Report and Financial Statements

Stanhope Group Holdings Limited

Registered Number 5764165

31 March 2014

Registered No. 5764165

Directors
D J Camp (Chief Executive)
M Dal Bello
O H J Stocken
H Yamada

Secretary
C N Pagan

Auditors
Grant Thornton UK LLP
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Registered No. 5764165

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Strategic Report - Chief Executive's statement

Stanhope's dominant geographic area of activity remains in London which, over the past 12 months, has witnessed unprecedented levels of overseas investment, growth in residential values and strong levels of office lettings and rental growth.

Prime office rents in the City of London have increased over the year from £57 per sq. ft. to £62.50 per sq. ft. and in the West End prime rents are now approaching the previous market peak of £120 per sq. ft.

Across London there has also been continued evidence of businesses being much less location sensitive and much more focussed upon ensuring that they settle on areas which suit their employees in terms of connectivity, quality of accommodation and environment. This is evidenced by Louis Vuitton moving to Kings Cross and Omnicom to the South Bank.

During the calendar year to December 2013, it is estimated that there was in excess of £14 billion (representing 75% of the market) of overseas investment in Central London.

A significant portion of this overseas investment has been attracted to the London residential market and capital value growth has been in the order of 10% across London over the 12 month period.

The residential market headlines have been in relation to overseas buyers, who have largely driven value growth in the high end residential market which is a relatively small sub sector. Within the broader London market, demand for housing continues to outstrip supply, with an estimated requirement of over 50,000 units a year and supply running at less than half of this. With London's population predicted to continue to grow from its current level of 8.2 million to 10 million by 2030, a key challenge for London over the next 20 years is how to provide sufficient housing for residents at affordable levels.

The strong London recovery continues to ripple out into the South East and key provincial centres (including Reading where we have a major project) are seeing a strong upturn in residential values and a steady improvement in the office market.

Meanwhile, aside from specific niche locations, the retail market remains a very tough environment as the sector continues to go through a period of consolidation and change. The retail winners and losers continue to evolve and those retailers who are expanding such as Primark, Next, H&M, Zara, Arcadia (Topshop, Topman etc.) continue to drive very tough deals. They also remain very selective about the locations they wish to expand into and the mix of retailers they would prefer to trade alongside.

Stanhope has been active in the above markets over the year and highlights are set out below for each sector:

Central London Offices

Stanhope currently has several significant office projects in the City of London at various stages in the development process.

The Banking Hall, Moorgate, developed with Mitsui Fudosan (UK) Limited ("Mitsui Fudosan"), reached practical completion on 28th May 2014 and has been fully let to ING as their London Headquarters.

Also jointly with Mitsui Fudosan, in July 2013 we acquired Angel Court in the core of the City. We have secured vacant possession and are now varying the planning consent and progressing neighbour agreements. Demolition has commenced and completion of circa 300,000 sq. ft. of prime office space is due in September 2016.

Strategic Report - Chief Executive's statement

During the year, construction also started at 8 Finsbury Circus (Riverplate House) where we are Development Managers for Mitsubishi Estates Company. Demolition has commenced and completion of this 169,000 sq. ft. prime building is scheduled for December 2015.

The West End office market continues to grow strongly and attracts a wide range of investors. However, due to pricing levels we have not sought to compete in order to acquire new properties in the year.

In relation to our existing West End projects there has been significant letting activity and the following offices are now fully let: Eagle Place (St James's Gateway) (57,000 sq. ft. let to five financial services firms and a firm of lawyers); Hanover Square (58,000 sq. ft. let to five tenants, three of which are in the oil industry); and Air One (180,000 sq. ft. let to 5 tenants including Twitter and Telefonica).

One Mabledon Place, our 85,000 sq. ft. refurbishment and re-construction of a 1970's building close to Kings Cross, is due for completion in September this year and a letting of the entire building was secured in July 2014 to The Doctors Laboratory (part of Sonic Healthcare) who are due to take occupation next year following extensive fit out.

Low Carbon Workplace

Our specialist 'low energy' office refurbishment fund, which is a joint venture with Threadneedle Asset Management Limited and Carbon Trust Enterprises Limited, has been very active. Three properties were acquired in the year and the portfolio now provides 280,000 sq. ft. across London and the South East comprised of seven projects with a total value of around £110m. Completed projects have generated capital profits in excess of 20%.

Masterplan Projects

Committee resolution to grant planning was secured in December 2013 for our major mixed use masterplan adjacent to Reading Station which is a joint venture with Benson Elliot. The scheme will provide c. 1 million sq. ft. of offices, 300 residential units, retail and car parking.

Recently, it was also confirmed that CrossRail will now extend to Reading providing a service from 2019. We are progressing the project with a view to starting the first major office building of c. 280,000 sq. ft. net in 2015.

After a long period of mixed fortunes in Croydon, we are now starting construction, in partnership with Schroders, of the first phase of residential development at Ruskin Square, providing 161 units in joint venture with Places for People.

The Croydon market is now showing signs of a significant upturn against the background of the general strength of the London market and the commitment by Hammerson and Westfield to redevelop the town's retail centre. We are now working towards starting the first office phase of c. 180,000 sq. ft. before the end of the year with a view to building out the entire 2 million sq. ft. scheme in phases.

To the east of London, a planning application was submitted for the Royal Albert Docks project which will comprise a total of 4.7m sq. ft. including c. 3m sq. ft. of offices. This is a project in conjunction with the GLA where we are acting as Development Manager for ABP of China. The start of the first phase of development of c. 1m sq. ft. is scheduled for the second half of 2015.

Residential

The major masterplan projects referred to above all include a significant quantity of residential development (over 1,000 units in total).

Strategic Report - Chief Executive's statement

In addition, during the year, we secured resolution to grant planning for our TV Centre project in White City for a development in excess of 2m sq. ft., including new accommodation for the BBC, approximately 1,000 residential units, 400,000 sq. ft. of offices, restaurants, a club and hotel.

Working with our shareholder partners, Mitsui Fudosan and AIMCo, we are targeting to start on site with a first phase of development in early 2015 which will include over 400 residential units together with 400,000 sq. ft. of offices and a club and hotel for Soho House. This will be the most significant residential project we have delivered to date and as a consequence, as referred to below, we have been active in the year in taking steps to assemble a first class residential delivery team.

In the London Borough of Hammersmith & Fulham, we also signed a 15 year joint venture with the Council in March 2014 to work in partnership with them to optimise the provision of affordable housing within the Borough. This offers a unique opportunity for the public and private sector to work together to deliver appropriate forms of housing. Through this we believe we can play a part in helping to solve some of London's housing supply and affordability problems.

Retail

On 1st May 2014 our first regional shopping centre in Hereford, presold to British Land, opened its doors with 92% of the units let and with a strong line-up of retailers including Debenhams, Waitrose, TK Maxx and H&M. This is the only major shopping centre to open in the UK during 2014, and we believe it provides a good example of the public and private sectors working together to achieve the ambitions of a local area.

We continue to progress similar joint ventures with Local Authorities in other locations including Salisbury, Ashford and Colchester although, given the challenges of this market sector, we continue to be cautious as to how we advance such projects.

Financial Results

From a financial perspective, Stanhope has had another solid year of performance. The year to March 2014 saw profits before tax of £6.9m (an increase on the previous year's performance of £5.1m).

The year also saw an increase in our net assets to £31.1m from £27.1m and we continue to be in a strong cash position with £22.7m on the balance sheet as compared to £21.0m last year.

Whilst our results, and the above review, illustrate that the Company is in a strong financial position and the immediate outlook is positive, we remain conscious of the need for prudence to ensure that we are resistant to the consequences of any future market corrections and the cyclical nature of the commercial property markets. In this regard, 70% of our current committed capital is due to be realised within the next 12 months and a further 20% is capable of being realised within the following 12 months. The only commitments currently expected to extend into 2017 and beyond are in relation to the Hammersmith and Fulham joint venture.

In terms of new commitments, we are being very selective and generally are now focussed on major complex projects structured on the assumption that they will be delivered over the longer term.

We will continue to seek a balance of pure development management work for fees together with co-investment opportunities with a view to securing a mix of recurring income together with one off profit participations. We are also seeking to generate additional asset management income from our growing skill base. Such remuneration is less subject to market influences.

Strategic Report - Chief Executive's statement

Stanhope Team

Given the number of projects we have in, or moving toward, the delivery phase (c. 3m sq. ft.), we have continued to strengthen our team.

In particular, given our commitment to the London residential sector, we have taken steps to recruit additional expertise in this specialist market.

As such, over the year, the team has increased from 45 to 53 and we anticipate making other selective, significant, appointments during the coming year.

As ever, Stanhope's success is dependent upon the quality of its team, its reputation and the support of its shareholders, Mitsui Fudosan, AIMCo and other partners, and I would like to thank all those who have played a part in helping Stanhope achieve a rewarding year.

David Camp

18 July 2014

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 £15 billion 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 units as part of its strategy to diversify and to grow the business and its profitability.

The Group's portfolio of development opportunities currently comprises:

Square Feet - Gross	Under Construction	Planned
City of London	2,330,000	825,000
West End of London	100,000	-
Retail Led Regeneration	320,000	3,850,000
Office Led Regeneration	420,000	5,700,000
Low Carbon Office Refurbishment	32,000	89,000
Residential Led Regeneration	-	3,800,000
SUB TOTALS	**3,202,000**	**14,264,000**
TOTAL CURRENT AND PLANNED		**17,466,000**

Strategic Report - Strategic Review

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.
- Financing and managing the risk of projects appropriately, reflecting the significant uncertainties and fluctuations of long term development projects.

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.

Strategic Report - Strategic Review

Market share and efficiency

To improve profitability, Stanhope seeks to continue to optimise its market share by identifying areas of opportunity where Stanhope can uniquely add value, and by refining and enhancing its skills to stay ahead of the competition in its areas of activity. In addition, Stanhope strives to increase profitability through refining its business model and improving efficiencies through its methods of working.

The objective is not necessarily to grow turnover/market share but to allow Stanhope to attain and consolidate its position as market leader in its chosen area of activity and to optimise its profitability in those areas. 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.

Finance and risk management

The Company has no debt other than long-term loans from shareholders.

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

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

Our website at www.stanhopeplc.com provides information on our current and historic projects as well as updates on activities throughout the year.

Financial results

The profit before tax for the year increased from £5.1m in 2013 to £6.9m in 2014, a 34% increase. The gross profit as a percentage of group turnover also increased from 44% to 60% over the year, and administrative costs have been consistent from year to year at around £5.5m.

Interest payable is to shareholders, either on the 2017 SGHL loan notes, the Norfolk Joint Venture loan notes or the preference dividend to Mitsui Fudosan. The reduction in the interest cost from £1.2m in 2013 to £0.9m in 2014 reflects the repayment of half of the SGHL loan notes (£2.7m) and the increase in the Norfolk Joint Venture loan notes (£3.3m) towards the end of the financial year. More details are given in Note 15.

The net assets of the group increased from £27.1m to £31.1m, a 15% increase. In addition, the group had an increased cash balance of £22.7m (2013 - £21.0m)

The Company paid dividends during the year of £0.7m (2013 – £nil).

Approved by the Board on 2 July 2014 and signed on its behalf by D J Camp on 28 July 2014.

Director

Directors' report

Directors during the year

The directors of the company during the year were:

David Camp
Micheal Dal Bello
Oliver Stocken
Hideto Yamada

Company ownership

The owners of the company at 31 March 2014 were:

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

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

Directors' report

Directors' responsibility statement (continued)

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

28 July 2014

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 2014 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement 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).

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 page 10, 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 (APB'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/apb/scope/private.cfm.

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 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Stanhope Group Holdings Limited (continued)

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.

Grant Thornton UK LLP

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

Date: 28 July 2014

Group profit and loss account

for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover			
Group and share of joint ventures		70,296	56,473
Less: share of joint ventures' turnover		(48,757)	(29,232)
Group turnover	2	21,539	27,241
Cost of sales		(8,678)	(15,140)
Gross profit		12,861	12,101
Administrative expenses		(5,519)	(5,548)
Group operating profit	3	7,342	6,553
Share of operating loss of joint ventures		(55)	(43)
Share of operating loss of associates		(27)	(61)
Total group operating profit and share of joint ventures and associates		7,260	6,449
Profit on sale of investments		1	404
Amounts written back/(written off) investments	11	327	(542)
Income from investments		14	25
		7,602	6,336
Interest receivable	6	164	(19)
Interest payable	7	(870)	(1,178)
Profit on ordinary activities before taxation		6,896	5,139
Tax on profit on ordinary activities	8	(2,173)	(1,320)
Profit for the year	18	4,723	3,819

All the group's results derive from continuing operations. There are no other recognised gains or losses arising in the year.

The notes on pages 19 to 41 form part of these financial statements.

Group balance sheet

at 31 March 2014

Company Number: 5764165

	Notes	2014 £'000	2014 £' 000	2013 £' 000	2013 £' 000
Fixed assets					
Intangible fixed assets	9		7,303		7,912
Tangible fixed assets	10		94		94
Investments in joint ventures:					
Share of gross assets	11	12,428		12,968	
Share of gross liabilities	11	(12,427)		(12,967)	
Total investment in joint ventures	11		1		1
Investments in associated undertakings	11		3,328		2,531
Other investments	11		15,426		10,711
			26,152		21,249
Current assets					
Debtors	13		4,152		4,614
Cash	21 (b)		22,669		20,987
			26,821		25,601
Creditors: amounts falling due within one year	14		(8,279)		(6,813)
Net current assets			18,542		18,788
Total assets less current liabilities			44,694		40,037
Creditors: amounts falling due after more than one year - provisions	15		(204)		(150)
Net assets before shareholder loan notes			44,490		39,887
Creditors: amounts falling due after more than one year – loan notes	15		(13,408)		(12,825)
Net assets			31,082		27,062
Capital and reserves					
Called up share capital	17		7,028		7,028
Share premium account	18		9,349		9,349
Profit and loss account	18		14,705		10,685
Equity shareholders' funds	18		31,082		27,062

These financial statements were approved by the board of directors on 2 July 2014 and signed on behalf of the board by David Camp on 28 July 2014.

Director: David Camp

The notes on pages 19 to 41 form part of these financial statements.

Company balance sheet

at 31 March 2014

Company Number: 5764165

	Notes	2014 £' 000	2013 £' 000
Fixed assets			
Investments	12	25,000	25,000
		25,000	25,000
Current assets			
Debtors	13	364	6
Cash		3	372
		367	378
Creditors: amounts falling due within one year	14	(413)	(492)
Net current liabilities		(46)	(114)
Net assets before shareholder loan notes		24,954	24,886
Creditors: amounts falling due after more than one year – loan notes	15	(2,658)	(5,325)
Net assets		22,296	19,561
Capital and reserves			
Called up share capital	17	7,028	7,028
Share premium account	18	9,349	9,349
Profit and loss account	18	5,919	3,184
Equity shareholders' funds	18	22,296	19,561

These financial statements were approved by the board of directors on 2 July 2014 and signed on behalf of the board by David Camp on 28 July 2014.

David Camp
Director

The notes on pages 19 to 41 form part of these financial statements.

Group cash flow statement

for the year ended 31 March 2014

	Notes	2014 £' 000	2013 £' 000
Net cash inflow from operating activities	21(a)	9,264	12,946
Returns on investment and servicing of finance			
Interest received	6	113	(60)
Interest paid	7	(862)	(265)
Dividends received		14	25
		(735)	(300)
Taxation			
UK corporation tax paid		(1,463)	(1,411)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	10	(41)	(27)
Payments to acquire investments	11	(4,743)	(7,636)
Proceeds from sale of investments		1	2,049
Payments to acquire associates		-	(754)
Loans to joint ventures	11	(21)	(13)
Loans to associates	11	(460)	(1,456)
		(5,264)	(7,837)
Equity dividend paid	19	(703)	-
Net cash inflow before financing		1,099	3,398

Group cash flow statement (continued)

for the year ended 31 March 2014

	Notes	2014 £' 000	2013 £' 000
Net cash inflow before financing		1,099	3,398
Financing			
Issue of ordinary shares		-	100
Issue of long term loan notes		3,250	7,515
Repayment of long term loans		(2,667)	-
		583	7,615
Net cash inflow	21(b)	1,682	11,013

Reconciliation of net cash flow to movement in net funds

	Notes	2014 £' 000	2013 £' 000
Increase in cash		1,682	11,013
Capitalisation of loans		-	10,395
Issue of loans	15	(3,250)	(7,515)
Repayment of loans	15	2,667	-
Movement in net funds during the year	21(b)	1,099	13,893

Notes to the financial statements

at 31 March 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards. The particular accounting policies are set out below.

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.

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

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

Entities which are held exclusively with a view to subsequent resale do not form part of the continuing activities of the group. The subsidiary entity is therefore excluded from consolidation and the temporary nature of the parent undertaking's interest is recognised by carrying it as a current asset at the lower of cost and net realisable value.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over 20 years unless a more appropriate amortisation period is evident for a specific acquisition. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

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

at 31 March 2014

1. Accounting policies (continued)

Fixed asset investments

Fixed asset investments are shown at cost less provision for permanent impairment. Fixed asset investments are reviewed on an annual basis for indicators of impairment. Where events or change in circumstances indicate that the carrying amount may not be recoverable, management test these investments for impairment.

Revenue

Under UITF 40 "Revenue and service contracts", revenue is accounted for on a stage completion method rather than in line with dates invoices are actually raised.

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.
- Planning consent fee: revenue is contingent upon success in gaining planning permission, and no revenue is recognised until this event has happened.
- 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 on a best estimate basis at the financial year end.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out, provided that the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which has been completed to date. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

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 cash inflows with a present value no less than all amounts recognised as an asset. Such costs are recognised as work in progress within current assets.

Notes to the financial statements

at 31 March 2014

1. Accounting policies (continued)

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 made for gains on disposals or revaluation of assets that have been rolled over into replacement assets only where there is a commitment to dispose of the replacement assets;
- 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.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial liabilities and equity instruments are classified 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. Provision is made for any impairment.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost.

Notes to the financial statements

at 31 March 2014

1. Accounting policies (continued)

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received. Costs of raising loans are capitalised and amortised over the life of the loan.

Dilapidations provision

The group is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs are made where a legal obligation is identified and the liability can be reasonably quantified.

Preference Shares

The company's preference shares are recognised as financial liabilities. The dividends attached to these shares are non-discretionary, and, therefore, give rise to a contractual obligation on the company.

The preference shares are initially recognised at fair value, the value of the consideration received less directly attributable transaction costs. After initial recognition, preference shares are measured at amortised cost using the effective interest method. The effective interest method takes into account the estimated future dividend payments over the expected life of the shares. Where the fair value of this liability cannot be assessed with reasonable certainty, no recognition is made in the financial statements at the reporting date.

Significant judgements and estimates

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 payable.

For dilapidations, which relate to leasehold properties, there is inherent uncertainty in the estimation of costs and management have taken a view of these costs which is disclosed in Note 15.

2. Turnover and segmental information

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.

	2014	*2013*
	£'000	*£'000*
Group turnover:		
Turnover from property development	21,539	27,241

A number of the projects are being undertaken on behalf of funding institutions, and during the year the project turnover amounted to £148.4m (2013 - £68.0m). 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.

Notes to the financial statements

at 31 March 2014

3. Operating profit

This is stated after charging:

	2014 £' 000	2013 £' 000
Auditors' remuneration:		
Fees payable for the audit of the company's annual accounts	16	16
Fees payable for the audit of the company's subsidiaries' annual accounts	49	50
Fees payable for the audit of joint venture companies' accounts	15	13
Fees payable for the audit of associated companies' accounts	15	14
Fees payable for accounts preparation	4	7
Fees payable for tax services	39	39
Fees payable for other consultancy services	35	4
Depreciation	41	65
Operating lease rentals – land and buildings	369	369
Amortisation and impairment of goodwill	609	1,468

4. Staff costs

	2014 £' 000	2013 £' 000
Salaries	5,607	5,276
Social security costs	1,038	952
Share of profits bonus	1,924	1,643
	8,569	7,871

The average weekly number of employees during the year was 46 (2013 – 45).

5. Directors' remuneration

	2014 £' 000	2013 £' 000
Remuneration for management services	400	399
Non executive directors' salaries and fees	40	44
	440	443

The highest paid director received £400k (2013 - £399k) during the year. No pension costs have been paid for any directors during the year (2013 - £nil).

Notes to the financial statements

at 31 March 2014

6. Interest receivable

	2014	*2013*
	£' 000	*£' 000*
Interest receivable	113	(60)
Share of interest receivable from joint ventures	43	31
Share of interest receivable from associates	8	10
	164	(19)

Interest receivable previously accrued of £225k was written off in 2013 in respect of amounts considered irrecoverable from an associated company.

7. Interest payable

	2014	*2013*
	£' 000	*£' 000*
Interest payable on loan stock	735	934
Preference dividend	127	76
Share of interest payable by joint ventures	-	32
Share of interest payable by associated undertakings	8	136
	870	1,178

8. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014	*2013*
	£' 000	*£' 000*
Current tax		
UK corporation tax on profit of the year	2,125	1,365
Adjustment in respect of prior periods	48	(45)
Current tax before share of tax of joint ventures and associates	2,173	1,320
Current tax after share of tax of joint ventures and associates (note 8(b))	2,173	1,320
Deferred tax		
Adjustments in respect of previous years	-	-
Tax charge on profit on ordinary activities	2,173	1,320

Notes to the financial statements

at 31 March 2014

8. Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2013 – higher) than the standard rate of corporation tax in the UK of 23% (2013 – 24%). The differences are explained below:

	2014	*2013*
	£' 000	*£' 000*
Profit on ordinary activities before taxation	6,935	5,370
Share of joint ventures' losses before taxation	(12)	(44)
Share of associated undertakings' losses before taxation	(27)	(187)
Group profit on ordinary activities before taxation	6,896	5,139

Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013 – 24%)	1,586	1,233
Effect of:		
Expenses not deductible for tax purposes	894	1,140
Transfer pricing adjustments	-	(2)
Income not taxable	(336)	(810)
Capital allowances for the year (in excess of)/less than depreciation	(6)	3
Other timing differences	4	34
Prior year adjustment	48	(45)
Utilisation of losses	(15)	(231)
Small companies rate	(2)	(2)
Total current tax (note 8(a))	2,173	1,320

Notes to the financial statements

at 31 March 2014

9. Intangible fixed assets

	Goodwill
Cost:	*£' 000*
At 1 April 2013	13,046
Additions	-
At 31 March 2014	13,046
Amortisation and impairment:	
At 1 April 2013	5,134
Provided during the year	609
At 31 March 2014	5,743
Net book value:	
At 31 March 2014	7,303
At 31 March 2013	7,912

The directors considered the carrying value of goodwill at 31 March 2014 for impairment indicators, and were satisfied that the net book value was fully recoverable.

Notes to the financial statements

at 31 March 2014

10. Tangible fixed assets

Group	***Leasehold fixtures and fittings £'000***	***Office equipment £'000***	***Total £'000***
Cost:			
At 1 April 2013	1,116	376	1,492
Additions	7	34	41
Disposals	-	(13)	(13)
At 31 March 2014	1,123	397	1,520
Accumulated depreciation:			
At 1 April 2013	1,066	332	1,398
Provided during the year	3	38	41
Disposals	-	(13)	(13)
At 31 March 2014	1,069	357	1,426
Net book value:			
At 31 March 2014	54	40	94
At 31 March 2013	50	44	94

Notes to the financial statements

at 31 March 2014

11. Investments – group

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

Name of company	*Financial year end*	*% of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Stanhope plc	31 March 2014	100%	Property development
Stanhope (Croydon) Limited	31 March 2014	100%	Investment company
Linc Epsom Limited	31 March 2014	100%	Property development
Pendower Developments Limited	31 March 2014	100%	Consultancy
Norfolk Joint Venture Limited	31 March 2014	99.9%	Property investment
Joint ventures			
Stevenage Regeneration Limited	31 December 2013	50%	Property development
H1 Developments Limited	31 March 2014	50%	Property development
B6 Developments Limited	31 March 2014	50%	Property development
Widemarsh Gate Developments Limited	31 March 2014	50%	Property development
HFS Developments LLP	31 March 2014	50%	Property development
Associated undertakings			
Stanhope (Westerly Point) Limited	31 March 2014	37.5%	Property development
Stanhope (Station Hill) Limited	31 March 2014	37.5%	Property investment
Sackville LCW (GP) Limited	31 March 2014	33%	General partner to Low Carbon Workplace Fund

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

Notes to the financial statements

at 31 March 2014

11. Investments – group (continued)

	Investments in joint ventures £' 000	*Investments in associated undertakings £' 000*	*Other £' 000*	*Total £' 000*
Cost:				
At 1 April 2013	1	4,358	14,471	18,830
Additions	21	460	4,743	5,224
Disposals	-	-	(17)	(17)
Share of losses	(12)	(27)	-	(39)
At 31 March 2014	10	4,791	19,197	23,998
Provisions against investments:				
At 1 April 2013	-	1,827	3,760	5,587
Provided/(written back) during the year	9	(364)	28	(327)
Disposals	-	-	(17)	(17)
At 31 March 2014	9	1,463	3,771	5,243
Net book value:				
At 31 March 2014	1	3,328	15,426	18,755
At 31 March 2013	1	2,531	10,711	13,243

Other investments include units in The Croydon Gateway Property Unit Trust, Climate Change Property Fund, MF Angel Court Property Unit Trust and The Low-Carbon Workplace LP, and shares in Mabledon Holdings UK Sàrl, and Whitewood TV City UK Sàrl.

During the year Stanhope plc invested £2.689m (2013 - £nil) in MF Angel Court Property Unit Trust.

During the year, Norfolk Joint Venture Ltd invested £1.186m (2013 - £7.209m) in Whitewood TV City UK Sàrl, (a 10% holding) and £0.867m (2013 - £0.250m) in Mabledon Holdings UK Sàrl, (a 5% holding).

The group wrote down its investment in Croydon Gateway Property Unit Trust to market value to £0.958m (2013 - £0.985m).

Notes to the financial statements

at 31 March 2014

11. Investments – group (continued)

Further details of the group's share of results of joint ventures are given below:

	2014 £' 000	2013 £' 000
Investment in joint ventures:		
Share of current assets	12,428	12,968
Share of liabilities due within one year	(12,427)	(12,967)
	1	1
Share of turnover	48,757	29,232
Share of loss before taxation	(12)	(44)
Share of loss after taxation	(12)	(44)

In accordance with FRS9 "Associates and Joint Ventures" additional disclosure is given for joint venture investments whose turnover exceeds 25% of that of the group. This applies to the following joint ventures.

H1 Developments Limited	2014 £'000	2013 £'000
Share of:		
Turnover	10,256	-
Profit/(loss) before tax	-	-
Tax	-	-
Profit/(loss) after tax	-	-
Fixed assets	-	-
Current assets	1,930	50
Creditors due within one year	(1,930)	(50)
Creditors due after one year	-	-

Widemarsh Gate Developments Limited	2014 £'000	2013 £'000
Share of:		
Turnover	21,231	6,115
Profit/(loss) before tax	-	-
Tax	-	-
Profit/(loss) after tax	-	-
Fixed assets	-	-
Current assets	3,929	1,668
Creditors due within one year	(3,929)	(1,668)
Creditors due after one year	-	-

Notes to the financial statements

at 31 March 2014

11. Investments – group (continued)

B6 Developments Limited	***2014***	***2013***
	£'000	***£'000***
Share of:		
Turnover	17,269	26,859
Profit/(loss) before tax	-	-
Tax	-	-
Profit/(loss) after tax	-	-
Fixed assets	-	-
Current assets	6,561	11,247
Creditors due within one year	(6,561)	(11,247)
Creditors due after one year	-	-

Notes to the financial statements

at 31 March 2014

12. *Investments – company*

	£' 000
Investment in subsidiary	
Cost:	
At 1 April 2013	66,147
Additions	-
At 31 March 2014	66,147
Provision for impairment:	
At 1 April 2013	41,147
Provided during the year	-
At 31 March 2014	41,147
Net book value:	
At 31 March 2014	25,000
At 31 March 2013	25,000

13. Debtors

	Group 2014 £' 000	*Group 2013 £' 000*	*Company 2014 £' 000*	*Company 2013 £' 000*
Trade debtors	950	1,135	-	-
Prepayments and accrued income	3,114	3,164	-	-
Amounts owed from subsidiary undertaking	-	-	364	-
Other debtors	88	315	-	6
	4,152	4,614	364	6

Notes to the financial statements

at 31 March 2014

14. Creditors: amounts falling due within one year

	Group 2013 £' 000	*Group 2013 £' 000*	*Company 2014 £' 000*	*Company 2013 £' 000*
Trade creditors	308	109	-	-
Other creditors	125	328	-	-
Other taxes and social security	221	192	-	-
Accruals	6,130	4,576	413	492
Corporation tax payable	1,275	565	-	-
VAT payable	220	1,043	-	-
	8,279	6,813	413	492

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

Provisions

	Group £' 000
Provision for dilapidations:	
At 1 April 2013	150
Additions	54
At 31 March 2014	204

Dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease and in accordance with lease terms. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

Shareholder loan notes	*Group 2014 £' 000*	*Group 2013 £' 000*	*Company 2014 £' 000*	*Company 2013 £' 000*
Loan notes 2020	10,750	7,500	-	-
Loan notes 2017	2,658	5,325	2,658	5,325
	13,408	12,825	2,658	5,325

Notes to the financial statements

at 31 March 2014

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

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 £250,000 on the 31st March, 30th June, 30th September and 31st December.

The loan notes are guaranteed by Stanhope Group Holdings Limited and rank in seniority to the Fixed Rate Unsecured Notes 2017 below. Mitsui Fudosan (UK) Limited ("Mitsui Fudosan") 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, £3.25m (2013 - £7.50m) of loan notes were issued to Mitsui Fudosan. See Note 24 for further details.

Fixed Rate Unsecured Notes 2017

Interest accrues daily and is payable annually in arrears at a rate of 6%.

The company may, subject to certain conditions being fulfilled, substitute any subsidiary of the company or holding company or subsidiary of a holding company for the company as the principal debtor.

The Fixed Rate Unsecured Notes are repayable by 31 March 2017 if not previously repaid, with the company having a redemption right (subject to the Companies Act 2006) to repay at any time after six months from the date of issue at par plus accrued interest.

During the year, the company repaid £2.7m of loan notes. In the previous year, the company capitalised £10.4m of loan notes as 2.1m ordinary shares with a £3.95 share premium per share, and issued £0.015m of new loan notes.

The loan notes are subordinated to the Guaranteed Fixed Rate Unsecured Notes above.

Preference Share

Included within long term creditors is a £1 preference share issued to Mitsui Fudosan 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.

Notes to the financial statements

at 31 March 2014

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

Preference Share (continued)

The directors consider that, due to the complexity of calculating the fair value of a liability in respect of these preference shares, due to the uncertainty and number of variables which impact the calculation, it is not possible to calculate a meaningful figure. The directors do not believe the value would be material to the accounts, and accordingly the share is carried at £1 in the financial statements.

16. Deferred taxation

Group

The group has an unrecognised deferred tax asset carried forward at 31 March 2014 of £0.7m (2013 - £0.8m). 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 2014 management are uncertain of the timing of future non trading profits, and therefore have not recognised the deferred tax asset.

17. Share capital

	Company allotted called up and fully paid	
	2014	***2013***
	£' 000	***£' 000***
Ordinary shares of £1 each	7,028	7,028

Notes to the financial statements

at 31 March 2014

18. Movement in shareholders' funds and reconciliation of reserves

Group

	Share capital £' 000	*Share premium £' 000*	*Profit and loss account £' 000*	*Total share-holders' funds £' 000*
At 1 April 2012	4,908	974	6,866	12,748
Share issue	20	80	-	100
Capitalisation of loan notes	2,100	8,295	-	10,395
Profit for the year	-	-	3,819	3,819
At 1 April 2013	7,028	9,349	10,685	27,062
Profit for the year	-	-	4,723	4,723
Ordinary dividends paid	-	-	(703)	(703)
As at 31 March 2014	7,028	9,349	14,705	31,082

Company

	Share capital £' 000	*Share premium £' 000*	*Profit and loss account £' 000*	*Total share-holders' funds £' 000*
At 1 April 2012	4,908	974	2,396	8,278
Share issue	20	80	-	100
Capitalisation of loan notes	2,100	8,295	-	10,395
Profit for the year	-	-	788	788
At 1 April 2013	7,028	9,349	3,184	19,561
Profit for the year	-	-	3,438	3,438
Ordinary dividends paid	-	-	(703)	(703)
As at 31 March 2014	7,028	9,349	5,919	22,296

Notes to the financial statements

at 31 March 2014

19. Dividends

	2014 £' 000	2013 £' 000
Paid during the year:		
Equity dividends on ordinary shares	703	-
	703	-

Dividends of 10p per share were paid during the year (2013 – £nil).

20. Profits attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £3.4m (2013 – £0.8m.)

21. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2014 £' 000	2013 £' 000
Group operating profit	7,342	6,553
Depreciation	41	65
Amortisation of goodwill	609	1,468
Decrease/(increase) in debtors	462	(1,522)
Decrease in stock	-	5,071
Increase in creditors	810	1,311
Net cash inflow from operating activities	9,264	12,946

(b) Analysis of movement in net funds

	At 1 April 2013 £' 000	Cash flow £' 000	31 March 2014 £' 000
Cash at Bank	20,987	1,682	22,669
Net debt:			
Loan notes 2020	(7,500)	(3,250)	(10,750)
Loan notes 2017	(5,325)	2,667	(2,658)
	8,162	1,099	9,261

Notes to the financial statements

at 31 March 2014

22. Capital commitments

At 31 March 2014, the group had a commitment to invest £0.2m (2013 - £0.2m) for funding working capital in Sackville LCW (GP) Limited.

At 31 March 2014, the group had a commitment to provide loan finance to Stanhope (Westerly Point) Limited of £0.4m (2013 - £0.4m).

At 31 March 2014, the group had a commitment to provide loan finance to Stanhope (Station Hill) Limited of £1.9m (2013 - £0.1m).

At 31 March 2014, the group had a commitment to invest £0.3m for funding the acquisition and predevelopment phase of MF Angel Property Unit Trust (2013 - £nil).

At 31 March 2014, the group had a commitment to provide equity finance to Whitewood TV City UK Sàrl of £6.6m (2013 - £7.8m).

At 31 March 2014, the group had a commitment to provide equity finance to Mabledon Holdings UK Sàrl of £1.0m (2013 - £1.8m).

At 31 March 2014, the group had a commitment to fund up to £3.7m subject to progress on two projects being developed by HFS Developments LLP, a new joint venture with Hammersmith and Fulham Council (2013 - £nil).

23. *Financial commitments under operating leases*

At 31 March 2014, the group had the following annual commitment under an operating lease relating to land and buildings, which expires in 2015.

	2014	***2013***
	£'000	***£'000***
Operating lease which expires:		
In less than five years	369	369

24. Related parties

Details of joint ventures and associates, and changes in investments are given in note 11. Further details are provided below:

	2014	***2013***
	£'000	***£'000***
JOINT VENTURES		
Fees earned from joint ventures		
H1 Developments Limited	140	-
Widemarsh Gate Developments Limited	200	100
B6 Developments Limited	5,322	578

Notes to the financial statements

at 31 March 2014

24. Related parties (continued)

JOINT VENTURES (continued)

	2014 £' 000	2013 £'000
Amounts owed from joint ventures		
Stevenage Regeneration Limited	3,980	3,960

This loan has been fully provided against at 31 March 2014 and at 31 March 2013.

Amounts included in trade debtors from joint ventures		
B6 Developments Limited	77	53
Interest accrued on loans to joint ventures		
Stevenage Regeneration Limited	-	9

This interest has been fully provided against at 31 March 2013.

ASSOCIATES

	2014 £' 000	2013 £'000
Amounts owed from associates		
Cibitas Investments Limited	426	426
Sackville LCW (GP) Limited	35	400
Stanhope (Westerly Point) Limited	1,670	1,670
Stanhope (Station Hill) Limited	1,254	429

The loan to Cibitas Investments Limited has been fully provided against at 31 March 2014 and 31 March 2013.

Interest accrued on loans to associates		
Sackville LCW (GP) Limited	-	12
Stanhope (Westerly Point) Limited	-	141

Loans to Stanhope (Westerly Point) Limited have a 9% coupon. The interest on this loan had been fully provided against at 31 March 2013.

Loans to Stanhope (Station Hill) Limited have a zero coupon.

Notes to the financial statements

at 31 March 2014

24. Related parties (continued)

OTHER RELATED PARTIES

Norfolk Joint Venture Limited issued £3.25m (2013 - £7.5m) of Guaranteed Fixed Rate Unsecured Loan Notes 2020 to Mitsui Fudosan during the year. Details of the terms of the Loan Notes are given in Note 15. Mitsui Fudosan has a 25% shareholding in Stanhope Group Holdings Limited.

During the year, the group invested £2.689m in the MF Angel Court Property Unit Trust, an investment owned 97% by Mitsui Fudosan.

During the year, Norfolk Joint Venture Limited invested £1.186m (2013 - £7.209m) in Whitewood TV City UK Sàrl, taking a 10% economic interest in the entity. Mitsui Fudosan and AIMCo each have a 45% interest in the entity. Norfolk Joint Venture Limited has a commitment to provide up to £6.6m (2013 - £7.8m) of further equity.

During the year, Norfolk Joint Venture Limited invested £0.867m (2013 - £0.250m) in Mabledon Holdings UK Sàrl, taking a 5% interest in the entity, with a further commitment of up to £1m (2013 - £1.8m). AIMCo, a 10% shareholder in Stanhope Group Holdings Limited, holds the remaining 95% interest.

The Loan Notes 2017 held by shareholders at the year end, and interest payable for the year to the shareholders on the loan notes are as follows:

	2014	***2013***
	£' 000	***£'000***
Loan Notes 2017		
Mitsui Fudosan (UK) Limited	675	1,353
Norfolk Manco Limited	670	1,342
FREP Holdings Canada 1 LP	270	541
David Camp	1,043	2,089

Interest payable on Loan Notes 2017

	2014	***2013***
	£' 000	***£'000***
Mitsui Fudosan (UK) Limited	54	125
Norfolk Manco Limited	53	58
FREP Holdings Canada 1 LP	22	50
David Camp	83	228

Notes to the financial statements

at 31 March 2014

24. Related parties (continued)

OTHER RELATED PARTIES (continued)

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

	2014	***2013***
	£' 000	***£'000***
Loan Notes 2017		
Mitsui Fudosan (UK) Limited	40	81
Norfolk Manco Limited	40	68
FREP Holdings Canada 1 LP	16	23
David Camp	63	137
Fixed Rate Unsecured Notes 2020		
Mitsui Fudosan (UK) Limited	413	355

Preference Share

During the year the company paid a preference dividend of £0.075m (2013 - £nil) to Mitsui Fudosan (UK) Limited on its one £1 preference share in relation to the 2013 results – a dividend of 7,594,000 pence per share. Included in accruals is £0.127m preference dividend at 12,673,000 pence per share in reference to the 2014 year..

The terms of the preference share are given in Note 15.

DIRECTORS

Non Executive Fees

Hoyle Barn Limited received fees under a consultancy agreement of £30k (2013 - £30k), 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.

Loan Notes 2017

Details of David Camp's loan notes and interest are shown above.

During the year £1.0m of loan notes were repaid to David Camp.

The full terms of the loan stock can be found in Note 15.

Notes to the financial statements
at 31 March 2014