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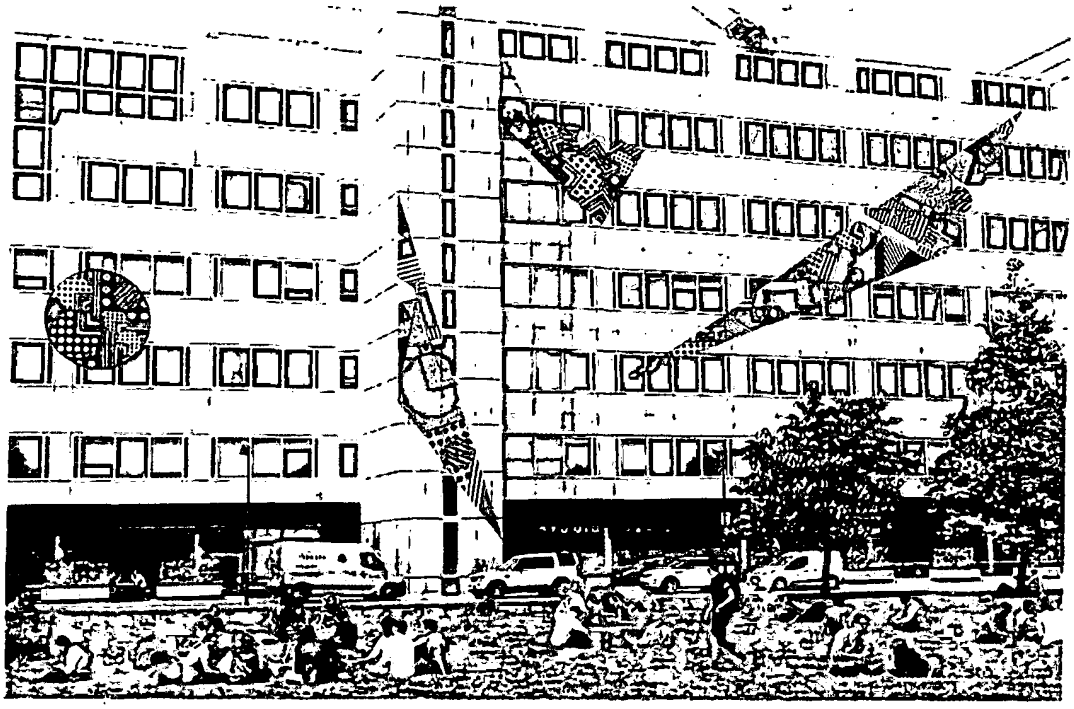
Report and Financial Statements
Stanhope plc
Registered Number 03017841

31 March 2021



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COMPANIES HOUSE

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
*Members of the Management Board

Company secretary
C N Pagan

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Bankers
The Royal Bank of Scotland plc
24 Grosvenor Place
London SW1X 7HN

Solicitors
Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Registered Office
2nd Floor
100 New Oxford Street
London WC1A 1HB

Photographic Credits
Cover Image –Media Village (White City Place) – dn&co
1 Bishopsgate Plaza – Miller Hare
Chiswick Park – Robin Gautier

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Strategic Report – Chief Executive's statement

Market Overview

To state the obvious the property market through the year to March 2021 was dominated by the impact of Covid-19 and Brexit.

Within the markets Stanhope operates, the pandemic lockdowns led to a virtual halt in high value residential sales and office investor and occupier activity. The impact also led to a need for landlords to accept rent deferrals and forgiveness particularly in the retail and hospitality sectors.

Another immediate impact of the first pandemic shut down was the closure of our building sites. The impact of closures, and the additional on site safety requirements as they reopened, has led to the extension of construction programmes and additional costs.

Post March 2021, with the successful roll out of the vaccines and the gradual re opening of businesses, occupier and investor activity has resumed spurred on by pent up demand.

During the year, the risks and uncertainties in relation to the UK's exit from the EU were largely resolved by a deal being agreed at the 31st December 2020 deadline. The deal, avoiding tariffs and with limited barriers to labour movement, is seen as a positive outcome.

The impact of the lack of "passporting" for banking and financial services is still being played out. As the majority of affected business's had moved necessary activities out of London soon after the referendum result, the completion of Brexit is unlikely to create a major reduction in demand for office space or affect London's position in global finance.

Looking forward, most forecasters are expecting that there will be a rapid bounce back in GDP (forecasts have become more positive over the past three months) and this is creating a significant increase in business confidence.

At the start of the pandemic there was a limited amount of grade A office space in Central London. This, together with the considerable amount of international capital seeking to be invested in London, has ensured a stable market and, coming out of the pandemic, significant investment transactions resuming at pre-pandemic pricing.

Through the pandemic period, the majority of occupiers seeking new accommodation paused their searches and used the time to review their business occupancy strategy.

There is now a distinct recovery in leasing activity with central London tenant viewings from late March reaching pre-pandemic levels in central London. In particular, occupiers wishing to engage in pre-let discussions last summer are now re-entering the market.

Aided by Government support, and significant venture capital, a key growth sector in our areas of operation is research organisations, particularly businesses involved in Life Sciences. This growth sector is a sector of the market which will be a key focus for us going forward.

Against the above positives, as we come out of Covid-19 restrictions, there remains a number of risks and uncertainties which we must address.

The key risk to our business is the well documented debate as to what will be the quantum, location and nature of office demand in future. During the pandemic, the impact of the rapid advancement in technology, enabling efficient, remote working, has clearly illustrated why the nature of the office has dramatically changed.

Strategic Report – Chief Executive's statement

As one of London's major office developers, it is essential that we have a detailed understanding of the implication of these changes and we are carrying out extensive research to enable us to understand the likely nature and quantum of demand for offices going forward.

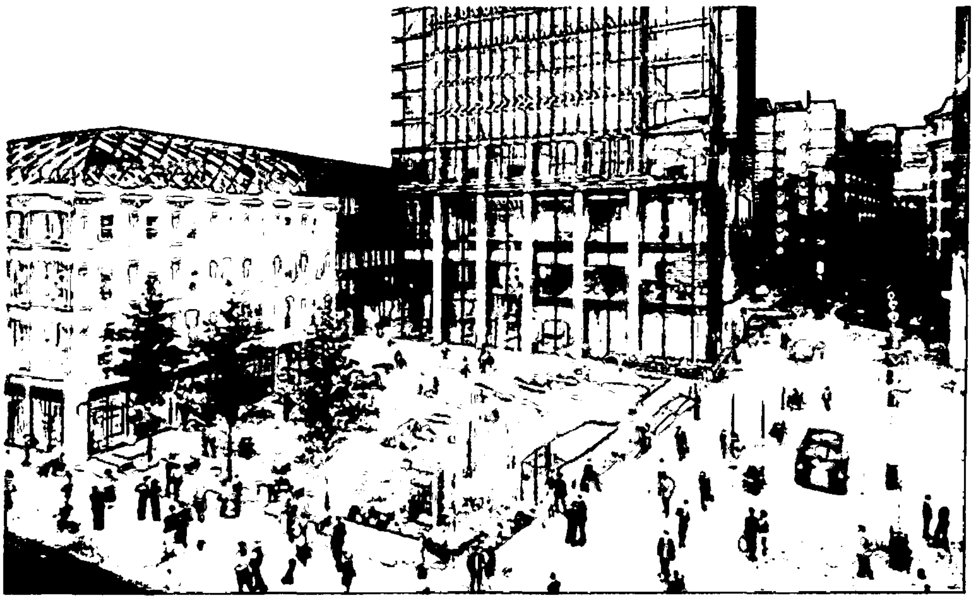
In terms of the retail and the hospitality sectors, Covid-19 has sped up significant changes in the nature, quantum and location of demand. Whilst these sectors are not at the forefront of our activities, they are an integral part of the overall life and work style offer which is an essential part of our projects.

Brexit has created well-publicised problems with changes to customs requirements and ongoing logistics issues. During 2020, we had ensured our clients and supply chain were building up stocks to ensure uninterrupted supply and to hedge against euro fluctuations. Pre Covid-19, the industry also continued to benefit from a significant labour force.

Going forward there will be a significant reduction in European construction workers. Many workers have moved back to their home countries and it seems unlikely that many will return. This is now resulting in a shortage of labour in particular skill areas. As an example, the provision of dry lining is labour intensive. Out of a workforce of circa 65,000-70,000, 85% of the labour force in 2020 was Eastern European. This is a key challenge for the construction industry. With our strong long-term relationships with our partners, contractors and broader supply chain we are confident that we can navigate a way though to enable us to continue to successfully deliver our projects.

There is no longer any debate that the property market, investors and occupiers must take responsibility for moving to carbon zero and delivering on the broader ESG agenda.

Throughout its history Stanhope has aimed to be market leaders in delivering on the green agenda and considered health, welfare and social inclusion as part of our projects. We continue to press forward on these critical issues both at a corporate and project level. Our approach to delivering on the ESG agenda is set out on page 7.



1 Bishopsgate Plaza

Strategic Report – Chief Executive's statement

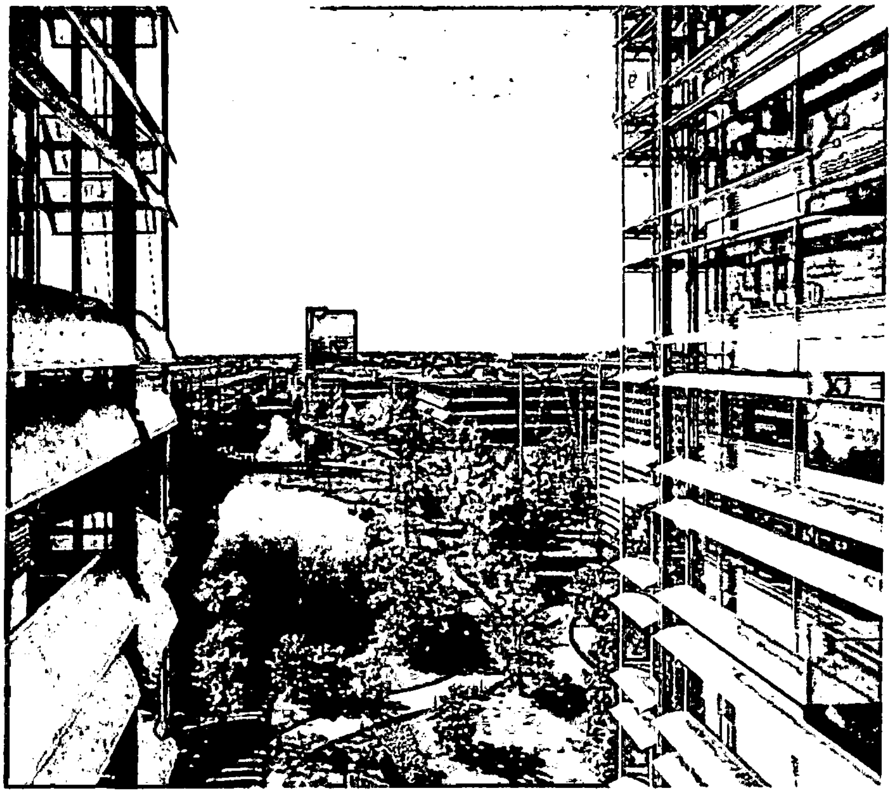
Business Overview

Highlights for the year to March 2021 included:

- At the start of the pandemic Stanhope had three projects on site which increased to eight during the pandemic. By working closely with the Government and other industry bodies we have been able to safely operate our building sites beyond the start of the first lockdown.
- At White City Place, during the year construction started on Gateway Central and predevelopment works have begun at Gateway West. Both are due for completion during 2022. 125,000 sq ft of Gateway Central has been pre let to L'Oreal in the 270,000 sq ft building.
- At White City Place, we secured the sale of Media Village which was acquired in 2015 with our shareholders AIMCo and Mitsui Fudosan. Stanhope had a 10% stake in the asset. The new owners, Cadillac Fairview, have retained Stanhope as their Development and Asset Manager.
- During the year, three further Life Sciences companies took space at White City Place - Adaptate Biotherapeutics, Engitix and Vivan Therapeutics. Gamma Delta Therapeutics also expanded in the year and accommodation is being provided for Open Cell.
- With our shareholders, Mitsui Fudosan and AIMCo, the construction of 1 Wood Crescent at Television Centre commenced in March 2021. PVH, (the parent company of Tommy Hilfiger, Calvin Klein and Van Heusen) have pre-leased the top 5 floors (50,000 sq ft) of the 110,000 sq ft building.
- At Television Centre, despite the lockdowns preventing viewings, further residential sales were achieved and only 12 premium and penthouse apartments remain to be sold.
- At Ruskin Square Croydon, with our long-term partner Schroders, construction commenced on the next office phase of 330,000 sq ft which has been pre-let to the Home Office. Construction started in December 2020. Following the success of securing this major pre-letting, we are in preliminary discussions with potential pre-lets to underpin the construction of 3 Ruskin Square which we are about to submit for planning.
- Gresham St Paul's, a 170,000 sq ft office building in the City, achieved practical completion in February 2021. This enabled the pre let occupiers Numis and Tilney Smith and Williamson to take possession and commence their fit outs. This leaves 18,000 sq ft of the building remaining to be let.
- In January 2021, working with our long-term partners, Mitsubishi Estates, we began the refurbishment of Warwick Court, a 280,000 sq ft office located at Paternoster Square in the City of London. We have agreed terms for a pre-let of 130,000 sq ft which will leave circa 50,000 sq ft to market.
- Following the listing of the IBM building on the South Bank, a revised planning application responding to the heritage issues was submitted in March 2021. We hope to receive a resolution to grant planning approval in June 2021 which will facilitate a marketing campaign of this iconic building.
- At Chenies Street WC1, on behalf of Schroders, we are taking forward a refurbishment and extension project totalling c70,000 sq ft. A planning application will be submitted this month.
- During the year we were also appointed, by a long-term partner, to progress a tower project in the City of London which could provide up to 800,000 sq ft of accommodation.

Strategic Report – Chief Executive's statement

- Our major life science projects at the British Library (adjacent to The Crick Institute) and Royal Street (adjacent to St Thomas's Hospital) are now moving forward through the planning phase.
- One Bishopsgate Plaza, a 43-storey hotel and residential tower for UOL, was practically complete in May 2021 allowing the hotel to be ready for fit out to commence.
- Construction of 8 Bishopsgate continued during the year. This 800,000 sq ft 50 storey office tower being developed for Mitsubishi Estates is seeing early occupier interest. The design of the building is the first in the City to include an on-floor air plant solution providing each floor with its own individual air distribution. This is proving to be a key selling point for the building particularly as we come out of the pandemic.
- Post the year end, our partners, Bruntwood Citec, were selected by the University of Manchester to take forward the development of an Innovation District of up to 4,000,000 sf. This is our first major commercial project outside of the South East. We anticipate, selectively, securing other major masterplan projects out of London. In particular this will be projects providing accommodation which can be used by Research and Life Science occupiers.
- We are currently in negotiations to progress a number of other significant projects. In this regard we are continuing to focus upon major placemaking projects in growth locations and best performing workplace buildings which will optimise environmental and financial outcomes.



Chiswick Park

Strategic Report – Chief Executive's statement

Environmental, Social and Governance (ESG)

Environmental

The real estate and construction industry is at the heart of the UK transition to a low-carbon economy. It is recognised that climate change will be the defining issue of the decade ahead. As a leading developer, Stanhope sees ESG leadership as a crucial component of long-term success. Stanhope is playing an active part in addressing the climate transition challenge and the social issues around us. This activity spans from addressing the climate change issues around our construction activities, through to the long-term operational resilience of our assets and the social impact of our projects in their local communities.

Recognising the above we have recently recruited a new head of ESG and an ESG coordinator.

Stanhope has launched our 2021 ESG Strategy, which captures our approach to ESG across all material areas of our business including our development activities, assets under operational management and our corporate activities.

We have also formalised our commitment to a net zero carbon future by signing up to the World Green Building Council Net Zero Carbon Buildings Commitment in 2020 and we have announced plans to decarbonise our business activities by 2030. With the prospect of COP 26 planned in Glasgow later this year, we will continue strengthening our focus towards climate action in the year ahead and develop an approach to net zero carbon to enable us to deliver on our commitment.

In order to focus and collate Stanhope's positive contribution to society, we have launched the Stanhope Foundation and have also reported on the social value created via our business activities through our Planet Mark Certification.

In parallel to our World Green Building Council Net Zero Carbon Buildings Commitment, our updated 2021 ESG Strategy sets out embodied carbon targets for our developments. Embodied emissions arising from the construction of assets are a major portion of a building's carbon footprint over its lifetime, and this is a key area where we can make a positive impact in the decade ahead.

At our 8 Bishopsgate project we have rationalised the design of the foundations, superstructure and cladding to achieve materials efficiency whilst specifying materials with low-embodied carbon and sourced, as far as possible, from the UK and Europe to minimise transport emissions. As a result, the embodied carbon intensity of the building has been reduced by c 30% compared to its baseline design. On a broad basis we are also focusing on the refurbishments and repositioning of buildings creating significant value at a minimum carbon cost. Warwick Court is a current example of such an approach.

2020 saw the formal launch of NABERS UK, a performance-based certification scheme rewarding the in-use operational energy performance of buildings. Stanhope is a Pioneer partner of the scheme which, in line with the Design for Performance (DfP) approach, helps to deliver buildings with verifiable world-class energy performance. We are following the DfP approach at our Pioneer 2 Ruskin Square development. It aims to be the first office development in the UK to follow the process from start to finish and should be the first new building to achieve a NABERS rating in the UK. Through this project we are seeing the benefit that this approach provides in focusing on delivering in-use energy performance. We are now committed to applying the process across all of our projects.

Strategic Report – Chief Executive's statement

Social

Health and Wellbeing

During the long period of working from home, Stanhope has ensured that its team have had the opportunity to continue to exercise and stay healthy with online yoga and fitness classes, team activities and challenges, The office has been open, whenever possible, for those who have needed to come in for essential work or who prefer to come to the office for their mental wellbeing.

Stanhope has also given "Stanhope Bank Holidays" to the team to enable people to enjoy some longer weekends away from the intensity of long days in virtual meetings and the creep of "living at work". The private health insurance benefit that Stanhope provides has also been extended to include increased cover for mental health. All employees now have access to a comprehensive Employee Assistance Programme as well as a virtual GP.

The Stanhope Foundation

A new initiative which we have launched this year is The Stanhope Foundation. It is focused on increasing employability among vulnerable and young people in London, to enable them to find hope and pride through meaningful employment.

Partnering with three charities, Maggie's, St Mungo's and The Prince's Trust, the Foundation will raise money for employment initiatives to help those in most need. Through the Foundation we will also provide pro bono advisory work and volunteering opportunities. The aim is to work with these charities to help the young, homeless and vulnerable to get back to work. Stanhope's "Friends and Family" have given their support and with our partners we have pledged £0.5m a year for three years. The support to the Foundation of our partners is greatly appreciated.

Mentoring Circle

Stanhope is supporting a new initiative, Mentoring Circle, set up by Vanessa Murray a member of our asset management team. This will bring together newly qualified female surveyors with senior female professionals working in real estate. The mentors will provide a free, one-to-one mentoring programme over the course of 12 months. The initiative partners mentees with mentors from different sectors to ensure they benefit from the breadth of experience the property industry offers. So far over 35 mentors, from a wide variety of prestigious partners have joined the program.

All Female Team at Warwick Court

At our Warwick Court project, which has been headed by our Project Director, Laura Collins, an all-female senior team has come together. This was unplanned and highlights the increasing diversity of employees in the development and construction industries

Governance

Stanhope's objective is to approach all of our relationships as a partnership and treat people fairly and with respect. This approach is targeted at dealings with individuals in major organisations through to individuals in our supply chain partners and local communities.

Our approach has led to us building up long-term supply chain partners. As partners we aim to ensure that all parties are appropriately remunerated and paid on time.

Strategic Report – Chief Executive's statement

We also pride ourselves on treating all members of our team as partners and have a remuneration strategy which shares profits between our shareholders and employees.

Key to the success of our business, we continue to target diversity in our activities. As a small team in a poorly diverse industry creating a rounded team is challenging when ensuring that appointments are made based upon merit. We have however made good progress and this will continue. In the last year we have appointed five female executives. Working with the Mentoring Circle we are aiming to assist females through all aspects of property progress to senior roles.

In terms of reporting integrity, we have joined Planet Mark certification to measure, disclose and improve upon the environmental and social impact of our corporate activities. Plant Mark provides internationally recognised certification.

Collecting data is essential to ensuring accurate reporting on greenhouse gas reporting, minimisation and management. Having reviewed our key emission sources this year, this will create a framework to capture accurate data across all areas of our business and derive meaningful insights which will ensure that we are making continual positive progress.

Research and Innovation

COVID-19

We responded to the discussions around the effect of the pandemic on office design by producing our own internal guidance note. The note was shared with the British Council for Offices and spawned a series of 'Thoughts on Covid...' papers and webinars, where Stanhope was a major contributor and presenter.

The papers and webinars covered:

- Office design and operation
- Lift and escalator design
- Ventilation design and operation
- Washroom design and operation

At the start of the pandemic, Stanhope was involved with Build UK, the Construction Leadership Council and other bodies who, together, led the construction industry's approach to creating site operating procedures to enable sites to reopen safely. All of Stanhope's construction sites modified welfare, security and headcount to enable social distancing and safe working.

On Floor Plant

At 8 Bishopsgate, we have moved away from the traditional large-format central ventilation plant with extensive distribution to tenancies. Instead, we are providing smaller decentralised units on each floor.
In addition to reducing the amount of plant space needed (a commodity in short supply on a tall building), we are better able to control the ventilation in each tenancy, maintaining better air quality and reducing the energy needed by the building. We are investigating this approach on several of our other developments.

Strategic Report – Chief Executive's statement

The role of the Office

The pandemic has accelerated trends already taking place. We are undertaking research to identify what these trends mean for businesses in the medium term (5-10 years), rather than focussing on the immediate concerns and requirements.

We have commissioned research into intergenerational attitudes to work, particularly among the younger cohorts (Gen Z and Gen Alpha), technological trends, and occupier perspectives. This research has included extensive discussions with occupiers, investors and industry partners.

Our early conclusions are that cities, and particularly world cities such as London, will still be the place where companies wish to locate to undertake 'work', but the nature of the office will change. We expect a flight to quality with increasing focus on sustainability, health and wellbeing, amenity and location, where the buildings and the neighbourhood deliver benefits that cannot be obtained at home.

We will continue to explore and take forward this work in all aspects of the business from acquisition to asset management, to ensure the places and buildings that we create meet occupier and investor expectations.

Our team and partners

Stanhope has continued to operate effectively during the year, with employees working from home and at construction sites and with a gradual return to the office.

We are exceptionally grateful to all of our team who have adapted to the necessary new ways of working, enabling our business to move forward without any significant disruption. In addition, many of the team have taken the initiative to put in place a range of well being and social events which have enabled our team spirit to be further enhanced.

In addition to our team, we are grateful for the continuing support of our shareholders, Mitsui Fudosan and AIMCo, through this difficult year as well as other key partners and clients including AFIAA, Baupost, Cadillac Fairview, Carbon Trust, Columbia Threadneedle, Guy's and St Thomas's Charity, LaSalle Investment Management, Mitsubishi Estate, Schroders and UOL. 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.

Outlook

Since the start of our financial year the outlook has been totally dominated by the human and financial cost of the pandemic.

With the steady reduction in Covid-19 cases and the rapid roll out of the vaccines, the economy is opening up and businesses are now looking at how best to move forward in a post pandemic world. The rapid return to GDP growth provides a positive backdrop for us.

Occupiers and investors are committed to ensuring that their decisions are led by environmental considerations. Going forward we believe that we are well placed to deliver challenging, environmental targets.

Strategic Report – Chief Executive's statement

Thanks to the commitment of our partners to continue to progress developments throughout the pandemics, we have a significant book of current and future projects in growth sectors, including Life Science locations.

We will continue to work to understand the name,of, and demand for, workspace, and we see a positive outlook for us through the current financial year and beyond.

Financial Results

Stanhope's group results for the year to 31 March 2021 have shown a profit before tax of £6.2m on a turnover of £22.6m and with net assets of £57.1m. (2020: Profit before tax £11.7m, turnover £24.8m and net assets of £57.2m). The current year's results are after share of profits bonuses of £2.5m (2020: £nil).

The company paid dividends of £4.65m during the year in respect of the 2018/19 financial year, and £0.15m as an interim dividend in respect of the 2020/21 financial year (2020: £3.86m).

At the 31 March 2021 year end, Stanhope was holding cash of £50.2m (2020: £24m) with no debt.

A dividend of £8.421m was paid in July 2021.

David Camp

15 July 2021

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 £22 billion (25m 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, based on the expectation that London will maintain its pre-eminence as a strategic global city. In addition, Stanhope selectively pursues other projects outside London that are suited to its 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 working in the life sciences sector, particularly at White City Place and for future developments at The British Library and Royal Street.

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 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.

Covid-19 risk management

Prior to Covid-19, Stanhope had carried out a full IT upgrade which has enabled all employees to work from home successfully when the Covid-19 situation arose. Weekly company-wide team meetings as well as regular smaller team calls help to keep people in touch and informed.

The management team have a scheduled call twice a week to ensure any risks or issues are identified promptly and actions taken to ensure the smooth running of the business, the welfare of employees and a "business as usual" service for our clients and partners. The company has been following government guidance and has implemented re-occupation guidance for any employees who would like to start working from the office again.

Stanhope produces cash and profit forecasts for sign off by the Board. As a result of Covid-19, additional forecasts and downside scenarios have been produced and reviewed by the management team to ensure the company has sufficient cash to continue in business. The strong cash position of £50.3m as at 31 March 2021 has meant that there is sufficient cash to meet all running costs and investment commitments in the foreseeable future, as well as providing capital for so-investment in new opportunities. See the Directors' report and Going concern section for more details.

With regard to our projects, safe working practices were introduced during the early months of the pandemic to enable the sites to re-open safely, and all sites are closely monitored with regular Covid testing.

Strategic Report - Strategic review

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 15 July 2021.

Director

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2021.

Results and Dividends

Dividends of £4.8m were paid during the year (2020: £3.86).

A dividend of £8.421m was paid in July 2021.

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 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 at 31 July 2022.

This is before allowing for the additional cash funding available through the shareholder loan notes for investments. Stanhope plc has made a short-term loan to Norfolk Joint Venture Limited amounting to £5.285m at the financial year end which can be repaid by drawing down loan notes to release the cash back to the group. There would still be £34.715m available for meeting existing investment commitments and for new investments to generate new business.

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

As a business, Stanhope has proved it can run successfully despite the pandemic requiring the use of home working, and it 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 pandemic. 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.

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 2022 and that there are no material uncertainties around 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
Paul Lewis
Clare Pagan
Jonathan Trout
Charles Walford
Tony Wall
Robert Watts
Henry Williams

Directors' report

Post Balance Sheet Events

Since the financial year end, a further £0.930m has been lent to Norfolk Joint Venture 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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
Director

15 July 2021

Independent auditor's report

to the members of Stanhope plc

Independent auditor's report to the members of Stanhope plc

We have audited the financial statements of Stanhope plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise Group statement of comprehensive income, Group balance sheet, Company balance sheet, Group statement of cash flows 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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the '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 Brexit and Covid-19, 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.

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.

Independent auditor's report

to the members of Stanhope plc (continued)

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 (continued)

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 16, 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 company 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 assessed the susceptibility of the 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 posted with unusual account combinations;
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, which included consideration of the engagement team's: understanding

Independent auditor's report

to the members of Stanhope plc (continued)

of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and knowledge of the industry in which the company operates; and

- In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements. These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.

We did not identify any material matters relating to non-compliance with laws and regulations or relating to fraud.

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 ACA BSc (Hons)

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 15 July 2021

Group income statement and retained earnings

for the year ended 31 March 2021

	Notes	2021 £' 000	2020 £' 000
Group turnover	5	22,640	24,830
Cost of sales		(10,226)	(7,660)
Gross profit		12,414	17,170
Administrative expenses		(6,853)	(7,555)
Group operating profit	6	5,561	9,615
Share of (loss)/profit of joint ventures	12	(6)	1,441
Profit before interest, taxation and investment income		5,555	11,056
Income from investments		217	4,860
Loss on sale of investments		-	(4,238)
Fair value movements	12	(42)	(23)
Interest receivable	9	426	85
Profit before taxation		6,156	11,740
Tax on profit on ordinary activities	10	(1,407)	(1,888)
Profit for the year		4,749	9,852
Retained earnings at 1 April 2020		55,052	49,060
Dividends paid	21	(4,800)	(3,860)
Retained earnings at 31 March 2021		55,001	55,052

The notes on pages 27 to 45 form part of these financial statements.

Group balance sheet

as at 31 March 2021

Company Number: 03017841

	Notes	2021 £' 000	2020 £' 000
Fixed assets			
Tangible fixed assets	11	167	186
Investment in joint ventures	12	71	1,673
Investments in associated undertakings	12	4	4
Other investments	12	5,493	5,255
		5,735	7,118
Current assets			
Work in progress	14	-	500
Debtors	15	9,171	32,187
Cash		50,209	23,976
		59,380	56,663
Creditors and provisions: amounts falling due within one year	16	(7,649)	(6,597)
Net current assets		51,731	50,066
Total assets less current liabilities		57,466	57,184
Creditors: amounts falling due after more than one year	17	(333)	-
Net assets		57,133	57,184
Capital and reserves			
Called up share capital	20	2,132	2,132
Retained earnings		55,001	55,052
Equity shareholders' funds		57,133	57,184

These financial statements were approved by the board of directors and signed on behalf of the board by David Camp on 15 July 2021.

David Camp
Director

The notes on pages 27 to 45 form part of these financial statements.

Company balance sheet

as at 31 March 2021

Company Number: 03017841

	Notes	2021 £' 000	2020 £' 000
Fixed assets			
Tangible fixed assets	11	167	186
Investments	13	5,565	6,929
		5,732	7,115
Current assets			
Work in progress	14	-	500
Debtors	15	9,171	32,187
Cash		50,209	23,976
		59,380	56,663
Creditors: amounts falling due within one year	16	(7,649)	(6,597)
Net current assets		51,731	50,066
Total assets less current liabilities		57,463	57,181
Creditors: amounts falling due after more than one year	17	(333)	-
Net assets		57,130	57,181
Capital and reserves			
Called up share capital	20	2,132	2,132
Retained earnings		54,998	55,049
Equity shareholders' funds		57,130	57,181

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 £4.750m (£2020: £12.692m).

These financial statements were approved by the board of directors and signed on behalf of the board by David Camp on 15 July 2021.

David Camp
Director

The notes on pages 27 to 45 form part of these financial statements.

Group statement of cash flows

for the year ended 31 March 2021

	2021 £' 000	2020 £' 000
Cash flows from operating activities		
Profit for the financial year	5,561	9,615
Adjustments for:		
Depreciation of tangible assets	109	436
Decrease/(increase) in work in progress	500	(500)
Decrease/(increase) in debtors	3,791	(3,724)
Increase/(decrease) in creditors	1,432	(2,753)
Net cash from operating activities	11,393	3,074
Taxation paid	(1,350)	(3,873)
Net cash generated from/(used in) operating activities	10,043	(799)
Cash flows from investing activities		
Purchase of tangible assets	(90)	(76)
Purchase of investments	(280)	(2,855)
Proceeds from sale of investments	-	104
Loans to joint ventures	(36)	(187)
Repayment of loans from joint ventures	1,632	-
Interest received	426	84
Dividends received	217	4,860
Net cash generated in investing activities	1,869	1,930
Cash flows from financing activities		
Equity dividends paid	(4,800)	(3,860)
Short term loan to related company	(879)	(10,377)
Short term loan repaid by related company	20,000	2,329
Net cash generated from/(used in) financing activities	14,321	(11,908)
Net increase/(decrease) in cash and cash equivalents	26,233	(10,777)
Cash and cash equivalents at the beginning of the year	23,976	34,753
Cash and cash equivalents at the end of the year	50,209	23,976

The notes on pages 27 to 45 form part of these financial statements.

Notes to the financial statements

as at 31 March 2021

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 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 at 31 July 2022.

This is before allowing for the additional cash funding available through the shareholder loan notes for investments. Stanhope plc has made a short-term loan to Norfolk Joint Venture Limited amounting to £5.285m at the financial year end which can be repaid by drawing down loan notes to release the cash back to the group. There would still be £34.715m available for meeting existing investment commitments and for new investments to generate new business.

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

As a business, Stanhope has proved it can run successfully despite the pandemic requiring the use of home working, and it 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 pandemic. 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.

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 2022 and that there are no material uncertainties around 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 2021

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 gross 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 2021

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 2021

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 2021

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 2021

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 2021 and at 31 March 2020, 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.

	2021	***2020***
	£' 000	***£' 000***
Group turnover:		
Turnover from property development services	22,640	24,830

Notes to the financial statements

as at 31 March 2021

A number of the projects are being undertaken on behalf of funding institutions, and during the year the project turnover amounted to £78.195m (2020: £53.135m). 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:

	2021 £' 000	2020 £' 000
Auditors' remuneration:		
Fees payable for the audit of the company's annual accounts	56	48
Fees payable for the audit of joint venture companies' accounts	6	12
Fees payable for accounts preparation	3	3
Fees payable for tax compliance services	29	29
Fees payable for other non-audit assurance services	4	4
Operating lease rentals – land and buildings	883	883
Depreciation	109	436

7. Staff costs

	2021 £' 000	2020 £' 000
Salaries	8,585	8,390
Social security costs	1,185	1,158
Share of profits bonus	2,500	-
Other pension costs	176	203
	12,446	9,751

The average weekly number of persons (including executive directors) employed by the group during the year was 59 (2020: 61).

The group provides a defined contribution pension scheme and the amount recognised as an expense was £0.176m (2020: £0.203m). A holiday pay accrual of £0.480m has been provided for as the Covid-19 lockdowns have resulted in an accumulation of untaken holiday. The value calculated as at 31 March 2020 was not provided for as it was not considered material at £0.098m

8. Directors' remuneration

	2021 £' 000	2020 £' 000
Remuneration for management services	3,543	3,137
	3,543	3,137

The highest paid director received £0.427m (2020: £0.487m) during the year. Pension costs of £0.026m have been paid for directors during the year (2020: £0.027m).

Notes to the financial statements

as at 31 March 2021

9. Interest receivable

	2021 £' 000	2020 £' 000
Interest receivable	426	85
Total Interest receivable on financial assets not measured at fair value through profit or loss	426	85

10. Tax on profit on ordinary activities

(a) Tax on profit

The tax charge is made up as follows:

	2021 £' 000	2020 £' 000
Current tax		
UK corporation tax on profit of the year	1,647	1,925
Adjustment in respect of prior periods	(55)	-
Total current tax	1,592	1,925
Deferred tax		
Origination and reversal of timing differences	(185)	(47)
Effect of tax rate change on opening balance	-	10
Total deferred tax (see note 18)	(185)	(37)
Tax on profit	1,407	1,888

Notes to the financial statements

as at 31 March 2021

10. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2020: lower) than the main rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £' 000	2020 £' 000
Profit before taxation	6,156	11,740
Less share of joint ventures' profits	-	(1,441)
Add back share of associated undertakings' losses	6	-
Group profit before taxation	6,162	10,299
Profit multiplied by the main rate of corporation tax in the UK of 19% (2020: 19%)	1,171	1,957
Effect of:		
Expenses not deductible for tax purposes	20	849
Income not taxable	(44)	(924)
Transfer pricing adjustments	-	4
Prior year adjustment	(55)	-
Adjust closing deferred tax to average rate		-
Adjust opening deferred tax to average rate		10
Group relief claimed	(30)	(28)
Deferred tax not recognised		-
Other movements	(3)	(4)
Tax adjusted share of profits from partnership interest	348	24
Total tax charge (note 11(a))	1,407	1,888

(c) Tax rate changes

Deferred tax balances at 31 March 2021 and 31 March 2020 are measured at 19%.

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as at 31 March 2021

11. Tangible fixed assets

Group and company	***Leasehold fixtures and fittings £'000***	***Office equipment £'000***	***Total £'000***
Cost:			
At 1 April 2020	1,952	547	2,499
Additions	32	58	90
Disposals	(12)	(3)	(15)
At 31 March 2021	1,972	602	2,574
Accumulated depreciation:			
At 1 April 2020	1,877	436	2,313
Disposals	(12)	(3)	(15)
Provided during the year	14	95	109
At 31 March 2021	1,879	528	2,407
Net book value:			
At 31 March 2021	93	74	167
At 31 March 2020	75	111	186

Notes to the financial statements

as at 31 March 2021

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 Drury Lane Limited	31 March 2021	100%	Dissolved
Stanhope Nominees Limited	31 March 2021	100%	Trust company
Stanhope Estates Management Limited	31 March 2021	100%	Dormant
Stanhope Properties Limited	31 March 2021	100%	Dormant
Stanhope Securities Limited	31 March 2021	100%	Dormant
Stanhope Investment Management Limited	31 March 2021	100%	Dormant
Joint ventures			
Elwick Place Construction Limited	31 March 2021	50%	Property development
HFS Developments LLP	31 March 2021	50%	Property development
HFS Developments 2 Limited	31 March 2021	50%	Property development
Widemarsh Gate Developments Limited	31 March 2021	50%	Property development
B6 Developments Limited	31 March 2021	50%	Dormant
H1 Developments Limited	31 March 2021	50%	Dormant
MFS Development Services Limited	31 December 2020	50%	Dormant
Associated undertakings			
Stanhope (Station Hill) Limited	31 March 2020	37.5%	Dissolved
Sackville LCW (GP) Limited	31 March 2021	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:

H1 Developments Limited, B6 Developments Limited and Widemarsh Gate 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.

Stanhope (Station Hill) Limited whose registered office was c/o Mazars LLP, Tower Bridge House, St Katherine's Way, London E1W 1DD

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.

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as at 31 March 2021

12. Investments – group (continued)

Investments in:	*Joint ventures* *£' 000*	*Associated undertakings* *£' 000*	*Other* *£' 000*	*Total* *£' 000*
Cost:				
At 1 April 2020	1,673	4	7,649	9,326
Additions	36	-	280	316
Disposals	(1,632)	-	-	(1,632)
Share of losses	(6)	-	-	(6)
Decrease in fair value	-	-	(42)	(42)
At 31 March 2021	71	4	7,887	7,962
Provisions against investments:				
At 1 April 2020	-	-	2,394	2,394
Additions	-	-	-	-
At 31 March 2021	-	-	2,394	2,394
Net book value:				
At 31 March 2021	71	4	5,493	5,568
At 31 March 2020	1,673	4	5,255	6,932

Investments in Joint Ventures

The (losses)/profits from joint ventures comprise the following:

	2021 *£' 000*	*2020* *£' 000*
HFS Developments LLP	-	1,633
HFS Developments 2 Limited	(6)	(179)
GH Partnership LLP	-	(13)
Total share of (losses)/profits from joint ventures	(6)	1,441

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as at 31 March 2021

12. Investments – group (continued)

Investments in Associates	***Share of Net Assets £' 000***	***Loans £' 000***	***Total £' 000***
At 1 April 2020 net book value	4	-	4
Share of profit for the year after taxation	-	-	-
At 31 March 2021	4	-	4

During the year, a distribution of £0.086m was received from Stanhope (Station Hill) Limited (2020: £4.767m) after which the company was dissolved.

Other Investments

Other investments include:

a) Units in Chiswick Park B7 Unit Trust, Climate Change Property Fund, The Croydon Gateway Property Unit Trust and The Carbon Neutral Real Estate LP (previously named The Low-Carbon Workplace LP); and

b) Shares in SB Royal Holdings Limited

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 £1.122m (2020: £1.165m). The other investments held at cost less impairment total £4.371m (2020: £4.090m).

Units:

During the year, Stanhope plc invested £nil in Chiswick Park B7 Unit Trust (2020: £2.855m). A distribution of £0.064m was received during the year (2020: £0.008m).

During the year, Climate Change Property Fund was wound up following the sale of its final property in the previous financial year. Stanhope plc received a £nil distribution (2020: £0.028m).

During the year, dividends were received from the Croydon Gateway Property Unit Trust of £0.030m (2020: £0.043m).

During the year, the carrying value of the investment in The Carbon Neutral Real Estate LP was reduced by £0.042m (2020: reduced by £0.023m) to fair value.

Shares:

During the year, Stanhope plc invested £0.281m in SB Royal Holdings Limited (2020: £nil).

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13. Investments – company

	Joint ventures *£'000*	*Associated undertakings* *£'000*	*Subsidiary undertakings* *£'000*	*Other* *£'000*	*Total* *£'000*
Cost:					
At 1 April 2020	3,557	14	1	7,338	10,910
Additions	36	-	-	280	316
Disposals	(1,632)	-	-	-	(1,632)
Decrease in fair value	-	-	-	(42)	(42)
At 31 March 2021	1,961	14	1	7,576	9,552
Provisions against investments:					
At 1 April 2020	1,884	14	-	2,083	3,981
Increased during the year	6	-	-	-	6
At 31 March 2021	1,890	14	-	2,083	3,987
Net book value:					
At 31 March 2021	71	-	1	5,493	5,565
At 31 March 2020	1,673	-	1	5,255	6,929

14. Work in progress

	Group *2021* *£' 000*	*Group* *2020* *£' 000*	*Company* *2021* *£' 000*	*Company* *2020* *£' 000*
Work in progress	-	500	-	500

Notes to the financial statements

as at 31 March 2021

15. Debtors

	Group 2021 £' 000	Group 2020 £' 000	Company 2021 £' 000	Company 2020 £' 000
Trade debtors	2,622	3,749	2,622	3,749
Prepayments and accrued income	1,051	3,541	1,051	3,541
Short term loan to related company	5,285	24,406	5,285	24,406
Corporation tax repayable/deferred tax asset	-	241	-	241
Deferred tax asset due within one year	74	-	74	-
Deferred tax asset due after one year	63	-	63	-
Other debtors	76	250	76	250
Total debtors	9,171	32,187	9,171	32,187

There is a bad debt provision against a trade debtor of £0.57m (2020: £0.57m).

Amounts owed from related company 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 2021 £' 000	Group 2020 £' 000	Company 2021 £' 000	Company 2020 £' 000
Trade creditors	214	684	214	684
Other creditors	386	532	386	532
Other taxes and social security	302	461	302	461
Accruals	4,984	2,060	4,984	2,060
Corporation tax payable	1	-	1	-
VAT payable	1,762	2,812	1,762	2,812
Total creditors	7,649	6,549	7,649	6,549
Deferred tax liability (see note 18)	-	48	-	48
Total provisions	-	48	-	48
Total creditors and provisions	7,649	6,597	7,649	6,597

Notes to the financial statements

as at 31 March 2021

17. Creditors: amounts falling due after one year

	Group 2021 £' 000	Group 2020 £' 000	Company 2021 £' 000	Company 2020 £' 000
Other creditors	333	-	333	-

18. Deferred taxation

Group and company

The group has unrecognised deferred tax assets carried forward as at 31 March 2021 in respect of short term timing differences of £001m (2020: £0.001m).

The group and company has a recognised deferred tax asset of £0.074m (2020: liability of £0.048m) carried forward as at 31 March 2021. This primarily relates to the fair value uplift in value on The Carbon Neutral Real Estate LP investment referred to in Note 12. Deferred tax has been recognised at a rate of 19% (2020: 19%), 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	2021 £' 000	2020 £' 000
Provision at start of the year	48	84
Deferred tax credited in the profit and loss account	(185)	(36)
(Asset)/liability at year end	(137)	48

The deferred tax balance is made up of the following:	2021 £' 000	2020 £' 000
Accelerated capital allowances	(30)	(40)
Short term timing differences	(107)	88
(Asset)/liability at year end	(137)	48

Notes to the financial statements

as at 31 March 2021

19. Financial Instruments

	Group 2021 £' 000	Group 2020 £' 000	Company 2021 £' 000	Company 2020 £' 000
Financial assets held at fair value	1,123	1,165	1,123	1,165
Financial assets that are equity interests held at cost less impairment	4,371	4,090	4,371	4,090
Financial assets held at amortised cost	7,907	28,828	7,907	28,828
Financial liabilities held at amortised cost	214	686	214	2,304

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 loan to related company 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 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'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 £0.342m as at 31 March 2021 (2020: £0.376m). There are no other restrictions on the distribution of dividends and repayment of capital.

Notes to the financial statements

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21. Dividends

	2021 £' 000	2020 £' 000
Paid during the year:		
Equity dividends on ordinary shares	4,800	3,860
	4,800	3,860

Dividends of 225.14p per share were paid during the year (2020: 181.06p per share).

22. Capital commitments

At 31 March 2021, the company had a commitment to fund up to £1.9m (2020: £0.575m) subject to progress on a project being developed by HFS Developments 2 Limited, a joint venture with Hammersmith and Fulham Council.

At 31 March 2021, the company had a commitment to provide equity finance to SB Royal Holdings Limited of £1.719m (2020: £2.000m).

23. Financial commitments under operating leases

At 31 March 2021, the group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £' 000	2020 £' 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	3,217	4,115
Later than five years	-	130

Notes to the financial statements

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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

	2021	***2020***
	£' 000	***£' 000***
Fees earned from joint ventures		
HFS Developments 2 Limited	9	8
GH Partnership	-	4
Amounts included in trade debtors from joint ventures		
HFS Developments 2 Limited	2	2
Interest earned from joint ventures		
HFS Developments 2 Limited	64	14
Amounts included in accrued income from joint ventures		
HFS Developments 2 Limited	6	4
Elwick Place Construction Limited	-	200

OTHER RELATED PARTIES

The company lent Norfolk Joint Venture Limited, a subsidiary of the company's own parent company, short term 0% loans repayable on demand amounting to £0.879m (2020: £10.377m).

Loans of £20m (2020: £2.329m) were repaid during the financial year leaving the balance owed at 31 March 2021 at £5.285m (2020: £24.406m).

25. Post balance sheet events

Since the financial year end, a further £0.930m has been lent to Norfolk Joint Venture Limited.

26. Parent company

The company's parent and ultimate parent company is Stanhope Holdings Limited.