

Granite Real Estate UK Limited

Granite Real Estate UK Limited

Registered No 03020811

Annual Report and Financial Statements

For the year ended 31 December 2021



Granite Real Estate UK Limited

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Granite Real Estate UK Limited

Officers and Professional Advisers

Directors

W. Schaper
P. Galos

Senior Statutory Auditor

Trevor McCarthy FCA

Independent Auditor

Venthams Limited
Millhouse
32 - 38 East Street
Rochford
Essex
SS4 1DB

Banker

Scotiabank Europe PLC
Scotiahouse
33 Finsbury Square
London
EC2A 1BB

Registered office

William Evans & Partners
20 Harcourt Street
London
W1H 4HG

Registered Number 03020811

Granite Real Estate UK Limited

Directors' Report

The Directors present their annual report with the audited financial statements of the company for the year ended 31 December 2021.

Dividends

A dividend of £3,500,000 was paid on 1st December 2021 (2020: None).

Principal activities and review of the business

The principal activity of the company during the year was to continue to review opportunities in the commercial property market, following the sale of the company's last remaining commercial property in January 2021. During the year ended 31 December 2021, the Company derived its income from rentals received under an occupational lease from an unrelated party.

The Company's financial key performance indicators during the year were as follows:

	2021	2020
	£	£
Turnover	44,075	450,000
Profit on sale of property	99,081	
Profit / (Loss) after taxation	102,464	225,171
Return on Capital	5.84%	6.74%

The return on capital is calculated as the percentage of the profit on ordinary activities after taxation against the average capital employed during the year.

The Company's sole property was sold on 28th January 2021

The Company's return on capital, which it considers its most important key performance indicator, was 5.84% in 2021 (2020: 6.74%).

The directors report that the company is now inactive.

Principal risks and uncertainties

As the company is currently inactive there are no material risks or uncertainties that have a bearing on the figures in these financial statements.

Directors

The Directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

W. Schaper

P. Galos

Going concern and future developments

On 28th January 2021 the company completed the sale of its sole investment property at a price of £6,000,000, giving a profit over valuation and sale costs of £99,081. The intercompany loans were repaid on 22 February 2021. The company has been inactive since then. The Directors have been reviewing the company's future strategy but at present they have no clear plans for future trading activity. In consequence the directors have produced the accounts on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Granite Real Estate UK Limited

Directors' Report

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Venthams Limited were appointed as Auditors by the Directors. They have indicated their willingness to continue in office as Auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an annual general meeting.

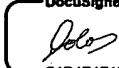
Director's indemnities

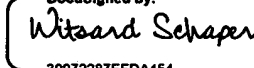
The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Strategic Report

The Directors have taken advantage of the exemptions from including a Strategic Report, because they qualify under the small companies' regime. This director's report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Approved by the board and signed on its behalf by:

DocuSigned by:

P Galos C1D4E4F4389C4B9...
Director Oct 21 2022

DocuSigned by:

W Schaper 30972287EFDA454...
Director October 24, 2022

Granite Real Estate UK Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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.

Granite Real Estate UK Limited

Independent Auditor's Report to the members of Granite Real Estate UK Limited

Opinion

We have audited the financial statements of Granite Real Estate UK Limited (the 'Company') for the year ended 31 December 2021, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared on basis other than going concern

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Granite Real Estate UK Limited

Independent Auditor's Report to the members of Granite Real Estate UK Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Discussions with and enquiries of management and those charged with governance were held with a view to identifying those laws and regulations that could be expected to have a material impact on the financial statements. During the engagement team briefing, the outcomes of these discussions and enquiries were shared with the team, as well as consideration as to where and how fraud may occur in the entity.

Granite Real Estate UK Limited

Independent Auditor's Report to the members of Granite Real Estate UK Limited

The following laws and regulations were identified as being of significance to the entity:

- Those laws and regulations considered to have a direct effect on the financial statements include UK financial reporting standards, Company Law, Tax and Pensions legislation, and distributable profits legislation.
- Those laws and regulations for which non-compliance may be fundamental to the operating aspects of the business and therefore may have a material effect on the financial statements include employment law, Landlord and Tenant Act, fire safety and health and safety legislation.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised of: inquiries of management and those charged with governance as to whether the entity complies with such laws and regulations; enquiries with the same concerning any actual or potential litigation or claims; inspection of relevant legal correspondence; testing the appropriateness of journal entries; and the performance of analytical review to identify unexpected movements in account balances which may be indicative of fraud.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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 auditors' 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.

T. McCarthy

T. McCarthy (Oct 24, 2022 15:35 GMT+1)

Trevor McCarthy (senior statutory auditor)

for and on behalf of
Venthams

Chartered Accountants
Statutory Auditor

Millhouse
32 - 38 East Street
Rochford
Essex
SS4 1DB

Date: Oct 24, 2022

Granite Real Estate UK Limited

Profit and Loss Account

For year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	44,075	450,000
Administrative expenses		(26,224)	(70,739)
Profit on sale of investment property		99,081	-
Operating profit	4	116,932	379,261
Finance costs	6	(13,938)	(101,322)
Profit before taxation		102,994	277,939
Tax on profit	7	(530)	(52,768)
Profit for the financial year		102,464	225,171

There are no recognised gains or losses in the current and prior year other than as included in the results above. Accordingly, no separate statement of comprehensive income is prepared.

Granite Real Estate UK Limited

Balance Sheet As at 31 December 2021

	Notes	2021 £	2020 £
Current assets			
Stocks: Property held for resale	9	-	5,811,849
Debtors		6,495	20,000
Cash at bank and in hand		70,081	791,302
		<u>76,576</u>	<u>6,623,151</u>
Creditors: amounts falling due within one year	10	<u>(20,537)</u>	<u>(266,988)</u>
Net current assets		<u>56,039</u>	<u>6,356,163</u>
Total assets less current liabilities		<u>56,039</u>	<u>6,356,163</u>
Creditors: Amounts falling due after one year	11	-	<u>(2,902,587)</u>
Net Assets		<u><u>56,039</u></u>	<u><u>3,453,575</u></u>
Capital and reserves			
Called-up share capital	13	1	1
Profit and loss account		<u>56,038</u>	<u>3,453,574</u>
		<u><u>56,039</u></u>	<u><u>3,453,575</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS102 Section 1A – small entities.

The financial statements of Granite Real Estate UK Limited, registered number 03020811, were approved by the Board of directors and authorised for issue on 2022.

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P Galos
Director
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Oct 21 2022

DocuSigned by:
W Schaper
Director
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October 24, 2022

Granite Real Estate UK Limited

Statement of Changes in Equity for the year ended 31 December 2021

	Notes	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2020		1	3,228,403	3,228,404
Profit for the year and total comprehensive expense		-	225,171	225,171
At 31 December 2020		1	3,453,574	3,453,575
Profit for the year and total Comprehensive income		-	102,464	102,464
Dividend paid			(3,500,000)	(3,500,000)
At 31 December 2021		1	56,038	56,039

Included within the profit and loss account is £Nil (2020: £2,757,849) of non-distributable reserves represented by unrealised property revaluations.

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

1. Accounting policies

Basis of preparation

Granite Real Estate UK Limited is a private company limited by shares incorporated and registered in England, United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 2.

The financial statements have been prepared in accordance with Financial Reporting Standards 102 (FRS 102 Section 1A) issued by the Financial Reporting Council, and under the historical cost accounting rules, modified to include the revaluation of investment properties.

As a qualifying entity under FRS 102 Section 1A, the Company is exempt from the requirements to:

- Prepare a statement of cash flows
- Disclose remuneration of key management personnel
- Disclose details about financial instruments required by sections 11 and 12 of FRS 102
- Disclose Related Party transactions required by section 33, paragraph 33.7

on the grounds that the parent undertakings Granite Real Estate Investment Trust and of Granite REIT Inc includes the Company in its own published consolidated financial statements. These are available at the address found in note 14.

The functional currency of Granite Real Estate UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable in respect of the rent on properties leased in the normal course of business, net of discounts and value added tax. Turnover is recognised evenly over the period of the lease.

Related parties transactions

The Company is a wholly owned subsidiary of Granite Real Estate Investment Trust and of Granite REIT Inc., (collectively "Granite REIT"), the combined financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in FRS 102 Section 33 from disclosing transactions with wholly owned members or investees of Granite REIT.

Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account. Valuations are made on the basis of open market value for existing use.

Stocks: Property held for resale

Investment properties held for resale are classified as current assets and shown at the lower of cost or net realisable value. The value at which the property is transferred from Investment Properties, which is normally the latest valuation made of the property, is deemed to be the cost of the property.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

Financial Instruments

Financial assets (including cash at bank and in hand, and debtors;) and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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 Company after deducting all of its liabilities.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Interest payable

Interest payable on loans is calculated so that the interest charge recognised in the profit and loss account is at a constant rate of interest to the outstanding capital of the loan over its term.

Going Concern

On 28th January 2021 the company completed the sale of its sole investment property and since that date the company has been inactive. The Directors continue to review the company's strategy, but at present they have no clear plans for future trading activity. As the company has ceased its trade the directors have produced the accounts on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

There are no key sources of estimated uncertainty at 31 December 2021.

The estimates and underlying assumptions in these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

There are no critical accounting judgements required in presentation of these financial statements.

3. Turnover

All income was earned in the United Kingdom.

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

	2021 £	2020 £
Rental income	<u>44,075</u>	<u>450,000</u>

4. Profit before taxation

Profit before taxation is stated after charging:

The analysis of the auditor's remuneration is as follows:

	2021 £	2020 £
Audit of these financial statements	<u>7,200</u>	<u>12,000</u>
	<u>7,200</u>	<u>12,000</u>

5. Staff costs

No salaries or wages have been paid to employees or Directors during the two years ended 31 December 2021 and 2020. No Directors' fees were paid in the year (2020: Directors' fees: £ Nil) There were two Directors (2020: two) serving the Company in the year and no persons (2020: none) employed in the year.

6. Finance costs

	2021 £	2020 £
Interest payable and similar charges	<u>13,938</u>	<u>101,322</u>
	<u>13,938</u>	<u>101,322</u>

Interest payable and similar charges

	2021 £	2020 £
Amounts paid to group undertakings	<u>13,938</u>	<u>101,322</u>
	<u>13,938</u>	<u>101,322</u>

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

7. Tax on profit

(a) Tax on profit

The tax charge is made up as follows:

	2021 £	2020 £
<i>Current tax:</i>		
UK corporation tax charged (2020: charged)	530	52,768
<i>Deferred tax:</i>		
Provision for deferred tax	-	-
	<u>530</u>	<u>52,768</u>

(b) Factors affecting current tax charge

The Finance Act 2020 set the UK rate of corporation tax at 19% for the two years ended 31st March 2022.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £	2020 £
Profit / (Loss) before taxation	<u>102,994</u>	<u>277,939</u>
Profit / (Loss) multiplied by average standard rate of corporation tax in the UK of 19.00% (2020:19.00%)	19,569	52,808
Profit on sale of the investment property gives rise to no taxable gain or loss due to tax allowances	(18,826)	-
Disallowed expenses and capital allowances	(213)	(40)
Deferred Taxation		
Origination and (reversal) of timing differences	<u>-</u>	<u>-</u>
Total current tax (note 7(a))	<u>530</u>	<u>52,768</u>

There is no deferred tax provision at 31 December 2021 as there are no timing differences on which a future charge to corporation tax might arise. At 31 December 2020 there was no provision as no charge to corporation tax would arise were the company's investment property to be sold at the valuation shown in the accounts of £5,811,849.

There are unused capital losses of £678,289 available for set off against future profits.

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

8. Stocks: Property held for resale

Stock, at 31 December 2020, being an investment property held for resale, was shown at deemed cost which was the prior carrying value as an investment property, as required by FRS102. The historical cost of the property is £3,949,655.

The property was sold on 28 January 2021.

9. Creditors: amounts falling due within one year

	2021 £	2020 £
Corporation tax	530	52,768
Other taxation	4,387	62,171
Deferred Income	-	44,075
Other creditors and accruals	15,620	107,974
	<u>20,537</u>	<u>266,988</u>

10. Creditors: amounts falling due after one year

The creditor shown as payable after one year at 31 December 2020 of £2,902,587 was an unsecured discount loan from Granite REIT LLP with a nominal value of £3,220,110 repayable on 20 December 2023, and with an implied rate of interest of 2.92%.

This loan was repaid on 22 February 2021 and no new loan has been obtained. There is therefore no creditor due after one year at 31 December 2021.

11. Provisions for liabilities and charges

There is no provision for deferred taxation required at 31 December 2021 or at 31 December 2020 as there is no potential creditor at either date. The potential debtor represented by tax losses of £678,289 has not been recognised on the grounds of uncertainty over recovery.

12. Called-up share capital and reserves

	Allotted, called-up and fully paid			
	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Granite Real Estate UK Limited

Notes to the Financial Statements for the year ended 31 December 2021

13. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 102 with regard to non-disclosure of transactions between wholly owned group companies.

14. Ultimate parent company

At 31 December 2021, in the Directors' opinion, the ultimate parent undertakings and controlling parties for which group financial statements are drawn up and of which the Company is a member, were Granite Real Estate Investment Trust and Granite REIT Inc. Granite Real Estate Investment Trust is an unincorporated, open ended, limited purpose trust established under and governed by the laws of the province of Ontario, Canada and Granite REIT Inc. is incorporated in British Columbia, Canada.

The immediate parent company is Granite Europe B.V., Strawinskylaan 1429 Niederlande 1077 XX Amsterdam, a corporation registered in the Netherlands, which is an indirect subsidiary of Granite Real Investment Trust and Granite REIT Inc.

Copies of the financial statements of Granite Real Estate Investment Trust and of Granite REIT Inc. are available from 77 King St West, Suite 4010, PO Box 159, Toronto- Dominion Centre, Toronto, Ontario, Canada, M5K 1H, which is the registered address of these entities. These are both the largest and the smallest parent entities for which consolidated financial statements are prepared.