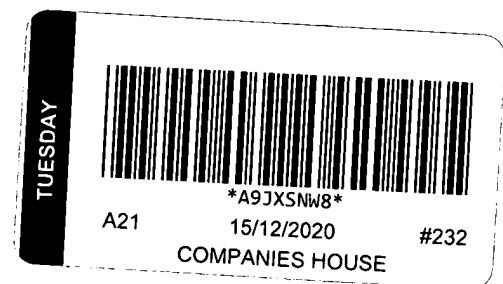


STOW REAL ESTATE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019

Company No 03238834



STOW REAL ESTATE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

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STOW REAL ESTATE PLC

STRATEGIC REPORT

The directors' present the Strategic Report on the group for the year ended 31 December 2019.

Our strategic priorities

The group has one objective which is to deliver long-term capital appreciation while maintaining annual surplus income generation.

Business review

The results for the year are set out in the group profit and loss account on page 6. A dividend of £ 0 was paid during the year to the company's shareholders (2018 - £ 5,000,000).

The group's investment property values appreciated in 2019 as a consequence of a strengthening investment property market in the Central London commercial property sector. On current market trends, which the Company is exposed to, it can be reasonably expected that due to the impact of Covid-19 on Central London investment property values, a fall in property values will take place on the group's portfolio during 2020.

Key performance indicators

The group's main objective is to achieve capital appreciation for its ultimate shareholders over the medium to long term time horizons with particular importance given to maximising revenue generation with a proportional exposure to financing costs and overheads, where appropriate. As such the group does not attach significant importance to other "key performance indicators" having regard to its objectives, size and sector focus, however the net assets of the group increased by £ 1,363,182 during the year (2018 – increase of £ 275,675).

Principal risks and uncertainties

Financial risk

Other than interest rates, the group's exposure to price risks, credit risks, liquidity risks and cash flow risks is not considered to be material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Market risk

The group has exposure to variations in the value of its investment portfolio however the group tries to mitigate this by limiting investment to the sectors where its historic property experience and the geographical location of its assets is derived from. Development activity is only performed after due consideration is given to the likely development costs, development period and forecast revenue generation and value creation.

Property risk

The group is exposed to the potential loss of income arising from tenancy leases. It seeks to minimise this exposure by actively liaising with its tenants on a regular basis, performing detailed covenant checks on prospective tenants and the use of tenant rent deposits/parent company guarantees where appropriate. The group also seeks to achieve a continuous revenue stream from potential tenant lease expiries and/or vacancies by maintaining, repairing and renovating its properties from time to time.

Covid-19 risk

The company is not exposed to the potential loss of income from tenancy leases arising from the impact of Covid-19 to tenant(s). The Company is of the opinion that the impact of Covid-19 to the Company is limited to its value of investments during the year.

Section 172 statement

The directors of the Company are mindful of their responsibilities under section 172 of the Companies Act 2006 to promote the success of the business through operating in accordance with good corporate practice and with considered engagement with the Company's stakeholders.

The board of directors regularly review and identify other principal stakeholders of the business, and decisions in respect of the Company's activities are made only after reviewing, and discussing, the potential impact on those stakeholders.

The directors continue to foster open and constructive engagement with the employees of the business in order to fairly represent the views of the workforce in matters affecting their interests.

On behalf of the Board



S T Mainee

Director

Dated 26th November 2020

Registered Office
86 Brook Street
London W1K 5AY

STOW REAL ESTATE PLC DIRECTORS' REPORT

The directors' present the annual report and the audited consolidated financial statements for the year ended 31 December 2019.

In line with the requirements of the Companies Act 2006, the directors have prepared a separate Strategic Report to be read in conjunction with the Directors' Report.

Principal risks and uncertainties have therefore been included within the Strategic Report, in line with the latest guidance.

Principal activities

The principal activity of the group continues to be that of property investment and development in the UK.

Future developments

The directors believe that having a balanced portfolio of investment properties in Greater London, the depth in knowledge and experience of the company's management team and conservative level of bank funding will help mitigate business risks in the coming year.

Post balance sheet event

On 30 January 2020 the World Health Organisation declared Coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or similar health epidemic is highly uncertain and subject to change. In terms of the specific impact on the Group, the September 2020 valuations of the investment property portfolio were subject to a downward revaluation of circa 14%, in line with wider market trends.

There have been no material post balance sheet events.

Going concern

The group's main business activity is commercial property investment in Central London and it will continue to acquire and own assets to achieve its objectives. The directors review regularly its property strategy and financial forecasts, having taken reasonable assumptions, to ensure that the group complies with its banking covenants and has sufficient headroom from its cash balances to support its objectives in the foreseeable future. Therefore, having reviewed the appropriate financial projections, the directors are of the opinion that the group has adequate financial resources to continue its activities and have prepared the financial statements on the going concern basis. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Health and safety

The group's objective is to ensure that all employees are informed and consulted on matters regarding health and safety regularly, and the group complies with the appropriate legislation with due regard to its business, location and welfare of its employees.

Financial risk management

The group is required to enter into interest rate swap agreements with its bankers in order to effectively hedge and minimise the group's exposure to interest rate fluctuations as a condition of the new loan facility. The financial risks facing the Group have been discussed in further detail in the Strategic Report.

Directors

The following directors have held office during the year:-

J R Milne
S T Mainee
C Massaad

The Company is a wholly owned subsidiary and interests of the group directors are disclosed in the financial statements of the parent company.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

STOW REAL ESTATE PLC
DIRECTORS' REPORT (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and the 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) including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that 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.

Auditor

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor are unaware; and
- The director has taken all the steps that he/she ought to have taken as a director in order to make him/her aware of any relevant audit information and to establish that the company's auditor are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

The auditors, Blick Rothenberg Audit LLP, are deemed to be re-appointed under section 487 (2) of the Companies Act 2006.

On behalf of the Board



.....
S T Mainee
Director

Registered Office
86 Brook Street
London W1K 5AY

Dated 26th November 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOW REAL ESTATE PLC

Opinion

We have audited the financial statements of Stow Real Estate Plc ('the parent company') and its subsidiaries for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cashflow Statement 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 FRS 102 'The Financial Reporting Standard applicable in the UK and the 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 Company's affairs as at 31 December 2019 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, 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.

Opinion 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOW REAL ESTATE PLC (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report. 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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 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 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.

Use of our report

This report is made solely to the Company's members 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 group and 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 for our audit work, for this report, or for the opinions we have formed.

Daniel Burke (Senior Statutory Auditor)
for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

1st Floor

7 - 10 Chandos Street

London

W1G 9DQ

Date: 30.11.20

Blick Rothenberg Audit LLP

STOW REAL ESTATE PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Fair value movement on investments in Limited Partnership	12	3,762,161	1,765,203
Administrative expenses		(56,266)	(23,689)
Inter-company debt provision		(0)	(431,200)
Profit on disposal of property		0	0
Operating profit	6	3,705,895	1,310,314
Interest receivable and similar income: Group	8	9,804	9,245
Interest payable and similar charges Group	9	(2,047,131)	(1,958,176)
Profit/(loss) on ordinary activities before taxation		1,668,568	(638,617)
Tax (payable)/credit on profit/(loss) on ordinary activities	10	(305,386)	362,942
Profit/(loss) for the financial year		1,363,182	(275,675)

All the activities of the group are classified as continuing.

The notes on pages 12 to 23 form part of these financial statements.

STOW REAL ESTATE PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

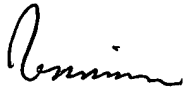
	Year to 31 December 2019 £	Year to 31 December 2018 £
Profit/(loss) for the financial year	1,363,182	(275,675)
Other comprehensive income	<u>0</u>	<u>0</u>
Total comprehensive income for the financial year	<u><u>1,363,182</u></u>	<u><u>(275,675)</u></u>
 Total comprehensive income for the financial year attributable to: Owners of the parent	 <u><u>1,363,182</u></u>	 <u><u>(275,675)</u></u>


STOW REAL ESTATE PLC

**CONSOLIDATED BALANCE SHEET
31 DECEMBER 2019**

	Notes	2019 £	2018 £
Fixed assets			
Investment in Limited Partnerships	12	103,931,581	107,669,420
Investments in joint ventures:	13.2		
Net share of gross assets and liabilities		50	50
		<u>103,931,631</u>	<u>107,669,470</u>
Current assets			
Debtors	14	73,531,610	87,834,900
Cash at bank and in hand		16,687,897	7,091,421
		<u>90,219,507</u>	<u>94,926,321</u>
Creditors – amounts falling due within one year	15	(108,238,871)	(59,429,696)
Net current (liabilities)/assets		<u>(18,019,364)</u>	<u>35,496,625</u>
Total assets less current liabilities		85,912,267	143,166,095
Creditors – amounts falling due after more than one year	16	0	(58,505,092)
Provisions for liabilities	17	(4,141,679)	(4,253,597)
NET ASSETS		<u>81,770,588</u>	<u>80,407,406</u>
Capital and reserves			
Called up share capital	20	45,386,264	45,386,264
Profit and loss account		36,384,324	35,021,142
SHAREHOLDERS' FUNDS		<u>81,770,588</u>	<u>80,407,406</u>

These financial statements were approved by the directors on 26th November 2020 and are signed on their behalf by:


.....
J R Milne


.....
S T Mainee


The notes on pages 12 to 23 form part of these financial statements.
Company Registration Number 03238834


STOW REAL ESTATE PLC

**COMPANY BALANCE SHEET
31 DECEMBER 2019**

	Notes	2019 £	2018 £
Fixed assets			
Investment in subsidiaries	13.1	11,032,311	11,032,311
		<u>11,032,311</u>	<u>11,032,311</u>
Current assets			
Debtors	14	165,759,092	169,484,447
Cash at bank and in hand		16,687,897	7,091,421
		<u>182,446,989</u>	<u>176,575,868</u>
Creditors – amounts falling due within one year	15	(147,973,233)	(84,053,292)
		<u>34,473,756</u>	<u>92,522,576</u>
Net current assets			
		<u>45,506,067</u>	<u>103,554,887</u>
Total assets less current liabilities			
		<u>45,506,067</u>	<u>103,554,887</u>
Creditors – amounts falling due after more than one year	16	0	(58,578,000)
		<u>45,506,067</u>	<u>44,976,887</u>
NET ASSETS			
		<u>45,506,067</u>	<u>44,976,887</u>
Capital and reserves			
Called up share capital	20	45,386,264	45,386,264
Profit and loss account		119,803	(409,377)
		<u>45,506,067</u>	<u>44,976,887</u>
SHAREHOLDERS' FUNDS			
		<u>45,506,067</u>	<u>44,976,887</u>

These financial statements were approved by the directors on ^{26th} November 2020 and are signed on their behalf by:


.....
J R Milne


.....
S T Mainee

The notes on pages 12 to 23 form part of these financial statements.
Company Registration Number 03238834

STOW REAL ESTATE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called-up Share capital £	Profit and loss £	Total £
At 1 January 2018	45,386,264	40,296,817	85,683,081
(Loss) for the financial year	0	(275,675)	(275,675)
Dividend for the year	0	(5,000,000)	(5,000,000)
At 31 December 2018	45,386,264	35,021,142	80,407,406
Profit for the financial year	0	1,363,182	1,363,182
At 31 December 2019	45,386,264	36,384,324	81,770,588

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called-up Share capital £	Profit and loss £	Total £
At 1 January 2018	45,386,264	(6,922,632)	38,463,632
Profit for the financial year	0	11,513,255	11,513,255
Dividend for the year	0	(5,000,000)	(5,000,000)
At 31 December 2018	45,386,264	(409,377)	44,976,887
Profit for the financial year	0	529,180	529,180
At 31 December 2019	45,386,264	119,803	45,506,067

STOW REAL ESTATE PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
Net cash from operating activities	21	12,266,363	(18,558,981)
Taxation (paid)/received		257,110	(456,046)
<u>Net cash generated from operating activities</u>		<u>12,523,473</u>	<u>(19,015,027)</u>
Cash flow from investing activities			
Disposal of investment in Limited Partnership		0	26,469,850
Interest received		9,804	9,245
<u>Net cash used in investing activities</u>		<u>9,804</u>	<u>26,479,095</u>
Cash flow from financing activities			
Receipt from additional loan facility		0	0
Repayment of bank loans		(580,029)	39,767
Dividends paid		0	0
Interest paid		(2,356,772)	(2,596,666)
<u>Net cash used in financing activities</u>		<u>(2,936,801)</u>	<u>(2,556,899)</u>
Net increase in cash and cash equivalents		9,596,476	4,907,169
Cash and Cash equivalents at the beginning of the year		7,091,421	2,184,252
Cash and Cash equivalents at the end of the year		<u>16,687,897</u>	<u>7,091,421</u>

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Company information

Stow Real Estate Plc ("the company") is a UK holding company which owns UK subsidiaries which are invested in Jersey Limited Partnerships.

The company is a public company limited by shares and is incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is 86 Brook Street, London W1K 5AY.

2. Basis of preparation

These financial statements are 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 on the historical cost basis except for the modification to a fair value basis for its Investments in Limited Partnerships as specified in the accounting policies below.

The financial statements are presented in Sterling (£), being the functional currency of the Company and the currency of the primary economic environment in which the Company operates, and are rounded to the nearest pound.

Going concern

The company has net assets as at 31 December 2019.

The Group's forecasts and projections, taking into account reasonable possible changes in its current real estate portfolio commitments, show that the Group should be able to operate within the level of its current loan facility for at least the next twelve months. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain outlook with respect to UK interest rates. Due to the impact of Covid-19 on the investment property values in Central London, the directors believe there is likely to be a fall in property values in the investment property portfolio during 2020. In terms of the specific impact on the Group, the September 2020 valuations of the investment property portfolio were subject to a downward revaluation of circa 14%, in line with wider market trends.

Currently, there is sufficient head room in the loan to value covenants for the directors to believe that there is moderate risk and that there are sufficient mitigating actions within their control to deal with any possible covenant breaches. On this basis, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements incorporate those of Stow Real Estate Plc and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 December 2019.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The items in the financial statements where these judgements and estimates have been made include:

- Taxation

The Group applies judgement in calculating current tax and deferred tax assets and liabilities, including the utilisation of deferred tax assets against future taxable profits.

4. Accounting policies

Turnover

Turnover represents movement in fair value of the investments in Limited Partnerships.

Investments

Investments for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Related parties 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.

Pensions

Pension costs relate to contributions to defined contribution pension schemes on behalf of employees. The company has no obligation for employee pensions beyond the costs charged in the profit and loss account.

Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

STOW REAL ESTATE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 - continued

4. Accounting policies – continued

Financial assets

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Derivatives

Derivative financial instrument utilised by the Group is interest rate swap to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is a cash flow hedge.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Group accounts

The group profit and loss account and balance sheet include the financial statements of the company and subsidiary undertakings made up to 31 December 2019. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

No profit and loss account is presented for the company, as permitted by Section 408 of the Companies Act 2006. The amount of group result attributable to the company is a profit after taxation of £ 529,180 (2018: profit of £ 11,513,255).

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

4. Accounting policies – continued

Joint ventures

A joint venture is an entity in which the Group holds a long-term interest and which is jointly controlled by the Group and one or more venturers under a contractual arrangement. The results of joint ventures are accounted for using the net equity method of accounting.

5. Segmental and geographical analysis

There is only one reportable segment on the basis that all of its revenue is generated from investment properties located in the United Kingdom; accordingly no segmental analysis is presented.

6. Operating profit/(loss)

	2019 £	2018 £
Operating profit/(loss) is stated after charging:-		
Fees payable to the Company's auditor and associates for the audit of the Company's annual accounts	5,000	5,000
Fees payable to the Company's auditor and associates for the audit of the Company's subsidiaries annual accounts	18,000	42,000
Staff costs (note 7)	0	0
	<u>23,000</u>	<u>47,000</u>

Fees of £ Nil (2018 – £ Nil) were paid to the Company's auditor and its associates in relation to non-audit services.

7. Directors and employees remuneration

	2019 £	2018 £
Wages and salaries	0	0
Social security costs	0	0
Write back - provision for long term bonus scheme	0	0
	<u>0</u>	<u>0</u>

The average number of persons employed by the group (including directors) during the year was 4 (2018 - 4).

Directors' emoluments:

Employment costs include the following remuneration in respect of directors:-

	2019 £	2018 £
Emoluments (including employer's NI)	0	0
Pension contributions	0	0
	<u>0</u>	<u>0</u>

	2019 £	2018 £
Emoluments of highest paid director	0	0

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

8. Interest receivable and similar income

	2019 £	2018 £
Bank deposits and sundry income	9,804	9,245

9. Interest payable and similar charges

	2019 £	2018 £
On borrowing repayable within five years: Bank loans and overdrafts	2,047,131	1,958,176

10. Tax on profit/(loss) on ordinary activities

The tax payable/(credit) comprises:

	2019 £	2018 £
Current tax charge – current year	417,304	0
Adjustment in respect of prior year	(0)	(224,763)
Total Current tax	417,304	(224,763)
Deferred tax		
Origination and reversal of timing differences	(104,800)	(56,767)
Adjustment in respect of prior year	(7,119)	0
Tax losses carried forward	(0)	(64,412)
Deferred tax provided in respect of investment properties	0	(17,000)
Total deferred tax (see note 17)	(111,918)	(138,179)
Total tax payable/(credit) on profit/(loss) on ordinary activities	305,386	(362,942)

On 1 April 2015, the UK corporation tax rate was reduced from 21% to 20%. A further reduction to 19% from 1 April 2017 was enacted by Finance (No.2) Act 2015.

A current rate of 19.00% has been applied to the loss for the year ended 31 December 2019 (2018 – 19.00%). A deferred tax rate of 17% has been applied to the opening balance and movements in deferred tax relating to the gain on investment properties and a rate of 17% has been applied on timing differences which are expected to reverse next year.

We are required by accounting standards to provide for tax liabilities which would be due if the Group's assets were to be sold.

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

10. Tax on profit/(loss) on ordinary activities (continued)

Reconciliation of the tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2018 – 19.00%).

	2019 £	2018 £
Profit/(loss) on ordinary activities before taxation	1,668,568	(638,617)
Profit/(loss) on ordinary activities before taxation multiplied by Standard rate of UK corporation tax of 19.00% (2018: 19.00%)	317,028	(121,337)
Effects of:		
Group relief not paid for	104,251	2,887
Excess of accounting profits over chargeable gain	(75,245)	0
Expenses not deductible	3,801	81,928
Overprovision in prior year	(7,119)	(224,764)
Income not subject to tax	(59,919)	(102,203)
Impact on deferred tax of reduction in tax rate	22,589	16,256
Deferred tax not recognised	(0)	(4,659)
Deferred tax arising on disposal of property	0	(11,050)
Total tax payable/(credit) for the year	305,386	(362,942)

At 31 December 2019 the group has unrelieved tax losses of £ 0 (2018 - £ 0) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of losses which have arisen in subsidiaries that are unlikely to have taxable profits in the near future and are unavailable for relief against taxable profits elsewhere in the group. The unrecognised deferred tax on the losses are £ 0 (2018 - £ 0).

11. Equity dividends paid

A dividend of £ 0 was declared on the ordinary shares during the year (2018 - £ 5,000,000).

12. Investment in Limited Partnerships

	Group	
	2019 £	2018 £
At 1 January	107,669,420	132,374,067
Gain on fair value adjustment	3,762,161	1,765,203
Disposal	(7,500,000)	(26,469,850)
At 31 December	103,931,581	107,669,420

The Group contributed its investment properties to Jersey Limited Partnerships in 2008. The Group is entitled to receive up to 99% of the Limited Partnership's net income, and, in the event of a disposal of the asset held in the Limited Partnership, it is entitled to the net surplus up to a predefined value specified in the Limited Partnership Agreement. The fair value of the investment reflects the amount the company is entitled to from the Limited Partnership at 31 December 2019.

The Company's fixed assets at 31 December 2019 were nil.

STOW REAL ESTATE PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

13. Other investments

13.1 Investments in subsidiary undertakings at cost

	Company	
	2019	2018
	£	£
At 1 January	11,032,311	11,032,411
Elimination of investments at cost	0	0
Disposal	(0)	(100)
As at 31 December	<u>11,032,311</u>	<u>11,032,311</u>

Investments in subsidiary undertakings represents the cost of shares in the following undertakings which are wholly owned, incorporated and registered in England and Wales, except where indicated. In all cases the investment is in the subsidiary's ordinary shares. In the opinion of the Directors, the holding value of the investment is not less than its recoverable value.

The principal activity of all subsidiaries is that of property investment:

Stow Mayfair Limited

Davies Street Limited

Stow Brook Street Limited

Stow Mayfair 2 Limited and its wholly owned subsidiary:

- Mayfair Real Estate Limited (incorporated in Jersey)

The following subsidiaries were dormant during the year:

Stow Limited

Stow Heathrow Limited

All subsidiaries are included in the consolidated group accounts for the year ending 31 December 2019

13.2 Investments in Joint ventures

Grosvenor Stow Projects Limited

Proportion of ordinary shares held
50% directly

The company above has a principal place of business at 70 Grosvenor Street, London, W1X 9DB. The company's principal activities are property investment.

Additional disclosures for joint ventures:

	2019	2018
	£	£
Share of assets		
Share of current assets	50	50
Share of liabilities		
Liabilities due within one year or less	0	0
Share of net assets	<u>50</u>	<u>50</u>

The group has the following investment in joint ventures

	2019	2018
	£	£
At 1 January	50	50
Share of losses of joint ventures	0	0
At 31 December	<u>50</u>	<u>50</u>

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

14. Debtors

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	70,194	70,194	70,194	70,194
Amounts owed by group companies	72,817,763	87,382,872	85,161,278	79,958,485
Amounts owed by subsidiaries	0	0	79,887,101	88,821,413
Other debtors	123,572	123,971	123,572	123,572
Prepayments and accrued income	520,081	0	516,947	506,897
Corporation tax	0	256,487	0	0
Other tax and social securities	0	1,376	0	1,376
Deferred Tax (see note 17)	0	0	0	2,510
	<u>73,531,610</u>	<u>87,834,900</u>	<u>165,759,092</u>	<u>169,484,447</u>

There are no stated repayment or interest terms for the amounts owed by group companies or amounts owed by subsidiaries.

15. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	57,925,063	0	57,953,693	0
Amounts owed to group companies	45,559,815	56,068,265	74,016,134	52,780,061
Amounts owed to subsidiaries	0	0	12,181,942	28,022,498
Trade creditor	61,169	78,177	61,169	78,177
Other creditors	2,850,932	2,057,649	2,849,202	1,947,572
Corporation tax	417,927	621	0	0
Other tax and social security	0	0	0	0
Derivative financial instruments	382,472	698,486	382,472	698,486
Accruals and deferred income	1,041,493	526,498	528,621	526,498
	<u>108,238,871</u>	<u>59,429,696</u>	<u>147,973,233</u>	<u>84,053,292</u>

Bank loans are repayable as follows:

The loans are secured by charges over the investment properties and rental income of the following limited partnerships: Stow Mayfair Limited Partnership and Davies Street Limited Partnership. Interest is charged at LIBOR plus an agreed margin. This loan is part of a £ 103,000,000 facility granted by one of the group's bankers. The group makes quarterly repayments of the bank borrowings.

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	0	58,505,092	0	58,578,000
Other creditors	0	0	0	0
	<u>0</u>	<u>58,505,092</u>	<u>0</u>	<u>58,578,000</u>

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

16. Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Analysis of loans				
Wholly repayable within five years	0	58,505,092	0	58,578,000
Wholly repayable in more than five years	0	0	0	0

Bank loans are repayable as follows:

The loans are secured by charges over the investment properties and rental income of the following limited partnerships: Stow Mayfair Limited Partnership and Davies Street Limited Partnership. Interest is charged at LIBOR plus an agreed margin. This loan is part of a £ 103,000,000 facility granted by one of the group's bankers. The group makes quarterly repayments of the bank borrowings.

17. Provision for liabilities

Group

	Deferred Tax
	£
At 1 January 2019	4,253,597
Profit and loss account movement arising during the year	(111,918)
At 31 December 2019	4,141,679

The provision for deferred tax consists of the following deferred tax assets and liabilities:

	Provided	
	2019	2018
	£	£
Accelerated capital allowances	1,377,932	1,277,827
Short term timing differences	(0)	(82,522)
Tax losses carried forward	(0)	(64,412)
Gains on investment properties	2,763,747	3,122,704
	4,141,679	4,253,597

Company

	Provided as asset	
	2019	2018
	£	£
Tax losses carried forward and short term timing Differences (see note 14)	0	2,510

The net deferred tax asset expected to reverse in 2019 is £ 0 (2018 - £ 0).

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

18. Financial Instruments

The Group has the following financial liabilities:

Financial liabilities	2019 £	2018 £
Measured at fair value through profit and loss		
Derivative financial instruments (see note 15 & 19)	(382,472)	(698,486)

19. Derivative Financial Instruments

Group & Company	2019 £	2018 £
Measured at fair value through profit and loss		
- Interest rate swaps	(382,472)	(698,486)

The Group has entered into interest rate swap contracts to receive interest at LIBOR and pay interest at fixed rates. The instruments are used to hedge the Group's exposure to interest rate movements on the group's loan facility. The fair value of the interest rate swap was £ 382,472 (2018: £ 698,486).

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Cash flows on the interest rate swap are paid half yearly until October 2020 when it expires.

20. Share capital

	2019 £	2018 £
Allotted, issued and fully paid:		
Ordinary shares of £1 each		
(45,386,264 ordinary shares (2018: 45,386,264 ordinary shares))	45,386,264	45,386,264

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

21. Notes to the cashflow statement

	2019 £	2018 £
Profit/(loss) for the financial year	1,363,182	(275,675)
Adjustments for:		
Taxation	305,386	(362,942)
Interest payable	2,047,131	1,958,176
Interest receivable	(9,804)	(9,245)
Operating profit	3,705,895	1,310,314
Fair value movement on investment in Limited Partnership	(3,762,161)	(1,765,203)
Working capital movements		
- Non cash dividends paid	(0)	(5,000,000)
- Decrease/(increase) in debtors	14,046,803	6,633,736
- (Decrease)/Increase in creditors	(1,724,174)	(19,737,828)
Cash flow from operating activities	12,266,363	(18,558,981)

22. Analysis of net debt

	At 1 January 2019 £	Cash flows £	At 31 December 2019 £
Cash at bank and in hand	7,091,421	9,596,476	16,687,897
Bank loan	(58,505,092)	580,029	(57,925,063)
	(51,413,671)	10,176,505	(41,237,166)

23. Contingent liabilities and capital commitments

As at 31 December 2019 the group had the following contingent liability in respect of the bank facility to the company and other members of the group:

- (i) A first floating charge over all of the assets and undertakings of Stow Real Estate Plc; and
- (ii) A first legal mortgage by the relevant group companies over the investment properties;

At 31 December 2019, the Group had no outstanding commitments for capital expenditure (2018 - £ 0).

As disclosed in Note 13.1 the Company has taken advantage of the exemption available under section 479A of the Companies Act 2006 in respect of the requirement for audit of certain 100% owned subsidiaries. The company guarantees the liabilities of the relevant companies at the end of the year until those liabilities have been settled in full. The contingent liability at the year-end was £ 0 (2018: £ 0). This value would reflect the liabilities of the relevant subsidiaries at the year end.

STOW REAL ESTATE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 - continued

24. Related parties

During the year, an amount of £ 2,849,202 (2018: £ 2,055,919) was owed by the group to Stow Real Estate Management Limited, an entity incorporated in England and Wales. Stow Real Estate Management Limited is a related party by virtue of common directorship. During the year, the group entered into the following transactions with related parties:

Payments made by related party on behalf of the group - £ 1,063,350 (2018: £ 2,392,690)

Receipts from related parties on behalf of the group - £ 270,067 (2018: £ 336,772)

As permitted by FRS 102 Section 33 "related party disclosures" the financial statements do not disclose transaction with the parent company and fellow subsidiaries where 100% of the voting rights are wholly controlled by the group.

25. Post balance sheet event

On 30 January 2020 the World Health Organisation declared Coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or similar health epidemic is highly uncertain and subject to change. In terms of the specific impact on the Group, the September 2020 valuations of the investment property portfolio were subject to a downward revaluation of circa 14%, in line with wider market trends.

26. Control

The company's immediate and ultimate parent company and controlling entity is Stow Capital Partners Limited, a company incorporated in Bermuda. Stow Capital Partners Limited is the smallest and largest group of which the Company's accounts are consolidated into.

The board is not aware that the company has a controlling party.

Copies of the consolidated financial statements of Stow Capital Partners Limited can be obtained from the Company Secretary, Victoria Place, 5th Floor, 31 Victoria Street, P O Box HM 1624, City of Hamilton, HM 10, Bermuda.