Report and Financial Statements
Stanhope plc
Registered Number 03017841

31 March 2023

Directors
D J Camp (Chief Executive)
R I German
A J Hodgkinson
F P Lewis
C N Pagan
J R Trout
C J Walford
A D Wall
R J Watts
H G R Williams

Company secretary
C N Pagan

Auditors
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Market Overview

The year to March 2023 has seen a continuation of last year's theme of disruption magnified by the Ukraine War and political factors, not least the mini budget.

The very sharp increase in inflation, interest rates and gilt yields has led to a reduction in property values and transactions. In addition, the lack of availability of labour and some material has continued to dramatically increase construction costs. These factors are squeezing the returns on our existing projects.

Given these factors and the current uncertainties, there is a concern that values may not yet have fully adjusted. Therefore, whilst there remains significant amounts of capital wishing to invest in prime property assets and developments, there is unlikely to be a significant increase in transactions until there is more evidence as to where values have landed.

At this time, another key area of concern is the reluctance of banks to provide new property loans and a desire to repatriate debt where possible.

The key positive for us is the continuing strong demand for workspace in our two main business sectors, Grade A Central London Offices and life science accommodation in London, Oxford and Cambridge.

To attract occupiers, it is essential that our projects meet strict ESG criteria which is the case across all of our portfolio. We set out below our progress and commitment to the ESG agenda.

The supply of such Grade A space in our areas of operation is very limited and is likely to be further constrained due to the above factors.

As such, whilst profits on existing projects will be squeezed, good profits are likely to be generated through rental growth on new and longer-term projects.

On a selective basis, we are of the view that, over the coming year, there will be opportunities to purchase well priced London assets (focussed on repositioning existing buildings) and life science projects where we can create Grade A space and good returns.

Business Strategy

Based upon the above, our current strategy is focussing on the following:

In a world where climate change and wellbeing are at the top of the agenda for governments, corporates and individuals, ESG is the priority consideration throughout our business. This includes all aspects of embodied carbon through our supply chain, the location of our development projects, and how they are designed and delivered.

We are expanding our activities into asset management of our completed projects and recognising that to minimise carbon in use requires a partnership between landlords and occupiers. This also brings together all the aspects of ESG within the projects we have created and, we can optimise our impact on whole life carbon while generating recurring income streams which provide a helpful balance to our development projects where income is more volatile.

Strategic Report – Chief Executive's statement

Our commitment continues to be to create 'best in class' enduring workspace in appropriate locations within Central London. We will ensure that such projects minimise embodied carbon whilst also creating buildings which can minimise operational carbon.

The 'carbon first' agenda is prioritising the reuse of existing builds rather than ground up development wherever possible. We are already focussing on this with our refurbishment projects at Gresham St. Paul's, Warwick Court, Woolgate House, 76 Southbank and now Victoria Street.

We are continuing to expand our commitment to delivering accommodation for the Life Science sector. 50% of our business is now focussed on such projects and the intention is to maintain this 50:50 balance between office and life science workspace.

This strategy requires us to focus solely on the best product in the right location and we are continuing to spread our activities across a mix of single buildings and major curated masterplans.

Business Overview

Highlights for the year to March 2023 included:

In December 2022 Cadillac Fairview ("CF), acquired a 25% stake in Stanhope and we are grateful to them for their support.

We now have a portfolio of five major life science projects totalling 4m sq. ft.

- On behalf of CF we continue to manage the life science and Workspace accommodation at the White City Place campus of 900,000 sq. ft. We are optimising the quality of the environment and curating events to enhance occupier experience and maximise long term value. We have seven life science occupiers in White City Place and a key part of our role is to ensure they have all the services they need and can interrelate with their peer group. We are also in the process of creating space for grow-on ventures and start-ups.

- Our British Library life science project secured a resolution to grant planning consent in January 2023. The project will provide 600,000 sq. ft. of lab enabled workspace together with a 100,000 sq. ft. extension to the British Library. The project is adjacent to the Francis Crick Institute which is the most significant life science organisation in the UK.

- The planning application for our Royal Street project secured a resolution to grant planning on 13th December 2022. This project is in partnership with Baupost and St Thomas's and Guys Foundation. It will also provide in the order of 1 million sq. ft. of accommodation for occupiers in a range of life science sectors.

- Oxford North is a 1 million sq. ft. Life Science Park which is being developed in partnership with St John's College and CF. We are now on site putting in place primary infrastructure and delivering the first phase totalling 170,000 sq. ft. This first phase will be completed in Q1 2025.Oxford North is being created to be the premier life science campus in Oxford. It will provide all the amenities and services which provide the optimum ecosystem for scientists.

- At Cambridge Science Park, with CF, we have acquired four buildings totalling 120,000 sq. ft and which have the potential to provide over 500,000 sq. ft. of life science accommodation in phases over the next five years. We are working with the other key owners on the park to significantly enhance the environment and amenity of the park and pursuing further acquisitions.

Strategic Report – Chief Executive's statement

Our key London commercial projects include the following:

- In partnership with our shareholders Mitsui Fudosan and AIMCo, our Gateway West and Central buildings totalling 310,000 sq. ft. completed in Q4 2022 providing 310,000 sq. ft. of which 120,000 sq. ft. has been pre-let to L'Oreal who are currently fitting out the space.

- The remainder of the Gateway development, Gateway East, will provide 545,000 sq. ft. and we are in the process of refining the planning consent to ensure that the design accords with best practice.

- With our shareholders, Mitsui Fudosan and AIMCo, the construction of 1 Wood Crescent at Television Centre achieved practical completed in April 2023. PVH, (the parent company of Tommy Hilfiger, Calvin Klein and Van Heusen) have pre-leased the top 5 floors (50,000 sq. ft.) and are in the process of fitting out. Of the remaining 60,000 sq. ft. in the building, we are now receiving occupier interest in the remaining space.

- At Ruskin Square Croydon, with our long-term partner Schroders, construction of the second office phase, 2 Ruskin Square has completed. This provides 330,000 sq. ft. which has been pre-let to the Home Office who are now fitting out.

- Also at Ruskin Square, following the success achieved in securing this major pre-letting, we have now secured planning consent for the third office of 290,000 sq. ft. which we will be presenting to potential occupiers over the coming months.

- Working with our long-term partner, Mitsubishi Estates, the repositioning and refurbishment of Warwick Court, a 180,000 sq. ft. office located at Paternoster Square completed in July 2022. 140,000 sq. ft. of the building was pre-let to T. Rowe Price.

- The development of 8 Bishopsgate providing 550,000 sq. ft. of City accommodation on 50 floors was completed in June 2023. The project is in partnership with our long-term client, Mitsubishi Estates. 65% of the building is let or under offer including lettings to Holman Fenwick Willan. Rents are increasing significantly, reflecting the quality of the building and lack of supply in the City.

- 76 Southbank secured planning consent for 305,000 sq. ft. of offices and retail for this iconic building which is now listed. A contract to build out the project has now been placed with Multiplex and construction is due to complete in Q4 2024.

- At Chenies Street WC1, on behalf of Schroders, we have now secured planning consent for a sensitive refurbishment of 3 existing buildings. The scheme will provide 70,000 sq. ft. of accommodation.

- During the year we have continued to work with Schroders to bring forward a scheme design for an iconic tower on Bishopsgate in the City of c. 800,000 sq. ft. The planning application was submitted on 10th October 2022 and we anticipate that the application will be put to the planning committee in July 2023.

- In partnership with CF, in March 2022, we completed the acquisition of 70 Gracechurch Street, a prime City asset comprising c. 214,000 sq. ft. of space let to mid-2027. The site has planning consent for a Tower of c. 600,000 sq. ft. and development will start once the building is vacated in 2027.

Strategic Report – Chief Executive's statement

- In December 2022 we were appointed as development manager to work with the owners to deliver what will be the tallest tower in the City totalling 1.25m sq. ft. Start on site is targeted for April 2024.

- In March 2023 we were appointed as development manager to deliver a project in Victoria Street. We envisage that construction will begin in late 2024.

As part of mixed use masterplans, we are continuing to deliver a significant quantum of residential apartments:

- At Television Centre Phase 1, all of the 432 apartments are now sold.

- Construction of the affordable housing element of the Television Centre project has now topped out and will complete in April 2024.

- Mitsui Fudosan have acquired our shareholding in the remaining residential phase of Television Centre which is anticipated to start construction in 2024 providing 347 apartments by 2027. We have been retained by Mitsui Fudosan to deliver the project.

- Working with Schroders, detailed planning consent is in place to develop the next residential phase of Ruskin Square. This phase includes 144 apartments and development is likely to start this year.

Environmental, Social and Governance (ESG)

Stanhope is doing what it can to respond to the climate change crisis and the broader social agenda.

This year, we proudly became a Certified B Corp. We join a very small group of organisations in the property sector recognised as meeting the highest standards of social and environmental performance, transparency, and accountability. It is a resounding recognition of our ESG commitment and our commitment to be a business driven to be a force for good. Alongside achieving an industry-leading score, we amended our Articles of Association to recognise delivering positive environmental and social impact alongside shareholder value.

This year we also embarked on our TCFD journey (Taskforce on Climate-Related Financial Disclosures), developing future-looking climate scenarios and identifying climate-related risks and opportunities for us to manage. This will help us build strategic resilience for the business; and we are proud to present this year our first disclosure in our ESG Annual Report 2023.

In our ESG Annual Report 2023, we also set out our Net Zero Carbon Pathway and we continue to take steps towards our 2030 goal of halving our carbon intensity. Our carbon reduction targets have been approved by the Science Based Targets initiative, a global leading body on the matter. This year we have achieved a 41% reduction in scope 3 carbon intensity against our 2020 baseline and a 19% absolute reduction in our direct scope 1 & 2 emissions.

Our focus is reducing the embodied carbon of our developments, achieving an 8% year-on-year reduction in the upfront embodied carbon intensity of our construction pipeline. The average intensity of our development pipeline sits at $kgCO_2/m^2$ 668 (D band), a 35% reduction from our 2020 baseline position and industry typical practice (F band). This is testament to the work done by our teams in designing lean buildings, avoiding carbon-intensive designs, prioritising material

Strategic Report – Chief Executive's statement

efficiency and low-carbon specifications. Our goal is to reach a B band by 2030 (475 $kgCO_2/m^2$ on average).

Our new-build projects, at One Wood Crescent and 2 Ruskin Square, demonstrate it is possible today to deliver industry-leading low embodied carbon high-quality projects. They both achieve a C band intensity (<600 $kgCO_2/m^2$) held by the GLA, LETI and RIBA as an aspirational target for office buildings.

Within our portfolio, we continue to increase the proportion of low-carbon retrofits currently including Woolgate to 76 Southbank and more. This helps balance out other typologies such as tall buildings (eg 8 Bishopsgate) or life science projects (British Library, Oxford North) with inherently higher carbon intensity, but we are very focussed on designing them to minimise carbon and meet best practice benchmarks for our industry.

In our managed properties, we started this year rolling out smart optimisation programmes to identify opportunities to implement energy efficiency measures for the assets. In our like-for-like managed portfolio, we report this year a 7% reduction in operational carbon intensity. We have undertaken or resourced decarbonisation plans for all our office properties, engaging our investor partners to prepare long-term plans to align assets with the Paris Agreement whilst taking action today.

Our team and partners

Despite, due to COVID, the continued disruption to the ways of working through the year, our team and partners have continued to operate efficiently and effectively. This is largely due to the commitment of our employees and their team spirit, for which we are very grateful.

In addition to our team, we are grateful for the continuing support of our shareholders, Mitsui Fudosan and AIMCo, as well as other key partners and clients including AFIAA, Baupost, Cadillac Fairview, The British Library, Guy's and St Thomas's Charity, LaSalle Investment Management, Mitsubishi Estate, and Schroders. The long-term support and commitment of our partners is essential to the ongoing success of Stanhope and we continue to work hard to ensure that we provide a best in class service.

Financial Results

Stanhope's group results for the year to 31 March 2023 have shown a profit before tax of £8.1m on a turnover of £29.6m and with net assets of £59.9m. (2022: Profit before tax £4.9m, turnover £19.0m and net assets of £52.7m). The current year's results are after share of profits bonuses of £1.6m (2022: £nil).

The company paid dividends of £0.2m during the year (2022: £8.4m) and of £5.0m in July 2023.

At the 31 March 2023 year end, Stanhope was holding cash of £44.2m (2022: £36.8m) with no debt.

David Camp

13 July 2023

Strategic Report - Strategic review

Objectives and strategy

Stanhope is a privately owned property developer, creating and delivering commercial and mixed-use developments predominantly in London and the South East of England. Stanhope provides innovative responses to complex development opportunities and is known for delivering high quality developments within budget and time constraints. Stanhope manages the whole development process from identifying and securing new opportunities, through pre-development, delivery and post construction to set industry standards. The company's strong track record of delivering the highest quality product has been recognised by the receipt of over 100 industry awards.

During 30 years as developers and development partners, Stanhope has been wholly or jointly responsible for the delivery of in excess of 36m sq. ft. of completed developments, including internationally recognised projects such as Broadgate, Paternoster Square, Television Centre and Chiswick Park.

Stanhope's overriding objective is to leave a legacy of sustainable improvements to the built environment. It aims to create memorable places for living, working and enjoyment, including creating new places that support a range of uses and act as a catalyst for further local and regional renewal.

Stanhope's strategy is to deliver projects in partnership with funders, occupiers, statutory bodies, landowners, our supply chain and local communities. This is based on the belief that undertaking projects on a managed, transparent and collaborative basis will lead to the most efficient and effective solutions.

Market focus

Stanhope's main geographical focus continues to be London as we believe that London will maintain its pre-eminence as a strategic global city. In addition, Stanhope selectively pursues other projects outside London that meet our objectives and skill set.

Stanhope's development product includes headquarter office redevelopments and refurbishments, with emphasis on our traditional markets in the City and West End, and master-planned, mixed-use developments, which are typically either office or residential led, together with ancillary uses and public spaces. Stanhope is now also building up its asset management activities as part of its strategy to diversify and to grow the business and its profitability. Stanhope is also building its life sciences expertise at White City Place and for future developments at The British Library, Royal Street and Oxford North.

Business focus

Set out below are some key guiding principles on how Stanhope approaches its projects:

- Ensuring, as far as possible, that its projects are sustainable and create a lasting positive legacy to the built environment;
- Operating in partnership with our clients, supply chain and other stakeholders;
- Acting with integrity, reliability, honesty and openness;
- Seeking to set new standards and lead the agenda for appropriate development form and specifications; and
- Financing and managing the risk of projects appropriately, reflecting the significant uncertainties and fluctuations of long term development project.

Strategic Report - Strategic review

Our projects

A summary of progress during the year on Stanhope's key projects is set out in the Chief Executive's statement. Further details of these and other projects can be found on the company's website at www.stanhopeplc.com.

Key Performance Indicators

Stanhope does not use regular key performance indicators ("KPI"s) due to the nature of its business. However, cash flow projections are regularly updated and reviewed to ensure the company is able to cover its costs and to ensure there are sufficient development management fees to cover base costs. When taking on new work, the business will aim to ensure the base fees cover the direct time costs and overheads and the fee bonuses/promotes and profit shares produce the profit.

Year on year comparisons are not meaningful due to the one-off nature of the profit shares and promotes which can vary greatly between years depending on the timings of completion of projects, lettings or when other milestones are achieved. Due to this variable income profile, management believe that closely monitoring cash and cash forecasts is the most effective tool for managing the finances of the business.

Risk management

The development of major commercial and mixed-use projects is inherently risky. As such, the financial strategy seeks to limit Stanhope's exposure on each project to a level which is appropriate to Stanhope's balance sheet and capital base. Stanhope's key risks are:

Economic and market risk

Development activity remains cyclical with levels of activity following the UK, and for Stanhope in particular London, economic cycle. To enable Stanhope to maintain its team and profitability in a down-turn, it is essential that the company achieves a level of diversity within its areas of operation, and continues to seek to generate base fees and regular income, in addition to profit shares and equity positions.

Market share and efficiency

To improve profitability, Stanhope seeks to continue to optimise its market share by (i) identifying areas of opportunity where Stanhope can uniquely add value; (ii) refining and enhancing its skills to stay ahead of the competition in its areas of activity, and (iii) diversifying in order to participate more fully in opportunities it is creating (such as residential development and life science and asset management). In addition, Stanhope strives to increase profitability through refining its business model and improving efficiencies through its methods of working.

The objective is to allow Stanhope to attain, consolidate and enhance its position as market leader in its chosen areas of activity and to optimise its profitability in those areas. To achieve this requires careful selection of transactions, projects and partners, and then optimising value through Stanhope's skills and approach during the development process and post completion asset management.

Strategic Report - Strategic review

Risk management (continued)

Finance and risk management

The company has no debt. Stanhope continues to review with its shareholders the most appropriate basis of funding the company's business activities.

Stanhope continues to believe that, given the nature of property development, strong long-term equity investment partners are required for Stanhope and its projects once they move beyond the initial conception stage. Stanhope operates on the basis of partnership, to allocate risk (and reward) in the most appropriate way.

Brexit risk management

Stanhope has been actively managing the risks from Brexit including logistics delays, increased currency risk, and labour supply risks, particularly in specialised building skills.

On current projects, Stanhope is ensuring the supply chain is procuring ahead of the normal timescales and using a consolidation centre in order to ensure supplies are received in time for use on site.

A further risk is that, in London, European workers can constitute up to 70% of the construction team. The construction sector lobbied to allow continued immigration of these workers from Europe and many have now been classified as skilled workers to enable them to return to the UK after so many returned to their homes during the Covid-19 outbreak in 2020.

Performance review and financial results

The Chief Executive's statement gives an overview of the performance of the business over the last year and its financial results.

Approved by the Board and signed on its behalf by D J Camp on 13 July 2023.

David Camp

Director

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2023.

Results and Dividends

Dividends of £0.2m were paid during the year (2022: £8.4m).

Going concern

The directors have carried out an assessment of going concern for the period to the end of July 2024. Stanhope prepares cash and profit forecasts on a regular basis which are signed off by the Board on an annual basis and reported on at the quarterly Board meetings including any variances. As part of this process, sensitivity analysis is also undertaken and presented to the Board.

The cash forecast prepared by management for the period up to 31 July 2024 is based on contracted income, the known pipeline as well as assumptions regarding the winning of new business. A worst case scenario is also modelled which, if no income at all were to come in for the 12 months post the signing of the accounts (the going concern period) and the cost budgets remained the same and were spent, and all investment commitments were expended, there would be at least 12 months of cash still available to meet liabilities as they fall due until 31 July 2024.

The worst-case model is an extreme case for testing cash adequacy. In reality, the business has five projects on site and a further eleven in pre-development, as well as five asset management mandates which give secure income for the future, particularly for the going concern period.

As a business, Stanhope has continued to make progress on projects as described in the CEO's report. In addition, there have been new development agreements secured during the last year despite the uncertain economic conditions. The benefit of long-term relationships with clients and supply chain partners are particularly valuable in ensuring the continued success of Stanhope, together with the hard work and dedication of the Stanhope team.

Stanhope has continued to invest in new projects and the parent group secured a revised £50m shareholder loan note facility with its first roll over in June 2027. The company makes short terms interest free repayable on demand loans to the investing companies in the parent group from any surplus cash and this can be repaid by them calling on the loan notes. At 31 March 2023, none of the facility had been drawn down and the £50m more than covers the total investment commitments of these investing companies.

For all of the reasons set out above, the Directors are satisfied that the company and group has more than adequate resources to continue operating for at least a period up to 31 July 2024 and that there are no material uncertainties that would cause significant uncertainty on the going concern assumptions. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Directors during the year

The directors of the company during the year were:

David Camp
Ron German
Aldous Hodgkinson (resigned 4 August 2022)
Paul Lewis
Clare Pagan
Jonathan Trout
Charles Walford
Tony Wall
Robert Watts
Henry Williams

Directors' report

Qualifying third party indemnity provisions

Stanhope Holdings Limited, the Company's parent, has made qualifying third-party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Post Balance Sheet Events

Since the financial year end, a further £0.318m has been lent to Stanhope Investments Limited and a further £0.283m has been lent to Stanhope Investments 2 Limited.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under Section 488(1) of the Companies Act 2006.

Directors' report

Directors' responsibility statement

The directors are responsible for preparing the Strategic report and Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and on behalf of the Board

David Camp

David Camp

Director

13 July 2023

Independent auditor's report

to the members of Stanhope plc

Independent auditor's report to the members of Stanhope plc

Opinion

We have audited the financial statements of Stanhope plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Group income statement of comprehensive income, the Group balance sheet, the Company balance sheet, the Group statement of cash flows, the Group and Company 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 group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for 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 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as inflation and interest rate risk, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

Independent auditor's report

to the members of Stanhope plc

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 group's and the parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report

to the members of Stanhope plc

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

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

- We obtained understanding of the legal and regulatory frameworks applicable to the group and the industry in which it operates. We determined that the following laws and regulations were most significant: Financial Reporting Standard 102, UK corporation tax and Companies Act 2006;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the industry in which it operates through our general and commercial and sector experience, discussions with management and legal correspondence. We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and corroborated our inquiries through our review of board minutes.
- In assessing the potential risks of material misstatement, we obtained an understanding of the company's and the group's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- We assessed the susceptibility of the group and company's financial statements to material misstatement, including how fraud might occur. Auditor procedures performed by the engagement team included: identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud; challenging assumptions and judgements made by management in its significant accounting estimates; and identifying and testing journal entries, in particular any journal entries determined to be large or relating to unusual transactions;
- The engagement partner's assessed the appropriateness of the collective competence and capabilities of the engagement team, which included consideration of the engagement team's: understanding of, and practical experience with, audit engagements of a similar nature and

Independent auditor's report

to the members of Stanhope plc

complexity through appropriate training and participation; and knowledge of the industry in which the company operates;

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Use of our report

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

Grant Thornton UK LLP

Elizabeth Collins

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 13 July 2023

Group statement of comprehensive income

for the year ended 31 March 2023

	Notes	2023 £' 000	2022 £' 000
Group turnover	5	29,637	18,950
Cost of sales		(10,595)	(8,252)
Gross profit		19,042	10,698
Administrative expenses		(10,565)	(6,019)
Group operating profit	6	8,477	4,679
Share of losses of joint ventures	12	(6)	(7)
Profit before interest, taxation and investment income		8,471	4,672
Amounts written off on investments	12	(480)	-
Profit before interest, taxation and investment income		7,991	4,672
Income from investments		137	197
Fair value movements	12	(330)	(13)
Interest receivable	9	330	80
Profit before taxation		8,128	4,936
Tax on profit on ordinary activities	10	(741)	(979)
Total comprehensive income for the year		7,387	3,957

The notes on pages 23 to 41 form part of these financial statements.

Group balance sheet

as at 31 March 2023

Company Number: 03017841

	Notes	2023 £' 000	2022 £' 000
Fixed assets			
Tangible fixed assets	11	175	133
Investment in joint ventures	12	6	296
Investments in associated undertakings	12	4	4
Other investments	12	9,409	7,636
		9,594	8,069
Current assets			
Work in progress	14	228	132
Debtors	15	10,744	14,664
Cash		44,205	36,832
		55,177	51,628
Creditors and provisions: amounts falling due within one year	16	(4,490)	(6,861)
Net current assets		50,687	44,767
Total assets less current liabilities		60,281	52,836
Creditors: amounts falling due after more than one year	17	(425)	(167)
Net assets		59,856	52,669
Capital and reserves			
Called up share capital	20	2,132	2,132
Retained earnings		57,724	50,537
Equity shareholders' funds		59,856	52,669

These financial statements were approved by the board of directors and signed on behalf of the board by David Camp on 13 July 2023.

David Camp

David Camp
Director

The notes on pages 23 to 41 form part of these financial statements.

Company balance sheet

as at 31 March 2023

Company Number: 03017841

	Notes	2023 £' 000	2022 £' 000
Fixed assets			
Tangible fixed assets	11	175	133
Investments	13	9,402	7,930
		9,577	8,063
Current assets			
Work in progress	14	228	132
Debtors	15	10,758	14,667
Cash		44,205	36,832
		55,191	51,631
Creditors: amounts falling due within one year	16	(4,490)	(6,861)
Net current assets		50,701	44,770
Total assets less current liabilities		60,278	52,833
Creditors: amounts falling due after more than one year	17	(425)	(167)
Net assets		59,853	52,666
Capital and reserves			
Called up share capital	20	2,132	2,132
Retained earnings		57,721	50,534
Equity shareholders' funds		59,853	52,666

The Company has taken exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the Company for the year was £8.688m (2022: £3.957m).

These financial statements were approved by the board of directors and signed on behalf of the board by David Camp on 13 July 2023.

David Camp

David Camp
Director

The notes on pages 23 to 41 form part of these financial statements.

Group statement of cash flows

for the year ended 31 March 2023

	2023 £' 000	2022 £' 000
Cash flows from operating activities		
Operating profit for the financial year	8,477	4,679
Adjustments for:		
Depreciation of tangible assets	77	78
Increase in work in progress	(96)	(132)
Increase in debtors	(2,532)	(183)
Decrease in creditors	(2,033)	(1,033)
Net cash from operating activities	3,893	3,409
Taxation paid	(1,057)	(805)
Net cash generated from operating activities	2,836	2,604
Cash flows from investing activities		
Purchase of tangible assets	(119)	(44)
Purchase of investments	(2,583)	(2,156)
Loans to joint ventures	(71)	(330)
Repayment of loans from joint ventures	355	98
Interest received	330	80
Dividends received	137	197
Net cash used in investing activities	(1,951)	(2,155)
Cash flows from financing activities		
Equity dividends paid	(200)	(8,421)
Short term loan to related companies	(1,413)	(5,405)
Short term loan repaid by related company	8,101	-
Net cash generated from/(used in) financing activities	6,488	(13,826)
Net increase/(decrease) in cash and cash equivalents	7,373	(13,377)
Cash and cash equivalents at the beginning of the year	36,832	50,209
Cash and cash equivalents at the end of the year	44,205	36,832

The notes on pages 23 to 41 form part of these financial statements.

Group and company statement of changes in equity

for the year ended 31 March 2023

1 April 2022 to 31 March 2023

Group and company	*Called up Share Capital £'000*	*Retained Earnings £'000*	*Total £'000*
At 1 April 2022	2,132	50,537	52,669
Comprehensive income for the year			
Profit for the year	-	7,387	8,688
Total comprehensive income for the year	-	7,387	8,688
Transaction with owners			
Dividends: equity capital	-	(200)	(200)
Total transactions with owners	-	(200)	(200)
At 31 March 2023	**2,132**	**57,724**	**59,856**

1 April 2021 to 31 March 2022

Group and company	*Called up Share Capital £'000*	*Retained Earnings £'000*	*Total £'000*
At 1 April 2021	2,132	55,001	57,133
Comprehensive income for the year			
Profit for the year	-	3,957	3,957
Total comprehensive income for the year	-	3,957	3,957
Transaction with owners			
Dividends: equity capital	-	(8,421)	(8,421)
Total transactions with owners	-	(8,421)	(8,421)
At 31 March 2022	**2,132**	**50,537**	**52,669**

The notes on pages 23 to 41 form part of these financial statements.

Notes to the financial statements

as at 31 March 2023

1. Company information

Stanhope plc is a private company limited by shares and is incorporated in England and Wales, with registered office 2nd Floor, 100 New Oxford Street, London WC1A 1HB.

The company's principal activity is that of property development.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention on a going concern basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The group financial statements are presented in pounds sterling and rounded to thousands. The group's and company's functional and presentational currency is the pound sterling.

3. Principal accounting policies

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

Going concern

Stanhope prepares cash and profit forecasts on a regular basis which are signed off by the Board on an annual basis and reported on at the quarterly Board meetings including any variances. As part of this process, sensitivity analysis is also undertaken and presented to the Board.

The cash forecast prepared by management for the period up to 31 July 2024 is based on contracted income, the known pipeline as well as assumptions regarding the winning of new business. A worst case scenario is also modelled which, if no income at all were to come in for the 12 months post the signing of the accounts (the going concern period) and the cost budgets remained the same and were spent, and all investment commitments were expended, there would be at least 12 months of cash still available to meet liabilities as they fall due until 31 July 2024.

The worst-case model is an extreme case for testing cash adequacy. In reality, the business has five projects on site and a further eleven in pre-development, as well as five asset management mandates which give secure income for the future, particularly for the going concern period.

As a business, Stanhope has continued to make progress on projects as described in the CEO's report. In addition, there have been new development agreements secured during the last year despite the uncertain economic conditions. The benefit of long-term relationships with clients and supply chain partners are particularly valuable in ensuring the continued success of Stanhope, together with the hard work and dedication of the Stanhope team.

Stanhope has continued to invest in new projects and the parent group secured a revised £50m shareholder loan note facility with its first roll over period to June 2027. The company makes short terms interest free repayable on demand loans to the investing companies in the parent group from any surplus cash and this can be repaid by them calling on the loan notes. At 31 March 2023, none of the facility had been drawn down and the £50m more than covers the total investment commitments of these investing companies.

For all of the reasons set out above, the Directors are satisfied that the company and group has more than adequate resources to continue operating for at least a period up to 31 July 2024 and that there are no material uncertainties that could cause significant doubt on the going concern assumptions. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Notes to the financial statements

as at 31 March 2023

Basis of consolidation

The group financial statements consolidate the financial statements of Stanhope plc and all its subsidiary undertakings drawn up to 31 March each year.

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders. The company has taken advantage of the following exemptions:

- the requirement to present a statement of cash flows and related notes;
- financial instrument disclosures, including:
  - categories of financial instruments at cost;
  - items of income, expenses, gains or losses relating to financial instruments measured at cost; and
  - exposure to and management of financial risks.

Entities in which the group holds an interest on a long-term basis, and which are jointly controlled by the group and one or more entities under a contractual arrangement, are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method, having conformed the underlying financial statements of the joint ventures with group accounting policies. Where the substance of the arrangement provides economic benefit greater than 50% to the group, the entity is consolidated as a subsidiary recognising the relevant minority interest.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method, having conformed the financial statements of the associates to group accounting policies.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and rebates allowed by the group and value added taxes.

Revenue is generated from four main income streams:

- Monthly management fees: these are recognised as the project management services are provided, over the period of the management fee arrangement;
- Bonus project management fee: revenue is only recognised to the extent that it can be estimated with reasonable certainty and is probable to occur;
- Planning consent fee: revenue is contingent upon success in gaining planning permission, and no revenue is recognised until this event has happened; and
- Profit share fee arrangements: these are either milestone payments, which are only recognised once the milestone has been achieved, or a profit share determined once the project is substantially complete. This income is accrued when it is probable and on a best estimate basis at the financial year end.

Pre-contract costs

Pre-contract costs are recognised as expenses as they are incurred, except that directly attributable costs are recognised as an asset from the date it becomes virtually certain that a contract will be obtained and the contract is expected to result in future net economic benefit with a present value no less than all amounts recognised as an asset. Such costs are recognised as work in progress within current assets.

Notes to the financial statements

as at 31 March 2023

Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits

Short term benefits, and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. Holiday pay is recognised as an expense in the period in which it relates unless the accrual is immaterial, in which case it is not recognised.

Defined contribution pension plans

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

Discretionary bonus plans and long term benefits

The group operates discretionary bonus plans for employees. An expense is recognised in the profit and loss account when the group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made. Any benefits payable after more than one year are measured on the discounted present value basis. The discount rate applied is based on the market yield on high quality UK corporate bonds as at the financial year end date plus a risk margin.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account. Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation

Deferred tax is provided in full in respect of all timing differences that have originated but not reversed at the balance sheet date where an event has occurred that will result in an obligation to pay more or less tax in the future, except for:

- Provision is not made for the remittance of a subsidiary's, associate's or joint venture's earnings that would cause tax to be payable where no commitment has been made to the remittance of the earnings; and
- Deferred tax assets are recognised to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Notes to the financial statements

as at 31 March 2023

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation, which is provided at rates calculated to reduce the carrying value of assets to their estimated residual value over their expected useful lives as follows:

Office equipment	–	25% to 50%
Leasehold fixtures and fittings	–	25%

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Lease incentives

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the profit and loss account using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in associates

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method, having conformed the financial statements of the associates with group accounting policies.

Investments in associates are recognised initially in the consolidated balance sheet at the transaction price and subsequently adjusted to reflect the group's share of the profit and loss account and retained earnings of the associate, less any impairment.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, is treated as goodwill and amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for at cost less impairment in the individual financial statements. Loans to associates are accounted for at fair value based on a discounted cash flow over the anticipated life of the loan.

Investments in joint ventures

Entities in which the group holds an interest on a long-term basis, and which are jointly controlled by the group and one or more entities under a contractual arrangement, are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method, having conformed the underlying financial statements of the joint ventures with group accounting policies. Where the substance of the arrangement provides economic benefit greater than 50% to the group, the entity is consolidated as a subsidiary recognising the relevant minority interest.

Notes to the financial statements

as at 31 March 2023

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are included in the balance sheet at cost.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Financial instruments

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when:

(a) the contractual rights to the cash flows from the asset expire or are settled, or

(b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or

(c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements

as at 31 March 2023

Financial instruments (continued)

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

As at 31 March 2023 and at 31 March 2022, no financial assets or liabilities are offset.

Called up share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings
The reserve includes all current and prior periods' retained profits and losses.

Distribution to equity shareholders
Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in retained earnings.

Related party transactions
The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

4. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements, based on estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Accrued income

The directors are required to make judgements on the assumptions used in calculating the profit share arrangements on completed projects, included within accrued income on the balance sheet. In some cases, the value of the profits due to the group are restricted by the anticipated costs still to be incurred to meet the group's obligations. Where this is the case, management have included a best estimate of the amounts receivable, based on management's industry expertise and historic knowledge.

In addition, where additional fees are anticipated, an estimate of the receivable amount due in proportion to the fulfilment of performance obligations as at the financial year end is included in accrued income.

5. Turnover

Turnover, which is stated net of value added tax, represents the fair value of work done in the year including amounts still to be invoiced. All turnover arises in the United Kingdom and relates to property development.

	2023	***2022***
	£' 000	***£' 000***
Group turnover:		
Turnover from property development services	29,637	18,950

Notes to the financial statements

as at 31 March 2023

5. Turnover (continued)

A number of the projects are being undertaken on behalf of funding institutions, and during the year the project turnover amounted to £132.008m (2022: £200.011m). On such projects the group, through the project development agreements, is obliged to settle third-party contractors' costs.

As the group ultimately incurs such obligations on behalf of the funder, the costs and related reimbursements in relation to such projects are excluded from the group's turnover.

6. Operating profit

This is stated after charging:

	2023	*2022*
	£' 000	***£' 000***
Auditors' remuneration:		
Fees payable for the audit of the group's and company's annual accounts	74	58
Fees payable for the audit of joint venture companies' accounts	7	6
Fees payable for accounts preparation	6	3
Fees payable for tax compliance services	33	29
Fees payable for other non-audit assurance services	44	52
Operating lease rentals – land and buildings	883	883
Depreciation	77	78

7. Staff costs

	2023	*2022*
	£' 000	***£' 000***
Salaries	10,719	8,617
Social security costs	2,093	1,193
Share of profits bonus	1,638	-
Other pension costs	239	202
	14,689	10,012

The average weekly number of persons (including executive directors) employed by the group during the year was 65 (2022: 62).

The group provides a defined contribution pension scheme and the amount recognised as an expense was £0.239m (2022: £0.202m). A holiday pay accrual of £0.190m (2022: £0.360m) has been provided for as the Covid-19 lockdowns have resulted in an accumulation of untaken holiday.

Notes to the financial statements

as at 31 March 2023

8. Directors' remuneration

	2023 £' 000	2022 £' 000
Remuneration for management services	4,174	2,668
	4,174	2,668

The highest paid director received £1.004m (2022: £0.396m) during the year. Pension costs excluded above of £0.017m have been paid for 6 directors during the year (2022: £0.022m for 7 directors).

9. Interest receivable

	2023 £' 000	2022 £' 000
Interest receivable	330	80
Total Interest receivable on financial assets not measured at fair value through profit or loss	330	80

10. Tax on profit on ordinary activities

(a) Tax on profit

The tax charge is made up as follows:

	2023 £' 000	2022 £' 000
Current tax		
UK corporation tax on profit of the year	753	868
Adjustment in respect of prior periods	5	(12)
Total current tax	758	856
Deferred tax		
Origination and reversal of timing differences	(17)	36
Adjustments in respect of prior periods	-	99
Effect of tax rate change on opening balance	-	(12)
Total deferred tax (see note 18)	(17)	123
Tax on profit	741	979

Notes to the financial statements

as at 31 March 2023

10. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower (2022: higher) than the main rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £' 000	2022 £' 000
Profit before taxation	8,128	4,936
Add back share of associated undertakings' losses	6	7
Group profit before taxation	8,134	4,943
Profit multiplied by the main rate of corporation tax in the UK of 19% (2022: 19%)	1,545	939
Effect of:		
Expenses not deductible for tax purposes	294	23
Income not taxable	(63)	(60)
Adjustments in respect of prior year	5	(19)
Adjustment in respect of prior year for deferred tax	-	99
Remeasurement of deferred tax for change in tax rate	(29)	(4)
Group relief claimed	(51)	(41)
Other movements	(1,016)	5
Tax adjusted share of profits from partnership interest	56	37
Total tax charge (note 10(a))	741	979

(c) Tax rate changes

Deferred tax balances at 31 March 2023 are measured at 25% (2022: 25%).

Notes to the financial statements

as at 31 March 2023

11. Tangible fixed assets

Group and company	***Leasehold fixtures and fittings £'000***	***Office equipment £'000***	***Total £'000***
Cost:			
At 1 April 2022	1,972	646	2,618
Additions	2	117	119
At 31 March 2023	1,974	763	2,737
Accumulated depreciation:			
At 1 April 2022	1,892	593	2,485
Provided during the year	9	68	77
At 31 March 2023	1,901	661	2,562
Net book value:			
At 31 March 2023	73	102	175
At 31 March 2022	80	53	133

Notes to the financial statements

as at 31 March 2023

12. Investments – group

Details of investments, in which the group holds 20% or more of the nominal value of any class of share capital, are as follows:

Name of company	*Financial year end*	*% of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Stanhope Projects Limited	31 March 2023	100%	Property Investment
Stanhope Nominees Limited	31 March 2023	100%	Trust company
Stanhope Asset Management Limited	31 March 2023	100%	Dormant
Stanhope Estates Management Limited	31 March 2023	100%	Dormant
Stanhope Properties Limited	31 March 2023	100%	Dormant
Stanhope Securities Limited	31 March 2023	100%	Dormant
Stanhope Investment Management Limited	31 March 2023	100%	Dormant
Joint ventures			
Elwick Place Construction Limited	31 March 2023	50%	Property development
HFS Developments LLP	31 March 2023	50%	Property development
HFS Developments 2 Limited	31 March 2023	50%	Property development
Widemarsh Gate Developments Limited	31 March 2023	50%	Property development
B6 Developments Limited	31 March 2023	50%	Dormant
H1 Developments Limited	31 March 2023	50%	Dormant
Digbeth Loc Limited	31 March 2023	50%	Dormant
MFS Development Services Limited	31 December 2022	50%	Dormant
New Burlington Developments Limited	31 March 2023	50%	Dormant
St Swithins Developments Limited	30 June 2023	50%	Dormant
Associated undertakings			
Sackville LCW (GP) Limited	31 March 2023	33.3%	General partner to Low Carbon Workplace Fund

All of the above companies are registered in the United Kingdom and their registered offices are 2nd Floor, 100 New Oxford Street, London WC1A 1HB apart from:

Widemarsh Gate Developments Limited, B6 Developments Limited, H1 Developments Limited, New Burlington Developments Limited and St Swithins Developments Limited whose registered offices are 55 Station Road, Beaconsfield, Buckinghamshire HP9 1QL.

Sackville LCW (GP) Limited whose registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AG.

Stanhope Estates Management Limited whose registered office is 40 Queen Anne Street, London W1G 9EL.

Digbeth Loc Limited and Stanhope Projects Limited were established during the year and their first financial year end will be 31 March 2023.

Stanhope Nominees Limited (company number 10220584) is exempt from the requirements of the Act relating to the audit of individual accounts under section 479A of the Companies Act 2006 by virtue of Stanhope plc providing a parental guarantee.

Notes to the financial statements

as at 31 March 2023

12. Investments – group (continued)

Investments in:	***Joint ventures £' 000***	***Associated undertakings £' 000***	***Other £' 000***	***Total £' 000***
Cost:				
At 1 April 2022	296	4	10,030	10,330
Additions	71	-	2,583	2,654
Disposals	(355)	-	-	(355)
Share of losses	(6)	-	-	(6)
Decrease in fair value	-	-	(330)	(330)
At 31 March 2023	6	4	12,283	12,293
Provisions against investments:				
At 1 April 2022	-	-	2,394	2,394
Additions	-	-	480	480
At 31 March 2023	-	-	2,874	2,874
Net book value:				
At 31 March 2023	6	4	9,409	9,419
At 31 March 2022	296	4	7,636	7,936

The losses from joint ventures comprise the following:

	2023 £' 000	***2022 £' 000***
HFS Developments LLP	(2)	(4)
HFS Developments 2 Limited	(4)	(3)
Total share of losses from joint ventures	(6)	(7)

Notes to the financial statements

as at 31 March 2023

12. Investments – group (continued)

Other Investments

Other investments include:

a) Units in Chiswick Park Seven Unit Trust, The Croydon Gateway Property Unit Trust, The Carbon Neutral Real Estate LP (previously named The Low-Carbon Workplace LP); and SCF Gracechurch Property Unit Trust;

b) Shares in SB Royal Holdings Limited;

c) Partnership interest in SCF Gracechurch 1 LP, SCF Cambridge 1 LP and SCF 163CSP 1 LP.

On acquisition other investments are measured at transaction price and then subsequently at cost reviewed for any impairment. For those investments that are readily marketable, they continue to be recognised at fair value at each reporting date. In the case of investments not readily marketable, the investment is reviewed for impairment/write back of previous impairment.

All these investments are included at cost except The Carbon Neutral Real Estate LP which is held at fair value of £0.779m (2022: £1.109m). The other investments held at cost less impairment total £8.630m (2022: £6.527m).

a) Units:

During the year, a distribution of £0.068m was received (2022: £0.128m) from the Chiswick Park Seven Unit Trust.

During the year, distributions were received from the Croydon Gateway Property Unit Trust of £0.028m (2022: £0.026m).

During the year, distributions were received of £0.041m (2022: £0.043m) from Carbon Neutral Real Estate LP.

During the year, the carrying value of the investment in The Carbon Neutral Real Estate LP was reduced by £0.330m (2022: reduced by £0.013m) to fair value.

During the year, the company invested £0.173m (2022: £nil) in Chiswick Park B7 Unit Trust.

During the year, Stanhope Projects Limited invested £nil (2022: £0.003m) in SCF Gracechurch Property Unit Trust, £0.004 in SCF Cambridge Property Unit Trust (2022: £nil) and £0.007 in SCF 163CPS Property Unit Trust (2022: £nil).

b) Shares:

During the year, the company invested £0.215m in SB Royal Holdings Limited (2022: £0.628m).

c) Partnerships:

During the year, the company invested £nil (2022: £1.524m) in SCF Gracechurch 1 LP, £0.877m (2022: £nil) in SCF Cambridge 1 LP and £1.307m (2022: £nil) in SCF 163CSP 1 LP.

Notes to the financial statements

as at 31 March 2023

13. Investments – company

	Joint ventures	*Associated undertakings*	*Subsidiary undertakings*	*Other*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Cost:					
At 1 April 2022	2,193	14	1	9,716	11,924
Additions	71	-	-	2,572	2,643
Disposals	(355)	-	-	-	(355)
Decrease in fair value	-	-	-	(330)	(330)
At 31 March 2023	1,909	14	1	11,958	13,882
Provisions against investments:					
At 1 April 2022	1,897	14	-	2,083	3,994
Increased during the year	6	-	-	480	486
At 31 March 2023	1,903	14	-	2,563	4,480
Net book value:					
At 31 March 2023	6	-	1	9,395	9,402
At 31 March 2022	296	-	1	7,633	7,930

14. Work in progress

	Group 2023	*Group 2022*	*Company 2023*	*Company 2022*
	£' 000	*£' 000*	*£' 000*	*£' 000*
Work in progress	228	132	228	132

Notes to the financial statements

as at 31 March 2023

15. Debtors

	Group 2023 £' 000	*Group 2022 £' 000*	*Company 2023 £' 000*	*Company 2022 £' 000*
Trade debtors	3,414	2,478	3,414	2,478
Prepayments and accrued income	2,873	1,398	2,873	1,398
Short term loan to parent company	225	-	225	-
Short term loan to subsidiary	-	-	14	-
Short term loan to related company	3,777	10,690	3,777	10,693
Deferred tax asset due within one year	172	-	172	-
Deferred tax asset due after one year	106	42	106	42
VAT repayable	145	-	145	-
Other debtors	32	56	32	56
Total debtors	10,744	14,664	10,758	14,667

There is a bad debt provision of £0.992m against trade debtors (2022: £0.57m).

Amounts owed from parent, subsidiary and related companies are unsecured, interest free, and are repayable on demand.

For more information on deferred tax, see note 18.

16. Creditors: amounts falling due within one year

	Group 2023 £' 000	*Group 2022 £' 000*	*Company 2023 £' 000*	*Company 2022 £' 000*
Trade creditors	140	236	140	236
Other creditors	94	240	94	240
Other taxes and social security	338	307	338	307
Accruals	3,918	2,725	3,918	2,725
Corporation tax payable	-	53	-	53
VAT payable	-	3,273	-	3,273
Total creditors	4,490	6,834	4,490	6,834
Deferred tax liability (see note 18)	-	27	-	27
Total provisions	-	27	-	27
Total creditors and provisions	4,490	6,861	4,490	6,861

Notes to the financial statements

as at 31 March 2023

17. Creditors: amounts falling due after one year

	Group 2023 £' 000	*Group 2022 £' 000*	*Company 2023 £' 000*	*Company 2022 £' 000*
Other creditors	425	167	-	167

18. Deferred taxation

Group and company

The group has unrecognised deferred tax assets carried forward as at 31 March 2023 in respect of short term timing differences of £nil (2022: £nil).

The group and company has a recognised deferred tax asset of £0.032m (2022: £0.014m) carried forward as at 31 March 2023. Deferred tax has been recognised at a rate of 25% (2022: 25%), which is the rate at which liabilities are expected to unwind. See note 15 Debtors for details of the split between less than one year and more than one year.

Movement in deferred tax provision	*2023 £' 000*	*2022 £' 000*
Provision at start of the year	(15)	(138)
Deferred tax credited in the profit and loss account	(17)	123
Asset at year end	(32)	(15)

The deferred tax balance is made up of the following:	*2023 £' 000*	*2022 £' 000*
Accelerated capital allowances	(11)	(34)
Short term timing differences	(21)	19
Asset at year end	(32)	(15)

Notes to the financial statements

as at 31 March 2023

19. Financial Instruments

	Group 2023 £' 000	*Group 2022 £' 000*	*Company 2023 £' 000*	*Company 2022 £' 000*
Financial assets held at fair value	779	1,110	779	1,110
Financial assets that are equity interests held at cost less impairment	8,630	6,527	8,623	6,527
Financial assets held at amortised cost	4,005	13,325	4,005	13,325
Financial liabilities held at amortised cost	140	236	140	236

Financial assets measured at amortised cost comprise other investments as detailed at notes 12 and 13, work in progress disclosed in note 14 and trade debtors, short term loans to related companies and other debtors disclosed at note 15.

Financial liabilities measured at amortised cost comprise trade creditors disclosed at note 16 and excluding other creditors, accruals, deferred income, provisions, corporation tax payable and VAT payable.

20. Share capital and reserves

	Allotted, called up and fully paid		*Allotted, called up and fully paid*	
	Group 2023 £'000	*Group 2022 £'000*	*Company 2023 £'000*	*Company 2022 £'000*
533,000 ordinary shares of £1 each	533	533	533	533
1,599,000 ordinary 'B' shares of £1 each	1,599	1,599	1,599	1,599
	2,132	2,132	2,132	2,132

The 'B' shares rank pari-passu with the ordinary shares.

The retained earnings include all current and prior period retained profits and losses. These are distributable, apart from the unrealised net profit arising on the uplift in value on The Carbon Neutral Real Estate LP units net of deferred tax (see notes 12 and 18). This amounts to £0.060m as at 31 March 2023 (2022: £0.329m). There are no other restrictions on the distribution of dividends and repayment of capital.

Notes to the financial statements

as at 31 March 2023

21. Dividends

	2023 £' 000	2022 £' 000
Paid during the year:		
Equity dividends on ordinary shares	200	8,421
	200	8,421

Dividends of 9.380p per share were paid during the year (2022: 395.0p per share).

22. Capital commitments

At 31 March 2023, the company had an ongoing commitment to fund short term loans repayable quarterly relating to a project being developed by HFS Developments 2 Limited, a joint venture with Hammersmith and Fulham Council.

At 31 March 2023, the company had a commitment to provide equity finance to SB Royal Holdings Limited of £0.876m (2022: £1.091m).

At 31 March 2023, the group had a commitment to provide finance for the Gracechurch project of up to a maximum of £2m of which £1.527m had been provided (2022: £1.527m).

At 31 March 2023, the group had a commitment to provide finance for the 194-198 Cambridge Science Park project of up to a maximum of £2m of which £0.881m had been provided (2022: £nil).

At 31 March 2023, the group had a commitment to provide finance for the 163 Cambridge Science Park project of up to a maximum of £2m of which £1.313m had been provided (2022: £nil).

23. Financial commitments under operating leases

At 31 March 2023, the group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2023 £' 000	2022 £' 000
Operating lease which expires:		
In less than one year	1,028	1,028
In more than one year and not later than five years	1,404	2,432

Notes to the financial statements

as at 31 March 2023

24. Related parties

Details of joint ventures and associates, and changes in investments are given in note 12. Further details are provided below:

JOINT VENTURES

	2023 £' 000	2022 £' 000
Fees earned from joint ventures		
HFS Developments 2 Limited	69	69
Amounts included in trade debtors from joint ventures		
HFS Developments 2 Limited	3	2
Elwick Place Construction Limited	-	196
Interest earned from joint ventures		
HFS Developments 2 Limited	8	73
Amounts included in accrued income from joint ventures		
HFS Developments 2 Limited	-	29

OTHER RELATED PARTIES

During the year, the company lent Stanhope Investments Limited, a subsidiary of the company's own parent company, short term 0% loans repayable on demand amounting to £0.544m (2022: £4.942m) and was repaid £7.640m (2022: £nil). The balance owing at 31 March 2023 was £3.131m (2022: £10.227m).

During the year, Stanhope lent Stanhope Investments 2 Limited, a subsidiary of Stanhope Investments Limited a short term 0% loan repayable on demand of £0.645m (2022: £0.462m) and was repaid £0.462m (2022: £nil). The balance owing at 31 March 2023 was £0.645m (2022: £0.462m).

During the year the Company earned fees on projects with our ultimate shareholders totalling £14,920m (2022: £6.239m) and included in trade debtors at 31 March 2023 were £1.556m (2022: £1.334m).

25. Post balance sheet events

Since the financial year end, a further £0.318m has been lent to Stanhope Investments Limited and a further £0.283m has been lent to Stanhope Investments 2 Limited.

26. Parent company

The company's parent and ultimate parent company is Stanhope Holdings Limited incorporated in England and Wales.