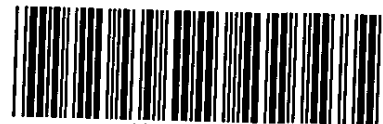


Grainger Serviced Apartments Limited
Financial statements
30 September 2013

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Grainger Serviced Apartments Limited

Financial statements

Year ended 30 September 2013

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Grainger Serviced Apartments Limited

Officers and professional advisers

The board of directors	Andrew R Cunningham Mark J Robson Nick P On Mark Greenwood Nicholas M F Jopling
Company secretary	Michael P Windle
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Auditor	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditor Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Bankers	Barclays Bank Plc Barclays House 71 Grey Street Newcastle Upon Tyne NE99 1JP
Solicitors	Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle Upon Tyne NE99 1SB

Grainger Serviced Apartments Limited

Directors' report

Year ended 30 September 2013

The directors present their report and the financial statements of the company for the year ended 30 September 2013

Principal activities

The principal activity of the company during the year was investment in serviced apartments

Directors

The directors who served the company during the year were as follows

Andrew R Cunningham
Mark J Robson
Nick P On
Mark Greenwood
Nicholas M F Jopling
Peter Q P Couch

Peter Q P Couch resigned as a director on 31 January 2014

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 year.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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.

Auditor

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Grainger Serviced Apartments Limited

Directors' report *(continued)*

Year ended 30 September 2013

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'M Windle', with a stylized, cursive script.

Michael P Windle
Company Secretary

Approved by the directors on 2 May 2014

Grainger Serviced Apartments Limited

Independent auditor's report to the shareholders of Grainger Serviced Apartments Limited Year ended 30 September 2013

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Grainger Serviced Apartments Limited, comprise

- the profit and loss account for the year ended 30 September 2013,
- the balance sheet as at 30 September 2013,
- the statement of total recognised gains and losses for the year ended 30 September 2013,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Grainger Serviced Apartments Limited

Independent auditor's report to the shareholders of Grainger Serviced Apartments Limited Year ended 30 September 2013

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to prepare financial statements in accordance with the small companies' regime and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
2 May 2014

Grainger Serviced Apartments Limited

Profit and loss account

Year ended 30 September 2013

	Note	2013 £	2012 £
Turnover	2	1,017,001	1,099,059
Cost of sales		<u>(742,729)</u>	<u>(745,054)</u>
Gross profit		274,272	354,005
Administrative expenses		<u>(113,520)</u>	<u>(141,150)</u>
Operating profit	3	160,752	212,855
Interest receivable	4	7,668	18,565
Profit on ordinary activities before taxation		168,420	231,420
Tax on profit on ordinary activities	5	(39,579)	(57,855)
Profit for the financial year		<u>128,841</u>	<u>173,565</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 13 form part of these financial statements.

Grainger Serviced Apartments Limited

Statement of total recognised gains and losses

Year ended 30 September 2013

	2013	2012
	£	£
Profit for the financial year attributable to the shareholders	128,841	173,565
Unrealised loss on revaluation of certain fixed assets	(1,000,000)	—
Total gains and losses recognised since the last annual report	<u>(871,159)</u>	<u>173,565</u>

The notes on pages 9 to 13 form part of these financial statements.

Grainger Serviced Apartments Limited

Balance sheet

30 September 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	6	<u>7,000,000</u>	<u>8,000,000</u>
Current assets			
Debtors	7	38,192	427,635
Cash at bank		<u>673,573</u>	<u>—</u>
		711,765	427,635
Creditors' Amounts falling due within one year	8	<u>(155,289)</u>	<u>—</u>
Net current assets		<u>556,476</u>	<u>427,635</u>
Total assets less current liabilities		<u>7,556,476</u>	<u>8,427,635</u>
Capital and reserves			
Called-up equity share capital	11	8,486,005	8,486,005
Revaluation reserve	12	(963,284)	36,716
Profit and loss account	13	33,755	(95,086)
Shareholders' funds	14	<u>7,556,476</u>	<u>8,427,635</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

These accounts were approved by the directors and authorised for issue on 2 May 2014, and are signed on their behalf by



Mark Greenwood
Director

Company Registration Number 5162999

The notes on pages 9 to 13 form part of these financial statements.

Grainger Serviced Apartments Limited

Notes to the financial statements

Year ended 30 September 2013

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year

Cash flow statement

The company is a wholly owned subsidiary of Grainger plc and the cash flows of the company are included in the consolidated cash flow statement of Grainger plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from preparing a cash flow statement

Turnover

Turnover comprises gross rentals and sundry other income, exclusive of VAT

Fixed assets

All fixed assets are initially recorded at cost

Investment properties

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Repairs are expensed to the profit and loss account as incurred. Improvement costs are capitalised. In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, unless any diminution in value of an individual property is considered permanent, in which case the deficit is taken to the profit and loss account and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. Full valuations are made by professionally qualified valuers every year. The basis of valuation is explained in the tangible fixed assets note.

Grainger Serviced Apartments Limited

Notes to the financial statements

Year ended 30 September 2013

1. Accounting policies *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider 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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

2 Turnover

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report

3. Operating profit

Operating profit is stated after crediting

2013	2012
£	£
<u> </u>	<u> </u>

Audit fees are statutory audit fees only and are borne by another Group company

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year, or in the previous year

4. Interest receivable

2013	2012
£	£
<u>7,668</u>	<u>18,565</u>

Interest from group undertakings

Grainger Serviced Apartments Limited

Notes to the financial statements

Year ended 30 September 2013

5. Taxation on ordinary activities

(a) Analysis of charge in the year

	2013 £	2012 £
Current tax		
UK Corporation tax based on the results for the year at 23 50% (2012 - 25%)	39,579	57,855
Total current tax	<u>39,579</u>	<u>57,855</u>

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 23 50% (2012 - 25%)

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>168,420</u>	<u>231,420</u>
Profit on ordinary activities by rate of tax	39,579	57,855
Total current tax (note 5(a))	<u>39,579</u>	<u>57,855</u>

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years

6. Tangible fixed assets

	Freehold Property £
Cost or valuation	
At 1 October 2012	8,000,000
Revaluation	<u>(1,000,000)</u>
At 30 September 2013	<u>7,000,000</u>
Net book value	
At 30 September 2013	<u>7,000,000</u>
At 30 September 2012	<u>8,000,000</u>

The company's investment properties have been valued at their open market value at the balance sheet date by our in house Chartered Surveyors and the valuations were reviewed and approved by the directors. A structured sample of the in house valuations were reviewed by Allsop & Co, Chartered Surveyors, independent of the company. Based on the results of that review, Allsop & Co have concluded that they have a high degree of confidence in those valuations. These represent estimates of the open market value of the properties subject to the tenancies then existing. The historical cost of these properties is £7,963,284 (2012 £7,963,284)

Grainger Serviced Apartments Limited

Notes to the financial statements

Year ended 30 September 2013

6. Tangible fixed assets *(continued)*

7 Debtors

	2013	2012
	£	£
Trade debtors	21,503	29,594
Amounts owed by group undertakings	–	392,728
VAT recoverable	16,689	5,313
	<u>38,192</u>	<u>427,635</u>

8 Creditors: Amounts falling due within one year

	2013	2012
	£	£
Amounts owed to group undertakings	<u>155,289</u>	<u>–</u>

9 Contingent liabilities

At 30 September 2013 the company, together with certain of its fellow subsidiaries, has guaranteed bank loans of £696,771,153 (2012 £845,017,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts. Details of the repayment profile of the bank loans are shown in the statutory financial statements of the ultimate parent undertaking, Grainger plc.

10. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the Grainger plc group.

11. Share capital

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares of £1 each	<u>8,486,005</u>	<u>8,486,005</u>	<u>8,486,005</u>	<u>8,486,005</u>

12. Revaluation reserve

	2013	2012
	£	£
Balance brought forward	36,716	36,716
Revaluation of fixed assets	(1,000,000)	–
Balance carried forward	<u>(963,284)</u>	<u>36,716</u>

Grainger Serviced Apartments Limited

Notes to the financial statements

Year ended 30 September 2013

13. Profit and loss account

	2013 £	2012 £
Balance brought forward	(95,086)	(268,651)
Profit for the financial year	128,841	173,565
Balance carried forward	<u>33,755</u>	<u>(95,086)</u>

14. Reconciliation of movements in shareholders' funds

	2013 £	2012 £
Profit for the financial year	128,841	173,565
Other net recognised gains and losses	(1,000,000)	—
Net (reduction)/addition to shareholders' funds	(871,159)	173,565
Opening shareholders' funds	8,427,635	8,254,070
Closing shareholders' funds	<u>7,556,476</u>	<u>8,427,635</u>

15. Ultimate parent undertaking and controlling party

The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

Northumberland & Durham Property Trust Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.