Registered number: 09633921

Bizspace Holdings Limited

Annual report and consolidated financial statements

for the year ended 31 December 2017

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Bizspace Holdings Limited

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Bizspace Holdings Limited

Company information

Directors	G H 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 2 New Street Square London EC4A 3BZ

Bizspace Holdings Limited

Strategic report
For the year ended 31 December 2017

The Directors present their strategic report for Bizspace Holdings Limited (the "Group" and "Company") for the year ended 31 December 2017. 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.

Fair review of the business

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.

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.

The UK economy performed reasonably well during 2017 in spite of the uncertainty arising from the Government's negotiations to leave the European Union. Employment is at record levels and unemployment remains low. Annual GDP growth for 2017 at 1.7% supports the Group's core customer segment and the positive sentiment was reflected in the key micro and small business community with record rental values for new customer starts and investment remaining strong throughout the year. More proactive asset management initiatives across the Group's portfolio, including an increase to investment in refurbishment and the subdivision of units to improve occupancy and rate per square foot, together with continued focus on providing high levels of customer service, have had a positive impact on the value of the Group's investment properties.

Looking ahead, 2018 is expected to deliver reasonably consistent GDP growth as last year, however, there are headwinds and some uncertainties which may impact the small and micro business market segment to some extent. This sector has proved to be resilient to date in 2018 with rent roll delivering continued growth. With continued strong investment planned for the year, the benefit of new initiatives and the expansion from acquisitions, the Directors remain confident that the Group's business model should enable it to make further progress in its strategy.

The net effect of a decrease in occupancy and an increase in pricing, together with the impact of acquisitions made in 2016 & 2017, contributed to improved gross rental income of £35.7m (2016: £31.4m). After deducting £22.6m in direct property operating expenses including substantially higher expenditure on refurbishment and upgrade projects, (2016: £18.3m), the net rental income for the year amounted to £13.1m (2016: £13.1m).

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

Strategic report (continued)
For the year ended 31 December 2017

Results and dividends

The loss for the year before taxation was £2.1m (2016: £1.5m) as shown in the consolidated income statement on page 16.

Net rental income for the year amounted to £13.1m (2016: £13.1m).

Rental payments of £8.5m (2016: £7.8m) 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 £14.5m (2016: £13.1m) for the year under review.

Finance costs of £1.0m (2016: £1.5m) all relate to inter-company interest paid and payable to Helix Investments Ltd.

No dividends have been proposed or paid in the year.

Key performance indicators

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

	2017	2016
Number of customers as at year end	3,788	3,964
Trade receivables as a % of annualised gross rental income as at year end	3.5%	2.1%
Rent roll as at year end (annual contractual receipts from customers)	£34.2m	£29.7m
Net rental income	£13.1m	£13.1m
Occupancy as at year end (total occupied area/total lettable area)	82.6%	83.8%
Average rate per sq ft as at year end (total rent roll/total occupied area)	£7.14	£6.00

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 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 2017

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 Head of IT has made progress in implementing initiatives 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.

Competition risk

Competition risk is the risk that a competitor negatively impacts the business by entering the flexible workspace sector which would reduce customer demand and adversely affect occupancy and/or rate. The Group differentiates itself from competitors by ensuring that it is not only seen as a flexible workspace provider but also pursues the creation of a community which enables our customers to grow and network with other businesses both in the business centre and across the portfolio. The Bizspace Management Board reviews occupancy levels and rate on a monthly basis to ensure that the company can quickly react to market changes.

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% (2016: 87%).

Strategic report (continued)
For the year ended 31 December 2017

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.

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 15 JUNE 2018 and signed on its behalf by:

.....
G H Evans
Director

Bizspace Holdings Limited

Directors' report
For the year ended 31 December 2017

The Directors present their annual report and the consolidated financial statements for Bizspace Holdings Limited for the year ended 31 December 2017.

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.

The Directors have chosen to set out information about the future developments of the group in the strategic report section of this annual report on page 2, and information on financial risk management in note 17.

Directors of the Group

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

G H Evans
K Drozd
T Mooney (resigned 2 June 2017)
A Vikram (resigned 20 July 2017)
P Dennis
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 or its subsidiaries 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.

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 note 3 of the financial statements.

Post balance sheet events

There have been no reportable post balance sheet events.

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Directors' report (continued)
For the year ended 31 December 2017

Auditor

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

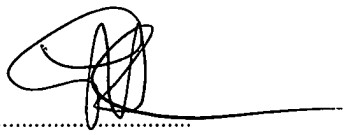
- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's 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 15 JUNE 2018 and signed on its behalf by:



.....

G H 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company financial statements, the Directors are required to:

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

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 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.

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

Report on the audit of the financial statements

Opinion

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 2017 and of the group's loss for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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 including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Bizspace Holdings Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; 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 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was the impairment of goodwill.
Materiality	The materiality that we used for the group financial statements was £536,000 which was determined on the basis of 1.5% of revenue. The materiality that we used for parent company was £197,937 which was determined on the basis of 3% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Impairment of goodwill	
Key audit matter description 	In FY2015, Bizspace Holdings Ltd acquired Bizspace Limited. The acquisition was accounted for as a business combination in accordance with the requirements of IFRS 3 "Business Combinations" ("IFRS 3") which gave rise to a goodwill asset being recognised of £30.3m. At the end of that that year, management completed their annual impairment review and recognised an impairment provision of £13.3m leaving a goodwill balance of £17.0m. There have been no subsequent impairment for the year ended 31 December 2017 as detailed in note 10. IAS 36 requires that Management perform an impairment review annually using projected cash flows discounted at a rate which takes into account the risks within those cash flows. Management must apply their judgement in preparing the discounted cash flow which forms the basis of the impairment review. The WACC rate, used as a proxy for the discount rate, short term growth rates and terminal growth rate applied in the forecasted cash flows within the impairment analysis have a material impact on the value in use calculation which support the carrying value of the assets. Management has included a disclosure in note 10 explaining the impact of reasonably possible changes in assumptions. The Group's accounting policy in relation to impairment of intangible assets including goodwill is included on page 28.
How the scope of our audit responded to the key audit matter 	In order to address this key audit matter we have: • Evaluated the design and implementation of key controls mitigating the risks identified in the impairment process; • Challenged the key assumptions underpinning management's forecasted operating cash flows through procedures including review of board approved business plans; • Tested the mathematical accuracy of the schedules supporting the cash flow model; • Assessed Management's ability to forecast accurately by comparing 2017 actuals to budgets; and • Engaged our valuation experts to assess the WACC rate and terminal growth rate, as proxies to the discount rate, applied in the value in use calculation.
Key observations 	From the work performed above, we concluded that the inputs were based on information which was appropriate and the discount rate was within an acceptable range.

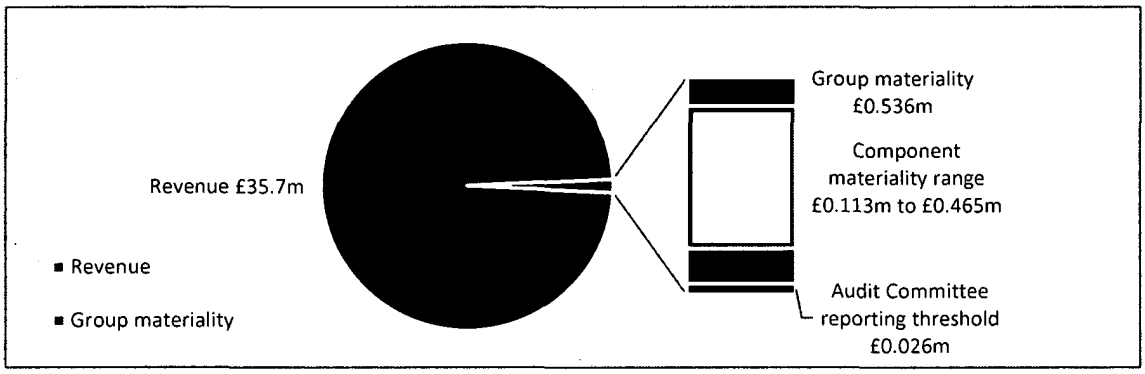
Independent auditor's report to the members of Bizspace Holdings Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£536,000	£197,937
Basis for determining materiality	1.5% of group revenue	3% of net assets
Rationale for the benchmark applied	Revenue is the key measure used by the users of the financial information of this group.	Net assets is the key measure used by users of the financial information of a parent company being that of a holding company for the investments.



Based on the materiality of the overall group that we report to Those Charged with Governance all audit differences in excess of £26k for the group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to Those Charged with Governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, how the Group is organised, the consolidation process, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement throughout the Group. We noted the group has two UK based subsidiaries which require statutory audits and therefore conducted a full scope audit based on materiality ranges noted above.
The Group audit engagement team performed the audit of the UK businesses without the involvement of a component team. At the parent entity level we also tested the consolidation process.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Tobias Wright FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
[Date] 18 June 2018

Bizspace Holdings Limited

Consolidated income statement
For the year ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Gross rental income		35,749	31,391
Property operating expenses		(22,605)	(18,322)
Net rental income	5	13,144	13,069
Administration expenses		(14,532)	(13,089)
Gain on revaluation of investment properties	12	350	-
Operating loss		(1,038)	(20)
Finance income	7	1	5
Finance costs	8	(1,000)	(1,460)
Loss before taxation		(2,037)	(1,475)
Taxation	9	(48)	113
Loss for the year		(2,085)	(1,362)

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 22 to 44 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated balance sheet
As at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Goodwill	10	16,990	16,990
Property, plant and equipment	11	955	273
Investment properties	12	650	300
		18,595	17,563
Current assets			
Trade and other receivables:			
- Amounts falling due within one year	14	8,235	6,473
Cash and cash equivalents	15	7,542	5,080
		15,777	11,553
Total assets		34,372	29,116
Current liabilities			
Trade and other payables	16	(19,972)	(12,631)
Non-current liabilities			
Borrowings	17	(10,000)	(10,000)
Total liabilities		(29,972)	(22,631)
Net assets		4,400	6,485
Equity			
Share capital	18	22,051	22,051
Retained earnings	20	(17,651)	(15,566)
Total equity		4,400	6,485

The consolidated financial statements of Bizspace Holdings Limited (registration number: 09633921) were approved by the Board on 15 JUNE 2018 and signed on its behalf by:

P Dennis
Director

The notes on pages 22 to 44 form an integral part of these financial statements.

Company balance sheet
As at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Investments in subsidiaries	13	19,984	19,781
Current assets			
Trade and other receivables:			
Amounts falling due within one year	14	1	126
Total assets		19,985	19,907
Current liabilities			
Trade and other payables	16	(3,310)	(2,248)
Non-current liabilities			
Borrowings	17	(10,000)	(10,000)
Total liabilities		(13,310)	(12,248)
Net assets		6,675	7,659
Equity			
Share capital	18	22,051	22,051
Retained earnings	20	(15,376)	(14,392)
Total equity		6,675	7,659

The Company's loss for the year was £984,000 (2016: £188,000)

The Company financial statements of Bizspace Holdings Limited (registration number: 09633921) were approved by the Board on 15 JUNE 2018 and signed on its behalf by:

P Dennis
Director

The notes on pages 22 to 44 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated statement of changes in equity
For the year ended 31 December 2017

	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)
Total comprehensive loss	-	(1,362)	(1,362)
New share capital	17,357	-	17,357
At 31 December 2016	22,051	(15,566)	6,485

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	22,051	(15,566)	6,485
Loss for the year	-	(2,085)	(2,085)
Total comprehensive loss	-	(2,085)	(2,085)
At 31 December 2017	22,051	(17,651)	4,400

The notes on pages 22 to 44 form an integral part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2017

	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 loss	-	(188)	(188)
New share capital	17,357	-	17,357
At 31 December 2016	22,051	(14,392)	7,659

	Called-up share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	22,051	(14,392)	7,659
Loss for the year	-	(984)	(984)
Total comprehensive loss	-	(984)	(984)
At 31 December 2017	22,051	(15,376)	6,675

The notes on pages 22 to 44 form an integral part of these financial statements.

Bizspace Holdings Limited

Consolidated cash flow statement
For the year ended 31 December 2017

Cash flows from operating activities	Note	2017 £ 000	2016 £ 000
Loss for the year before taxation		(2,037)	(1,475)
Adjustments to cash flows from non-cash items;			
Depreciation	11	176	109
Gain on revaluation of investment properties	12	(350)	-
Finance income	7	(1)	(5)
Finance costs	8	1,000	1,460
		(1,212)	89
Working capital adjustments			
Increase in receivables		(1,761)	(160)
Increase in payables		7,292	2,094
Interest paid		(1,000)	(1,473)
Net cash from operating activities		3,319	550
Interest received		1	5
Acquisitions of property, plant and equipment	11	(858)	(214)
Net cash used in investing activities		(857)	(209)
Cash flows from financing activities			
Proceeds from issuance of equity		-	17,357
Repayment of borrowings	17	-	(17,001)
Net cash from financing activities		-	356
Net increase in cash and cash equivalents		2,462	697
Cash and cash equivalents at beginning of year		5,080	4,383
Cash and cash equivalents at end of year		7,542	5,080

The notes on pages 22 to 44 form an integral part of these financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2017

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 on 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 are not yet effective and had not yet been adopted by the EU:

IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. This standard specifies requirements for classification and measurement of financial instruments, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group is exposed to interest rate risk from the use of debt financing at a variable rate and enters into an interest rate cap agreement to mitigate the risk of rising interest rates. Hedge accounting is not currently used and the change in fair value of the interest rate cap is recognised in the income statement. If the interest rate cap is exceeded the Group will have the option to use hedge accounting.

IFRS 15 Revenue from contracts with customers will replace IAS 18, IAS 11 and other related interpretations with effect from 1 January 2018. The standard deals with revenue recognition and establishes principles for reporting of the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. From a review of this standard, it is not expected to have a material impact on the Group's consolidated financial statements.

IFRS 16 Leases will replace IAS 17 with effect from 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. From a review of this standard, it is not expected to have a material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

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

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 meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC and, therefore, the financial statements have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in these consolidated financial statements.

3.3 Going concern

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Group is exposed, the Group's ongoing financial commitments and the availability of sufficient resources for the next twelve months and beyond.

The Group meets its day to day working capital requirements using cash and intercompany borrowing facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

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 2017. 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 affect 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 £984k (2016: £188k).

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

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. 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 balance sheet 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 2017

3. Accounting policies (continued)

3.9 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 balance sheet 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 2017

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 2017

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 2017

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. The carrying amount, sensitivities, assumptions and estimates are explained in note 10.

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 2015 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, sensitivities observed and judgements are described in full in note 12.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

5. Net rental income

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

	2017 £000	2016 £000
Gross rental income	35,749	31,391
Property operating expenses	(22,605)	(18,322)
	13,144	13,069

6. Loss for the year

Arrived at after charging:

	2017 £000	2016 £000
(Gain) on revaluation of investment properties	(350)	-
Staff costs	6,859	5,545
Auditor's remuneration	186	75
Taxation compliance services	34	18
Depreciation	176	109

Staff costs

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

	2017 £000	2016 £000
Wages and salaries	5,841	4,731
Social security cost	610	447
Pension costs	56	52
Other staff costs	352	314
	6,859	5,544

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

6. Loss for the year (continued)

Staff numbers

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

	2017	2016
	No.	No.
All departments	194	180

Auditor's remuneration

	2017	2016
	£000	£000
Audit of the Group financial statements	33	29
Audit of the Company financial statements	6	7
Non-audit services	147	39
	186	75

7. Finance income

	2017	2016
	£000	£000
Other interest income	1	5

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

8. Finance costs

	2017	2016
	£000	£000
Interest paid on intercompany loan balance	1,000	1,460

of which:

	2017	2016
	£000	£000
Accrued interest		
Intercompany loans	167	167
Paid interest		
Intercompany loans	1,000	1,473

9. Taxation

Group

Tax credited in the income statement:	2017	2016
	£000	£000
Current taxation		
UK Corporation tax	20	(19)
Deferred taxation		
Current year	28	(94)
Total deferred tax	28	(94)
Tax receipt in the income statement	48	(113)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2016: 20%).

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

9. Taxation (continued)

The differences are reconciled below:	2017	2016
	£000	£000
Loss before tax	(2,037)	(1,475)
Corporation tax at effective rate of 19.25% (2016: 20%)	(392)	(295)
Expenses not deductible	337	100
Effects of other tax rates	-	10
Amounts not recognized	103	72
Total tax credit	48	(113)

The closing unrecognised deferred tax asset at 31 December 2017 is £186,006 (2016: £88,000).

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

	2017	2016
	£000	£000
Opening balance	343	249
Charged during the year	(28)	94
	315	343

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

10. Goodwill

Group

	2017 £000
Cost or valuation	
At 1 January 2017 and 31 December 2017	30,317
Impairment	
At 1 January 2017 and 31 December 2017	13,327
Carrying amount	
At 31 December 2017 and 31 December 2016	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; and
- the intra group leases that currently expire in 2032 will be renewed.

The cash flow projections are made up of a forecast to 2022 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 10.5%.

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 2022 could be reduced by circa 0.6 percentage points or the discount rate could be increased by 0.5 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 2017

11. Property, plant and equipment

Group

	Fixtures and fittings £ 000	Motor vehicles £ 000	Computer software £ 000	Total £ 000
Cost or valuation				
At 1 January 2017	341	31	69	441
Additions	669	8	181	858
At 31 December 2017	1,010	39	250	1,299
Depreciation				
At 1 January 2017	145	14	9	168
Charge for the year	129	5	42	176
At 31 December 2017	274	19	51	344
Net book value				
At 31 December 2017	736	20	199	955
At 31 December 2016	196	17	60	273

12. Investment properties

Group

	2017 £ 000	2016 £ 000
At 1 January	300	300
Acquisitions	-	-
Revaluation movement	350	-
At 31 December	650	300

Investment property is held at fair value.

A valuation of the investment property was completed as at 31 December 2017 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.

Notes to the consolidated financial statements (continued) For the year ended 31 December 2017

12. Investment properties (continued)

The Group has pledged all of its investment properties as security for a senior loan provided to the Group.

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.

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 £65k or £59k 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 2017

13. Investment in subsidiaries

Summary of Company investments

	Total £ 000
Cost or valuation	
At 1 January 2017	31,815
Additions	-
At 31 December 2017	31,815
Impairment	
At 1 January 2017	(12,034)
Release of impairment provision	203
At 31 December 2017	(11,831)
Net book value	
At 31 December 2017	19,984
At 31 December 2016	19,781

Details of the Company's subsidiaries at 31 December 2017 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 Company's subsidiaries is: 3rd Floor, Winston House, 2 Dollis Park, London, N3 1HF.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

14. Trade and other receivables

	Note	Group 2017 £000	Company 2017 £000
Amounts falling due within one year			
Trade receivables		1,543	-
Provision for doubtful debts		(82)	-
Net trade receivables		1,461	-
Amounts owed from group undertakings		3,382	-
Prepayments and accrued income		1,749	1
Deferred tax assets	9	315	-
Other receivables		1,328	-
		8,235	1

	Note	Group 2016 £000	Company 2016 £000
Amounts falling due within one year			
Trade receivables		818	-
Provision for doubtful debts		(82)	-
Net trade receivables		736	-
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

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

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 which are payable on demand 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 has not been a significant change in credit quality.

Amounts owed from group undertakings are chargeable at a 0% interest rate and repayable on demand.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

14. Trade and other receivables (continued)

Age of trade receivables that are past due but not impaired	Group 2017 £ 000	Company 2017 £ 000
7 to 30 days	1,357	-
31 to 60 days	117	-
61 to 90 days	35	-
91 to 120 days	34	-
	1,543	-

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

Movement in the allowance for doubtful debt

	Group 2017 £ 000	Company 2017 £ 000
At 1 January 2017	(82)	-
At 31 December 2017	(82)	-

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

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 2017

15. Cash and cash equivalents

	Group 2017 £ 000	Company 2017 £ 000	Group 2016 £ 000	Company 2016 £ 000
Unrestricted cash	3,110	-	1,194	-
Restricted cash	4,432	-	3,886	-
	7,542	-	5,080	-

Restricted cash relates to tenant deposit balances.

16. Trade and other payables

	Group 2017 £ 000	Company 2017 £ 000	Group 2016 £ 000	Company 2016 £ 000
Trade payables	1,179	-	883	-
Rent received in advance	1,201	-	580	-
Accrued interest	167	167	167	167
Other payables	5,204	-	4,064	-
Taxation and social security	1,068	-	868	-
Other accruals	4,145	16	3,137	10
Amounts owed to group undertaking	7,008	3,127	2,932	2,071
	19,972	3,310	12,631	2,248

The fair value of the trade and other payables which have 30 day payment terms are 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.

Amounts owed to group undertakings are chargeable at a 0% interest rate and repayable on demand.

17. Borrowings and financial instruments

	Group 2017 £ 000	Company 2017 £ 000	Group 2016 £ 000	Company 2016 £ 000
Intercompany loans	10,000	10,000	10,000	10,000
	10,000	10,000	10,000	10,000

The amount of inter-company loan outstanding at 31 December 2017 is £10,000k (31 December 2016: £10,000k) at an interest rate of 10% and is due for repayment on 31 August 2020.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

17. Borrowings and financial instruments (continued)

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.

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 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 Aug 2020 listed on the Jersey Exchange. 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.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

17. Borrowings and financial instruments (continued)

17.1 Financial risk management (continued)

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.

17.2 Financial instruments

17.2.1 Categories of financial instruments

	Loans and receivables 2017 £ 000	Financial liabilities 2017 £ 000	Fair value 2017 £ 000
Current assets			
Cash and cash equivalents	7,542	-	-
Amounts owed by group undertakings	3,382	-	-
Trade receivables	1,461	-	-
Prepayments and accrued income	1,749	-	-
Other receivables	1,328	-	-
	15,462	-	-
Current liabilities			
Accrued interest	-	167	-
Non-current liabilities			
Borrowed funds	-	10,000	-

	Loans and receivables 2016 £ 000	Financial liabilities 2016 £ 000	Fair value 2016 £ 000
Current assets			
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			
Accrued interest	-	167	-
Non-current liabilities			
Borrowed funds	-	10,000	-

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

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 2017.

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. Share capital

Allotted, called-up and fully paid shares

	2017 No. 000	2017 £ 000	2016 No. 000	2016 £ 000
Ordinary shares of £1 each	22,051	22,051	22,051	22,051

The Company has unlimited authorised share capital.

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:

	2017 £ 000	2016 £ 000
Less than one year	25,981	14,513
Between one and five years	6,430	9,836
In over five years	1,752	4,656
	34,163	29,005

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:

	2017 £ 000	2016 £ 000
Less than one year	149	28
Between one and five years	458	-
	607	28

The amount of non-cancellable operating lease payments recognised as an expense during the year was £98k (2016: £53k).

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

19. Operating leases (continued)

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 net rental income and recognised 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 19 - 20.

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 £56k (2016: £52k).

As at 31 December 2017, contributions of £5k (2016: £4k) due in respect of the current reporting period had not been paid over to the schemes.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2017

22. Related party transactions

Summary of transactions with key management

	31 December 2017 £000	31 December 2016 £ 000
Administrative expenses payable to group undertakings	(8,464)	(7,825)
Interest payable to group undertakings	(1,000)	(1,460)

Key management personnel

The remuneration of the 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*:

	31 December 2017 £000	31 December 2016 £ 000
Total Directors' emoluments	717	426
Highest paid director	394	299
Pension contributions	23	20

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

There were no shares received or receivable by a director in respect of qualifying services under a long term incentive scheme.

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 Ltd, whose registered address is 13-14 Esplanade, Saint Helier, Jersey, JE1 1EE.

Bizspace Holdings Limited is the smallest group for which consolidated financial statements have been prepared and are available from 3rd Floor, Winston House, 2 Dollis Park, London, N3 1HF. Source Property 1 Ltd is the largest group for which consolidated financial statements have been prepared and are available from 13-14 Esplanade, Saint Helier, Jersey, JE1 1EE.