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Democratic Services



## SHAREHOLDER SUB-COMMITTEE

Tuesday 21 November 2023 at 6.30 pm

Place: Council Chamber, Epsom Town Hall

Online access to this meeting is available on YouTube: [Link to online broadcast](#)

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 Neil Dallen (Chair)  
Councillor Hannah Dalton  
Councillor Graham Jones

Councillor Alison Kelly  
Councillor Alan Williamson

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sing'.

Chief Executive

For further information, please contact [democraticservices@epsom-ewell.gov.uk](mailto:democraticservices@epsom-ewell.gov.uk) or tel: 01372 732000

### **EMERGENCY EVACUATION PROCEDURE**

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## Public information

**Please note that this meeting will be held at the Town Hall, Epsom and will be available to observe live using free YouTube software.**

A link to the online address for this meeting is provided on the first page of this agenda. A limited number of seats will be available on a first-come first-served basis in the public gallery at the Town Hall. If you wish to observe the meeting from the public gallery, please arrive at the Town Hall reception before the start of the meeting. A member of staff will show you to the seating area. For further information please contact Democratic Services, email: [democraticservices@epsom-ewell.gov.uk](mailto:democraticservices@epsom-ewell.gov.uk), telephone: 01372 732000.

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.

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## Exclusion of the Press and the Public

There are matters scheduled to be discussed at this meeting that would appear to disclose confidential or exempt information under the provisions of Schedule 12A of the Local Government Act 1972 (as amended). The Sub-Committee is likely to resolve to exclude the press and public during discussion of these matters by virtue of the private nature of the business to be transacted.

## Questions and statements from the Public

Up to 30 minutes will be set aside for questions and statements from members of the public at meetings of this Committee. Any member of the public who lives, works, attends an educational establishment or owns or leases land in the Borough may ask a question or make a statement on matters within the Terms of Reference of the Committee.

All questions must consist of one question only and cannot consist of multiple parts. Questions and statements cannot relate to planning or licensing committees matters, the personal affairs of an individual, or a matter which is exempt from disclosure or confidential under the Local Government Act 1972. Questions which in the view of the Chair are defamatory, offensive, vexatious or frivolous will not be accepted. Each question or statement will be limited to 3 minutes in length.

If you wish to ask a question or make a statement at a meeting of this Committee, please contact Democratic Services at: [democraticservices@epsom-ewell.gov.uk](mailto:democraticservices@epsom-ewell.gov.uk)

Questions must be received in writing by Democratic Services by noon on the third working day before the day of the meeting. For this meeting this is **Noon, 16 November**.

A summary of statements must be received by Democratic Services by noon on the working day before the day of the meeting. For this meeting this is **Noon, 20 November**.

For more information on public speaking protocol at Committees, please see [Annex 4.2](#) of the Epsom & Ewell Borough Council Operating Framework.

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## **AGENDA**

### **1. QUESTIONS AND STATEMENTS FROM THE PUBLIC**

To take any questions or statements from members of the Public.

### **2. 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.

### **3. MINUTES OF THE PREVIOUS MEETING (Pages 5 - 8)**

The Sub-Committee is asked to confirm as a true record the Minutes and Restricted Minutes of the Meeting of the Sub-Committee held on 28 March 2023 (attached) and to authorise the Chair to sign them.

### **4. ANNUAL REPORT (Pages 9 - 56)**

Annual reporting on Epsom & Ewell Property Investment Company Ltd (EEPIC).

### **5. EXCLUSION OF PRESS AND PUBLIC (Pages 57 - 58)**

The Sub-Committee is asked to consider whether it wishes to pass a resolution to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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**Minutes of the Meeting of the SHAREHOLDER SUB-COMMITTEE held at the Council Chamber, Epsom Town Hall on 28 March 2023**

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**PRESENT -**

Councillor Neil Dallen (Chair); Councillors Kate Chinn, Hannah Dalton, Graham Jones and Colin Keane

In Attendance: Mark Shephard (EEPIC Managing Director), Brendan Bradley (EEPIC Finance Director), and Councillor Steven McCormick

Officers present: Jackie King (Chief Executive) and Dan Clackson (Democratic Services Officer)

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**4 DECLARATIONS OF INTEREST**

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

**5 MINUTES OF THE PREVIOUS MEETING**

The Minutes of the previous meeting of the Shareholder Sub-Committee held on 22 November 2022 were agreed as a true record and signed by the Chair.

**6 EXCLUSION OF PRESS AND PUBLIC**

The Sub-Committee resolved to exclude the Press and Public from the meeting in accordance with Section 100A (4) of the Local Government Act 1972 on the grounds that the business would involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption would outweigh the public interest in disclosing the information.

**7 COMMERCIAL PROPERTY UPDATE**

The decision on this item is recorded in a separate (not for publication) restricted Minute.

*The meeting began at 6.30 pm and ended at 6.44 pm*

COUNCILLOR NEIL DALLEN (CHAIR)

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## ANNUAL REPORT

<b>Head of Service:</b>	Jackie King, Chief Executive
<b>Wards affected:</b>	(All Wards);
<b>Urgent Decision?(yes/no)</b>	No
<b>If yes, reason urgent decision required:</b>	
<b>Appendices (attached):</b>	1: Report to Shareholder Sub Committee 2: EEPIC Shareholder Annual Review 1 April 2022 - 31 March 2023 3: EEPIC Report of the Directors & Financial Statements for the year ended 31 March 2023 4: Confidential: Annual Business Plan 2024-25 5. Appendix to Business Plan

### Summary

Annual reporting on Epsom & Ewell Property Investment Company Ltd (EEPIC).

### Recommendation (s)

**The Sub Committee is asked to:**

- (1) Note Epsom & Ewell Property Investment Company Ltd Report to Shareholder (Appendix 1);**
- (2) Note Epsom & Ewell Property Investment Company Ltd Shareholder Annual Review and Accounts (Appendix 2 and 3);**
- (3) Approve the confidential Annual Business Plan 2024-2025 (Appendix 4).**

#### 1 Reason for Recommendation

- 1.1 To meet the requirements of the Shareholder's Agreement dated 28 December 2018.

#### 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, Review and Accounts for the Shareholder Sub Committee and these are attached at Appendices 1, 2 and 3.
- 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).
- 2.4 The confidential Annual Business Plan 2024-25 is attached at Appendix 4.

### **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.
- 3.4 Dependencies
  - 3.4.1 None.
- 3.5 Other
  - 3.5.1 None.

### **4 Financial Implications**

- 4.1 The proposed budget is included at section 6 of the Business Plan.
- 4.2 **Section 151 Officer's comments:** EEPIC's business plan and proposed budget would enable it to meet the Council's budgeted expectations.

### **5 Legal Implications**

- 5.1 Contained in the body of this report.

- 5.2 **Legal Officer's comments:** The comments are not intended as, and should not be treated as, legal advice to the Committee on company law matters. Nor is this officer advising whether the Council should first obtain company law advice.

## 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 Shareholder Agreement, Shareholder Sub Committee, 27 November 2018

### **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

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# Report to Shareholder Sub Committee

**21 November 2023**

## EEPIC Shareholder Sub Committee 21 November 2023

### 1. The Annual Review

The Company's Annual Review is attached for the latest accounting period 1 April 2022 to 31 March 2023.

EEPIC continued to remain resilient during this post pandemic challenging period and recorded a full year profit before tax of £1.40m, excluding property revaluations. The Company was able to pay a £600,000 dividend to the Shareholder in 2022/23. The audited, statutory accounts for 2022/23 have been filed with Companies House (as required) and are attached at Appendix 3.

### 2. EEPIC Annual Business Plan 2024-25

In accordance with Clause 2.3 and under Schedule 1 Shareholder Consent Matters (item 16) of the Shareholder's Agreement dated 28 December 2018, Shareholder consent is required to; "*adopt or amend its annual Business Plan*".

Accordingly, Shareholder consent is requested to the proposed Annual Business Plan 2024-25.

### 3. Shareholder update – appointment of Director

Under Schedule 1 Shareholder Consent Matters (item 24) of the Shareholder's Agreement dated 28 December 2018, Shareholder consent is required to; "*appoint or dismiss any director or company secretary*".

At last year's Annual Report Sub Committee meeting, Shareholder consent was received to appoint Clare Lawrence to the position of Development Director.

The appointment was never formally made to Companies House as Clare resigned shortly afterwards from the Shareholder.

It is anticipated that the Director vacancy will be filled within the first quarter of 2024 and a recommendation made to Sub Committee to formally approve the appointment.



# Shareholder Annual Review

*Covering the accounting period  
1 April 2022 - 31 March 2023*

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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 was 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 £1,913,494.14 pa and subject to annual fixed uplifts of 2.5% pa (the rent will increase to £1,961,331.49 from 29 September 2023). The rent is guaranteed by Cobham PLC.

A Reversionary Lease between EEPIC and Chelton Ltd was approved by the Shareholder Sub-Committee on 22 November 2022 and completed on 26 July 2023. The 10 year reversionary lease takes effect from the expiry of the existing lease on 29 September 2036 in exchange for the reversionary lease adopting standard 5 yearly open market rent reviews. This provides Chelton Ltd with the long term certainty to invest in the property and benefits EEPIC by providing further long term secure income (guaranteed by Transdigm Inc).

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.

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

A Deed of Variation between EEPIC and Regus was completed on 23 December 2020 (as reported to the Shareholder Sub-Committee on 24 November 2020) and varied the existing lease. The remaining length of the lease increased from 5 years to 10 years, in exchange for an initial 15 month rent free period (spread over 30 months at half rent).

A further Deed of Variation (approved at the Shareholder Sub-Committee on 13 April 2023) extended the length of the lease by an additional 5 years to expire on 14 January 2036. This provides EEPIC with further long-term income security in exchange for the tenant being granted an initial 12 month rent free period (spread over 24 months at half rent).

The rent reverts to the full rent of £1,770,300 pa from 29 March 2025 with an additional rent review on 15 January 2031 in line with the extended lease.

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

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 55% - 75% range, making it their Thames Valley flagship office complex.

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

	<b>Purchase</b>	<b>Price</b>	<b>Rent</b>	<b>Income Yield</b>
<b>Marlow</b>	13/10/17	£31,000,000	£1,913,494.14 (2.5% pa uplift)	5.78%
<b>Bracknell</b>	20/11/17	£25,500,000	£1,770,300 (Jan 26 Rent Review)	6.5%
<b>Total</b>		£56,500,000		

### 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.

2022/23 highlights:-

- Full-year profit before tax, excluding property revaluations, of £1.42m (prior year £1.40m).
- £0.60m dividend paid to the shareholder (prior year £0.60m).
- £1.4m retained earnings at 31 March 2023 (£0.9m at 31 March 2022).
- The rent payable for Marlow (The Cobham Centre) increased from £1,866,823.55 to £1,913,494.14 with effect from 29 September 2022. This represents the annual 2.5% fixed rental increase as per the terms of

the lease. The next rental increase to £1,961,331.49 is due from 29 September 2023.

- No capital expenditure or repairs incurred in the financial year.
- Property valuations have decreased by £8.6m over the year.
- EEPIC's cash balance at 31 March 2023 was £1.15m (£1.24m prior year).
- The 2022/23 external audit was completed by William & Co within the agreed budget.

#### Marlow

The Marlow tenant is Chelton Ltd and in 2022 achieved 75 years of trading, having been first established in 1947. Chelton defined the avionics industry with a number of world firsts; from novel static discharger designs, radio silent tuneable antennas through to the first airborne mission critical public safety radio.

A Reversionary Lease between EEPIC and Chelton Ltd was approved by the Shareholder Sub-Committee on 22 November 2022 and completed on 26 July 2023. The 10 year reversionary lease takes effect from the expiry of the existing lease on 29 September 2036 in exchange for the reversionary lease adopting standard 5 yearly open market rent reviews. This provides Chelton Ltd with the long term certainty to invest in the property and benefits EEPIC by providing long term secure income until September 2046.

#### Bracknell

The Bracknell tenant is Bracknell Arlington Square Centre Ltd trading as the serviced office provider, Regus.

The continuing pandemic has had a major short-term operational impact on the Regus serviced offices business model. Long-term, Regus remains well capitalised and is ideally 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.

A Deed of Variation between EEPIC and Regus was subsequently completed on 23 December 2020 (as reported to the Shareholder Sub-Committee on 24 November 2020). It increased the length of the lease from 5 years to 10 years, in exchange for an initial 15 month rent free period (spread over 30 months at half rent). The headline rent payable under the existing lease does not change; remaining at £1,770,300 per annum.

The current rent becomes £885,150 pa equating to a half rent quarterly payment of approximately £221,000 for 30 months from September 2020. The lease is now subject to an upwards only rent review on 15 January 2026.

The additional 5 year lease term doubles the unexpired term of the existing lease with no change to the level of rent. The rent generated by the additional 5 year term equates to £8,851,500 (annual rent of £1,770,300 x 5 years) and ignores any additional rent that might be generated by the rent review process. The 15 month rent free period proposed to be granted equates to £2,212,875 (£1,770,300 pa x 15 months). The net benefit to EEPIC is an additional income stream totalling £6,638,625. This provides the Shareholder with long-term assurance that the Company can meet its Shareholder objectives.

A further Deed of Variation between EEPIC and Regus was agreed by the Shareholder Sub-Committee on 28 March 2023. This increased the unexpired term of the lease by an additional 5 years to 14 January 2036, in exchange for 12 months rent free at half rent for 24 months.

The further 5 year lease term generates an additional £8,851,500 (annual rent of £1,770,300 x 5 years) in exchange for foregoing 1 year's annual rent (£1,770,300 pa spread over 24 months at half rent).

The rent reverts to the full rent of £1,770,300 pa from 29 March 2025 with an additional rent review on 15 January 2031 in line with the extended lease.

Long-term, IWG (Regus parent company) remains well capitalised at £1.5bn and is ideally 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.

#### 4. 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 of EEPIC's property acquisitions and can therefore provide an independent, external assessment of the two property assets.

	<b>Valuation @ 31/12/22 (last year's valuation)</b>	<b>Purchase Price / Date</b>	<b>Variance (since purchase)</b>
	£	£	£
<b>Marlow</b>	30,181,800 (33,996,100)	31,000,000 13/10/17	<b>-818,200</b>

<b>Bracknell</b>	20,719,500 (25,525,400)	25,500,000 20/11/17	<b>-4,780,500</b>
<b>Total</b>	<b>50,901,300</b> <b>(59,521,500)</b>	<b>56,500,000</b>	<b>-5,598,700</b>

The Company's business case is specifically to hold property long term and attention is drawn to the 18.8% capital decrease at Bracknell and the 11.2% capital decrease at Marlow (compared to last year's valuations).

The property valuations have dropped in line with the property market as it adjusts to higher UK bond yields. It is for this precise reason why the properties are held long term to smooth out gyrations in the UK property market and economy.

## 5. 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 2023.

Financial highlights include:-

- Property portfolio of £50.9m
- Gross profit of £3.40m
- Profit before tax (excluding property revaluations) of £1.422m
- Dividend paid of £602,928

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.

## 6. Shareholder Approval

At its Shareholder Sub-Committee meeting held on 23 November 2022, the Shareholder received and noted EEPIC's Report to Shareholder and Annual Review.

In accordance with the Shareholder Agreement, the Shareholder approved the following:

- Annual Business Plan 2023-2024
- Appointment of Clare Lawrence to position of Development Director. (Note - the appointment was never formally made to Companies House as Clare resigned from the Shareholder shortly after Sub-Committee).

- A recommendation to fill the Director vacancy will be made to the next Sub Committee.

#### 7. Tenant Corporate Activity (Marlow) – Chelton Ltd / TransDigm Group

- It should be appreciated that EEPIC's tenant at Marlow is Chelton Ltd, a subsidiary of Cobham and itself a profitable world leader in the design and manufacture of aviation communication systems and navigation antennas. Cobham plc would only become involved as guarantor if EEPIC's tenant became insolvent.
- It was announced on 24 November 2020 that Cobham Aerospace Connectivity was under offer to US based TransDigm Group Incorporated. The deal is understood to be worth \$965m and is subject to regulatory approvals.
- TransDigm Group, through its wholly-owned subsidiaries, is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today.
- On 27 April 2021, Cobham Aerospace Connectivity rebranded to Chelton;

*“More than 20 successful years have passed since Chelton joined the Cobham brand and now it is set to go full circle and return to its brand roots as Chelton.*

*First established in 1947, Chelton defined the avionics industry with a number of world firsts; from novel static discharger designs, radio silent tuneable antennas through to the first airborne LTE mission critical public safety radio. Having achieved many more world firsts as part of the Cobham family, it is now set to go full circle and return to its brand roots as Chelton. Continuing its founders' principles to overcome immensely complex communication challenges and deliver failsafe, pioneering technology to some of the world's most formidable militaries and public safety agencies.*

*Chelton is a powerful presence in the aerospace and defence sector, and while our tenure as Cobham Aerospace Connectivity was fruitful, going back to our heritage with a modern twist will help further secure our established foothold in the industry. Chelton has been a trusted and reliable avionics designer and manufacturer for over 70 years and we look forward to continuing to serve our customers with the same drive and smart thinking as its original founders.”*

- On 29 November 2021, Chelton opened a new facility at Redhill Aerodrome to support its life saving research and development (R&D), including IED detection and radio for public safety applications.



The Mayor of Reigate & Banstead officially opened the facility at the inaugural ceremony along with representatives from humanitarian mine clearance charity The HALO Trust.

The new facility does not affect EEPIC's property which remains the main HQ site for operations.

- On 6 March 2022, Chelton achieved 75 years of trading, having been first established in 1947. Chelton has; *“Spent the past seven decades defining and advancing the avionics and defence industry with a number of world firsts; from novel static dischargers and radio silent tuneable antennas through to the ground-breaking airborne 4G public safety radio, pioneering stand-off explosive ordnance detection systems using Ground Penetrating Radar and a trailblazing land-based Air Traffic Management System to be used at sea.”*

#### 8. Tenant Corporate Activity (Bracknell) – IWG plc

- On 7 March 2023, IWG announced its annual results for the year ended 31 December 2022 under the banner;

*“IWG delivers highest ever revenue in its 34 year history”*

- Attention is drawn to the following key highlights:-
  - *24% growth in system wide revenue to £3.1bn reflecting increased demand for flexible working and higher pricing.*
  - *Network footprint of more than 65 million sq ft – market leader worldwide by far with 3,345 locations.*
  - *Operating profit of £147m in 2022 (£87m operating loss in 2021)*
  - *EBITDA increase of 442% to £317m (2021: £59m) driven by a combination of higher revenue and cost focus*
  - *26.5% of building capacity remaining with occupancy at 73.5%*
  - *Record signing of 462 new capital light contracts completed in 2022 delivering both further capacity increases across the network and an even more unrivalled global network.*

- Mark Dixon, Chief Executive of IWG plc commented,

*“The growth juggernaut in hybrid working continues and 2022 has been a record year for IWG with our highest-ever revenue produced in our 34-year history, up 24% from 2021. We have delivered this through our multi-brand strategy, primarily Regus and Spaces, and continue to have the largest global network of hybrid workspace by far. We have also shown that we can deliver both high levels of growth and profitability alongside EBITDA and cash flow generation. We have done this through a combination of higher demand for flexible work products, higher pricing*

*and continued cost discipline, and I am looking forward to continuing this momentum in 2023.*

*During 2023 we will continue building on our capital-light growth strategy which allows us to capitalise on the growing pipeline of property investors seeking to maximise their returns by partnering with IWG. We continue to be well-placed to deliver further revenue, profitable growth and reducing leverage as more companies permanently embrace hybrid working as their preferred model, with IWG set to benefit most as by far the leading global player.”*

- IWG is promoting a new “capital-light contract” operating model with landlords where landlords share in the profit generated by Regus. Whilst this has the potential to provide the landlord with greater income returns, it is essentially a capital risk transfer exercise for IWG.
- Under the new model, the landlord carries the full or majority cost of the operation’s capital expenditure i.e. fitting out the accommodation. Furthermore, as it is a service agreement and not a lease, Regus is not committed to the obligations contained in a lease, namely, the payment of a fixed rent. For the landlord, this means that its share of the profit can fluctuate depending on the success of the centre and the prevailing economic conditions.
- Whilst IWG has undoubtedly benefited from the general increase in flexible working, it is not immune to UK / global economic challenges. Analysts are concerned that rising inflation / debt costs and the gloomy global economic outlook will hamper its recovery.
- This is picked up in IWG’s own outlook which remains cautiously upbeat;

*“The demand for hybrid working solutions continues to grow as businesses globally seek to reduce their real estate costs and respond to the needs of their employees. Whilst there are macroeconomic headwinds around global growth, which can impact demand, plus challenges for the Group from inflation and interest rates impacting costs, we remain cautiously optimistic about the outlook for 2023.”*

- IWG plc shares closed on 19 May 2023 at 147.60p down approximately 38% on the previous year (19 May 2022 at 238.50p). This reflected the wider economic and inflationary challenges affecting UK corporate growth. However, IWG remains a £1.509bn company well positioned to take advantage of the post pandemic hybrid working environment.

# Appendix A

## EEPIC Financial Statements

For the Year Ended 31 March 2023

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**Report of the Directors and  
Financial Statements  
for the Year Ended 31 March 2023  
for  
Epsom & Ewell Property Investment  
Company Limited**

Contents of the Financial Statements  
for the Year Ended 31 March 2023

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Company Information  
for the Year Ended 31 March 2023

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<b>DIRECTORS:</b>	M D C Shephard R Brown B J Bradley
<b>SECRETARY:</b>	R K O Appiah- Ampofo
<b>REGISTERED OFFICE:</b>	Town Hall The Parade Epsom Surrey KT18 5BY
<b>REGISTERED NUMBER:</b>	10922872 (England and Wales)
<b>AUDITORS:</b>	Williams & Co Epsom LLP Statutory Auditors 8-10 South Street Epsom Surrey KT18 7PF

Report of the Directors  
for the Year Ended 31 March 2023

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The directors present their report with the financial statements of the company for the year ended 31 March 2023.

**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 2022 to the date of this report.

M D C Shephard  
R Brown  
B J Bradley

Other changes in directors holding office are as follows:

Ms K Beldon - resigned 19 July 2022

**POLITICAL DONATIONS AND EXPENDITURE**

None.

**BUSINESS STRUCTURE**

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

**COMPANY HIGHLIGHTS**

- Property portfolio of £50.9m.
- Gross profit of £3.40m.
- Profit before tax (excluding property revaluations) of £1.422m.
- Dividend paid of £602,928

**BUSINESS MODEL**

Our strategy is to maintain 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.

**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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.



Report of the Directors  
for the Year Ended 31 March 2023

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**AUDITORS**

The auditors, Williams & Co Epsom LLP, 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

24 May 2023

### Opinion

We have audited the financial statements of Epsom & Ewell Property Investment Company Limited (the 'company') for the year ended 31 March 2023 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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 this gives rise to a material misstatement in the financial statements themselves. 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have reviewed the legal ownership of the investment properties and reconciled rents due in accordance with lease documentation. We have tested controls over payment authorisations and sample payments from the bank.

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](http://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 Epsom LLP  
Statutory Auditors  
8-10 South Street  
Epsom  
Surrey  
KT18 7PF

24 May 2023

Income Statement  
for the Year Ended 31 March 2023

	Notes	2023 £	2022 £
<b>TURNOVER</b>		3,542,785	3,448,589
Cost of sales		<u>138,402</u>	<u>116,416</u>
<b>GROSS PROFIT</b>		3,404,383	3,332,173
Administrative expenses		<u>180,022</u>	<u>127,288</u>
		3,224,361	3,204,885
Other operating income		<u>4,539</u>	<u>-</u>
<b>OPERATING PROFIT</b>		3,228,900	3,204,885
Interest receivable and similar income		<u>1,465</u>	<u>-</u>
		3,230,365	3,204,885
Gain/loss on revaluation of investment property		<u>(8,620,200)</u>	<u>905,300</u>
		(5,389,835)	4,110,185
Interest payable and similar expenses	4	<u>1,808,783</u>	<u>1,808,783</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(7,198,618)	2,301,402
Tax on (loss)/profit	5	<u>303,630</u>	<u>266,684</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(7,502,248)</u>	<u>2,034,718</u>

Balance Sheet  
31 March 2023

	Notes	2023		2022	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investment property	6		50,901,300		59,521,500
<b>CURRENT ASSETS</b>					
Debtors	7	2,103,266		1,117,047	
Cash at bank		<u>1,152,323</u>		<u>1,246,265</u>	
		3,255,589		2,363,312	
<b>CREDITORS</b>					
Amounts falling due within one year	8	<u>1,348,104</u>		<u>1,016,918</u>	
<b>NET CURRENT ASSETS</b>			<u>1,907,485</u>		<u>1,346,394</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			52,808,785		60,867,894
<b>CREDITORS</b>					
Amounts falling due after more than one year	9		(36,175,650)		(36,175,650)
<b>PROVISIONS FOR LIABILITIES</b>	11		<u>(145,642)</u>		<u>(99,575)</u>
<b>NET ASSETS</b>			<u>16,487,493</u>		<u>24,592,669</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	12		24,117,100		24,117,100
Fair value reserve	13		(9,037,183)		(416,983)
Retained earnings	13		<u>1,407,576</u>		<u>892,552</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>16,487,493</u>		<u>24,592,669</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 24 May 2023 and were signed on its behalf by:

B J Bradley - Director

M D C Shephard - Director

Statement of Changes in Equity  
for the Year Ended 31 March 2023

	Called up share capital £	Retained earnings £	Fair value reserve £	Total equity £
<b>Balance at 1 April 2021</b>	24,117,100	465,511	(1,421,732)	23,160,879
<b>Changes in equity</b>				
Dividends	-	(602,928)	-	(602,928)
Total comprehensive income	-	1,029,969	1,004,749	2,034,718
<b>Balance at 31 March 2022</b>	<u>24,117,100</u>	<u>892,552</u>	<u>(416,983)</u>	<u>24,592,669</u>
<b>Changes in equity</b>				
Dividends	-	(602,928)	-	(602,928)
Total comprehensive income	-	1,117,952	(8,620,200)	(7,502,248)
<b>Balance at 31 March 2023</b>	<u>24,117,100</u>	<u>1,407,576</u>	<u>(9,037,183)</u>	<u>16,487,493</u>

Notes to the Financial Statements  
for the Year Ended 31 March 2023

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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. Income is recognised in respect the rental period.

**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.

Movements in any deferred tax liability are recognised in profit or loss and transferred into the fair value reserve.

**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 2023

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**

	2023 £	2022 £
Wages and salaries	<u>119,615</u>	<u>122,885</u>

The average number of employees during the year was as follows:

	2023	2022
Directors	<u>4</u>	<u>4</u>

During the period, no staff were directly employed by Epsom & Ewell Property Investment Company Ltd, with staffing costs being recharged by the parent company.

4. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2023 £	2022 £
Loan interest	<u>1,808,783</u>	<u>1,808,783</u>

5. **TAXATION**

**Analysis of the tax charge**

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

	2023 £	2022 £
Current tax:		
UK corporation tax	257,563	251,475
Deferred tax	46,067	15,209
Tax on (loss)/profit	<u>303,630</u>	<u>266,684</u>

6. **INVESTMENT PROPERTY**

**FAIR VALUE**

	Total £
At 1 April 2022	59,521,500
Revaluations	(8,620,200)
At 31 March 2023	<u>50,901,300</u>
<b>NET BOOK VALUE</b>	
At 31 March 2023	<u>50,901,300</u>
At 31 March 2022	<u>59,521,500</u>



Notes to the Financial Statements - continued  
for the Year Ended 31 March 2023

6. **INVESTMENT PROPERTY - continued**

The company's two investment properties were revalued on the 31st March 2023 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.

If the two investment properties were not carried at fair value, they would be held at their cost of £59,938,483.

Fair value at 31 March 2023 is represented by:

	£
Valuation in 2019	(2,138,483)
Valuation in 2020	2,661,900
Valuation in 2021	(1,845,700)
Valuation in 2022	905,300
Valuation in 2023	(8,620,200)
Cost	59,938,483
	<u>50,901,300</u>

Investment properties are carried at fair value, which is based on their current leased status. If the property at Arlington Square became vacant, it is estimated that the fair valuation above would reduce by £5.2m.

7. **DEBTORS**

	2023 £	2022 £
Amounts falling due within one year:		
Trade debtors	574,151	206,103
Prepayments	22,924	18,180
	<u>597,075</u>	<u>224,283</u>
Amounts falling due after more than one year:		
Accrued income	<u>1,506,191</u>	<u>892,764</u>
Aggregate amounts	<u>2,103,266</u>	<u>1,117,047</u>

Accrued income due in more than one year represents rents payable by a tenant following a renegotiation of rents post Covid. A rent free period was agreed which is being clawed back over the remainder of the lease. An additional rent free period is expected to be granted as part of a further lease extension. The accounting treatment is in accordance with FRS102.

Should the tenant at either property go into liquidation or otherwise exit their lease, there is a risk that accrued income may not be recoverable in future years. Both property leases are protected by guarantors who, in the event of non-performance by the tenant, become liable for at least one year's rental income. The value of these guarantees currently exceeds the amount of this accrued income.

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2023 £	2022 £
Tax	257,563	251,476
VAT	160,204	108,151
Accruals and deferred income	930,337	657,291
	<u>1,348,104</u>	<u>1,016,918</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2023

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

	2023 £	2022 £
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:

	2023 £	2022 £
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.

11. **PROVISIONS FOR LIABILITIES**

	2023 £	2022 £
Deferred tax		
Accelerated capital allowances	<u>145,642</u>	<u>99,575</u>
		Deferred tax
		£
Balance at 1 April 2022		99,575
Provided during year		46,067
On investment revaluation		
Balance at 31 March 2023		<u>145,642</u>

12. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2023 £	2022 £
Number:	Class:	Nominal value:		
24,117,100	Ordinary	£1	<u>24,117,100</u>	<u>24,117,100</u>

13. **RESERVES**

	Retained earnings £	Fair value reserve £	Totals £
At 1 April 2022	892,552	(416,983)	475,569
Deficit for the year	(7,502,248)		(7,502,248)
Dividends	(602,928)		(602,928)
Transfer gain/loss on revaluation	8,620,200	(8,620,200)	-
At 31 March 2023	<u>1,407,576</u>	<u>(9,037,183)</u>	<u>(7,629,607)</u>

Notes to the Financial Statements - continued  
for the Year Ended 31 March 2023

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14. **CONTINGENT LIABILITIES**

Current government regulations require that to enter into new commercial property leases or renewals from 2027, the property must have an Energy Performance Certificate (EPC) rating of C or above. One EEPIC property is currently EPC rated B, so meets the regulations. The second property is rated D. As it is already leased out until 2036, it is not expected to be impacted by the regulations until 2036, when work will be mandatory to bring it up to the necessary EPC rating. Should the tenant exit their lease early, to be re-let from 2027 the property would need to be upgraded to EPC C or above, at an estimated cost (based on current prices) of £10m (to level C).

15. **RELATED PARTY DISCLOSURES**

Costs totalling £119,615 (2022: £122,885) were paid to Epsom & Ewell Borough Council in respect of staff and support services.

Loan interest totalling £1,808,783 (2022: £1,808,783) was paid to Epsom & Ewell Borough Council.

16. **ULTIMATE CONTROLLING PARTY**

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

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

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# UK Housing Market Update

## A pause in price falls as we enter a period of greater stability

House prices saw no change in September compared to August, retaining an annual fall of -5.3% nationally, according to Nationwide. Values were most robust in the North West, down -2.2% annually, and weakest in the South West, down -6.3%. This tells us that we are gradually shifting back to a pre-pandemic distribution of regional value growth, with stronger growth in the more affordable parts of the country.

**Further price adjustments are anticipated over the coming months.** Demand is still falling faster than supply, according to the August RICS survey, which suggests price falls and lower activity will continue for at least the next few months. More surveyors reported price falls in August than at any time since 2009.

**But the medium term outlook has improved, with a sense of finely balanced economic stability.** The Bank of England maintained the base rate at 5.25% on 21<sup>st</sup> September, breaking the trend of 14 consecutive rises since the end of 2021. This followed a surprise fall in inflation in August by -0.1%, according to the ONS, defying the more pessimistic expectations of many economists.

**Lenders have responded by further decreasing mortgage rates as**

**they become more competitive over pricing.** There is only so far they can squeeze their margins, however, before a fall in the base rate is needed for rates to go lower. They will also remain wary of new inflation figures which could restart base rate rises if higher than expected.

**Market activity has also been fairly stable but hovered below the pre-pandemic average** with completed transactions at 95,000 in August, according to HMRC. These figures have been -14% below their 2017-19 averages for the past three months while sales agreed are down -11% over the same timeframe, according to TwentyCi. Mortgage approvals have slipped further to -32% below their 2017-19 levels in September, according to the Bank of England. This is likely to limit transaction numbers until at least early next year and means the market is more reliant on cash buyers.

**Local variation in price falls has become increasingly apparent in the more lagged Land Registry data.** There is an emerging pattern of price falls in the year to June in areas of London, including Brent (-4.6%), Hammersmith and Fulham (-3.1%), and Tower Hamlets (-1.8%), as well as its surrounding areas, including Brentwood (-0.4%), Tunbridge Wells (-0.3%), and Three Rivers (-0.2%).

Figure 1 House price growth to Jun-23 since 07/08 peak

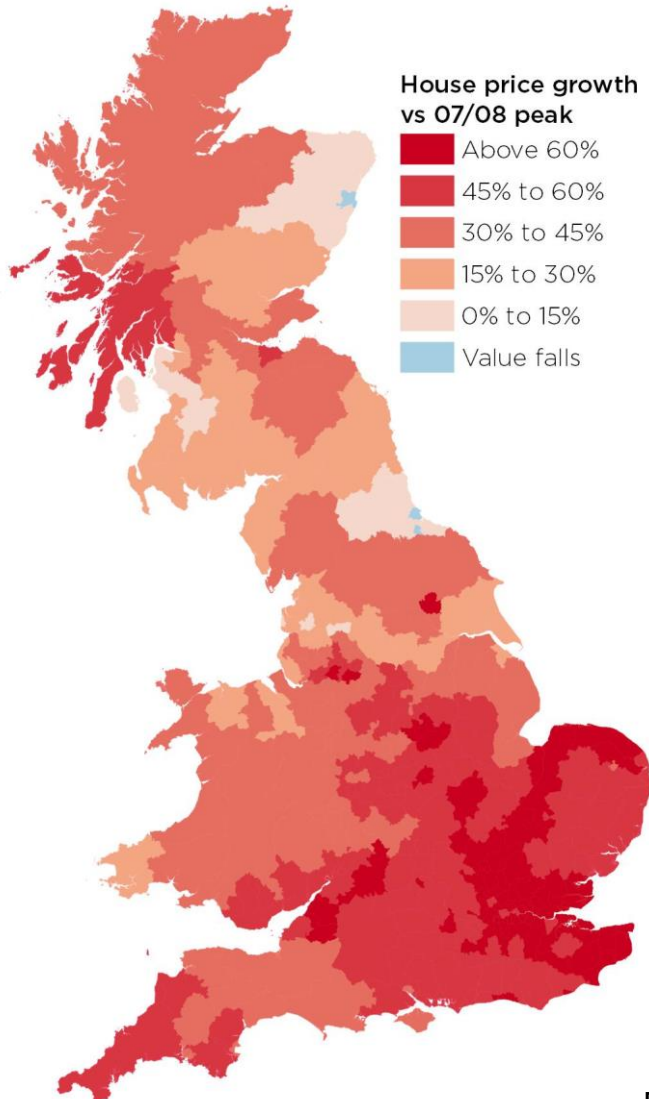


Figure 2 Annual house price growth to Jun-23

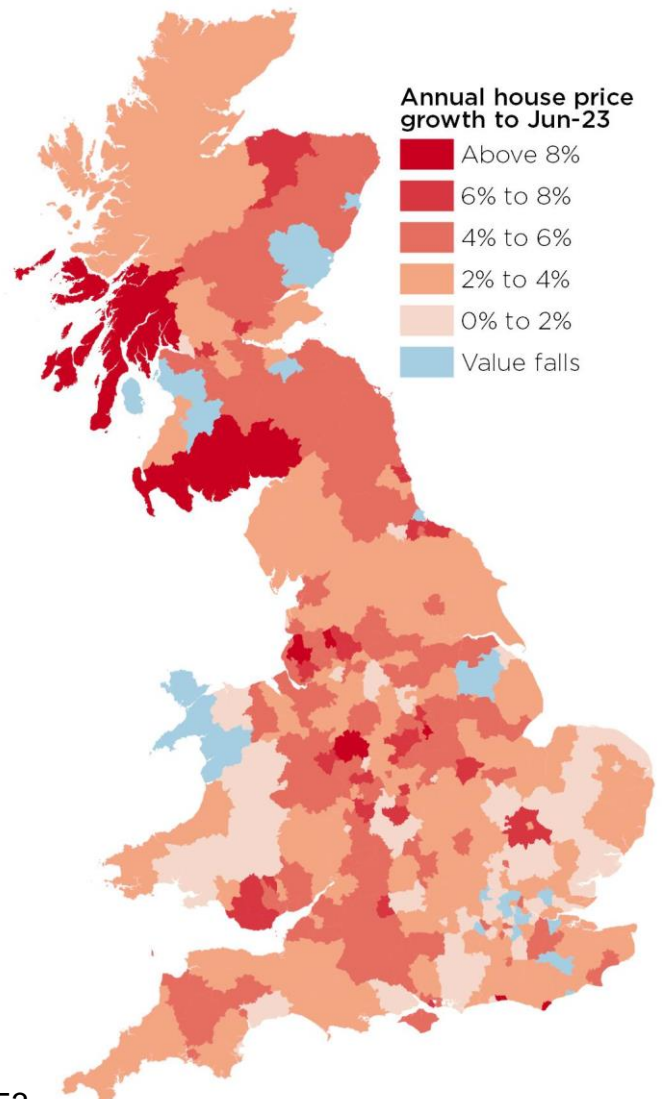
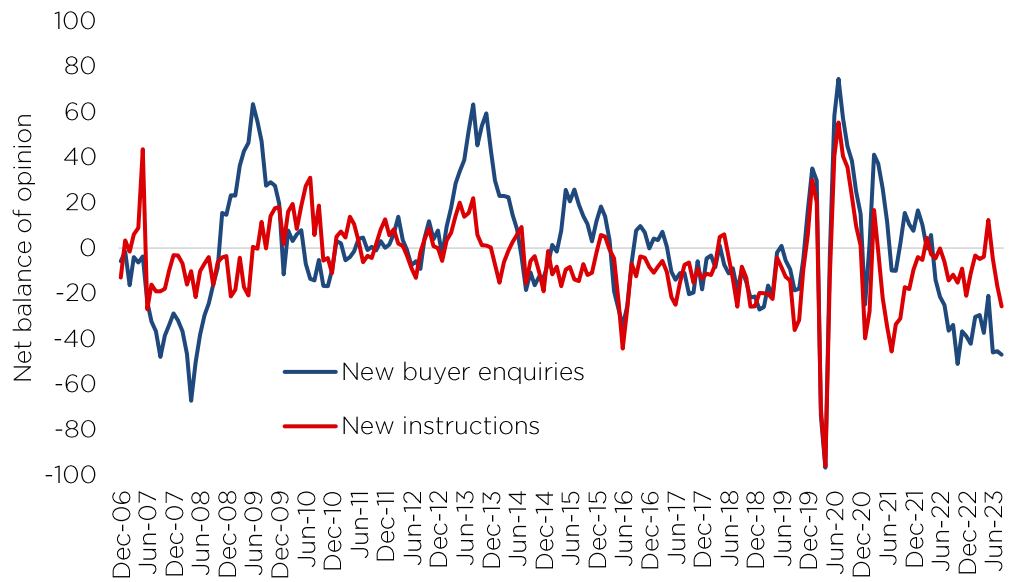


Figure 3 Buyer demand remained low as new supply fell further



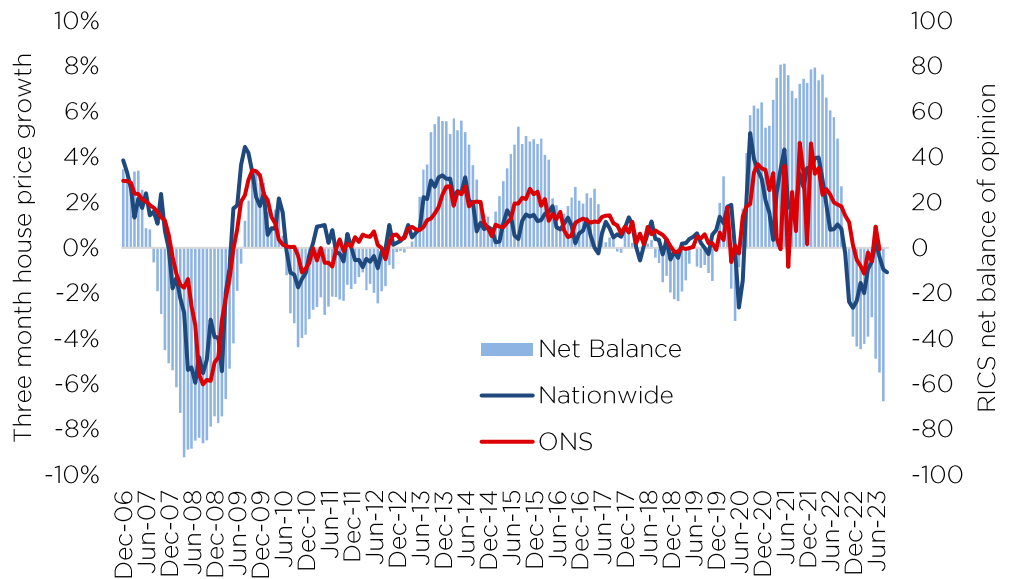
Source RICS (seasonally adjusted)

An increased majority of surveyors reported falling supply in August, according to the latest RICS survey.

A majority of surveyors continued to report falling demand, at similar levels over the past three months. This metric has now been negative for 16 consecutive months.

The gap between supply and demand has further narrowed but an excess of supply relative to demand persists, maintaining downward pressure on house prices.

Figure 4 House price growth in negative territory as sentiment further decreased



Source RICS, Nationwide, ONS (seasonally adjusted)

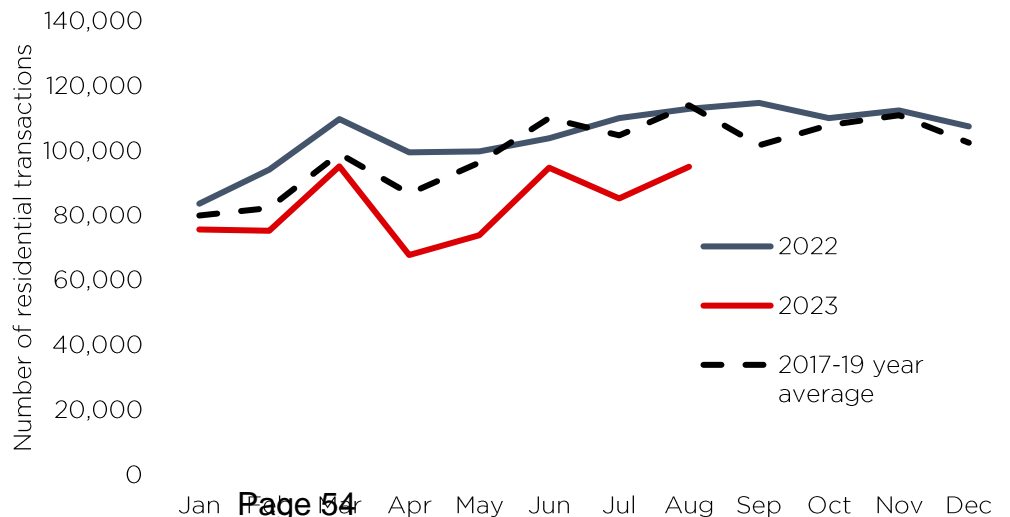
The RICS survey can be a good early indicator of house price movements, which are later picked up by other indices.

The number of surveyors reporting price falls increased to their highest levels since 2009.

On a three-month basis house prices fell by -1.1% in September, according to Nationwide, slightly more than the -0.9% fall in August.

House prices fell by -0.1% according to the more lagged ONS index.

Figure 5 Completed transactions in August remained below levels in recent years



95,000 transactions were completed in August, according to HMRC. This showed a slight increase on July's figure of 85,260. However, this is still -13% below their pre-covid average as the reduced number of mortgage approvals in late 2022 and early 2023 feeds into the number of completed transactions. Activity is likely to remain subdued while mortgage interest rates remain high.



Annual rental growth across the UK stayed high at 10.3% in August, the same figure as July, according to Zoopla. Rental growth accelerated across all regions except the East, North East, and Yorkshire and Humber on a three-month basis, as competition for limited stock remained elevated.

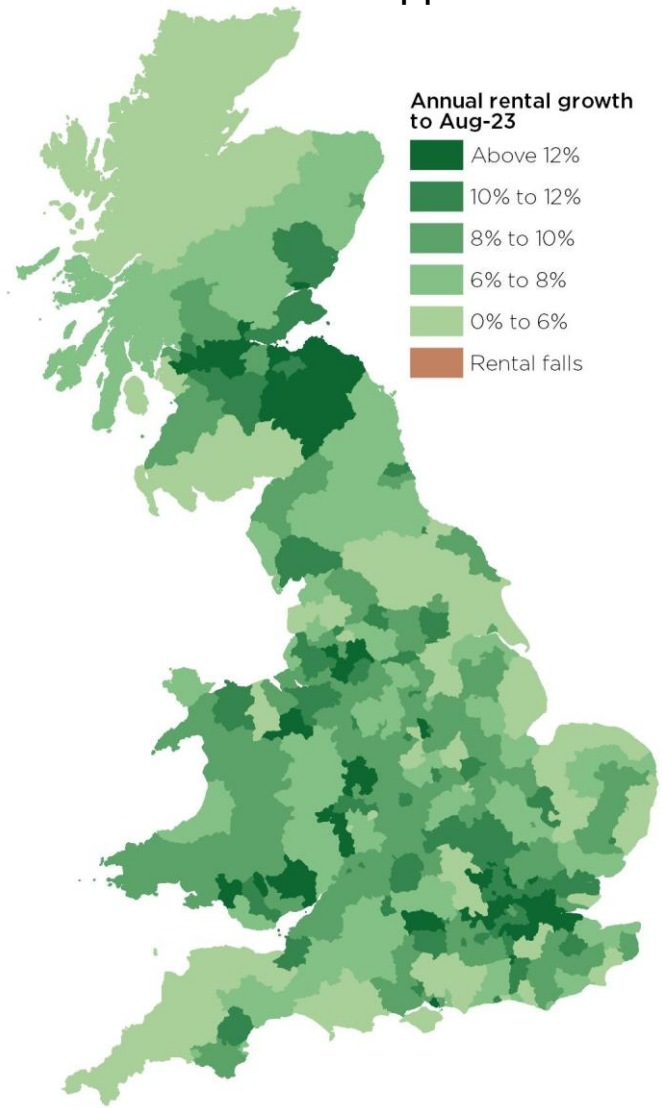
Scotland remained the region with highest annual rental growth, at 12.8% in August. London had the second strongest annual growth at 11.5%, down from 12.2% in July. However, the capital continues to lag behind the rest of the UK in terms of growth since the start of the pandemic in March 2020, up 23.4% compared to the UK average of 26.0%. Wales has experienced the greatest growth since the pandemic, at 31.9%.

Table 1 Regional rental growth to Aug-23

	m/m	q/q	y/y
UK	1.0%	2.8%	10.3%
London	1.0%	2.3%	11.5%
South East	1.1%	3.3%	9.8%
East of England	0.8%	2.8%	9.8%
South West	1.0%	3.4%	8.1%
East Midlands	0.9%	2.7%	9.8%
West Midlands	1.1%	3.1%	10.1%
North East	0.4%	1.8%	9.2%
Yorks & Humber	0.7%	2.4%	8.3%
North West	1.4%	3.6%	11.3%
Wales	1.2%	3.0%	10.2%
Scotland	1.2%	2.8%	12.8%

Source Zoopla Rental Index powered by Hometrack

Figure 6 Annual rental growth to Aug-23

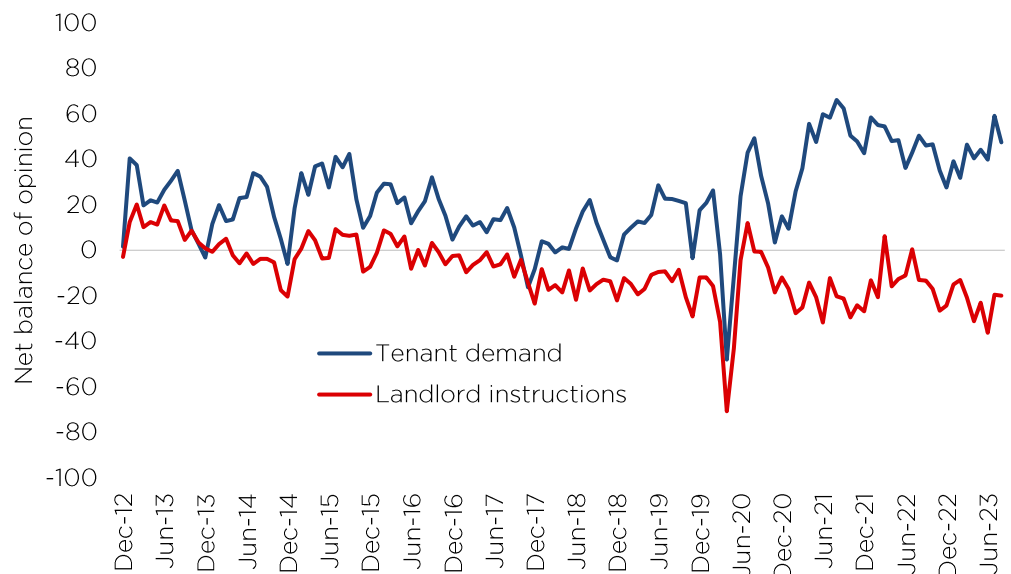


Source Zoopla Rental Index powered by Hometrack

Figure 7 Gap between tenant demand and landlord instructions remained significant

The RICS survey for the lettings market showed the continued mismatch between rental supply and demand that has underpinned rental growth across the UK over the last two years.

The majority of surveyors reporting greater tenant demand decreased slightly but stayed at high levels. Meanwhile, the majority of surveyors reporting falling supply stayed flat. The gap between supply and demand remained very wide, which will drive further strong rental growth.



Source RICS

Table 2 Rental forecasts (published November 2022)

Region	2023	2024	2025	2026	2027	5 years to 2027
UK	6.5%	4.0%	2.0%	2.4%	2.3%	18.3%
London	5.5%	5.0%	2.0%	2.4%	2.3%	18.4%

Table 3 Recent house price growth

	Nationwide (Regions to Q3 2023, UK to Sept 2023)			ONS (to July 2023)			Savills* (to June 2023)		
	m/m	q/q	y/y	m/m	q/q	y/y	m/m	q/q	y/y
UK	0.0%	-1.1%	-5.3%	-0.5%	0.0%	0.5%	-0.3%	-1.3%	3.1%
London	-	0.4%	-3.8%	0.2%	-0.3%	-0.8%	-0.5%	-1.6%	0.8%
South East	-	-0.7%	-5.4%	0.1%	0.7%	0.4%	-0.3%	-1.3%	2.8%
East of England	-	-0.9%	-5.5%	-0.2%	1.0%	0.3%	-0.3%	-1.6%	2.2%
South West	-	-1.3%	-6.3%	-1.1%	-0.9%	-1.0%	-0.4%	-1.4%	3.8%
East Midlands	-	-2.1%	-5.6%	-0.6%	0.4%	1.9%	-0.4%	-0.9%	4.3%
West Midlands	-	0.6%	-2.5%	-0.4%	1.2%	0.5%	-0.3%	-1.4%	4.1%
North East	-	1.1%	-2.2%	-0.1%	2.0%	2.7%	0.1%	-0.4%	4.8%
Yorks & Humber	-	-0.9%	-5.5%	0.7%	2.1%	2.6%	-0.3%	-1.0%	3.6%
North West	-	0.7%	-3.5%	-0.4%	0.4%	1.0%	-0.2%	-0.8%	4.4%
Wales	-	-1.6%	-5.5%	0.6%	0.8%	-0.1%	-0.4%	-1.3%	3.4%
Scotland	-	-1.4%	-4.3%	0.3%	1.1%	0.1%	0.2%	-0.5%	4.2%

Source Savills using HM Land Registry and Registers of Scotland (6 month smoothed)\*, Nationwide (seasonally adjusted), ONS (seasonally adjusted)

Table 4 Mainstream house price forecasts (published November 2022)

Region	2023	2024	2025	2026	2027	5 years to 2027
UK	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
London	-12.5%	-1.0%	2.0%	6.0%	5.0%	-1.7%
South East	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
East of England	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
South West	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
East Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	8.9%
West Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	8.9%
North East	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
Yorks & Humber	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
North West	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
Wales	-8.5%	2.0%	4.5%	7.5%	6.0%	11.1%
Scotland	-9.0%	2.0%	4.0%	7.5%	5.5%	9.5%

Source Savills

**Savills team**

Please contact us for further information

**Chris Buckle**  
Director  
CBuckle@savills.com  
0207 6016 3881

**Ed Hampson**  
Associate  
ed.hampson@savills.com  
0203 107 5460

**Toby Parsloe**  
Analyst  
toby.parsloe@savills.com  
0207 123 6349

\*Savills index is an unadjusted repeat sales index based on HM Land Registry and Registers of Scotland price paid data. Note that Savills national index (labelled UK) is for Great Britain, not including Northern Ireland.

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**EXCLUSION OF THE PRESS AND PUBLIC**

Under Section 100(A)(4) of the Local Government Act 1972, the Sub-Committee may pass a resolution to exclude the public from the Meeting for Part Two of the Agenda on the grounds that the business involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act (as amended) and that pursuant to paragraph 10 of Part 2 of the said Schedule 12A the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The following documents are included on Part Two of the agenda and have not been published:

Item 03 – Minutes of previous meeting: Restricted Minutes
The report deals with information relating to the financial or business affairs of the Council and third parties.
Item 04 – Annual Report: Appendix 4
The report deals with information relating to the financial or business affairs of the Council and third parties.

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