

COMPANY NUMBER: 06589142



STERLING HOUSE LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

DIRECTORS' REPORT

The directors of Sterling House Limited (the "Company") present their report together with the unaudited financial statements for the 11-month period ended 30 September 2020.

1. PRINCIPAL ACTIVITY, BUSINESS REVIEW & FUTURE DEVELOPMENTS

The Company is an investment company which holds an investment property.

The results for the 11-month period ended 30 September 2020 are shown on page 3.

The strategic plan is to continue to hold investments to generate rental income and capital appreciation.

2. DIVIDEND

On 3 September 2020, the Company declared and paid a dividend to the Carlyle Trust Limited of £420,000 (2019:£371,693)

3. POLITICAL CONTRIBUTIONS

The Company made no political contributions during the period.

4. CHANGE IN YEAR END

During the period the Company changed its year end from 31 October to 30 September.

5. POST BALANCE SHEET EVENTS

There were no post Balance Sheet events to disclose.

6. QUALIFYING THIRD-PARTY INDEMNITY PROVISIONS

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies' Act 2006. Such qualifying party indemnity provisions remain in force as at the date of approving the Director's Report.

7. GOING CONCERN

The going concern assessment is disclosed in Note 1 of the financial statements.

8. DIRECTORS

The directors who held office during the period are listed below:

Mr. J. J. Hodge – Chairman
Mr. D. J. Landen

DIRECTORS' REPORT (CONTINUED)

9. DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD



D J Landen
Director

11 December 2020

**INCOME STATEMENT
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

	Note	11-months ended 30 September 2020 £	Year ended 31 October 2019 £
Revenue	3	414,962	438,184
Interest payable and similar charges	4	(138,458)	(140,835)
Administrative expenses	5	(13,565)	(24,606)
Operating profit		262,939	272,743
Fair value adjustment on investment property	8	(250,000)	(200,000)
Fair value movement on derivatives	12	(9,720)	(31,216)
Profit on ordinary activities before taxation		3,219	41,527
Tax charge on profit on ordinary activities	7	(45,831)	(50,302)
Loss for the period		(42,612)	(8,775)

The above results arise from continuing activities. There were no realised gains/losses other than those passed through the Income Statement.

**BALANCE SHEET
AS AT 30 SEPTEMBER 2020**

	Note	30 September 2020 £	31 October 2019 £
Fixed assets			
Investment properties	8	<u>5,650,000</u>	<u>5,900,000</u>
		<u>5,650,000</u>	<u>5,900,000</u>
Current assets			
Debtors	9	641,778	705,477
Deferred tax	10	65,416	75,903
Cash at bank and in hand		<u>27,199</u>	<u>103,194</u>
		<u>734,393</u>	<u>884,574</u>
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(159,963)</u>	<u>(107,252)</u>
Net current assets		574,430	777,322
Derivative financial instruments	12	<u>(890,049)</u>	<u>(880,329)</u>
Net assets		<u>5,334,381</u>	<u>5,796,993</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account		<u>5,334,380</u>	<u>5,796,992</u>
Shareholder's funds		<u>5,334,381</u>	<u>5,796,993</u>

For the 11-month period ended 30 September 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

The financial statements were approved by the board of directors on 11 December 2020.



D J Landen
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Profit and loss account	Total
	£	£	£
11-month period ended 30 September 2020			
31 October 2019	1	5,796,992	5,796,993
Loss for the financial period	-	(42,612)	(42,612)
Dividend (Note 14)	-	(420,000)	(420,000)
30 September 2020	1	5,334,380	5,334,381
	Called up share capital	Profit and loss account	Total
	£	£	£
Year ended 31 October 2019			
31 October 2018	1	6,177,460	7,819,771
Loss for the financial year	-	(8,775)	(8,775)
Dividend (Note 14)	-	(371,693)	(371,693)
31 October 2019	1	5,796,992	5,796,993

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES

Basis of preparation

These unaudited financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

The Company was incorporated and is registered in England and Wales.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's UK parent undertaking, The Carlyle Trust Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of The Carlyle Trust Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and investment properties;
- Disclosures in respect of transactions with members of the group;
- Disclosures in respect of capital management;
- The effects of new IFRSs that have been issued but not yet effective;
- Disclosures in respect of the compensation of key management personnel and related parties.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Investment properties;
- Derivative financial liabilities.

Going Concern

The financial statements have been prepared on the going concern basis. Despite the increased uncertainty as a result of the COVID-19 pandemic and Brexit, the Company has sufficient assets available to settle its liabilities over the next year as they fall due. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

Standards and interpretations effective for the Company in these financial statements:

The Company has considered a number of amendments to published International Financial Reporting Standards and interpretations effective for the 11-month period ended 30 September 2020. They are either not relevant to the Company or do not have a significant impact on the Company's financial statements.

Standards and interpretations effective for the Company in future periods:

None of the standards issued by the IASB but not yet effective, are expected to have a material impact on the Company's financial statements in future periods.

Summary of significant accounting policies

The principal accounting policies which have been consistently applied in the preparation of the financial statements are set out below:

Revenue

Revenue recognition represents the total amount receivable by the Company in the ordinary course of business with customers in respect rental income, excluding VAT and trade discounts and is recognised as it is earned.

Investment properties

Investment property is property held to earn rental income or for capital appreciation or for both, rather than for sale or use in the business. The Company recognises investment properties initially at cost and subsequently at fair value with any change therein recognised in the Income Statement as a fair value adjustment.

Fair value is based on valuations by external independent valuers which are performed at least annually to ensure that the fair value of investment properties does not differ materially from its carrying amount. No depreciation is provided in respect of investment properties held at fair value.

Financial instruments

Recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

Under IFRS 9, there are three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company has determined that under IFRS 9 its financial assets are classified as follows:

- Debtors and cash at bank and in hand – amortised cost.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020**

1. ACCOUNTING POLICIES (CONTINUED)

The Company does not hold any financial instruments that are classified and measured at FVTPL or FVOCI.

To classify financial assets the Company performs two assessments to evaluate the business model in which financial assets are managed and their cash flow characteristics.

The 'business model assessment' is performed on an asset class basis and determines whether the Company's objective is to generate cash flows from collecting contractual cash flows, or by both collecting contractual cash flows and selling financial assets.

The assessment of cash flow characteristics determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI). The SPPI test is performed at an instrument level based on the contractual terms of the instrument at initial recognition. For the purposes of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin.

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial assets not classified as measured at amortised cost or FVOCI are classified as FVTPL.

Initial measurement of financial assets is as follows:

- Debtors and cash at bank and in hand: initially measured at fair value plus incremental direct transaction costs.

Subsequent measurement of financial asset categories held by the Company is as follows:

- Debtors and cash at bank and in hand: subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Under IFRS 9, there are two principal classification categories for financial liabilities: measured at amortised cost and FVTPL.

The Company has determined that under IFRS 9 its financial liabilities are classified as follows:

- Creditors: amortised cost;
- Derivatives: FVTPL.

Initial measurement of financial assets is as follows:

- Creditors: initially measured at fair value less incremental direct transaction costs.
- Derivatives: initial measured at fair value.

Subsequent measurement of financial liability categories held by the Company is as follows:

- Creditors: subsequently measured at amortised cost using the effective interest rate method.
- Derivatives: subsequently measured at fair value with gains and losses recognised in the Income Statement

Loss allowances in the Balance Sheet

Under IFRS 9, there is a requirement to assess where a provision is required for all assets held at amortised cost. No impairment provision is held against debtors or cash at bank and in hand under IFRS 9 due to the low risk of default in these asset classes and immaterial nature of the provision required.

Loss allowances for financial assets measured at amortised cost are presented as a deduction from the gross carrying amount of the financial asset.

Cash at bank and in hand

Cash at bank and in hand comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with banks.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

1. ACCOUNTING POLICIES (CONTINUED)

Taxation including deferred tax

Corporation tax on profits for the period comprises current taxation.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date. Where group relief is received or surrendered from or to a group company, the corresponding liability or asset is settled in full.

Corporation tax is charged directly to the Income Statement.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on a non-discounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled based on the tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Share capital

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

2. JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following financial year. The most significant areas where judgement and estimates are made are as follows:

Fair values of derivative financial instruments

The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement and estimation.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varied depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value of investment properties

The fair value of freehold investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

3. REVENUE

Revenue is attributable to the holding of an investment property, and includes the following:

	11-months ended 30 September 2020	Year ended 31 October 2019
	£	£
Rents receivable	<u>414,962</u>	<u>438,184</u>

4. INTEREST PAYABLE AND SIMILAR INCOME

	11-months ended 30 September 2020	Year ended 31 October 2019
	£	£
On derivative financial instruments (see note 12)	<u>138,458</u>	<u>140,835</u>

5. ADMINISTRATIVE EXPENSES

	11-months ended 30 September 2020	Year ended 31 October 2019
	£	£
Legal and professional fees	<u>8,565</u>	<u>19,606</u>
Management expenses	<u>5,000</u>	<u>5,000</u>
	<u>13,565</u>	<u>24,606</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

6. DIRECTORS AND EMPLOYEES

There were no staff employed by the Company during the period (2019: none), with administration services being provided by a fellow subsidiary undertaking. None of the directors received any remuneration for their services during either period.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is based on the profit for the period and is made up as follows:

	11-months ended 30 September	Year ended 31 October 2019
	2020	
	£	£
UK Corporation tax		
Current tax on income for the period	35,344	31,288
Total current tax on ordinary activities	35,344	31,288
Deferred tax		
Origination/reversal of timing differences	10,487	19,014
Deferred tax for the period	10,487	19,014
Total tax charge on ordinary activities	45,831	50,302

The rate of corporation tax used in these accounts is 19% (2019: 19.00%). The current charge for the period is higher than (2019: higher than) this rate. The differences are explained below.

Total tax reconciliation	2020	2019
	£	£
Profit on ordinary activities before tax	3,219	41,527
Current tax at 19.00% (2019: 19.00%)	612	7,890
Effect of:		
Difference between corporation tax and deferred tax rates	(8,929)	(2,238)
Expenses not deductible for tax	54,148	44,650
Total tax charge (see above)	45,831	50,302

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

8. INVESTMENT PROPERTIES

	<u>£</u>
At 1 November 2019	5,900,000
Fair value adjustments	<u>(250,000)</u>
At 30 September 2020	<u>5,650,000</u>

9. DEBTORS

	<u>2020</u> <u>£</u>	<u>2019</u> <u>£</u>
Accrued rental income	451,619	663,988
Sundry debtors	<u>190,159</u>	<u>41,489</u>
	<u>641,778</u>	<u>705,477</u>

Accrued income amounting to £276,974 (2019: £489,343) will be released to the Income Statement in greater than one year.

10. DEFERRED TAX ASSET

	<u>2020</u> <u>£</u>	<u>2019</u> <u>£</u>
Opening balance at 1 November	75,903	94,917
Charged to the income statement	<u>(10,487)</u>	<u>(19,014)</u>
Closing balance at end of period	65,416	75,903
Effect of:		
Other timing difference	<u>65,416</u>	<u>75,903</u>
Total deferred tax asset	<u>65,416</u>	<u>75,903</u>

In the current period the substantively enacted tax rate applicable from 1 April 2020 was increased from 17% to 19%. The closing deferred tax assets and liabilities have been calculated at 19%.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Accruals	55,089	13,906
Amount owed to UK parent	417	34,347
Group relief	35,346	31,288
Other liabilities	69,111	27,711
	<u>159,963</u>	<u>107,252</u>

The amount owed to the UK parent, The Carlyle Trust Limited accrues no interest and is repayable on demand.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps are used by the Company for hedging purposes. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place.

Derivative liabilities held for hedging purposes and designated as fair value hedges include:

	Notional Amount		Fair Value	
	2020	2019	2020	2019
	£	£	£	£
Interest rate swaps	6,000,000	6,000,000	(890,049)	(880,329)
Total recognised derivative liabilities	6,000,000	6,000,000	(890,049)	(880,329)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE 11-MONTH PERIOD ENDED 30 SEPTEMBER 2020

13. CALLED UP SHARE CAPITAL

	2020	2019
	£	£
Allotted, called up and fully paid ordinary shares of £1 each	<u>1</u>	<u>1</u>

14. DIVIDENDS

	2020	2019
	£	£
Aggregate amount of dividends paid in the financial period	<u>£420,000</u>	<u>371,693</u>

15. CAPITAL COMMITMENTS

The Company had no contracted capital commitments at 30 September 2020 (2019: £nil).

16. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2020 (2019: £nil).

17. ULTIMATE HOLDING COMPANY

The Company is a subsidiary undertaking of The Carlyle Trust Limited (registered in England and Wales). The ultimate parent undertaking and controller of the Company is The Carlyle Trust (Jersey) Limited (incorporated and registered in Jersey), a company controlled by a Hodge family trust, whose sole natural trustee is Jonathan Hodge.

Within the meaning of the Companies Act 2006, The Carlyle Trust Limited is the parent undertaking of the only group of undertakings for which group accounts have been drawn up and of which the Company is a member. The financial statements of The Carlyle Trust Limited can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.