Epic
Epsom & Ewell Property Investment Company Ltd

Shareholder Annual Review

Covering the accounting period

1 April 2025 - 31 March 2026

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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 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 2018 guidance does not affect EEPIC's existing property acquisitions.

2. Property portfolio

The Company holds two high quality, well located commercial property investments, both purchased in 2017:-

- **The Chelton 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 £2,060,624 pa and subject to annual fixed uplifts of 2.5% pa (the rent will increase to £2,112,139.50 from 29 September 2026). 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 Chelton 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 Arlington 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 reverted 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:-

	Purchase	Price	Rent	Income Yield
Marlow	13/10/17	£31,000,000	£2,060,623.90 (2.5% pa uplift)	6.23%
Bracknell	20/11/17	£25,500,000	£1,770,300 (Jan 31 Rent Review)	6.5%
Total		£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 annual 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 currently being considered, the Directors will continue to monitor the existing arrangement at its quarterly board meetings.

2025/26 highlights: -

- Full year statutory profit before tax, excluding property revaluations, of £1.503m (prior year £1.43m).
- Dividend of £1.355m paid to the shareholder (prior year £0.62m).
- Retained earnings of £2.038m at 31 March 2026 (£2.265m at 31 March 2025).
- No capital expenditure or material repairs incurred in the year.

- EEPIC's cash balance at 31 March 2026 was £1.48m (£1.31m prior year).

- The rent payable for Marlow (The Chelton Centre) increased from £2,010,364.78 pa to £2,060,623.90 with effect from 29 September 2025. This represents the annual 2.5% fixed rental increase as per the terms of the lease. The next rental increase to £2,112,139.50 is due from 29 September 2026.

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 (taking effect after the existing 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 (guaranteed by Chelton's parent company, US based TransDigm). 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.

Chelton has focused considerable investment on the M&E infrastructure i.e. replacement air conditioning units and solar panel installation. These are both costly items and evidence the tenant's long-term commitment to the building.

The Chelton Centre was inspected on 3 March 2026 by the Shareholder's Estate Manager and EEPIC's external appointed building surveyor.

Bracknell

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

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 rent became £885,150 pa equating to a half rent quarterly payment of approximately £221,000 for 30 months from September 2020, with the full headline rent payable from March 2023.

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 granted equated 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 until 29th March 2025.

The further 5 year lease term generated 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 reverted to the full headline 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.

Arlington Square was inspected on 3 March 2026 by the Shareholder's Estate Manager and EEPIC's external appointed building surveyor.

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.

	Valuation @ 31/12/25 (last year's valuation)	**Purchase Price / Date**	**Variance (since purchase)**
	£	£	£
Marlow	30,294,600 (31,502,500)	31,000,000 13/10/17	-705,400
Bracknell	17,234,200	25,500,000	-8,265,800

	(17,850,100)	20/11/17	
Total	47,528,800 (49,352,600)	56,500,000	-8,971,200

Whilst the Company's business case is specifically to hold property long term (to smooth out gyrations in the UK property market), attention is drawn to the £8,971,200 negative purchase price variance for the combined properties. This is principally due to the uncertainty surrounding the long-term occupation of Regus.

5. Company Accounts

The Company's accounts are externally prepared by Williams & Co, an Epsom based firm of Statutory Auditors, and annually filed at Companies House.

The accounts are attached at Appendix 3 for the year ended 31 March 2026.

Financial highlights include:-

- Property portfolio of £47.5m
- Gross profit of £3.469m
- Dividend paid of £1.355m

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 2026/27 accounts and future years' approvals annually.

6. Shareholder Approval

At its Shareholder Sub-Committee meeting held on 18 November 2025, the Shareholder received and noted EEPIC's Report to Shareholder Sub-Committee and Annual Review.

In accordance with the Shareholder Agreement, the Shareholder:

- Approved the Exempt Annual Business Plan 2026-2027;
- noted the Exempt Report to Shareholder.

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

- The takeover of Cobham plc (Chelton's former parent company) by Advent International was completed on 17 January 2020 with shares closing for the final time at 164.60p.

- It was announced on 24 November 2020 that Chelton Ltd was under offer to US based TransDigm Group Incorporated and the deal completed on 5 January 2021.

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

  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.*"

- On 3 February 2026, TransDigm reported its 2026 Q1 financial results for the quarter ended 27 December 2025.

- Directors' attention is drawn to the following key highlights:-

  - *Net sales of $2,285 million, up 14% from $2,006 million in the prior year's quarter;*
  - *Net income of $445 million;*
  - *EBITDA As Defined of $1,197 million, up 13% from $1,061 million in the prior year's quarter*
  - *Adjusted earnings per share of $8.23, up 5% from $7.83 in the prior year's quarter.*

- *"We are pleased with our team's performance and operating results for the first quarter. This is a solid start to the 2026 fiscal year";* stated Mike Lisman, TransDigm Group's President and Chief Executive Officer.

  "*Total revenue ran ahead of our expectations. Additionally, bookings were strong in all three of our major market channels. In the first quarter, our commercial OEM market revenue increased in the double digits on a percentage basis as we supported higher build rates at the OEMs. Further, both our commercial aftermarket and defense markets*

performed well, with each of these markets growing in the high single digits."

8. Tenant Corporate Activity (Bracknell) – IWG plc

- On 3 March 2026, International Workplace Group (IWG) announced its annual results for the year ended 31 December 2025 under the banner;

  "*Accelerating growth and further share buybacks*"

- Directors' attention is drawn to the following key highlights:-

  - *Highest-ever revenue with growth of 4% to $4.5bn (FY2024: $4.3bn)*
  - *Highest-ever Adjusted EBITDA with 6% growth to $531m (FY2024: $501m)*
  - *Highest-ever network growth with 1,132 new centre signings and 782 openings (FY2024: 899 / 624)*
  - *Strong balance sheet: no refinancing requirements until 2029 and leverage continues to fall ending 2025 at 1.35x net debt / Adjusted EBITDA (FY2024: 1.46x)*
  - *Cashflow before corporate activities growth of 60% to $162m in 2025 (FY2024: $101m)*
  - *2026 buyback programme continuing and increased by a further $50m to $100m*

- Mark Dixon, Chief Executive of IWG plc, commented;

  "We set out a clear strategy at our first Investor Day in New York in December 2023 for capital light growth to deliver cashflow and business simplification. As we outlined in our Investor Day in December 2025 – this is what we have been delivering on, and we will continue to do so."

- In contrast to EEPIC's traditional lease with Regus and as mentioned above, 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.

- IWG plc shares closed on 17 April 2026 at 200.20p (previously reported at 166.30p on 11 April 2025).