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SHAREHOLDER SUB COMMITTEE

Tuesday 24 November 2020 at 6.30 pm

Place: Remote Meeting

PLEASE NOTE: this will be a 'virtual meeting'.

The link to the meeting is: <https://attendee.gotowebinar.com/register/1684035507786134800>
Webinar ID: 926-218-875

Telephone (listen-only): 020 3713 5022, Telephone Access code:345-514-337

The members listed below are summoned to attend the Shareholder Sub Committee meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Councillor Eber Kington (Chairman)
Councillor Kate Chinn
Councillor Neil Dallen

Councillor Barry Nash
Councillor Clive Smitheram

Yours sincerely

A handwritten signature in black ink that reads "K. Beldan".

Chief Executive

For further information, please contact Democratic Services, tel: 01372 732000 or democraticservice@epsom-ewell.gov.uk

Public information

Please note that this meeting will be a 'virtual meeting'

This meeting will be held online and is open to the press and public to attend as an observer using free GoToWebinar software, or by telephone.

A link to the online address for this meeting is provided on the first page of this agenda and on the Council's website. A telephone connection number is also provided on the front page of this agenda as a way to observe the meeting, and will relay the full audio from the meeting as an alternative to online connection.

Information about the terms of reference and membership of this Committee are available on the [Council's website](#). The website also provides copies of agendas, reports and minutes.

Agendas, reports and minutes for the Committee are also available on the free Modern.Gov app for iPad, Android and Windows devices. For further information on how to access information regarding this Committee, please email us at Democraticservices@epsom-ewell.gov.uk.

Exclusion of the Press and the Public

Should any matters arise during the course of discussion of the below items or should the Chairman agree to discuss any other such matters on the grounds of urgency which would appear to disclose confidential or exempt information under the provisions Schedule 12A of the Local Government (Access to Information) Act 1985, the Committee will wish to resolve to exclude the press and public by virtue of the private nature of the business to be transacted.

Questions from the Public

Questions from the public are not permitted at meetings of the Shareholder Sub Committee. [Part 4 of the Council's Constitution](#) sets out which Committees are able to receive public questions, and the procedure for doing so.

AGENDA

1. DECLARATIONS OF INTEREST

Members are asked to declare the existence and nature of any Disclosable Pecuniary Interests in respect of any item of business to be considered at the meeting.

2. MINUTES OF THE PREVIOUS MEETING (Pages 5 - 6)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Shareholders Sub Committee held on the 18 February 2020 (attached) and authorise the Chairman to sign them.

3. ANNUAL REPORT (Pages 7 - 48)

Annual reporting on Epsom & Ewell Property Investment Company Ltd.

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**Minutes of the Meeting of the SHAREHOLDER SUB COMMITTEE held on 18
February 2020**

PRESENT -

Councillor Eber Kington (Chairman); Councillors Kate Chinn, Neil Dallen, Barry Nash and Clive Smitheram

Officers present: Lee Duffy (Chief Finance Officer), Amardip Healy (Chief Legal Officer), Mark Shephard (Head of Property and Regeneration) and Brendan Bradley (Chief Accountant)

1 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors in items on this agenda.

2 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting of the Shareholder Sub Committee held on 27 November 2018 were agreed and signed by the Chairman as a true record.

3 EEPIC ANNUAL BUSINESS PLAN 2020-21 AND ANNUAL REVIEW

The Sub-Committee received a report seeking approval of the Annual Business Plan 2020-21 for Epsom & Ewell Property Investment Company Ltd (“EEPIC”) and providing an extended Annual Review of the Company’s activities for the period 19 September 2017 to 31 March 2019.

Following consideration, it was resolved that the Sub Committee:

- (1) noted the Annual Review of EEPIC for the period 19 September 2017 to 31 March 2019;**
- (2) noted the Companies House Financial Statements for the years ending 31 March 2018 and 2019;**
- (3) approved the proposed Annual Business Plan 2020-21 in accordance with the Shareholder Agreement;**
- (4) approved the appointment of Brendan Bradley (the Council’s Chief Accountant) as Director.**

The meeting began at 2.00 pm and ended at 2.50 pm

COUNCILLOR EBER KINGTON (CHAIRMAN)

ANNUAL REPORT

Head of Service:	Amardip Healy, Chief Legal Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Appendices (attached):	1: Confidential: Report to Shareholder Sub Committee 2: Confidential: Annual Business Plan 2021-22 3: EPPIC Shareholder Annual Review 1 April 2019 - 31 March 2020 4: EPPIC Report of Directors & Financial Statements for the year ended 31 March 2020

Summary

Annual reporting on Epsom & Ewell Property Investment Company Ltd.

Recommendation (s)

The Sub Committee is asked to:

- (1) note Epsom & Ewell Property Investment Company Ltd Report to Shareholder (Appendix 1)**
- (2) approve the Annual Business Plan 2021-2022 (Appendix 2)**
- (3) note Epsom & Ewell Property Investment Company Ltd Annual Review (Appendix 3 and 4)**
- (4) approve the appointment of the Senior Accountant, Sue Emmons as the Company Secretary for Epsom & Ewell Property Investment Company Ltd for a period of one year.**

1 Reason for Recommendation

- 1.1 To meet the requirements of the Shareholder's Agreement.

2 Background

- 2.1 The Shareholder's Agreement between the Council and Epsom & Ewell Property Investment Company Limited ('the Company') provides for a series of requirements where the Company must seek the Council's consent.
- 2.2 The Company has produced an annual report for the Shareholder Sub Committee and this is attached at Appendix 1.
- 2.3 The Shareholder's Agreement requires the Company to circulate its revised Business Plan to the Shareholder by the end of November of each year. The Sub Committee is invited to comment or provide Shareholder Consent for the proposed Business Plan (Clause 2.3, 2.4, 2.5, Paragraph 16 of Schedule 1 of the Shareholder's Agreement requires)
- 2.4 The Business Plan is attached at Appendix 2.
- 2.5 The Shareholder's Agreement requires Shareholder Consent for the appointment of a Company Secretary. Even though a Company Secretary is not required for the Company, the Company has sought permission to make an appointment from one of the Council's Officers (Paragraph 24 of Schedule 1). Permission is sought to appoint one of the Council's Senior Accountants, Sue Emmons, for one year and then to rotate the appointment to another Officer in the Council's Finance Team.

3 Risk Assessment

Legal or other duties

- 3.1 Impact Assessment
 - 3.1.1 Not applicable.
- 3.2 Crime & Disorder
 - 3.2.1 Not applicable.
- 3.3 Safeguarding
 - 3.3.1 Not applicable.

Dependencies

- 3.4 None.

Other

- 3.5 None.

4 Financial Implications

- 4.1 These will be provided at the meeting.
- 4.2 **Section 151 Officer's comments:** None arising from the contents of this report.

5 Legal Implications

- 5.1 These are set out within the body of the report.
- 5.2 **Monitoring Officer's comments:** None arising from the contents of this report.

6 Policies, Plans & Partnerships:

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged: Opportunity & Prosperity, Effective Council.
- 6.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 6.3 **Climate & Environmental Impact of recommendations:** Not applicable.
- 6.4 **Sustainability Policy & Community Safety Implications:** Not applicable.
- 6.5 **Partnerships:** None

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- EEPIC Annual Business Plan 2020-21 and Annual Review, Shareholder Sub Committee, 18 February 2020

Other papers:

- Establishment of a Local Authority Property Investment Trading Company, Strategy & Resources Committee, 19 September 2017
- Establishment of a Local Authority Property Investment Trading Company, Council, 19 September 2017
- Shareholder Sub-Committee: Appointment of Chairman Strategy & Resources Committee, 25 September 2018

- EEPIC Shareholder Agreement, Shareholder Sub Committee, 27 November 2018

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Shareholder Annual Review

*Covering the accounting period
1 April 2019 - 31 March 2020*

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Shareholder Annual Review

1. Background

Epsom & Ewell Borough Council (the “Shareholder”) established EEPIC (the “Company”) on 19 September 2017 following an Extraordinary Council meeting of the same date.

Epsom & Ewell Borough Council is the sole shareholder of EEPIC and the Company is therefore a 100% wholly owned trading company of the Council.

The objectives and anticipated annual activities of EEPIC are defined in the Company’s Business Case and Annual Business Plan respectively.

At its Strategy & Resources Committee meeting held on 25 September 2018, the Shareholder suspended any further out-of-Borough commercial property investment acquisitions until further government guidance or case law is published. This is necessary to ensure the Shareholder can comply with the MHCLG’s new Statutory Guidance on Local Government Investments introduced from April 2018.

The guidance aims to restrict the ability of Local Authorities to purchase out of Borough investment properties, through the following clause 46:-

“Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”.

The new guidance means that future out-of-Borough acquisitions that are funded by borrowing and where the intention is purely to profit from the investment, would not meet the requirements of the guidance in terms of borrowing.

However, there could be circumstances where out-of-Borough investments may be acceptable if, for example, the property was close to the Shareholder’s boundary and the main purpose for the investment was not for profit, but for regeneration.

The new guidance does not affect EEPIC’s existing property acquisitions.

2. Property portfolio

The Company holds two high quality, well located commercial property investments:-

- [The Cobham Centre, Globe Park, Fourth Avenue, Marlow SL7 1TF](#)



A high quality HQ office building let for 20 years from 29 September 2016 to Chelton Ltd – a world leader in the design and manufacture of aviation communication systems and navigation antennas. The current rent is £1,776,869 pa and subject to annual fixed uplifts of 2.5% pa. The rent is guaranteed by Cobham PLC.

The building is situated on the well-established Globe Park which is the premier office location in Marlow, situated in the heart of the Thames Valley on the border of Berkshire and Buckinghamshire.

It is a highly desirable and affluent commercial and residential location by virtue of its close proximity to Henley and the River Thames together with excellent communications to London and the wider South East area. This combination has attracted a wide range of major multi-national corporate occupiers to Marlow including TNT, Dun & Bradstreet, Veolia, Allergan, Data Select, Emerson Network Power and HPS Group.

The Cobham Centre provides high quality HQ office accommodation with an ancillary R&D facility providing a total area of 80,974 sq ft (7,523 sq m).

- [Venture House, 2 Artlington Square, Downshire Way, Bracknell RG12 1WA](#)



A high quality HQ office building let for 10 years to Bracknell Arlington Square Centre Ltd trading as the serviced office provider, Regus. The current rent is £1,770,300 pa and is guaranteed by Regus PLC for a period of 1 year following tenant default during the lease term.

Developed between 1992 and 2008, Arlington Square is Bracknell's premier office location comprising four self-contained office buildings set within landscaped grounds.

2 Arlington Square provides high specification Grade A office accommodation over ground and three upper floors, totalling 88,537 sq ft.

IWG (International Work Group) PLC, formerly Regus, is a multinational corporation that provides a global serviced office workplace. IWG PLC includes the British serviced office brands MWB Business Exchange Plc, HQ and Regus.

Regus operate each of their serviced office locations as standalone businesses and their business model becomes profitable when a building in its portfolio reaches 50% occupancy level.

A good performing Regus building would be expected to maintain 60% - 70% occupancy level and where this occurs in their portfolio, they typically remain at the location long term. Regus has confirmed that since 2008, 2 Arlington Square has consistently maintained occupancy in the 60% - 80% range, making it their Thames Valley flagship office complex.

Both properties are located within the prosperous Thames Valley and offer the following income profiles:-

	Purchase	Price	Rent	Income Yield
Marlow	13/10/17	£31,000,000	£1,776,869 (2.5% pa uplift)	5.37%
Bracknell	20/11/17	£25,500,000	£1,770,300 (Jan 21 Rent Review)	6.5%
Total		<u>£56,500,000</u>		

3. Property and financial management

Day to day property management is currently provided by the Shareholder's Property Services Team and includes property inspections, service charge administration, general tenant liaison and asset management strategy.

The Company retains the option to appoint an external managing agent should Directors consider this to be in the best interests of the Company. Whilst no such appointment is being considered, the Directors will continue to monitor the existing arrangement at its quarterly board meetings.

2019/20 highlights:-

- There are no arrears by either tenant (contingent on Regus paying deferred rent later in the year – see Section 4 below).
- The rent payable for Marlow (The Cobham Centre) increased from £1,733,531.25 pa to £1,776,869.53 with effect from 29 September 2019. This represents the annual 2.5% fixed rental increase as per the terms of the lease. The next rental increase to £1,821,291.27 is due from 29 September 2020.
- The rent payable for Bracknell (2 Arlington Square) is £1,770,300 pa. A 5th year rent review takes effect from 15 January 2021 and the current rent reflects £20 per sq ft. This is relatively low as prime rents in the town are approximately £24 per sq ft and therefore provides a realistic prospect of future rental growth.
- Property valuations have increased by £2.66m over the year
- No capital expenditure or repairs incurred in the current year
- Full-year profit before tax (excluding revaluations) of £1.553m
- £1.399m dividend paid to the Shareholder (meeting budgeted expectations)

- Cash balance of £1.25m as at 31 March 2020

4. Covid-19 Pandemic

At the end of this Review's accounting period, the UK (in common with other countries) entered Covid-19 lockdown on 23 March 2020. This was followed by the announcement from the UK government that commercial tenants who could not pay their rent because of Coronavirus would be protected from eviction. This measure was enshrined in legislation as part of the emergency Coronavirus Bill and meant that no business would be forced out of their premises if they missed the 25 March 2020 quarter day rent payment.

The Managing Director duly sought (and received) Directors' agreement by email for EEPIC to adopt the same approach as its Shareholder in offering tenants a 3 month rent holiday with the rent payable in full within 12 months. EEPIC was advised by Cripps LLP (an external legal firm recommended by the Shareholder) to formally document the arrangements.

The offer would only be made to tenants who approached EEPIC with payment concerns and the rent would remain payable within 12 months i.e. it is not a rent free period but instead, a "breathing space" to assist tenants' cash flow during the Coronavirus Pandemic. The cost to EEPIC of taking this action was approximately £7k (based on loss of interest on cash held).

As a direct consequence of Covid-19 and the government's protection from eviction announcement, Regus (Bracknell's tenant) approached EEPIC to defer the 25 March – 23 June 2020 quarter's rental until the end of the financial year.

At Marlow, Chelton Ltd (Cobham) paid the March quarter's rent but has agreed to defer the June quarter's rent for payment until the end of the financial year.

Both arrangements have been documented by way of a signed rent deferment letter drafted by Cripps LLP.

5. Balance Sheet Asset Valuations

To comply with its financial reporting obligations, the Company is required to have its investment property portfolio valued on an annual basis. The basis of valuation for investment properties is fair value and is the same as market value.

At the request of the Shareholder (to provide consistency with their instruction to value the Shareholder's directly owned property), external valuations were undertaken by Wilks Head & Eve, a respected London firm of Chartered Surveyors.

Wilks Head & Eve were not involved in either EEPIC property acquisition and can therefore provide an independent, external assessment of the two property assets.

	Valuation @ 31/12/19	Purchase Price / Date	Variance
	£	£	£
Marlow	33,135,200	31,000,000 13/10/17	+2,135,200
Bracknell	27,326,700	25,500,000 20/11/17	+1,826,700
Total	60,461,900	56,500,000	+3,961,900

Whilst the Company's business case is specifically to hold property long term (to smooth out gyrations in the UK property market), it is welcome that the acquisitions have recorded a 4.6% capital increase on last year's valuation (£57,800,000) and an aggregate 7% capital increase since purchase (£56,500,000).

6. Company Accounts

The Company's accounts are externally prepared by Williams & Co, an Epsom based firm of Statutory Auditors.

The accounts are attached at Appendix A for the year ended 31 March 2020.

Financial highlights include:-

- Property portfolio of £60.5m
- Gross profit of £3.5m
- Profit before tax (excluding property revaluations) of £1.55m
- Dividend paid of £1.40m

Williams & Co continue to provide the Company with a first class accounting service at a competitive price. It is therefore envisaged that Williams & Co will be retained by the Company to prepare future year-end accounts.

7. Tenant Corporate Activity (Bracknell) – IWG plc

- IWG plc completed the sale of its Japanese operations to TKP Corporation in Japan (31 May 2019) raising £320m (paid in cash). The parties agreed an exclusive master franchise agreement for the country. Under the long-term agreement, TKP has exclusive rights to use IWG's Regus, Spaces and OpenOffice brands in Japan.

TKP, which is listed on the Tokyo Stock Exchange, is the leading provider of conference rooms and banquet halls for rental in Japan, operating from 249 locations across the Country.

- IWG announced (9 August 2019) that it had entered into a second strategic partnership with TKP Corporation ("TKP"). IWG will divest its Taiwanese operations to TKP and the parties have agreed an exclusive master franchise agreement for the country.
- The Transaction further demonstrates the strong momentum in IWG's franchising strategy and the interest from third parties wanting to operate IWG brands across a wide range of geographies, which will enable the company to grow more rapidly in this exciting market.
- IWG announced (4 November 2019) that it had entered into a third strategic partnership with respect to its workspace business in Switzerland. IWG will divest its interests in this market to an entity that is jointly owned by the J. Safra Group and the P. Peress Group and will enter into an exclusive master franchise agreement. This transaction follows similar deals completed earlier this year as detailed above.
- IWG released its record breaking Year End 31 December 2019 results on 3 March 2020 with key highlights including:-
 - Record profit and cash generation
 - Open centre revenue up 15% to £2.6bn
 - Record profit before tax of £489.5m
 - Operating profit up 8% to £137.7m
 - Record cash generation of £649.2m
 - £100m share repurchase programme announced
 - Increased cash to shareholders – up 14.7% to £107.7m
 - 3,388 locations in more than 110 countries
 - 277 new locations added
 - Rationalisation of 195 locations
- Following an equally positive start by the Group in January and February, IWG provided an update on 23 March 2020 in respect of Covid-19. IWG indicated that it expected there to be pressure on the Group's global business as countrywide lockdowns were implemented. It stated it would closely monitor the ongoing developments and take all appropriate actions to reduce costs, limit capital expenditure and optimise cash flows.
- A subsequent update confirmed; *"In order to provide investors and analysts with information in respect of April's trading in the light of Covid-19, the Board has decided to defer the Group's Q1 trading update from the provisional date of 28 April 2020 to 28 May 2020."*
- Actions taken by IWG to preserve cash flow include:-

- To pull its final dividend in an effort to shore up its balance sheet - IWG said it would not pay the final dividend of 4.8p a share that was previously declared with the Group's 2019 full-year results.
 - IWG is exploring the possibility of selling and leasing back more than 10 of its UK office buildings. This would potentially raise between £200m and £250m to ease the impact of Covid-19.
 - Suspension of its £100m share repurchase programme previously declared with the Group's 2019 full-year results.
- IWG considers the market has underestimated the positive opportunity offered by Covid-19 to the serviced office sector. Regus considers it is well placed to gain from the future flexibility occupiers will demand as the traditional office environment adjusts to increased remote working and different ways of connecting people.

8. Tenant Corporate Activity (Marlow) – Cobham plc

- Cobham settled a long-standing tax dispute with the UK government. This was in connection with the availability of interest deductions on one of the Group's internal financing structures, which was in place between 2008 and 2014. Cobham has agreed to make a one-off tax payment of £55m, together with a one-off interest payment of £14m, to settle the matter.
- Unrelated to the above tax settlement but considered prudent practice by the Group, Cobham continues to monitor developments relating to EC State Aid investigations. In April 2019, the EC's final decision on the UK Government's Controlled Foreign Company regime was that it partially represents State Aid. The UK Government has yet to announce how it might seek to recover State Aid, which if recovered, has been estimated by Cobham plc to be up to approximately £60m.
- During the early summer of 2019, the Group's corporate news was dominated by an approach from US private equity firm Advent International Corporation to acquire Cobham plc.

On 25 July 2019, Cobham shares shot up around 35% as Advent offered to pay shareholders 165p per share valuing the Group at about £4bn. Cobham's closing share price the day before was 122.75p advancing to close £165.76 a day later on the announcement.

Cobham Chairman, Jamie Pike told investors the Cobham board is unanimously recommending the offer from Advent as it "*represents an opportunity for shareholders to realise their investment in Cobham in cash in the near term. We believe that Advent would provide a complimentary partner for Cobham's stakeholders.*" He confirmed that Artemis Investment Management, a 5% shareholder, was backing the deal.

Advent managing director, Shonnel Malani, said; "*We are pleased the board of Cobham has agreed unanimously to recommend the acquisition of Cobham*

by Advent. We strongly believe in the importance and potential of Cobham's businesses and look forward to bringing our long track record of successful stewardship of companies to ensure that Cobham flourishes under our ownership."

- On 17 September 2019, the government announced its intention to intervene in Advent's takeover of Cobham, citing national security concerns. This was partly in response to intensive lobbying by Lady Nadine Cobham, 76, the widow of Sir Michael Cobham, who built up the firm over 25 years. Lady Cobham spoke of her concerns about the takeover deal, telling the Mail on Sunday that Cobham "*deserves to be protected*" by the government.

"Following careful consideration of the proposed takeover of Cobham, I have issued an intervention notice on the grounds of national security"; said Business Secretary Andrea Leadsom.

"The Competition and Markets Authority (CMA) will investigate and carry out a review on the national security implications of the transaction. The government has the power to veto the deal if the CMA finds there are sufficient concerns. It must report the results of its decision by 29 October 2019."

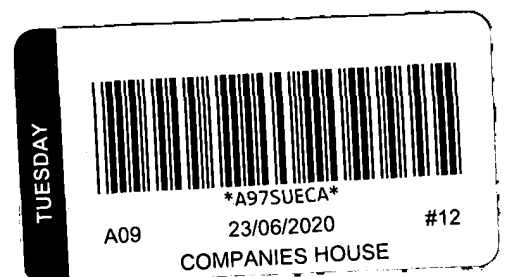
- The takeover was approved by the government on 20 December 2019. In a statement issued by Business Secretary Andrea Leadsom, she confirmed she was satisfied the risks had been identified and mitigated to allow the deal to go ahead.
- As a condition of government approval, economic undertakings will be legally binding on Advent to reflect their commitment to the UK and to safeguard the important role Cobham plays in the UK economy and the defence sector. Crucially, this includes the level of Cobham's employment of employees in the UK.
- The takeover of Cobham plc by Advent International was completed on 17 January 2020 with shares closing for the final time at 164.60p.
- Founded in 1984, Advent International is one of the largest and most experienced global private equity firms; "*it seeks to invest in well-positioned companies and partner with management teams to create value through sustained revenue and earnings growth.*"
- Advent is an active investor who seeks to build a collaborative relationship with management teams; "*we typically sit on the company's board and are involved in developing and overseeing strategy. We do not take part in day-to-day operations, however, as we believe that is the role of the leadership team*".

Appendix A

EEPIC Financial Statements

For the Year Ended 31 March 2020

**Report of the Directors and
Financial Statements
for the Year Ended 31 March 2020
for
Epsom & Ewell Property Investment
Company Limited**



**Contents of the Financial Statements
for the Year Ended 31 March 2020**

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**Company Information
for the Year Ended 31 March 2020**

DIRECTORS:

Ms K Beldon
M D C Shephard
R Brown
B J Bradley

REGISTERED OFFICE:

Town Hall
The Parade
Epsom
Surrey
KT18 5BY

REGISTERED NUMBER:

10922872 (England and Wales)

AUDITORS:

Williams & Co
Statutory Auditors
8-10 South Street
Epsom
Surrey
KT18 7PF

**Report of the Directors
for the Year Ended 31 March 2020**

The directors present their report with the financial statements of the company for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of property rental.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2019 to the date of this report.

Ms K Beldon
M D C Shephard
R Brown

Other changes in directors holding office are as follows:

L G Duffy - resigned 18 February 2020
B J Bradley - appointed 18 February 2020

POLITICAL DONATIONS AND EXPENDITURE

None.

BUSINESS STRUCTURE

The company is wholly owned by Epsom & Ewell Borough Council.

COMPANY HIGHLIGHTS

- Property portfolio of £60.5m.
- Gross profit of £3.5m.
- Profit before tax (excluding property revaluations) of £1.55m.
- Dividend paid of £1.40m.

BUSINESS MODEL

Our strategy is to build a diversified, balanced and low risk property portfolio to provide income over the long term to our ultimate shareholder, Epsom & Ewell Borough Council.

Finance is secured through a balance of debt and equity obtained from Epsom and Ewell Borough Council.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

**Report of the Directors
for the Year Ended 31 March 2020**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

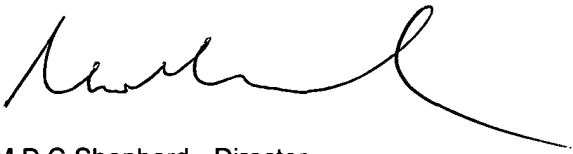
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Williams & Co, will be proposed for re-appointment at a subsequent Board Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



M D C Shephard - Director

27 May 2020

Opinion

We have audited the financial statements of Epsom & Ewell Property Investment Company Limited (the 'company') for the year ended 31 March 2020 which comprise the Income Statement, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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 material misstatements in the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

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 a Report of the Auditors 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.



Mark Williams FCA (Senior Statutory Auditor)
for and on behalf of Williams & Co
Statutory Auditors
8-10 South Street
Epsom
Surrey
KT18 7PF

Date: 28th May 2020

Income Statement

for the Year Ended 31 March 2020

	Notes	2020 £	2019 £
TURNOVER		3,626,796	3,592,823
Cost of sales		<u>106,485</u>	<u>109,322</u>
GROSS PROFIT		3,520,311	3,483,501
Administrative expenses		<u>158,628</u>	<u>140,789</u>
		3,361,683	3,342,712
Other operating income		<u>147</u>	<u>700</u>
OPERATING PROFIT		3,361,830	3,343,412
Gain/loss on revaluation of investment property		<u>2,661,900</u>	<u>(2,138,483)</u>
		6,023,730	1,204,929
Interest payable and similar expenses	4	<u>1,808,783</u>	<u>1,808,783</u>
PROFIT/(LOSS) BEFORE TAXATION		4,214,947	(603,854)
Tax on profit/(loss)	5	<u>293,306</u>	<u>286,073</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u><u>3,921,641</u></u>	<u><u>(889,927)</u></u>

The notes form part of these financial statements

Balance Sheet
31 March 2020

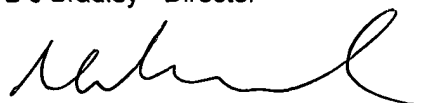
	Notes	2020		2019	
		£	£	£	£
FIXED ASSETS					
Investment property	6		60,461,900		57,800,000
CURRENT ASSETS					
Debtors	7	488,739		17,500	
Cash at bank		<u>1,248,460</u>		<u>1,835,635</u>	
		1,737,199		1,853,135	
CREDITORS					
Amounts falling due within one year	8	<u>1,256,784</u>		<u>1,248,740</u>	
NET CURRENT ASSETS			<u>480,415</u>		<u>604,395</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			60,942,315		58,404,395
CREDITORS					
Amounts falling due after more than one year	9		(36,175,650)		(36,175,650)
PROVISIONS FOR LIABILITIES	11		<u>(161,327)</u>		<u>(46,807)</u>
NET ASSETS			<u>24,605,338</u>		<u>22,181,938</u>
CAPITAL AND RESERVES					
Called up share capital	12		24,117,100		24,117,100
Fair value reserve	13		423,968		(2,138,483)
Retained earnings	13		<u>64,270</u>		<u>203,321</u>
SHAREHOLDERS' FUNDS			<u>24,605,338</u>		<u>22,181,938</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 27 May 2020 and were signed on its behalf by:

 28/05/20

B J Bradley - Director



M D C Shephard - Director

**Notes to the Financial Statements
for the Year Ended 31 March 2020**

1. STATUTORY INFORMATION

Epsom & Ewell Property Investment Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Significant judgements and estimates

Investment properties are professionally valued using methodology outlined by the Royal Institute of Chartered Surveyors. Market values and market rents are taken into account when establishing the valuation. There is a degree of judgement involved in that each property is unique and value can only be reliably tested in the market itself.

The economic and societal disruption cause by Covid-19 has increased the level of valuation uncertainty. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

Turnover

Turnover represents rental income, service charge income and insurance income, exclusive of value added tax.

Investment property

Investment property is measured initially at its cost at recognition, including transaction costs. The fair value shall be measured at each subsequent reporting date with changes in fair value recognised in profit or loss.

No depreciation is charged on investment property.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

2. ACCOUNTING POLICIES - continued

Recognition of income and expenditure

Income from rents, service charges and insurance is recognised over the period for which the service is provided.

Expenses are recognised as expenditure when the services are consumed.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

3. EMPLOYEES AND DIRECTORS

During the period, no staff were directly employed by Epsom & Ewell Property Investment Company Ltd

4. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Loan interest	<u>1,808,783</u>	<u>1,808,783</u>

5. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2020 £	2019 £
Current tax:		
UK corporation tax	278,235	268,364
Deferred tax	<u>15,071</u>	<u>17,709</u>
Tax on profit/(loss)	<u>293,306</u>	<u>286,073</u>

6. INVESTMENT PROPERTY

FAIR VALUE

	Total £
At 1 April 2019	57,800,000
Revaluations	<u>2,661,900</u>
At 31 March 2020	<u>60,461,900</u>

NET BOOK VALUE

At 31 March 2020	<u>60,461,900</u>
At 31 March 2019	<u>57,800,000</u>

The company's investment properties were revalued on the 31st March 2020 by chartered surveyors, regulated by RICS.

The valuations were carried out in accordance with the RICS Valuation Professional Standards Global and UK 2017, with the CIPFA guidance incorporated.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

6. INVESTMENT PROPERTY - continued

Fair value at 31 March 2020 is represented by:

	£
Valuation in 2019	(2,138,483)
Valuation in 2020	2,661,900
Cost	<u>59,938,483</u>
	<u>60,461,900</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade debtors	486,833	-
Prepayments	<u>1,906</u>	<u>17,500</u>
	<u>488,739</u>	<u>17,500</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	-	4,499
Tax	278,235	268,364
VAT	155,140	149,616
Accruals and deferred income	<u>823,409</u>	<u>826,261</u>
	<u>1,256,784</u>	<u>1,248,740</u>

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Amounts owed to group undertakings	<u>36,175,650</u>	<u>36,175,650</u>

Intra-group loans totalling £36,175,650 have been provided by Epsom & Ewell Borough Council. The loans are interest only and the interest rate on each loan is 5%. All loans are due to be repaid in full fifty years from the original loan draw down.

10. SECURED DEBTS

The following secured debts are included within creditors:

	2020	2019
	£	£
Other loans	<u>36,175,650</u>	<u>36,175,650</u>

The loans from Epsom & Ewell Council are secured by way of a 1st charge over the properties and a debenture.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2020

11. PROVISIONS FOR LIABILITIES

	2020 £	2019 £
Deferred tax		
Accelerated capital allowances	<u>161,327</u>	<u>46,807</u>
		Deferred tax £
Balance at 1 April 2019		46,807
Charge to Income Statement during year		<u>114,520</u>
Balance at 31 March 2020		<u>161,327</u>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2020 £	2019 £
Number:	Class:	Nominal value: £1		
24,117,100	Ordinary		<u>24,117,100</u>	<u>24,117,100</u>

13. RESERVES

	Retained earnings £	Fair value reserve £	Totals £
At 1 April 2019	203,321	(2,138,483)	(1,935,162)
Profit for the year	3,921,641		3,921,641
Dividends	(1,398,792)		(1,398,792)
Transfer gain/loss on revaluation	(2,661,900)	2,661,900	-
Deferred tax	-	(99,449)	(99,449)
At 31 March 2020	<u>64,270</u>	<u>423,968</u>	<u>488,238</u>

14. RELATED PARTY DISCLOSURES

Costs totalling £111,025 (2019: £130,528) were recharged to Epsom & Ewell Property Investment Company Limited by Epsom & Ewell Borough Council in relation to staff, support services and legal fees.

EEPIC also paid £1,808,783 (2019: £1,808,783) in loan interest to Epsom & Ewell Borough Council.

15. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Epsom & Ewell Borough Council by virtue of its 100% shareholding.

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