

**Report and Financial Statements
Stanhope Group Holdings Limited
Registered Number 05764165**

31 March 2017



Directors

D J Camp (Chief Executive)
M Dal Bello
E Onozawa
O H J Stocken (Chairman)
Sir E J Udney-Lister

Company secretary

C N Pagan

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

Bankers

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

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Registered Office

2nd Floor
100 New Oxford Street
London WC1A 1HB

Photographic Credits

Angel Court tower and front lobby photos – Mike O'Dwyer 2017
6-8 Bishopsgate and 150 Leadenhall Tower planning application CGI – Millerhare
150 Bishopsgate CGI - Millerhare
Television Centre CGI – Hayes Davidson
White City Place, Exterior – Guy Archard
Ruskin Square, Croydon – Jack Hobhouse 2016
Watermeadow Court, CGI – Construct Media

CONTENTS

	Page
Strategic Report	
Chief Executive's statement	3
Strategic Review	12
Directors' report	15
Directors' responsibility statement	16
Independent auditor's report to the members of Stanhope Group Holdings Limited	17
Group income statement and retained earnings	19
Group balance sheet	20
Company balance sheet	21
Group statement of cash flows	22
Notes to the financial statements	23

Strategic Report - Chief Executive's statement

Overview

During the year to March 2017, with our partners, we delivered 1.54 million sq. ft. of new accommodation in London. This has primarily been offices at Angel Court and 8 Finsbury Circus in the City, Ruskin Square in Croydon and the Garden House and Media Works at White City. We have approximately 4.3 million sq. ft. of additional accommodation remaining under construction for delivery during 2017 and 2018.

Despite the uncertain political and economic environment, these completed projects are set to perform well for Stanhope and its partners, with significant occupier interest leading to successful lettings both pre and post completion.

During the year, we have also continued to diversify into the residential market and our portfolio now includes c. 3,700 units either under construction or planned with a value of c. £2.5bn,

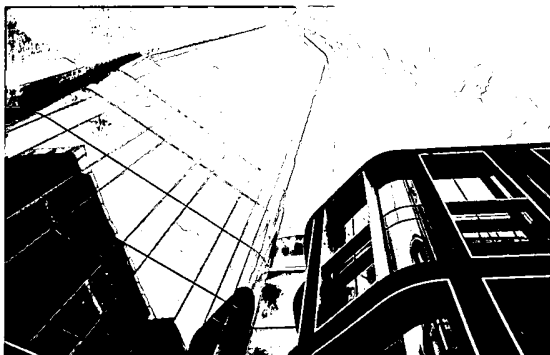
Despite political and economic uncertainties, the pricing of assets in and around London remains strong. We therefore remain selective in targeting new business acquisitions. At the end of the financial year, we were selected by the British Library as their development partner to deliver an extension to the Library, together with commercial space, on 3 acres of land to the north of the existing library in the heart of London's Knowledge Quarter.

In addition to acquisitions, we continue to seek opportunities to provide our development expertise to both local and international investors in London. On this front, we have been selected by UOL, a substantial property group based in Singapore, to act as their development partner to deliver 150 Bishopsgate, a 44 storey, 600,000 sq. ft. hotel and residential project.

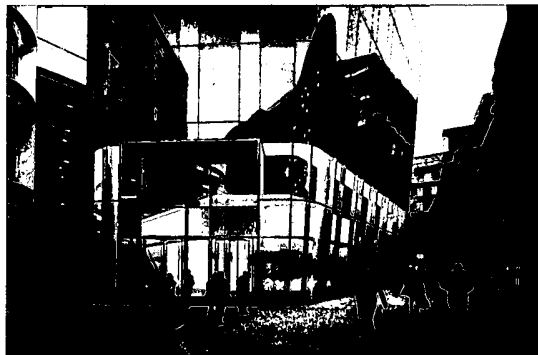
On the corporate side, at our new offices at 100 New Oxford Street, we have continued to recruit further executives in our Residential, Asset Management and Corporate Accounts teams to improve our skill base and resourcing in these areas and the total team is now some 70 strong.

Central London

At the end of the financial year, alongside our partner and shareholder, Mitsui Fudosan (UK) Limited ("Mitsui"), we completed **1 Angel Court, EC2**. Angel Court is located 50 metres from the Bank of England, and a key aspect of the project has been creating high quality public realm around the building, enlivened by an interesting mix of restaurant and cafés. The upper floors provide light and flexible office space with 360 degree views of London. Of the total 300,000 sq. ft. of offices, approximately 50% is let or under offer.



Angel Court, EC2



Strategic Report - Chief Executive's statement

In the City, we are also progressing, with Mitsubishi Estate, refined plans for an iconic tower at the heart of the City on the corner of **Bishopsgate and Leadenhall Street, EC2**. During the year we progressed designs for a revised scheme to improve the planning consent achieved in 2015. The new planning application increases the building from 40 to 50 storeys and the gross floor area to over 900,000 sq. ft.



6-8 Bishopsgate and 150 Leadenhall Street, EC2 – Planning Application CGI

Also in the City, as mentioned in the Overview, we have formed a partnership with UOL to deliver **150 Bishopsgate, EC2**. This 44 storey tower, providing a five star hotel and residential, sits at the apex of a vibrant quarter, where the City meets Spitalfields and Shoreditch, and which will improve further with the arrival of Crossrail in 2018. The development will be UOL's first Pan Pacific branded hotel outside of the Pacific region. By the financial year end, basement works had started on site and our selection as UOL's partner is reflective of our depth of experience in delivering complex, high profile, projects for international investors in London.

Strategic Report - Chief Executive's statement



150 Bishopsgate – CGI

On behalf of AFFIA, we are also progressing the make-over of **Garrard House**, in the City of London, which we developed as Schrodgers' headquarters in 1998. The building will provide c.170,000 sq.ft. of grade A space.

Elsewhere in Central London, we have, with Mitsui, been selected as **The British Library's** development partner to deliver an extension to the Grade I listed library together with new commercial accommodation for London's Knowledge Quarter occupiers. The project is anticipated to deliver circa 850,000 sq. ft. of accommodation, including 100,000 sq. ft. of new cultural space for The British Library and the headquarters of The Alan Turing Institute. This site is at the heart of one of the best connected parts of Central London, which is attracting a wide range of occupiers. A number of the world's foremost technology companies have headquarters nearby, including Google. The Francis Crick Institute is immediately to the north, and other medical and educational institutions are nearby.

During the year, **Low Carbon Workplace**, our partnership with Columbia Threadneedle and the Carbon Trust, completed four refurbishments totalling 170,000 sq. ft. in the City, Clerkenwell and Shoreditch. Two of these projects are now fully let, with the other two buildings in the process of leasing up. The fund has now created eight low carbon buildings with a total value of approximately £300m.

Place-making projects

As the growth of London's continues to open up regeneration in locations well served by transport, we continue to commit a significant portion of our resources to place-making projects.

Strategic Report - Chief Executive's statement

In this regard, a key area of focus is our two White City projects at **Television Centre** and **White City Place**. The first phase at Television Centre is now well advanced, and is set to complete in phases from the end of 2017 through to the summer of 2018. Phase One comprises 432 residential units, 400,000 sq. ft. of offices, (100,000 is pre let to BBC Worldwide), a Soho House hotel and club, 3 refurbished television studios for the BBC and a carefully selected mix of food and beverage ("F&B"), fitness and leisure amenities, including an arts house cinema.

Notwithstanding a slow-down in the market since mid 2016, residential sales at Television Centre have been healthy, with 319 of the units now either reserved or sold. The resilience of Television Centre residential sales has been enhanced by the selection of F&B and leisure operators, such as Soho House, Bluebird, Patty & Bun, Homeslice and Electric Cinema, which will together enable the creation of a new vibrant quarter of London in which to work, live and enjoy.

To further ensure that we are creating a thriving community, a high ratio of homes have been sold to owner-occupiers, and over 70% of homes have been sold in the UK. To achieve this, a pricing and marketing strategy has been employed which has targeted the local market. We have also avoided offering bulk deals or discounts and promoted the development as being for long term occupation and investment.



Television Centre, W12

Strategic Report - Chief Executive's statement

At **White City Place**, two of the three buildings under refurbishment have been completed. 40,000 sq. ft. Garden House has been let to the Royal College of Art, and Huckletree and YOOX Net-A-Porter have taken space in the 250,000 sq. ft. Media Works.

As well as creating high quality and contemporary office accommodation, we have focused upon creating a vibrant place by re-landscaping and curating a mix of F&B and health and fitness offers. We are also putting in place on going events and activities, such as the new Podcast Studio, to help create a sense of energy for this exciting new project. We have also submitted a planning application for the future Phase Two of White City Place on the Gateway site, comprising 1,140,000 sq. ft. of offices and associated retail and F&B in three buildings.



White City Place, W12

Elsewhere, for our partners Schrodgers, we have completed the first office phase of **Ruskin Square, Croydon**, which is a 244,000 sq. ft. building pre-let to the Inland Revenue. During the year, we also continued to work up plans for the next office building and for delivering the remaining 464 residential units. Once completed, Ruskin Square will comprise over 1,800,000 sq. ft. of mixed use accommodation.

Strategic Report - Chief Executive's statement



Ruskin Square, Croydon

At **Station Hill, Reading**, we have now substantially completed complex negotiations with third parties to enable the planning consent for 1,500,000 sq. ft. of residential, offices and retail to be implemented. We have also completed the demolition of the buildings on the northern portion of the site, together with installation of public realm and temporary community space to enliven the site. Along with our partners, Benson Elliot and Mitsui, we are now reviewing options to bring in partners to implement the project.

Other projects

We continue to work closely with the **London Borough of Hammersmith & Fulham** to progress projects within our 15 year asset regeneration joint venture. During the year, we have continued with the pre-development activities to enable the first two projects to be progressed, which are set to deliver 219 private homes at Watermeadow Court and 133 affordable homes at Edith Summerskill House. Planning applications have recently been submitted for these two projects and we anticipate starting on site in 2018.

Strategic Report - Chief Executive's statement



Watermeadow Court, CGI

We are now on site delivering the first phase of **Elwick Place, Ashford**, in partnership with Ashford Borough Council. This is a mixed use hotel, cinema and F&B project and we have secured pre-lets to Travelodge and Cineworld, along with development funding from Ashford Borough Council. The project went unconditional shortly after the end of the financial year.

We continue to expand our **Asset Management** activities. This includes the recently completed Angel Court which has been added to our partner, Mitsui's, Central London office portfolio, our ongoing role on behalf of AIMCo at Causeway Staines and the asset management of Television Centre and White City Place.

Our team and partners

The success of our business is founded upon the skills, experience and hard work of our team and the strength of our partnership relationships with, not only our clients, but also our entire supply chain.

The Stanhope team now comprises 70 people, with an increase of 5 over the year. We have continued to recruit in the areas of residential, asset management and corporate services and this reflects the emerging importance, and ongoing growth, of these areas within our business. In general, our philosophy is to remain alert to opportunities for recruiting highly talented individuals to enhance the skillset and knowledge of our team to drive long term performance for the business and our partners.

During the year we have also, as part of further corporate restructuring, put in place our Management Team which further evolves the structure of the business to meet our growth and diversification and to assist in succession planning.

We were sad to see the departure of Hideto Yamada who had been on the Board of the Company for eight years, and who returned to Japan in April 2016. Hideto's wide experience and wise counsel was of great benefit to Stanhope. Eiichiro Onozawa has joined in his place as

Strategic Report - Chief Executive's statement

the senior Mitsui representative on the Board, so continuing the long standing relationship with Mitsui.

We also welcomed Sir Edward Lister to the Board in October 2016. He brings a wealth of experience in residential developments and insight into the public sector from both his previous roles as Leader of Wandsworth Council and Deputy Mayor of Policy and Planning under the previous Mayor of London, as well as his current role as Chairman of the Homes and Communities Agency.

As ever, we are grateful for the continuing support of our key partners including our shareholders, Mitsui and AIMCo, and others including Benson Elliot, Carbon Trust, Columbia Threadneedle, Mitsubishi Estate, Schroders and UOL. The long term support and commitment of our partners is essential to the ongoing success and growth of Stanhope as a business, and we continue to work hard to ensure that our partners receive a best in class service from us.

Research and sponsorship

Stanhope continues to carry out research and look for opportunities to help young people through apprenticeships on projects, internships and sponsorship. Recent examples include:

Vital Neighbourhoods

During the course of the year, we have jointly funded a major piece of research with Publica regarding housing renewal, in part as a response to the densification of London and the need to provide more housing. This has involved looking at mainly the northern European examples and case studies and deriving certain lessons learnt which could be applied in London/the UK. We will be using the launch of this research to raise the debate and embed Stanhope as a major player in place-making and housing renewal in London. The specific targets will be the GLA and London Boroughs.

London School of Architecture

During this year we have become the first founding partner of the London School of Architecture – this is an innovative new school which assists students in their postgraduate diploma years by offering work experience. Stanhope is becoming involved in setting topics and providing informal advice on development economics to assist with improving the education of future architects.

Housing Future – Urban Renters

A joint piece of research into the urban rental market with Network Homes and Strutt & Parker to establish key trends in the emerging Build to Rent market.

Financial results

Stanhope's results for the year to 31st March 2017 have shown a profit before tax of £10.7m on a turnover of £31.2m and with net assets of £47.2m:

Profit levels and net assets were down on the previous year, (£26.2m and £54.5m respectively) which is largely due to one-off large scale incentive payments being received during the previous financial year. This year's financial performance, against an uncertain economic environment, is an indication of the business' underlying strength.

Strategic Report - Chief Executive's statement

The Company paid dividends of £15.8m during the year in respect of the 2015/16 financial year (in 2016: £7.3m). The Board approved an interim dividend in respect of the 2016/17 financial year of £2.9m which was paid in April 2017. A final dividend of £2.1m was approved by the Board on 28 June 2017 and paid on 7 July 2017.

Outlook

Stanhope delivered solid financial results in the year to March 2017. There is set to be significant risks and volatility in the coming months given the disruption resulting from the recent election and as Britain seeks to negotiate an exit from the European Union. However, evidence of a generally improving European economic outlook, and an expectation that London's many strengths are likely to continue to attract investment and highly skilled people, despite these uncertainties, is likely to result in a continued growth in our core London Market over the longer term.

Given the shorter term risks, we remain cautious in investing in new projects in the short term. We continue to concentrate on considering new areas which we believe are less sensitive to potential short term volatility, in particular mid-priced housing led regeneration in Greater London, on a private for sale and Build to Rent basis. To support this area of expansion, we have undertaken a significant level of research and analysis for a robust delivery strategy that produces high quality appropriately. Given the need to create mixed-tenure places and high quality management of the new communities, we have also been developing our relationships with Local Authorities and Housing Associations, most notably with our partnership with Network Homes.

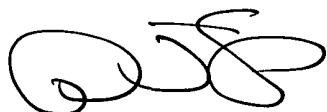
Additionally, we continue to seek opportunities to act as Development Manager for long term investors, who are comfortable with the risk profile of developing in London, but who do not have the 'on the ground' skills to manage large scale refurbishment and development projects.

Overall, we are confident that the business is well placed to manage itself successfully through the short term uncertainties and, furthermore, to capitalise on opportunities that such a slowdown may bring.

Post year end restructuring

On 10 April 2017, the first steps were entered into with the objective for AIMCo and Mitsui to increase their holding in Stanhope to 25% and 30% respectively alongside members of the Management Team acquiring shares in the business. This was achieved by a number of the original management shareholders in the business disposing of their shares after holding them for over ten years.

As part of the transaction, AIMCo and Mitsui have also put in place a new 20 year loan note facility of £40m to increase Stanhope's ability to invest in the creation of new projects.



David Camp
Director

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 and Chiswick Park.

Stanhope's overriding objective is to leave a legacy of sustainable improvement 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, retail or (more recently) residential led, together with ancillary uses and public spaces. As confirmed in the Chief Executive's Statement, Stanhope is now taking a more active role in the delivery of residential accommodation and building up its asset management activities as part of its strategy to diversify and to grow the business and its profitability.

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;
- 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 uses a number of key performance indicators ("KPIs") for managing the business, the key ones being revenue, profitability, liquidity and risk.

Balancing the business with a mixture of low risk, recurring, development management fees and the higher risk pre-development profit sharing schemes is key to generating both sustainable cash flows and profitability and allows Stanhope to participate in projects in a manner which is commensurate with its capital resources.

At the project level, an analysis of both resourcing and opportunity costs set against potential returns and risk is used for investment decisions.

As well as financial KPIs, Stanhope focuses on a number of other KPIs for our developments including health and safety, sustainability and post occupancy performance reviews. In addition, sourcing local suppliers, providing training facilities, hiring trainees and ensuring community engagement are all important targets for our projects.

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 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, in order to cover overheads.

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, including by expanding its activities in order to provide a broader range of skills and secure diversified income. This is achieved through the careful selection of transactions, projects and partners, and then optimising value through its 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 other than long-term loan notes from shareholders. 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 apportion risk (and reward) in the most appropriate way.

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 on 28 June 2017 and signed on its behalf by D J Camp on 17 July 2017.



Director

Directors' report

The directors present their report and the financial statements for the year ended 31 March 2017.

Results and Dividends

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

Dividends of £15.8m were paid during the year (2016: £7.3m).

On 6 April 2017, the Board approved an interim dividend of £2.9m in relation to the 2016/17 financial year and on 28 June 2017 approved a final dividend of £2.1m.

Directors during the year

The directors of the company during the year were:

David Camp
Michael Dal Bello
Oliver Stocken
Eiichiro Onozawa (appointed 1 April 2016)
Sir Edward Udney-Lister (appointed 1 October 2016)
Hidetoshi Yamada (resigned 1 April 2016)

Company ownership

The owners of the company at 31 March 2017 were:

Employees	65%
Mitsui Fudosan (UK) Limited ("Mitsui Fudosan")	25%
FREP Holdings Canada 1 LP ("AIMCo")	10%
Total	100%

Post balance sheet events

The Chief Executive's statement gives an explanation of the corporate restructure which took place on 10 April 2017 and further details are provided in Note 28 to the financial statements.

Auditors

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' 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:

Directors' report

Directors' responsibility statement (continued)

- 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

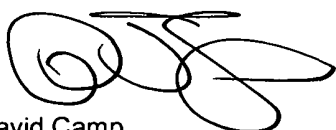
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

17 July 2017

Independent auditor's report

to the members of Stanhope Group Holdings Limited

Independent auditor's report to the members of Stanhope Group Holdings Limited

We have audited the financial statements of Stanhope Group Holdings Limited for the year ended 31 March 2017 which comprise the Group income statement and retained earnings, the Group and Company balance sheets, the Group statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on pages 15 and 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2017 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.

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 Stanhope Group Holdings Limited (continued)

Matters 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 where 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.



Elizabeth Collins

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

Date: 17 July 2017

Group income statement and retained earnings

for the year ended 31 March 2017

	Notes	2017 £' 000	2016 £' 000
Group turnover	5	31,206	51,903
Cost of sales		(13,573)	(23,557)
Gross profit		17,633	28,346
Administrative expenses		(8,803)	(7,576)
<i>Group operating profit</i>	6	8,830	20,770
Share of loss of joint ventures	14	(1,102)	(709)
Share of profit of associates	14	2,878	1,036
<i>Total group operating profit and share of joint ventures and associates</i>		10,606	21,097
Profit/(loss) on sale of fixed assets		1	(30)
(Loss)/profit on sale of investments		(46)	40
Amounts written back/(written off) on investments	14	345	(61)
<i>Profit before interest, taxation and investment income</i>		10,906	21,046
Income from investments	14	299	4,924
Fair value movements	14	50	510
Interest receivable	9	193	370
Interest payable	10	(789)	(656)
<i>Profit before taxation</i>		10,659	26,194
Tax on profit	11	(2,187)	(4,216)
<i>Profit for the year</i>		8,472	21,978
Retained profits at 1 April 2016		38,111	23,464
Dividends paid	23	(15,745)	(7,331)
Retained profits at 31 March 2017		30,838	38,111

The notes on pages 23 to 45 form part of these financial statements.

Group balance sheet

as at 31 March 2017

Company Number: 05764165

	Notes	2017 £' 000	2017 £' 000	2016 £' 000	2016 £' 000
Fixed assets					
Intangible fixed assets	12		5,477		6,085
Tangible fixed assets	13		1,333		1,742
Investments in joint ventures:					
Share of gross assets		905		611	
Share of gross liabilities		(450)		(558)	
Total investment in joint ventures	14		455		53
Investments in associated undertakings	14		12,556		7,590
Other investments	14		24,454		16,942
			44,275		32,412
Current assets					
Work in progress	16		-		306
Debtors	17		10,024		6,001
Cash			24,089		38,794
			34,113		45,101
Creditors and provisions: amounts falling due within one year	18		(11,173)		(23,025)
Net current assets			22,940		22,076
Total assets less current liabilities			67,215		54,488
Creditors: amounts falling due after more than one year – loan notes	19		(20,000)		-
Net assets			47,215		54,488
Capital and reserves					
Called up share capital	22		7,028		7,028
Share premium account	22		9,349		9,349
Profit and loss account	22		30,838		38,111
Equity shareholders' funds			47,215		54,488

These financial statements were approved by the board of directors on 28 June 2017 and signed on behalf of the board by David Camp on 17 July 2017.

David Camp
Director

The notes on pages 23 to 45 form part of these financial statements.

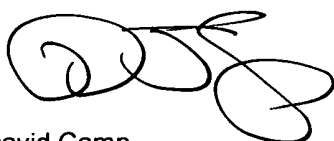
Company balance sheet

as at 31 March 2017

Company Number: 05764165

	Notes	2017 £' 000	2016 £' 000
Fixed assets			
Investments	15	25,000	25,000
		<u>25,000</u>	<u>25,000</u>
Current assets			
Cash		737	484
		<u>737</u>	<u>484</u>
Creditors: amounts falling due within one year	18	(242)	(514)
		<u>495</u>	<u>(30)</u>
Net current assets/(liabilities)			
		<u>25,495</u>	<u>24,970</u>
Net assets			
		<u>25,495</u>	<u>24,970</u>
Capital and reserves			
Called up share capital	22	7,028	7,028
Share premium account	22	9,349	9,349
Profit and loss account	22	9,118	8,593
		<u>25,495</u>	<u>24,970</u>
Equity shareholders' funds			
		<u>25,495</u>	<u>24,970</u>

These financial statements were approved by the board of directors on 28 June 2017 and signed on behalf of the board by David Camp on 17 July 2017.



David Camp
Director

The notes on pages 23 to 45 form part of these financial statements.

Group statement of cash flows

for the year ended 31 March 2017

	2017 £' 000	2016 £' 000
<i>Cash flows from operating activities</i>		
Profit for the financial year	8,830	20,770
Adjustments for:		
Amortisation of intangible assets	608	609
Depreciation of tangible assets	501	198
Decrease/(increase) in work in progress	306	(306)
(Increase)/decrease in debtors	(4,010)	4,556
(Decrease)/increase in creditors and provisions	(11,806)	8,844
<i>Net cash from operating activities</i>	(5,571)	34,671
Taxation paid	(2,729)	(4,461)
<i>Net cash generated from operating activities</i>	(8,300)	30,210
<i>Cash flows from investing activities</i>		
Purchase of tangible assets	(92)	(1,853)
Proceeds from sale of tangible assets	1	5
Purchase of investments	(9,424)	(4,672)
Proceeds from sale of investments	2,563	12,799
Loans to joint ventures	(1,504)	(761)
Loans to associates	(2,160)	(4,047)
Payment on disposal of associate	(119)	-
Repayment of loans from associates	-	1,669
Interest received	69	751
Dividends received	299	4,924
<i>Net cash used in investing activities</i>	(10,367)	8,815
<i>Cash flows from financing activities</i>		
Equity dividends paid	(15,745)	(7,331)
Preference dividends paid	(293)	(394)
Interest paid	-	(788)
Issue of long term loan notes	20,000	-
Repayment of long term loans	-	(14,750)
<i>Net cash used in financing activities</i>	3,962	(23,263)
<i>Net(decrease)/increase in cash and cash equivalents</i>	(14,705)	15,762
Cash and cash equivalents at the beginning of the year	38,794	23,032
<i>Cash and cash equivalents at the end of the year</i>	24,089	38,794

Notes to the financial statements

as at 31 March 2017

1. Company information

Stanhope Group Holdings Limited 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 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

After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its group financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of Stanhope Group Holdings Limited and all its subsidiary undertakings drawn up to 31 March each year. No profit and loss account is presented for Stanhope Group Holdings Limited as permitted by Section 408 of the Companies Act 2006.

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;
 - items of income, expenses, gains or losses relating to financial instruments; 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

Notes to the financial statements

as at 31 March 2017

are accounted for using the equity method, having conformed the financial statements of the associates with 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.

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 deemed insignificant by management, 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 plan

The Group operates a bonus plan 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 plan as a result of past events and a reliable estimate of the obligation can be made.

Notes to the financial statements

as at 31 March 2017

Taxation

Taxation expense for the period 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 period 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.

Goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the fair value and directly attributable costs of the purchase consideration over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated balance sheet immediately below goodwill.

Goodwill is amortised over its expected useful life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to the profit and loss account. Goodwill is currently being amortised in the financial statements in a range between 5 and 20 years.

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%

Notes to the financial statements

as at 31 March 2017

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. The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 April 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

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 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.

Notes to the financial statements

as at 31 March 2017

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 publically 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, bank loans, loans from fellow Group companies and preference shares that are classified as debt, 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.

Notes to the financial statements

as at 31 March 2017

Financial instruments (continued)

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.

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

As at 31 March 2016 and at 31 March 2017, no financial assets or liabilities are offset.

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.

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 the profit and loss account and 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 and estimates. The items in the financial statements where these judgements and estimates have been made include the following items:

The group makes 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.

Market Value of Interest

The directors are also required to make judgements in determining a market rate of interest on zero coupon loans and how they are classified (i.e. as non-financing or financing). The directors have assessed the market rate of interest on these shareholders loans to associated companies to equate to 15%. This judgement has been made based on rates of similar transactions and expectations of returns to shareholders.

Notes to the financial statements

as at 31 March 2017

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.

	2017 £' 000	2016 £' 000
<i>Group turnover:</i>		
Turnover from property development	31,206	51,903

A number of the projects are being undertaken on behalf of funding institutions, and during the year the project turnover amounted to £91.6m (2016: £108.1m). 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:

	2017 £' 000	2016 £' 000
Auditors' remuneration:		
Fees payable for the audit of the company's annual accounts	17	19
Fees payable for the audit of the company's subsidiaries' annual accounts	49	46
Fees payable for the audit of joint venture companies' accounts	11	9
Fees payable for the audit of associated companies' accounts	2	4
Fees payable for accounts preparation	6	4
Fees payable for tax compliance services	36	50
Fees payable for other tax services	7	26
Fees payable for other non-audit assurance services	9	11
Operating lease rentals – land and buildings	883	818
Depreciation	501	198
Amortisation and impairment of goodwill (included in administrative expenses)	608	609

7. Staff costs

	2017 £' 000	2016 £' 000
Salaries	7,637	7,719
Social security costs	1,052	1,064
Share of profits bonus	2,073	14,515
Other pension costs	31	170
	10,793	23,468

The average weekly number of persons (including executive directors) employed by the Group during the year was 67 (2016: 62).

The Group provides a defined contribution pension scheme and the amount recognised as an expense was £31k (2016: £21k). No holiday pay accrual has been provided for as management do not consider it to be material. The value calculated as at 31 March 2017 was £178k (2016: £165k).

Notes to the financial statements

as at 31 March 2017

8. Directors' remuneration

	2017	2016
	£' 000	£' 000
Remuneration for management services	402	402
Non-executive directors' salaries and fees	123	81
	<u>525</u>	<u>483</u>

The highest paid director received £402k (2016: £402k) during the year. No pension costs have been paid for any directors during the year (2016: £nil).

9. Interest receivable

	2017	2016
	£' 000	£' 000
Interest receivable	82	170
Total interest receivable on financial assets not measured at fair value through profit or loss	<u>82</u>	<u>170</u>
Unpaid interest on loan measured at fair value	111	200
Total interest receivable	<u>193</u>	<u>370</u>

10. Interest payable

	2017	2016
	£' 000	£' 000
Interest payable on loan notes	630	363
Preference dividend	159	293
Total interest payable on financial liabilities not measured at fair value through profit or loss	<u>789</u>	<u>656</u>

Notes to the financial statements

as at 31 March 2017

11. Tax on profit

(a) Tax on profit

The tax charge is made up as follows:

	2017	2016
	£' 000	£' 000
<i>Current tax</i>		
UK corporation tax on profit of the year	1,754	4,149
Adjustment in respect of prior periods	565	(35)
Total current tax	<u>2,319</u>	<u>4,114</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(136)	102
Effect of tax rate change on opening balance	4	-
Total deferred tax	<u>(132)</u>	<u>102</u>
Tax on profit	<u><u>2,187</u></u>	<u><u>4,216</u></u>

Notes to the financial statements

as at 31 March 2017

11. Tax on profit (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2016: lower) than the main rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £' 000	2016 £' 000
Profit before taxation	10,659	26,194
Add back share of joint ventures' losses	1,102	709
Less share of associated undertakings' profits	(2,878)	(1,036)
Group profit before taxation	8,883	25,867
Profit multiplied by the main rate of corporation tax in the UK of 20% (2016: 20%)	1,777	5,174
Effect of:		
Fixed asset differences	20	8
Expenses not deductible for tax purposes	339	477
Income not taxable	(70)	(985)
Capital gains	89	-
Transfer pricing adjustments	(22)	(95)
Prior year adjustments	565	(35)
Adjust closing deferred tax to average rate	78	48
Adjust opening deferred tax to average rate	(42)	-
Deferred tax not recognised	(547)	(376)
Total tax charge (note 11(a))	2,187	4,216

(c) Tax rate changes

Deferred tax balances at 31 March 2016 and 31 March 2017 are measured at the revised rate of 19% as they are expected to be realised within the next twelve months.

Notes to the financial statements

as at 31 March 2017

12. Intangible fixed assets

<i>Group</i>	<i>Goodwill</i>
	£' 000
Cost:	
At 1 April 2016	13,046
Disposals	(912)
At 31 March 2017	12,134
Amortisation and impairment:	
At 1 April 2016	6,961
Provided during the year	608
Disposals	(912)
At 31 March 2017	6,657
Net book value:	
At 31 March 2017	5,477
At 31 March 2016	6,085

The directors considered the carrying value of goodwill at 31 March 2017 for impairment indicators, and were satisfied that the net book value was fully recoverable.

Notes to the financial statements

as at 31 March 2017

13. Tangible fixed assets

<i>Group</i>	<i>Leasehold fixtures and fittings £'000</i>	<i>Office equipment £'000</i>	<i>Total £'000</i>
Cost:			
At 1 April 2016	1,865	453	2,318
Additions	50	42	92
Disposals	-	(1)	(1)
At 31 March 2017	<u>1,915</u>	<u>494</u>	<u>2,409</u>
Accumulated depreciation:			
At 1 April 2016	194	382	576
Provided during the year	454	47	501
Disposals	-	(1)	(1)
At 31 March 2017	<u>648</u>	<u>428</u>	<u>1,076</u>
Net book value:			
At 31 March 2017	<u>1,267</u>	<u>66</u>	<u>1,333</u>
At 31 March 2016	<u>1,671</u>	<u>71</u>	<u>1,742</u>

Notes to the financial statements

as at 31 March 2017

14. 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:

<i>Name of company</i>	<i>Financial year end</i>	<i>% of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>			
Stanhope plc	31 March 2017	100%	Property development
Stanhope Drury Lane Limited*	31 March 2017	100%	Property development
Norfolk Joint Venture Limited**	31 March 2017	99.9%	Property investment
Elwick Place Construction Limited	31 March 2017	100%	Property development
<i>Subsidiary undertakings (dormant)</i>			
Stanhope (City) Limited	31 March 2017	100%	Dormant
Deptford Bridge Developments Limited*	31 March 2017	100%	Dormant
Salisbury Meadows Developments Limited*	31 March 2017	100%	Dormant
Stanhope (Gloucester) Limited*	31 March 2017	100%	Dormant
Stanhope (Osterley) Limited*	31 March 2017	100%	Dormant
Stanhope Ashford Limited*	31 March 2017	100%	Dormant
Stanhope Consult Limited*	31 March 2017	100%	Dormant
Stanhope Estates Management Limited*	31 March 2017	100%	Dormant
Stanhope Group Limited*	31 March 2017	100%	Dormant
Stanhope Oxford Street Limited*	31 March 2017	100%	Dormant
Stanhope Properties Limited*	31 March 2017	100%	Dormant
Stanhope Regeneration Limited*	31 March 2017	100%	Dormant
Stanhope Securities Limited*	31 March 2017	100%	Dormant
Hart Station Holdings Limited*	31 December 2017	100%	Dormant
High Road Holdings Limited*	31 December 2017	100%	Dormant
<i>Joint ventures</i>			
H1 Developments Limited	31 March 2017	50%	Property development
B6 Developments Limited	31 March 2017	50%	Property development
Widemarsh Gate Developments Limited	31 March 2017	50%	Property development
HFS Developments LLP	31 March 2017	50%	Property development
HFS Developments 2 Limited	31 March 2017	50%	Property development
GH Partnership LLP	31 March 2017	50%	Property development
MFS Development Services Limited	31 March 2017	50%	Dormant
<i>Associated undertakings</i>			
Stanhope (Westerly Point) Limited	31 March 2017	37.5%	In liquidation
Stanhope (Station Hill) Limited	31 March 2017	37.5%	Property investment
Sackville LCW (GP) Limited	31 March 2017	33%	General partner to Low Carbon Workplace Fund

All of the above companies are registered in the United Kingdom.

Key:

* These subsidiaries are held indirectly through Stanhope plc

** 50% of the shares are held by David Camp but control is by the group and it is treated as a subsidiary.

Notes to the financial statements

as at 31 March 2017

14. Investments – group (continued)

<i>Investments in:</i>	<i>Joint ventures</i> <i>£' 000</i>	<i>Associated undertakings</i> <i>£' 000</i>	<i>Other</i> <i>£' 000</i>	<i>Total</i> <i>£' 000</i>
Cost:				
At 1 April 2016	53	7,590	20,571	28,214
Additions	1,504	2,271	9,424	13,199
Disposals	-	(183)	(2,362)	(2,545)
Share of (losses)/profits	(1,102)	2,878	-	1,776
Uplift in fair value	-	-	50	50
At 31 March 2017	455	12,556	27,683	40,694
Provisions against investments:				
At 1 April 2016	-	-	3,629	3,629
Reversed during the year	-	-	(345)	(345)
Reversal on disposal	-	-	(55)	(55)
At 31 March 2017	-	-	3,229	3,229
Net book value:				
At 31 March 2017	455	12,556	24,454	37,465
At 31 March 2016	53	7,590	16,942	24,585

<i>Investments in Associates</i>	<i>Share of Net Assets</i> <i>£' 000</i>	<i>Loans</i> <i>£' 000</i>	<i>Total</i> <i>£' 000</i>
At 1 April 2016 net book value	1,422	6,168	7,590
Share of profit for the year after taxation	2,878	-	2,878
Fair value adjustments	145	(34)	111
Additional loans with 0% coupon	-	2,160	2,160
Disposal	(183)	-	(183)
At 31 March 2017	4,262	8,294	12,556

Notes to the financial statements

as at 31 March 2017

14. Investments – group (continued)

The losses from joint ventures comprise the following:

	£' 000
HFS Developments LLP	(867)
HFS Developments 2 Limited	(206)
GH Partnership LLP	(29)
	<hr/>
Total share of losses from joint ventures	(1,102)
	<hr/> <hr/>

The profits from associates comprise the following:

	£' 000
Stanhope (Station Hill) Limited	2,873
Stanhope (Westerly Point) Limited	(3)
Sackville LCW (GP) Limited	8
	<hr/>
Total share of profits from associates	2,878
	<hr/> <hr/>

Other investments include units in The Croydon Gateway Property Unit Trust, Climate Change Property Fund and The Low-Carbon Workplace LP, and shares in Mabledon Holdings UK Sàrl, and Whitewood TV City UK Sàrl. These investments are held at the lower of cost and net realisable value apart from the units held in the Low Carbon Workplace LP which are held at their fair value of £1.095m (2016: £3.14m).

During the year, Norfolk Joint Venture Limited invested £1.242m (2016: £nil) in Whitewood TV City UK Sàrl, (a 10% holding).

During the year, Norfolk Joint Venture Limited invested £7.958m (2016: £2.538m) in Whitewood Media Village UK Sàrl (a 10% holding) and £0.224m (2016: £2.134m) in Whitewood Gateway UK Sàrl (a 10% holding).

During the year, dividends were received from the Croydon Gateway Property Unit Trust of £0.008m (2016: £0.12m). A capital distribution of £0.272m (2016: £nil) was also received during the year.

During the year, two thirds of the units in the Low Carbon Workplace LP were sold for £2.162m. This gave rise to a profit of £0.072m.

Notes to the financial statements

as at 31 March 2017

15. Investments – company

Investment in subsidiary	£' 000
Cost:	
At 1 April 2016	66,147
Additions	-
	<hr/>
At 31 March 2017	66,147
	<hr/>
Provision for impairment:	
At 1 April 2016	41,147
Provided during the year	-
	<hr/>
At 31 March 2017	41,147
	<hr/>
Net book value:	
At 31 March 2017	25,000
	<hr/>
At 31 March 2016	25,000
	<hr/>

Notes to the financial statements

as at 31 March 2017

16. Work in progress

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Work in progress	-	306	-	-
	<u>-</u>	<u>306</u>	<u>-</u>	<u>-</u>

17. Debtors

	Group 2017 £' 000	Group 2016 £' 000	Company 2017 £' 000	Company 2016 £' 000
Trade debtors	1,400	2,185	-	-
Prepayments and accrued income	8,200	3,561	-	-
VAT receivable	254	-	-	-
Other debtors	170	255	-	-
	<u>10,024</u>	<u>6,001</u>	<u>-</u>	<u>-</u>

18. Creditors: amounts falling due within one year

	Group 2017 £' 000	Group 2016 £' 000	Company 2017 £' 000	Company 2016 £' 000
Trade creditors	504	630	-	1
Other creditors	1,093	722	-	-
Other taxes and social security	1,631	267	-	-
Accruals	6,931	19,153	242	513
Deferred income	-	335	-	-
Corporation tax payable	939	1,349	-	-
VAT payable	-	362	-	-
Total creditors	<u>11,098</u>	<u>22,818</u>	<u>242</u>	<u>514</u>
Deferred tax liability (see note 20)	<u>75</u>	<u>207</u>	<u>-</u>	<u>-</u>
Total provisions	<u>75</u>	<u>207</u>	<u>-</u>	<u>-</u>
	<u>11,173</u>	<u>23,025</u>	<u>242</u>	<u>514</u>

Notes to the financial statements

as at 31 March 2017

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

<i>Shareholder loan notes</i>	Group	Group	Company	Company
	2017	2016	2017	2016
	£' 000	£' 000	£' 000	£' 000
Loan notes 2020	20,000	-	-	-
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Guaranteed Fixed Rate Unsecured Notes 2020

On 12 July 2012, Norfolk Joint Venture Limited created and authorised the issue of up to £20m Fixed Rate Unsecured Notes 2020.

Interest accrues daily and is payable annually in arrears at a rate of 5%.

The loan notes can be drawn down in multiples of £0.25m on the 31st March, 30th June, 30th September and 31st December.

The loan notes are guaranteed by Stanhope Group Holdings Limited. Mitsui Fudosan (UK) Limited ("Mitsui") has a first ranking charge over the company's shares in Norfolk Joint Venture Limited.

The loan notes are repayable by 30 September 2020 if not previously repaid.

During the year, £20m of loan notes were drawn down (2016: £14.75m repaid) to Mitsui.

Preference Share

Included within long term creditors is a £1 preference share issued to Mitsui on 12 July 2012.

The share holds no rights to attend meetings or to vote.

The preference share has priority on a winding up and is entitled to receive, from profits above a hurdle rate, a dividend equivalent to 5% of the average utilised loan note facility in the year provided by the preferred shareholder to Norfolk Joint Venture Limited, and 1% of the average unutilised amount of the same loan note facility. See Guaranteed Fixed Rate Unsecured Notes 2020 above for details of this loan note facility. The preference share has been classified as a financial liability and recognised at cost at inception.

The fair value of the liability as at 31 March 2017 has been estimated at £nil (2016: £0.4m). There are a number of variables that have been considered when calculating this including the timing and quantum of future estimated profits and cash flows, forecast outstanding loan note balances, and a discount factor has been applied. This amount has not been recognised in the financial statements.

On 10 April 2017, all the loans were repaid and the loan notes facility was cancelled, and a new shareholder loan facility put in place. The preference dividend's entitlement ends once the final dividend for the financial year ended 31 March 2017 has been paid. The current liability of £0.159m (2016: £0.293m) is included in accruals.

Notes to the financial statements

as at 31 March 2017

20. Deferred taxation

Group

The group has an unrecognised deferred tax asset carried forward at 31 March 2017 in respect of losses of £0.4m (2016: £0.4m). Losses may only be recognised as a deferred tax asset to the extent that management believe that suitable taxable profits will be generated in the future. At 31 March 2017 management are uncertain of the timing of future non trading profits, and therefore have not recognised the deferred tax asset.

The group also has unrecognised deferred tax assets carried forward at 31 March 2017 in respect of short term timing differences of £0.17m (2016 - £nil). It is uncertain whether these provisions are deductible for tax purposes.

The group has a recognised deferred tax liability of £0.075m (2016: £0.2m) carried forward at 31 March 2017. This relates to the fair value uplift in value on the Low Carbon Workplace investment referred to in Note 14. It is anticipated that the majority of this liability will be reversed within the next 12 months.

	2017	2016
	£' 000	£' 000
Provision at start of the year	207	105
Deferred tax (released)/charged in the profit and loss account	(132)	102
Provision at end of the year	75	207

21. Financial Instruments

	Group 2017 £' 000	Group 2016 £' 000	Company 2017 £' 000	Company 2016 £' 000
Financial assets held at fair value	1,095	3,135	-	-
Financial assets that are equity instruments held at cost less impairment	22,043	12,618	-	-
Financial assets held at amortised cost	1,315	3,628	-	-
Financial liabilities held at amortised cost	20,504	1,352	1	221

Financial assets measured at amortised cost comprise trade and other debtors disclosed at note 17.

Financial liabilities measured at amortised cost comprise trade and other creditors disclosed at notes 18 and 19 excluding accruals, deferred income, provisions, corporation tax payable and VAT payable.

Notes to the financial statements

as at 31 March 2017

22. Share capital and reserves

	<i>Company allotted called up and fully paid</i>	
	<i>2017</i>	<i>2016</i>
	<i>£' 000</i>	<i>£' 000</i>
Ordinary shares of £1 each	7,028	7,028

The share premium account of £9.349m (2016: £9.349m) includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

The profit and loss account includes all current and prior period retained profits and losses. The profit and loss account is 100% distributable. There are no restrictions on the distribution of dividends and repayment of capital.

23. Dividends

	<i>2017</i>	<i>2016</i>
	<i>£' 000</i>	<i>£' 000</i>
Paid during the year:		
Equity dividends on ordinary shares	15,745	7,331
	<u>15,745</u>	<u>7,331</u>

Dividends of 224.03 p per share were paid during the year (2016: 104.31p).

24. Profits attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £16.269m (2016: £6.930m).

Notes to the financial statements

as at 31 March 2017

25. Capital commitments

At 31 March 2017, the group had a commitment to invest £0.286m (2016: £nil) for provide working capital to GH Partnership LLP.

At 31 March 2017, the group had a commitment to provide working capital to The Croydon Gateway Property Unit Trust of £2.85m (2016: £nil) subject to progress on a Buy To Rent residential scheme.

At 31 March 2017, the group had a commitment to provide loan finance to Stanhope (Station Hill) Limited of £1.574m (2016: £1.1m).

At 31 March 2017, the group had a commitment to provide equity finance to Whitewood TV City UK Sàrl of £1.213m (2016: £0.3m).

At 31 March 2017, the group had a commitment to provide equity finance to Whitewood Media Village UK Sàrl of £5.314m (2016: £5.662m).

At 31 March 2017, the group had a commitment to provide equity finance to Whitewood Gateway UK Sàrl of £6.489m (2016: £6.266m).

At 31 March 2017, the group had a commitment to fund up to £nil subject to progress on two projects being developed by HFS Developments LLP, a joint venture with Hammersmith and Fulham Council (2016: £3m).

At 31 March 2017, the group had a commitment to fund up to £6.022m subject to progress on two projects being developed by HFS Developments 2 Limited, a joint venture with Hammersmith and Fulham Council (2016: £nil).

26. Financial commitments under operating leases

At 31 March 2017, the group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017	2016
	£' 000	£' 000
Operating lease:		
In less than one year	1,028	514
In more than one year and not later than five years	4,115	4,115
Later than five years	3,214	4,243
	<u> </u>	<u> </u>

Notes to the financial statements

as at 31 March 2017

27. Related parties

Details of joint ventures and associates, and changes in investments are given in note 14. Further details are provided below:

JOINT VENTURES

	2017 £' 000	2016 £' 000
<i>Fees earned from joint ventures</i>		
H1 Developments Limited	419 27	392
B6 Developments Limited	230 32	198
HFS Developments LLP	5	7
HFS Developments 2 Limited	2	-
	<u> </u>	<u> </u>
<i>Amounts included in trade debtors from joint ventures</i>		
H1 Developments Limited	33	-
HFS Developments 2 Limited	2	-
	<u> </u>	<u> </u>

ASSOCIATES

	2017 £' 000	2016 £' 000
<i>Amounts owed from associates</i>		
Stanhope (Station Hill) Limited	8,328	6,168
	<u> </u>	<u> </u>

Loans to Stanhope (Station Hill) Limited have a zero coupon, and are accounted for under FRS102 using a market rate of interest of 15%.

OTHER RELATED PARTIES

Norfolk Joint Venture Limited issued £20m (2016: £nil) of Guaranteed Fixed Rate Unsecured Loan Notes 2020 to Mitsui during the year, and repaid £nil (2016: £14.75m) of loan notes during the year. Details of the terms of the Loan Notes are given in Note 19. Mitsui has a 25% shareholding in Stanhope Group Holdings Limited.

During the year, Norfolk Joint Venture Limited invested £1.242m (2016: £nil) in Whitewood TV City UK Sàrl, retaining a 10% economic interest in the entity. Mitsui and AIMCo each have a 45% interest in the entity. Norfolk Joint Venture Limited has a commitment to provide up to £1.213m (2016: £1.5m) of further equity.

During the year, Norfolk Joint Venture Ltd invested £7.958m (2016: £2.538m) in Whitewood Media Village UK Sàrl (a 10% holding) and £0.224m (2016: £2.134m) in Whitewood Gateway UK Sàrl (a 10% holding). Mitsui and AIMCo each have a 45% interest in both these entities. Norfolk Joint Venture has a commitment to fund £5.314m (2016: £5.662m) and £6.489m (2016: £6.266m) in each company respectively.

Notes to the financial statements

as at 31 March 2017

27. Related parties

Details of joint ventures and associates, and changes in investments are given in note 14. Further details are provided below:

JOINT VENTURES

	2017 £' 000	2016 £' 000
<i>Fees earned from joint ventures</i>		
H1 Developments Limited	27	392
B6 Developments Limited	-	198
HFS Developments LLP	5	7
HFS Developments 2 Limited	2	-
	<u> </u>	<u> </u>
<i>Amounts included in trade debtors from joint ventures</i>		
H1 Developments Limited	33	-
HFS Developments 2 Limited	2	-
	<u> </u>	<u> </u>

ASSOCIATES

	2017 £' 000	2016 £' 000
<i>Amounts owed from associates</i>		
Stanhope (Station Hill) Limited	8,328	6,168
	<u> </u>	<u> </u>

Loans to Stanhope (Station Hill) Limited have a zero coupon, and are accounted for under FRS102 using a market rate of interest of 15%.

OTHER RELATED PARTIES

Norfolk Joint Venture Limited issued £20m (2016: £nil) of Guaranteed Fixed Rate Unsecured Loan Notes 2020 to Mitsui during the year, and repaid £nil (2016: £14.75m) of loan notes during the year. Details of the terms of the Loan Notes are given in Note 19. Mitsui has a 25% shareholding in Stanhope Group Holdings Limited.

During the year, Norfolk Joint Venture Limited invested £1.242m (2016: £nil) in Whitewood TV City UK Sàrl, retaining a 10% economic interest in the entity. Mitsui and AIMCo each have a 45% interest in the entity. Norfolk Joint Venture Limited has a commitment to provide up to £1.213m (2016: £1.5m) of further equity.

During the year, Norfolk Joint Venture Ltd invested £7.958m (2016: £2.538m) in Whitewood Media Village UK Sàrl (a 10% holding) and £0.224m (2016: £2.134m) in Whitewood Gateway UK Sàrl (a 10% holding). Mitsui and AIMCo each have a 45% interest in both these entities. Norfolk Joint Venture has a commitment to fund £5.314m (2016: £5.662m) and £6.489m (2016: £6.266m) in each company respectively.

Notes to the financial statements

as at 31 March 2017

27. Related parties (continued)

Included within accruals in creditors due within one year are interest accruals as follows:

	2017	2016
	£' 000	£' 000
<i>Fixed Rate Unsecured Notes 2020</i>		
Mitsui Fudosan (UK) Limited	564	-

Preference Share

During the year the company paid a preference dividend of £0.293m (2016: £0.394m) to Mitsui on its one £1 preference share in relation to the 2016 results – a dividend of 29,300,000 pence per share. Included in accruals is a £0.16m (2016: £0.3m) preference dividend at 15,927,900 pence per share in reference to the 2017 year.

The terms of the preference share are given in Note 19.

DIRECTORS

Non Executive Fees

Hoyle Barn Limited received fees under a consultancy agreement of £43k (2016: £41k), for the provision of advisory services to Stanhope Group Holdings Limited and its subsidiaries during the year. Oliver Stocken is the Chairman of Stanhope Group Holdings Limited and is a director of Hoyle Barn Limited.

28. Post Balance Sheet Events

On 10 April 2017, Stanhope Holdings Limited (previously known as Norfolk Manco Limited), which had held 25% of the Company's shares, acquired the remaining 75% for £71m from David Camp, Mitsui Fudosan (UK) Limited and FREP Holdings (Canada) 1 LP.

On the same date, the Company transferred all its shares in Stanhope plc, Stanhope (City) Limited and Norfolk Joint Venture Limited to Stanhope Holdings Limited for £95m giving rise to a profit of £70m.

See the Chief Executive's statement for further details.