

COMPANY NUMBER: 06589142



STERLING HOUSE LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2018

DIRECTORS' REPORT

The directors of Sterling House Limited (the Company") present their report together with the unaudited financial statements for the year ended 31 October 2018.

1. PRINCIPAL ACTIVITY, BUSINESS REVIEW & FUTURE DEVELOPMENTS

The Company is an investment company which holds property. The strategic plan is to continue to hold investments to generate income and capital appreciation.

The results for the year ended 31 October 2018 are shown on page 3.

2. DIVIDEND

On 26 October 2018 the company declared and paid a dividend to The Carlyle Trust Limited of £1,572,472.

3. POLITICAL CONTRIBUTIONS

The company made no political contributions during the year.

4. POST BALANCE SHEET EVENTS

There were no post balance sheet events to disclose.

5. 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.

6. GOING CONCERN

The Going Concern assessment is disclosed in Note 1 of the financial statements.

7. DIRECTORS

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

Mr. J. J. Hodge – Chairman

Mr. D. M. Austin

Mr. D. J. Landen (appointed on 20 July 2018)

8. 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 year. 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 (FRS101)

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

19 December 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2018

	Note	2018	2017
		<u>£</u>	<u>£</u>
Turnover	3	409,180	409,180
Fair value adjustment on investment property	9	(400,000)	-
Administrative expenses	4	<u>(30,233)</u>	<u>(22,292)</u>
Operating (loss)/ profit		(21,053)	386,888
Interest receivable and similar income	6	5,327	13,773
Interest payable and similar charges	7	(201,641)	(218,628)
Profit on derivatives designated as fair value	13	<u>230,412</u>	<u>268,534</u>
Profit on ordinary activities before taxation		13,045	450,567
Tax charge on profit on ordinary activities	8	<u>(82,883)</u>	<u>(92,126)</u>
(Loss)/Profit for the year		<u>(69,838)</u>	<u>358,441</u>

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 31 OCTOBER 2018

	Note	2018 £	2017 £
Fixed assets			
Investment properties	9	<u>6,100,000</u>	6,500,000
		6,100,000	6,500,000
Current assets			
Debtors	10	1,026,051	2,437,193
Deferred tax	11	94,917	114,008
Corporation tax		-	-
		<u>1,120,968</u>	2,551,201
Current liabilities			
Creditors: amounts falling due within one year	12	<u>(194,394)</u>	(151,905)
Net current assets		926,574	2,399,296
Derivative financial instruments	13	<u>(849,113)</u>	(1,079,525)
Net assets		<u>6,177,461</u>	<u>7,819,771</u>
Capital and reserves			
Called up share capital	14	1	10,000,000
Profit and loss account		<u>6,117,460</u>	(2,180,229)
Shareholder's funds		<u>6,117,461</u>	<u>7,819,771</u>

For the year ended 31 October 2018 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 year 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 accounts.

The financial statements were approved by the board of directors on 19 December 2018.



D J Landen
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £	Profit and loss account £	Total £
<i>Year ended 31 October 2018</i>			
At beginning of year	10,000,000	(2,180,229)	7,819,771
Profit/(loss) for the financial year	-	(69,838)	(69,838)
Capital reduction	(9,999,999)	9,999,999	-
Dividend	-	(1,572,472)	(1,572,472)
At end of year	1	6,177,460	6,177,461

	Called up share capital £	Profit and loss account £	Total £
<i>Year ended 31 October 2017</i>			
At beginning of year	10,000,000	(2,538,670)	7,461,330
Profit for the financial year	-	358,441	358,441
At end of year	10,000,000	(2,180,229)	7,819,771

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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 immediate 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.

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

Going Concern

The financial statements have been prepared on the going concern basis. 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.*

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

A. TURNOVER

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

B. INTEREST RECEIVED AND SIMILAR INCOME

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

C. INVESTMENT PROPERTIES

Investment property is property held to earn rentals 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 applying fair value.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

D. FINANCIAL ASSETS

The Company classifies its financial assets at inception into the following categories:

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and advances are classified as loans and receivables and are measured at amortised cost using the effective interest rate method, net of impairment provisions, with all movements being recognised in the Income Statement. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

ii) Fair value through profit or loss (FVTPL)

The Company does not hold any financial assets classified as fair value through the profit or loss.

iii) Available-for-sale

The Company does not hold any financial assets classified as available for sale.

iv) Held-to-maturity

The Company does not hold any financial assets classified as held to maturity.

E. FINANCIAL LIABILITIES

Financial liabilities incorporate trade payables and derivative financial liabilities. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the relevant instrument. Financial liabilities are derecognised when the obligation is extinguished.

The Company classifies its financial liabilities into the following categories:

i) Amortised cost

Financial liabilities (other than derivatives) are measured on an amortised cost basis.

ii) Derivative financial instruments

Derivatives are initially measured at fair value on the date on which the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date with movements recorded in the Income Statement.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

F. TAXATION INCLUDING DEFERRED TAX

Corporation tax on profits for the year comprises current and deferred 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.

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.

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 YEAR ENDED 31 OCTOBER 2018

3. TURNOVER

Turnover is attributable to the holding of investment properties, and include the following:

	2018	2017
	£	£
Rents receivable	<u>409,180</u>	<u>409,180</u>

4. ADMINISTRATIVE EXPENSES

	2018	2017
	£	£
Legal and professional fees	8,916	11,150
Management expenses	<u>21,317</u>	<u>11,142</u>
	<u>30,233</u>	<u>22,292</u>

5. DIRECTORS AND EMPLOYEES

There were no staff employed by the Company during the year (*2017: none*), with administration services being provided by a fellow subsidiary undertaking. None of the directors received any remuneration for their services during either year.

6. INTEREST RECEIVABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Interest receivable on loans to parent undertaking	<u>5,327</u>	<u>13,773</u>

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

7. INTEREST PAYABLE AND SIMILAR INCOME

	2018	2017
	£	£
On derivative financial instruments (see note 13)	<u>201,641</u>	<u>218,628</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2018	2017
	£	£
UK Corporation tax		
Current tax on income for the year	63,792	72,359
Adjustments in respect of prior years	-	(9,333)
Total current tax on ordinary activities	<u>63,792</u>	<u>63,026</u>
Deferred tax		
Origination/reversal of timing differences	19,091	13,234
Adjustments in respect of prior years	-	15,866
Deferred tax for the year	<u>19,091</u>	<u>29,100</u>
Total tax charge on ordinary activities	<u>82,883</u>	<u>92,126</u>

The rate of corporation tax used in these accounts is 19.00% (2017:19.41%). The current charge for the period is higher than (2017: *lower than*) this rate. The differences are explained below.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Total tax reconciliation	2018 £	2017 £
Profit on ordinary activities before tax	13,045	450,567
Current tax at 19.00% (2017: 19.41%)	2,479	87,472
Effect of:		
Difference between corporation tax and deferred tax rates	(2,246)	(1,879)
Expenses not deductible for tax	82,650	-
Adjustments in respect of prior years	-	6,533
Total tax charge (see above)	82,883	92,126

9. INVESTMENT PROPERTIES

	£
At 1 November 2017	6,500,000
Fair value adjustments	(400,000)
At 31 October 2018	6,100,000

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

10. DEBTORS

	2018	2017
	£	£
Accrued rental income	845,224	1,019,171
Amount owed by parent undertaking	-	1,412,225
Sundry debtors	180,827	5,797
	<u>1,026,051</u>	<u>2,437,193</u>

11. DEFERRED TAX ASSET

	2018	2017
	£	£
At 1 November 2017	114,008	143,108
Charged to the income statement	(19,091)	(29,100)
At 31 October 2018	94,917	114,008
Effect of:		
Accelerated capital allowances	(35,753)	(35,329)
Other timing difference	130,670	149,337
Total deferred tax asset	<u>94,917</u>	<u>114,008</u>

Reductions in the UK corporation tax rate to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The deferred tax asset at 31 October 2018 has been calculated based on these rates.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Accruals	15,129	16,400
Amount owed to parent undertakings	86,413	-
Group relief	63,792	-
Other liabilities	29,060	135,505
	<u>194,394</u>	<u>151,905</u>

The amount owed to parent undertakings is owed to the Carlyle Trust Limited and is repayable on demand.

13. 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 fair value hedges:

	Notional Amount		Fair Value	
	2018	2017	2018	2017
Interest Rate Swap	6,000,000	6,000,000	(849,113)	(1,079,525)
Total recognised derivative liabilities	6,000,000	6,000,000	(849,113)	(1,079,525)

**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

14. CALLED UP SHARE CAPITAL

The Company performed a capital reduction on 17 September 2018 converting £9,999,999 of Share Capital into distributable reserves.

	2018	2017
	£	£
Allotted, called up and fully paid ordinary shares of £1 each	<u>1</u>	<u>10,000,000</u>

15. DIVIDENDS

	2018	2017
	£	£
Aggregate amount of dividends paid in the financial year	<u>1,572,472</u>	<u>-</u>

16. CAPITAL COMMITMENTS

The Company had no contracted capital commitments at 31 October 2018 (2017: Nil).

17. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 October 2018 (2017: Nil).

18. 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.