligations related to inter-company leases and have been recorded within administrative expenses totalling £13.1m (2015: £6.9m) for the year under review.

Finance costs of £1.5m (2015: £1.2m for the period from 11 June 2015 to 31 December 2015) all relate to inter-company interest paid and payable to Helix Investments Limited.

No dividends have been proposed or paid in the year under review

Bizspace Holdings Limited

Strategic report
For the year ended 31 December 2016

Key performance indicators

The Directors monitor the performance of the Group by reference to the following key performance indicators:

	2016	2015
Number of customers (as at year / period end)	3,964	3,821
Trade receivables as a % of annualised gross rental income (as at year / period end)	2.1%	2.3%
Rent roll (as at year / period end)	£29.7m	£27.9m
Net rental income (2015: period from 11 June 2015 to 31 December 2015)	£13.1m	£7.0m
Occupancy (as at year / period end)	83.8%	83.1%
Average rate per sq ft (as at year / period end)	£6.00	£5.70

Principal risks and uncertainties

The Directors have the responsibility for setting the Group's strategy, risk appetite and control framework. Key risks have been reviewed by a committee of the Board, the effective management of risk being one of the Board's objectives. The overall risk appetite of the Group is low. Given the nature of the activities undertaken by the Group, the principal risks facing the Group are economic, credit, liquidity, operational and health and safety risks. Key risks are subject to a governance process including the provision of regular management information and its review.

Economic risk

Economic risk is the risk of variations in the health of the UK economy and corresponding weakening of consumer confidence, business activity and investment. Underlying income, rental growth and capital performance could be adversely affected by weakening occupier demand. The Group's business model mitigates this risk to some extent by means of the diversified customer base with no concentration of exposure to individual customers or sectors and the Group's strategy of pricing workspace at an affordable level. In addition, the Board and management closely monitor occupancy levels, pricing and reasons for customers vacating, allowing an appropriate response to changes in any of these indicators. Whilst the mitigating actions can reduce the impact of economic risk, the Group remains susceptible to the adverse impact of a more severe cyclical downturn in the UK economy.

Credit risk

Credit risk is the risk of loss arising from counterparty defaults, primarily attributable to the Group's trade receivables. Credit risk is managed through the use of rigorous credit control processes. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Strategic report (continued)
For the year ended 31 December 2016

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its liabilities when they are due under normal conditions or can do so only at excessive cost. Prior to 28 May 2016 the Group was funded via an inter-company loan of £26.6m with Helix Investments Limited, a Jersey registered company belonging to the SP1 Group. On this date £10m of the loan was converted to a fixed coupon Eurobond listed on the Jersey exchange, with a maturity date of 31 August 2020. The remainder was converted into equity to better match the funding requirements of the Group, which effectively mitigates the overall liquidity risk.

The interest on the loan is financed from the cash flow of Bizspace Limited. Bizspace Limited receives monthly rental payments from the vast majority of customers via either direct debit or direct transfer to its bank account, with the payment terms set as monthly in advance due on the first day of each rental period. The monthly rental receipts are currently well in excess of interest due, therefore mitigating liquidity exposure of the Group.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk includes IT, information security, project, outsourcing, tax, legal, fraud and compliance risks. All the key operational risks are monitored and addressed under the Group's risk framework, which includes business continuity plan and annual disaster recovery testing. The recently appointed Head of IT has a programme to improve IT governance and the resilience of the IT infrastructure, information security, cyber security and data protection including the General Data Protection Regulation (GDPR). In addition, some aspects of the Group's business, including some elements of site management, tax and legal services are outsourced to third parties. Senior management review the services provided by external service providers for compliance with operational performance standards as defined in the respective agreements.

Health and safety

Health and safety is a key priority for the Group and risks are assessed on a regular basis. In addition, its employees are appropriately trained and competent to undertake the roles required.

The Group uses a market-leading provider of technology-enabled compliance risk management, certification and accreditation services to help manage exposure to health and safety risk, to ensure compliance with health and safety legislation and to track health and safety performance. This reinforces a continual positive culture of active risk management within the business. The Group has achieved a compliance score, as rated by the provider, of 87%.

In addition to regular internal health and safety compliance reviews at the properties managed by the Group, several audits of health and safety operational standards are commissioned that are undertaken by external consultants:

- Health and safety site surveys once every three years;
- Annual fire safety risk assessments;
- Annual asbestos condition surveys;
- Legionella risk assessments once every three years or sooner if there is a major change to the water system;
- Ad hoc assessments where potential risks are identified, and
- The continual review of task and generic risk assessments.

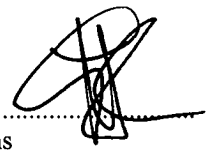
The Group has a health and safety steering group that sits every four months to review health and safety strategy, policies and practice, and is responsible for ensuring plans are implemented to address issues identified.

Strategic report (continued)
For the year ended 31 December 2016

Employees

Details of the number of the Group's employees and the related costs can be found in the notes to the financial statements.

Approved by the Board on 21. August 2017 and signed on its behalf by:



.....
G Evans
Director

Bizspace Holdings Limited

Directors' report
For the year ended 31 December 2016

The Directors present their report and the consolidated financial statements for Bizspace Holdings Limited for the year ended 31 December 2016.

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Companies Act 2006.The Company has elected to prepare its parent company financial statements in accordance with FRS 101.

Directors of the Group

The following persons who served throughout the year and to date, except as noted, were as follows:

G Evans
K Drozd
T Mooney (resigned 2 June 2017)
A Vikram (resigned 20 July 2017)
P Dennis (appointed 29 June 2016)
P Marcuse (appointed 18 May 2017)

None of the Directors have any beneficial interest in the ordinary share capital of the Company. None of the Directors had any interest in any material contract or agreement with the Company during, or at the end of the year under review.

Corporate governance statement

The governance of the Group is overseen and managed by the Company's Board of Directors, which monitors the financial reporting processes and reviews the effectiveness of internal financial controls and internal control procedures and management. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

The financial statements are prepared using International Financial Reporting Standards and key balances are reconciled on a regular basis to relevant information to ensure their integrity.

Charitable and political donations

The Company did not make any charitable or political contributions in the current year.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Directors' report (continued)
For the year ended 31 December 2016

Auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company'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's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual general meeting.

Reappointment of auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 21 August 2017 and signed on its behalf by:

.....
G Evans
Director

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent Company financial statements under Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). 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 year. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Bizspace Holdings Limited

We have audited the financial statements of Bizspace Holdings Limited for the year ended 31 December 2016 which comprise Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Company Cash Flow Statement, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 23. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Bizspace Holdings Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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 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.

Tobias Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
United Kingdom
London

21. August 2017

Bizspace Holdings Limited

Consolidated income statement
For the year ended 31 December 2016

	Note	2016 £ 000	11 June 2015 to 31 December 2015 £ 000
Gross rental income		31,391	15,754
Property operating expenses		(18,322)	(8,790)
Net rental income	5	13,069	6,964
Administration expenses		(13,089)	(6,860)
Impairment of intangible assets	10	-	(13,327)
Operating loss		(20)	(13,223)
Finance income	7	5	7
Finance costs	8	(1,460)	(1,154)
Loss before taxation		(1,475)	(14,370)
Taxation	9	113	166
Loss for the year / period		(1,362)	(14,204)

The above results were derived from continuing operations.

The Group has no other comprehensive income for the year other than the results above and therefore, no consolidated statement of comprehensive income is presented.

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated balance sheet
As at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Fixed assets			
Goodwill	10	16,990	16,990
Property, plant and equipment	11	273	168
Investment properties	12	300	300
		17,563	17,458
Current assets			
Trade and other receivables:			
- Amounts falling due within one year	14	6,473	6,201
Cash and cash equivalents	15	5,080	4,383
		11,553	10,584
Total assets		29,116	28,042
Current liabilities			
Trade and other payables	16	(12,631)	(10,551)
Non-current liabilities			
Borrowings	17	(10,000)	(27,001)
Total liabilities		(22,631)	(37,552)
Net assets/(liabilities)		6,485	(9,510)
Equity			
Called-up share capital	18	22,051	4,694
Retained earnings	20	(15,566)	(14,204)
Total equity		6,485	(9,510)

The consolidated financial statements of Bizspace Holdings Limited (registration number: 09633921) were approved by the Board on 21. August 2017 and signed on its behalf by:

P A Dennis

P Dennis
Director

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Company balance sheet
As at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Non-current assets			
Investments in subsidiaries	13	19,781	18,641
Current assets			
Trade and other receivables:			
Amounts falling due within one year	14	126	-
Total assets		19,907	-
Current liabilities			
Trade and other payables	16	(2,248)	(1,150)
Non-current liabilities			
Borrowings	17	(10,000)	(27,001)
Total liabilities		(12,248)	(28,151)
Net assets/(liabilities)		7,659	(9,510)
Equity			
Called-up share capital	18	22,051	4,694
Retained earnings	20	(14,392)	(14,204)
Total equity		7,659	(9,510)

Bizspace Holdings Limited's loss for the year was £188,000 (2015: £14,204,000).

The Company financial statements of Bizspace Holdings Limited (registration number: 09633921) were approved by the Board on 21.. August 2017 and signed on its behalf by:

P Dennis
Director

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 11 June 2015	-	-	-
Loss for the period	-	(14,204)	(14,204)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(14,204)	(14,204)
New share capital subscribed	4,694	-	4,694
At 31 December 2015	4,694	(14,204)	(9,510)

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	4,694	(14,204)	(9,510)
Loss for the year	-	(1,362)	(1,362)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(1,362)	(1,362)
New share capital subscribed	17,357	-	17,357
At 31 December 2016	22,051	(15,566)	6,485

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Company statement of changes in equity
For the year ended 31 December 2016

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 11 June 2015	-	-	-
Loss for the period	-	(14,204)	(14,204)
Total comprehensive income	-	(14,204)	(14,204)
New share capital subscribed	4,694	-	4,694
At 31 December 2015	4,694	(14,204)	(9,510)

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	4,694	(14,204)	(9,510)
Loss for the year	-	(188)	(188)
Total comprehensive income	-	(188)	(188)
New share capital subscribed	17,357	-	17,357
At 31 December 2016	22,051	(14,392)	7,659

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated cash flow statement
For the year ended 31 December 2016

Cash flows from operating activities	Note	2016 £ 000	11 June 2015 to 31 December 2015 £ 000
Loss for the year / period before taxation		(1,475)	(14,370)
Adjustments to cash flows from non-cash items:			
Depreciation	11	109	59
Impairment of intangible assets	10	-	13,327
Finance income	7	(5)	(7)
Finance costs	8	1,460	1,154
		89	163
Working capital adjustments:			
Increase in receivables		(160)	(6,035)
Increase in payables		2,094	10,370
Interest paid		(1,473)	(973)
Net cash from operating activities		550	3,525
Interest received		5	7
Acquisition of intangible assets	10	-	(30,317)
Acquisitions of property, plant and equipment	11	(214)	(227)
Acquisition of investment properties		-	(391)
Proceeds from sale of investment properties		-	91
Net cash used in investing activities		(209)	(30,837)
Cash flows from financing activities			
Proceeds from issuance of equity		17,357	4,694
Funding (repaid) / received	17	(17,001)	27,001
Net cash from financing activities		356	31,695
Net increase in cash and cash equivalents		697	4,383
Cash and cash equivalents at beginning of year / period		4,383	-
Cash and cash equivalents at end of year / period		5,080	4,383

The notes on pages 17 to 39 form an integral part of these financial statements.

Bizspace Holdings Limited

Notes to the consolidated financial statements
For the year ended 31 December 2016

1. General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:
3rd Floor, Winston House
2 Dollis Park
Finchley
London
N3 1HF
United Kingdom

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but were not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial information of the Group in future periods with the exception of IFRS 15 and IFRS 16 which have to be fully evaluated. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3 Accounting policies

3.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

3.2 Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRS'). The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 11 to 39.

3.3 Going concern

The Group financial statements show a loss for the year of £1,362k and negative net current liabilities of £1.1m as a result of the Group's continued investment led growth. The Group has positive net assets of £6.5m which are sufficient to fund this growth phase.

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern.

On the basis of their assessment of the Group's financial position, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3.4 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2016. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

No income statement is presented for the company as permitted by Section 408 of the Companies Act 2006. Its loss for the year was £188k.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3. Accounting policies (continued)

3.5 Revenue and gross rental income

Revenue is stated net of VAT and trade discounts. Revenue is made up of gross rental income, which comprises rental income, service charges and other sums receivable from the Group's investment properties. Other sums comprise insurance charges, supplies of utilities, premia associated with surrender of tenancies, commissions, fees and other sundry income.

All the Group's properties are leased out under operating leases and are included in investment property in the balance sheet. Rental income, including fixed rental uplifts, is recognised in the income statement on a straight line basis over the lease term. Rent received in advance is deferred in the balance sheet and recognised in the period to which it relates to. If the Group provides incentives to its customers, such as rent-free periods and cash contributions to tenant fit-out, the incentives are recognised over the lease term on a straight-line basis, as a reduction to rental income.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, are recorded as income in the periods in which they are earned.

Service charges and other sums receivable from tenants are recognised on an accruals basis by reference to the stage of completion of the relevant service or transactions at the reporting date. These services generally relate to a 12 month period.

3.6 Direct costs and property operating expenses

Direct costs are made up of property operating expenses, which comprise service charge and other costs directly recoverable from tenants and non-recoverable costs directly attributable to investment properties and other revenue streams.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.7 Exceptional items

Exceptional items are those items that in the Directors' view are required to be separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

3.8 Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

3.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. Current tax is the amount payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the statement of financial position liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases.

Temporary differences are not provided on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, or on differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3. Accounting policies (continued)

3.10 taxation (continued)

Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that management believe it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset only when they relate to taxes levied by the same authority and the Group intends to settle them on a net basis.

Tax is included in the income statement except when it relates to items recognised directly in other comprehensive income or equity, in which case the related tax is also recognised directly in other comprehensive income or equity.

3.10 Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment annually.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

3.11 Plant and equipment

Plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

3.12 Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation rate and method
Fixtures and fittings	20% straight line
Motor vehicles	25% straight line
Computer software	20% straight line

3.13 Investment property

Investment properties are those properties owned or leased by the Group that are held either for long-term rental yields or for capital appreciation, or both, and are not occupied by the Company or subsidiaries of the Group.

Investment property is measured initially at cost, including related transaction costs. After initial recognition investment property is held at fair value based on a valuation by an independent professional external valuer at each reporting date. The valuation methods and key assumptions applied are explained in notes 4.2 and 12. Changes in fair value of investment property at each reporting date are recorded in the income statement.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3. Accounting policies (continued)

3.13 Investment property (continued)

Properties are treated as acquired at the point the Group assumes the significant risks and rewards of ownership, typically on unconditional exchange of contracts or when legal title passes. Properties are treated as disposed when they are transferred outside of the Group's control.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group, and the cost of each item can be reliably measured. Certain internal staff costs directly attributable to the management of redevelopment projects are capitalised. All other repair and maintenance costs are charged to the income statement during the period in which they are incurred.

Capitalised interest on redevelopment expenditure is added to the asset's carrying amount. Borrowing costs capitalised are calculated by reference to the actual interest rate payable on borrowings, or if financed out of general borrowings by reference to the average rate payable on funding the assets employed by the Group and applied to the direct expenditure on the property undergoing redevelopment. Interest is capitalised from the date of commencement of the redevelopment activity until the date when substantially all the activities necessary to prepare the asset for its intended use are complete.

Investment properties are recognised as 'assets held for sale' when it is considered highly probable that sale completion will take place. This is assumed when a sale has exchanged by the balance sheet date and completed before the date of signing the financial statements.

Income from the sale of assets is recognised when the significant risks and returns have been transferred to the buyer. In the case of sales of properties this is generally taken on completion of the contract. In the case of a part disposal agreement, the part of the asset being disposed will be derecognised from investment property when completion is reached (i.e. when the risks and rewards of this part of the site transfer to the developer). Profit or loss on disposal is taken as the consideration receivable (net of costs) less the latest valuation (net book value) and is taken to other operating income/expense.

3.14 Other investments

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Debt securities, where applicable, are stated at their net proceeds on issue. Finance charges including premia payable on settlement or redemption and direct issue costs are spread over the period to redemption, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Dividends on equity securities are recognised in income when receivable.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, restricted cash in the form of tenants' deposits and deposits held on call with banks. Bank overdrafts are included in current liabilities, except for the purpose of the cash flow statement, where bank overdrafts are included within cash and cash equivalents.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3. Accounting policies (continued)

3.16 Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The provision is recorded in the Consolidated income statement.

Deferred consideration on the disposal of investment properties is included within trade and other receivables. It is fair valued on recognition and at each year end with any movement taken to other operating income/expense.

3.17 Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3.18 Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing, using the effective interest method, except for interest capitalised on redevelopments.

Transaction costs are amortised over the effective life of the amounts borrowed.

3.19 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3.20 Defined contribution pension obligation

The costs of defined contribution schemes and contributions to personal plans are charged to the income statement in the year in which they are incurred. The Group has no defined benefit schemes.

3.21 Derivative financial instruments

The Group enters into derivative transactions in order to manage its exposure to foreign currency fluctuations and interest rate risks. Financial derivatives are recorded at fair value calculated by valuation techniques based on market prices, estimated future cash flows and forward interest rates. Movements in fair value are recognised in the Consolidated income statement. In line with IFRS 13, fair values of financial derivatives are measured at the estimated amount that the Group would receive or pay to terminate the agreement at the balance sheet date, taking into account the current interest expectations and current credit value adjustment of the counterparties.

3.22 Treasury shares

Investments held in the Company's own shares are deducted from equity at cost. Where such shares are subsequently sold, any consideration received is recognised directly in equity.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

3. Accounting policies (continued)

3.23 Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period end that may have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.1 Impairment of goodwill and other intangible assets

Determining whether goodwill and internally generated intangible assets are impaired requires an estimation of the value in use of both of these assets. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and the internally generated intangible assets. This is calculated using a suitable discount rate in order to calculate present value.

4.2 Investment properties

The Group reviews the value of its investment properties at each balance sheet date. The valuation is carried out in accordance with RICS Valuation - Professional Standards 2014 on the basis of fair value. In arriving at fair value, judgment is required in estimation of the unobservable inputs, in particular estimated rental values and yields using market observations and professional judgment. The technique used, process applied and judgements made are described in full in note 12.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

5. Net rental income

The analysis of the Group's net rental income for the year from continuing operations is as follows:

	2016 £000	11 June 2015 to 31 December 2015 £000
Gross rental income	31,391	15,754
Property operating expenses	(18,322)	(8,790)
	13,069	6,964

6. Loss for the year / period

Arrived at after charging:

	2016 £000	11 June 2015 to 31 December 2015 £000
Impairment of intangible assets	-	13,327
Fair value movement of investment properties	-	91
Staff cost	5,544	2,589
Auditor's remuneration	54	84
Depreciation	108	59

Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2016 £000	11 June 2015 to 31 December 2015 £000
Wages and salaries	4,731	2,223
Social security cost	447	263
Pension costs	52	34
Other staff costs	314	69
	5,544	2,589

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

6. Loss for the year / period (continued)

Staff numbers

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	2016	11 June 2015 to 31 December 2015
	No.	No.
All departments	180	175

Auditor's remuneration

	2016	11 June 2015 to 31 December 2015
	£000	£000
Audit of the Group and Company financial statements	36	27
Taxation compliance services	18	33
Non-audit services	39	24
	93	84

7. Finance income

	2016	11 June 2015 to 31 December 2015
	£000	£000
Other interest income	5	7

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

8. Finance costs

	2016	11 June 2015 to 31 December 2015
	£000	£000
Interest payable on intercompany loan balance	1,460	1,154

of which:

	2016	11 June 2015 to 31 December 2015
	£000	£000
Accrued interest		
Intercompany loans	168	181
Paid interest		
Intercompany loans	1,473	973

9. Taxation

Group

Tax credited in the income statement:	2016	11 June to 31 December 2015
	£000	£000
Current taxation		
UK Corporation tax	(19)	-
Deferred taxation		
Current year	(94)	(192)
Adjustment in respect of previous periods	-	(2)
Effect of changes in tax rates	-	28
Total deferred tax	(94)	(166)
Tax credit in the income statement	(113)	(166)

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

9. Taxation (continued)

The tax credit on loss before tax for the year is lower than the standard rate of corporation tax in the UK of 20%.

The differences are reconciled below:	2016	11 June 2015 to 31 December 2015
	£000	£000
Loss before tax	(4,935)	(14,370)
Corporation tax at standard rate	(987)	(2,874)
Adjustment in respect of prior periods	-	(2)
Expenses not deductible	792	2,566
Effects of other tax rates	10	28
Amounts not recognized	72	116
Total tax credit	(113)	(166)

The closing unrecognised deferred tax asset at 31 December 2016 is £88,000 (31 December 2015: £104,775).

The rate of UK corporation tax changed from 21% to 20% on 1 April 2015. Following the enactment of Finance (No. 2) Act 2015, the Corporation Tax main rate will be 19% for the years starting the 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020.

As part of the 2016 Budget, the UK Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%. This formed part of the Finance Act 2016 that was enacted in September 2016.

Deferred tax assets (note 14)

Group

	2016	2015
	£000	£000
Opening balance	249	-
Balance on acquisition	-	83
Charged during the year	94	166
At 31 December	343	249

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

10. Goodwill

Group

	2016 £000
Cost or valuation	
At 1 January 2016 and 31 December 2016	30,317
Impairment	
At 1 January 2016 and 31 December 2016	13,327
Carrying amount	
At 31 December 2016 and 31 December 2015	16,990

The following key assumptions have been adopted when assessing the recoverable amount of goodwill based on cash flow projections:

- there will be no material change to the current business model;
- a terminal growth rate of 2%, which is consistent with the growth rate adopted in the business model and represents the long-term UK inflation forecast by the OECD;
- the intra group leases that currently expire in 2032 will be renewed.

The cashflow projections are made up of a forecast to 2020 that is based on a board approved forecast and a terminal value calculated using the growth rate of 2%. The pre-tax, capital-weighted discount rate that has been applied to the operating cash flows of Bizspace Limited to determine a net present value for the business is 10.4%.

The review indicates that no impairment is required to the carrying value of goodwill.

The recoverable amount of goodwill currently exceeds the carrying amount by £2.5m. The growth rate that has been used for the short term forecasts to 2020 could be reduced by circa 0.5 percentage points or the discount rate could be increased by 0.8 percentage points before the carrying amount becomes greater than the recoverable amount.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

11. Property, plant and equipment

Group

	Fixtures and fittings £ 000	Motor vehicles £ 000	Computer software £ 000	Total £ 000
Cost or valuation				
At 1 January 2016	205	18	4	227
Additions	136	13	65	214
At 31 December 2016	341	31	69	441
Depreciation				
At 1 January 2016	55	4	-	59
Charge for the year	90	10	9	109
At 31 December 2016	145	14	9	168
Net book value				
At 31 December 2016	196	17	60	273
At 31 December 2015	150	14	4	168

12. Investment properties

Group

	2016 £ 000	2015 £ 000
At 1 January	300	-
Acquisitions	-	391
Decrease in fair value of investment properties	-	(91)
At 31 December	300	300

Investment property is held at fair value.

A valuation of the investment property was completed as at 31 December 2016 by CBRE, independent professionally qualified valuers. This was prepared on the basis of 'market value' for loan security purposes, on behalf of AgFe, the Group's senior loan providers, in accordance with the loan facility agreement.

The Directors, having taken internal advice from a RICS qualified executive, are in agreement with the underlying methodology and assumptions that have been used by CBRE. Accordingly, the Directors' valuation is the same as the valuation carried out on behalf of AgFe by CBRE.

The Directors' valuation has been prepared in accordance with the International Valuation Standards / RICS Valuation – Professional Standards 2014 on the basis of 'fair value' as defined in International Financial Reporting Standard 13 – namely, 'the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date'. The RICS considers that the concept of 'fair value' is consistent with that of 'market value' and so there should be no difference between them in terms of the valuation figure reported.

The investment property is classified as Level 3 in the fair value hierarchy as defined by IFRS 13 Fair Value Management. There have been no transfers of properties between Levels 1, 2 and 3 during the year under review and the fair value at 31 December 2016 represents the highest and best use.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

12. Investment properties (continued)

12.1 Valuation techniques

The valuation techniques used by the Group in valuing its investment opportunities are consistent with IFRS 13 and use significant "unobservable" inputs.

The fair value is determined based on a number of factors including:

- 'Branch Reports'(an internal management report) for each asset with details of all rental income and the number of licence agreements and leases in place for each asset at the valuation date;
- future capital expenditure requirements;
- four years' historical net operating income together with projected net operating income for each property; and
- an estimate of the maintainable level of trade and future profitability that a competent operator of a business conducted at the premises acting in an efficient manner would expect to achieve. This concept involves estimating the market's perception of the earnings potential of the property having regard to its inherent characteristics and prevailing market conditions rather than the actual level of trade under the existing ownership.

12.2 Valuation methodology

An assessment has been made of the "Sustainable Net Operating Income" ("SNOI") for the Group's investment property and this has been multiplied by an appropriate number representing "Years' Purchase", making any necessary deductions for future capital expenditure, to arrive at a Business Value or Market Value.

An assessment has also been made of the Vacant Possession Value for the Group's investment property, either adopting the investment or comparable method. If the Vacant Possession Value is in excess of the Business Value, the Vacant Possession Value is adopted as Market Value.

12.3 Sensitivity

An increase or decrease in SNOI may increase or decrease the fair value of the Group's investment property. An increase or decrease of 10% in SNOI for the property will increase or decrease the valuation by £46k or £35k respectively. An increase or decrease in yields will decrease or increase the fair value of the Group's investment properties. An increase or decrease in the estimated costs of expenditure required will decrease or increase the fair value of the Group's investment properties. The "unobservable" inputs are inter-related, such that a change in inputs could magnify or mitigate the impact on the valuation.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

13. Investment in subsidiaries

Summary of Company investments

	Total £ 000
Cost or valuation	
At 1 January 2016	31,815
Additions	-
At 31 December 2016	31,815
Impairment provision	
At 1 January 2016	(13,174)
Release of impairment provision	1,140
At 31 December 2016	(12,034)
Net book value	
At 31 December 2016	19,781
At 31 December 2015	18,641

Details of the Company's subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation	Principal activity	Holding	%
Direct holdings				
Bizspace Limited	United Kingdom	Operating company	Ordinary shares	100
Bizspace II Limited	United Kingdom	Operating company	Ordinary shares	100

The registered office for the companies is: 3rd Floor, Winston House, 2 Dollis Park, Finchley, London, N3 1HF.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

14. Trade and other receivables

	Note	Group 2016 £000	Company 2016 £000
Amounts falling due within one year			
Trade receivables		751	-
Provision for doubtful debts		(82)	-
Net trade receivables		669	-
Amounts owed from group undertakings		3,189	-
Prepayments and accrued income		1,936	-
Deferred tax assets	9	343	-
Other receivables		336	126
		6,473	126

	Note	Group 2015 £000	Company 2015 £000
Amounts falling due within one year			
Trade receivables		747	-
Provision for doubtful debts		(94)	-
Net trade receivables		653	-
Amounts owed from group undertakings		3,758	-
Prepayments and accrued income		1,143	-
Deferred tax assets	9	249	-
Other receivables		398	-
		6,201	-

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

14. Trade and other receivables (continued)

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

	Group 2016 £ 000	Company 2016 £ 000
Age of trade receivables that are past due but not impaired		
7 to 30 days	618	-
31 to 60 days	79	-
61 to 90 days	25	-
91 to 120 days	14	-
	736	-

	Group 2015 £ 000	Company 2015 £ 000
Age of trade receivables that are past due but not impaired		
7 to 30 days	602	-
31 to 60 days	62	-
61 to 90 days	11	-
91 to 120 days	4	-
	679	-

Movement in the allowance for doubtful debt

	Group 2016 £ 000	Company 2016 £ 000
At 1 January 2016	(94)	-
Decrease in provision for doubtful debt	12	-
At 31 December 2016	(82)	-

	Group 2015 £ 000	Company 2015 £ 000
At 11 June 2015	-	-
Increase in provision for doubtful debt	(94)	-
At 31 December 2015	(94)	-

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

15. Cash and cash equivalents

	Group 2016 £ 000	Company 2016 £ 000	Group 2015 £ 000	Company 2015 £ 000
Unrestricted cash	1,194	-	726	-
Restricted cash	3,886	-	3,657	-
	5,080	-	4,383	-

Restricted cash relates to customer deposit balances.

16. Trade and other payables

	Group 2016 £ 000	Company 2016 £ 000	Group 2015 £ 000	Company 2015 £ 000
Trade payables	883	-	715	-
Rent received in advance	580	-	619	-
Accrued interest	167	167	181	181
Other payables	4,064	-	3,708	-
Taxation and social security	868	-	941	-
Other accruals	3,137	10	2,092	42
Amounts owed to group undertaking	2,932	2,071	2,295	927
	12,631	2,248	10,551	1,150

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

17. Borrowings and financial instruments

	Group 2016 £ 000	Company 2016 £ 000	Group 2015 £ 000	Company 2015 £ 000
Intercompany loans	10,000	10,000	27,001	27,001
	10,000	10,000	27,001	27,001

The amount of inter-company loan outstanding at 31 December 2016 is £10,000k (31 December 2015: £27,001k) at an interest rate of 10% and is due for repayment on 31 August 2020.

17.1 Financial risk management

Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk and liquidity risk.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

17.1 Financial risk management (continued)

17.1.1 Credit risk

Credit risk is the risk of loss arising from counterparty defaults, primarily attributable to the Group's cash balances and trade receivables. The Group has a total credit risk of £11.2m and the breakdown of this amount can be seen in note 17.2.1.

The Group's cash balances are placed with institutions with suitable credit ratings and rates of return. The credit ratings of these institutions are monitored and changes are made where necessary to manage risk.

The Group mitigates risk of financial loss from tenant defaults by the use of rigorous credit control processes. The trade receivables balance presented in the balance sheet is net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The balance of trade receivables remains relatively low and therefore the credit risk of trade receivables is considered to be low.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

17.1.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due, or that it will be able to do so only at excessive cost. The Group's exposure to liquidity risk arises mainly from the management of working capital and obligations associated with servicing and repayment of debt.

The Group maintains its liquidity through continuous review and active management of its cash flows.

The interest on the inter-company loan is financed by monthly rental payments from the customers, the vast majority of whom pay via either direct debit or direct bank transfer, with the payment terms set as monthly in advance due on the first day of each rental period. The monthly rental receipts are well in excess of interest due, therefore mitigating the liquidity exposure of the Group.

The following table shows the contractual maturity profile of the Group's financial liabilities on an undiscounted cash flow basis and assuming settlement on the earliest repayment date:

	Group			Company		
	Within 12 months £ 000	More than 12 months £ 000	Total £000	Within 12 months £ 000	More than 12 months £ 000	Total £000
Intercompany loans	-	10,000	10,000	-	10,000	10,000

£10m of the existing facility was re-financed in May 2016 using a fixed coupon Eurobond maturing on 20 August 2020 listed on The International Stock Exchange in Jersey. The remaining £17m was converted to equity.

17.1.3 Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern.

The capital structure of the Group consists of inter-company debt, and equity, comprising issued capital and retained earnings. The Group is not subject to any externally imposed capital requirements.

The Group's Directors review the capital structure on a regulated basis. As part of this review, the cost of capital and the risk associated with each class of capital are considered.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

17. Borrowings and financial instruments (continued)

17.2 Financial instruments

Bizspace Limited is party to a funding agreement for the SP1 Group. Under this agreement Bizspace Limited provides security for the SP1 Group's bank loans via a fixed and floating charge over its assets.

17.2.1 Categories of financial instruments

	Loans and receivables 2016	Financial liabilities 2016	Fair value 2016
Current assets	**£ 000**	**£ 000**	**£ 000**
Cash and cash equivalents	5,080	-	-
Amounts owed by group undertakings	3,189	-	-
Trade receivables	669	-	-
Prepayments and accrued income	1,936	-	-
Other receivables	336	-	-
	11,210	-	-
Current liabilities			
Creditors	-	12,631	-
Non current liabilities			
Borrowed funds	-	10,000	-

	Loans and receivables 2015	Financial liabilities 2015	Fair value 2015
Current assets	**£ 000**	**£ 000**	**£ 000**
Cash and cash equivalents	4,383	-	-
Amounts owed by group undertakings	3,758	-	-
Trade receivables	653	-	-
Prepayments and accrued income	1,143	-	-
Other receivables	398	-	-
	10,335	-	-
Current liabilities			
Creditors	-	10,551	-
Non current liabilities			
Borrowed funds	-	27,001	-

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

17. Borrowings and financial instruments (continued)

17.2 Financial instruments (continued)

17.2.2 Fair values

To the extent financial assets and liabilities are not carried at fair value in the Consolidated Balance Sheet, the Directors are of the opinion that book value approximates to fair value at 31 December 2016.

17.2.3 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

18. Called-up share capital

Allotted, called-up and fully paid shares

	2016 No. 000	2016 £ 000	2015 No. 000	2015 £ 000
Ordinary shares of £1 each	22,051	22,051	4,694	4,694

The Company has unlimited authorised share capital.

New shares allotted

During the year 17,356,296 Ordinary shares having an aggregate nominal value of £17,356,296 were allotted for an aggregate consideration of £17,356,296.

19. Operating leases

19.1 Operating leases with tenants

The Group manages the properties owned by the Source Property 1 Limited group of companies and enters into underlying lease and licence agreements with customers, all of which are operating leases. The minimum lease rentals receivable under non cancellable operating leases are as follows:

	2016 £ 000	2015 £ 000
Less than one year	14,513	14,272
Between one and five years	9,836	9,877
In over five years	4,656	4,338
	29,005	28,487

19.2 Office lease

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating lease with regards to the head office space, which fall due as follows:

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

19. Operating leases (continued)

19.2 Office lease (continued)

	2016 £ 000	2015 £ 000
Within one year	28	55
In two to five years	-	28
	28	83

The amount of non-cancellable operating lease payments recognised as an expense during the year was £53k (2015: £63k).

19.3 Intercompany leases

The Group has an on-going commitment for future lease payments to property companies owned by SP1 Group under non-cancellable operating inter-company leases. These payments are based on the Company's net rental income and recognized in administrative expenses. The amount of future payments from these intercompany leases is dependent on future net rental income.

20. Reserves

The Group and Company's other reserves are as follows:

Retained earnings
The retained earnings reserve represents cumulative profits and losses net of dividends paid and other adjustments. Detail of movement in the reserve is included in the statement of changes in equity. These are shown within the statement of changes in equity for both the Group and the Company on pages 14 - 15.

21. Pension and other schemes

Defined contribution pension scheme
The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £52k (2015: £34k).

As at 31 December 2016, contributions of £4k (2015: £4k) due in respect of the current reporting period had not been paid over to the schemes.

22. Related party transactions

	31 December 2016 £000	31 December 2015 £ 000
Administrative expenses payable to group undertakings	(7,825)	(5,286)
Interest payable to group undertakings	(1,460)	(1,154)

Key management personnel
The remuneration of the executive Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*:

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2016

22. Related party transactions (continued)

	31 December 2016 £000	31 December 2015 £ 000
Total Directors' emoluments	426	184
Highest paid Director	299	184
Pension contributions	20	9

G Evans and P Dennis have been paid by Group companies during the year with the remaining three Directors being paid by Varde Partners Europe Limited.

23. Immediate and ultimate parent undertaking

The Group and Company's immediate parent undertaking is Helix Investments Limited, an entity registered in Jersey.

The Group and Company's ultimate parent undertaking is Source Property 1 Limited, whose registered address is 13-14 Esplanade, Saint Helier, Jersey, JE1 1EE.