

## Granite Real Estate UK Limited

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### **Granite Real Estate UK Limited**

Registered No 03020811

### **Annual Report and Financial Statements**

**For the year ended 31 December 2020**



## Granite Real Estate UK Limited

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## Granite Real Estate UK Limited

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### Officers and Professional Advisers

#### **Directors**

W. Schaper  
P. Galos

#### **Independent Auditor**

Deloitte LLP  
Statutory Auditor  
Union Plaza  
1 Union Wynd  
Aberdeen, United Kingdom  
AB10 1SL

#### **Banker**

Scotiabank Europe PLC  
Scotiahouse  
33 Finsbury Square  
London  
EC2A 1BB

#### **Registered office**

William Evans & Partners  
20 Harcourt Street  
London  
W1H 4HG

## 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 2020.

#### Dividends

No dividend has been declared or paid in 2020 or up to the date of this report. (2019: None).

#### Principal activities and review of the business

The principal activity of the company during the year was the ownership and rental of a real estate property. During the year ended 31 December 2020, the Company derived its income from rentals received under an occupational lease from an unrelated party. At the year-end date the property was in the process of a sale that was completed post year end. As a result, the directors are considering the strategy for the company, but at present have no clear plans for future trading activity.

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

|  | 2020<br>£ | 2019<br>£ |
|--|-----------|-----------|
| Turnover                                     | 450,000   | 450,000   |
| (Loss) on revaluation of investment property | -         | (354,744) |
| Profit / (Loss) after taxation               | 225,171   | (27,893)  |
| Return on Capital                            | 6.74%     | (0.86%)   |

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 held for sale at 31<sup>st</sup> December 2020 and is therefore classified as inventory. Consequently, no revaluation of the property was made, and the property is shown at the valuation made in 2019 (2019: £5,811,849).

The Company's return on capital, which it considers its most important key performance indicator, was 6.74% (2019: (0.86%). The improvement in the return of capital was due to a revision to the valuation of the property in 2019. The Directors consider that the company's result was satisfactory, with good control on costs against a fixed rental income.

#### Principal risks and uncertainties

##### Letting risk

Letting risk is the risk of a property owned by the Company not being successfully let or the risk of a default on operating lease income. In the current economic climate, there is a heightened risk of this but it is considered that the risk remains largely mitigated as a result of the underlying value of the lease properties which can be redeveloped for alternative uses should a tenant default on a lease and a replacement tenant does not lease the property.

##### Property market risk

In the current economic climate, there is a risk that the Company may need to dispose of a property at a time when the real estate sector remains depressed so that the realised values of the properties marketed may be less than anticipated or less than book value. The Company obtains regular valuations of its property, and at the same time takes measures to ensure that it has adequate financial resources to meet its liabilities.

## Granite Real Estate UK Limited

### Directors' Report

#### *Interest rate risk*

The Company borrows on fixed rates over a year but invests surplus funds at current rates, so that when interest rates fall the company has an exposure to the effect of these.

#### *Risks attached to leaving the European Union*

The directors do not believe there are any material risks as a result of the United Kingdom leaving the European Union.

#### *Risks attached to the Coronavirus Pandemic*

In March 2020 the World Health Organisation declared the coronavirus a pandemic, and the United Kingdom government enacted measures which had the effect of severely impacting the economy. The directors have considered the risk element and consider the risk minimal, following the introduction of a robust vaccination programme in the United Kingdom.

#### **Directors**

The Directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

W. Schaper  
P. Galos

#### **Post Balance Sheet events, going concern and future developments**

On 28<sup>th</sup> January 2021 the company has completed the sale of its sole investment property at a price of £6,000,000, giving a profit over valuation and sale costs of £98,281, and the Directors are currently reviewing the company's future 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. The intercompany loans were repaid on 22 February 2021.

#### **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.

Deloitte LLP 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.

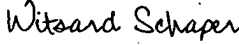
Approved by the board and signed on its behalf by:

DocuSigned by:

  
P. Galos

Director, 27 August 2021

DocuSigned by:

  
W. Schaper

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W. Schaper  
Director

## Granite Real Estate UK Limited

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### 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

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

#### *Report on the audit of the financial statements*

##### **Opinion**

In our opinion the financial statements of Granite Real Estate UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

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).

##### **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 auditor's 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 UK, including the Financial Reporting Council's (the 'FRC'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 other than on a going concern basis**

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 auditor's 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 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.

## Granite Real Estate UK Limited

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

#### *Responsibilities of directors*

As explained more fully in the directors' responsibilities statement, 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.

#### *Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### *Extent to which the audit was considered capable of detecting irregularities, including fraud*

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety legislation and the Landlord and Tenant Act 1954.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- We presume a risk of material misstatement due to fraud related to revenue recognition and evaluate which types of revenue, revenue transactions or assertions give rise to such risks. We identified the significant risks relating to rental income to be the contractual complexity whereby rent can be increased outwith a rent review where the RPI increases reaches a cumulative 9%. We agreed rental income to contract and performed an analysis to ensure that the trigger points relating to RPI have not been met to cause an increase in the rent value.

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

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

### *Report on other legal and regulatory requirements*

#### *Opinions 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.

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 any material misstatements in the directors' report.

#### *Matters on which we are required to report by exception*

Under the Companies Act 2006 we are required to report in respect of the following matters 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 take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

#### *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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*L. Cowie*

Lyn Cowie CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Aberdeen, United Kingdom  
4 September 2021

## Granite Real Estate UK Limited

### Profit and Loss Account

For year ended 31 December 2020

|   | Notes | 2020<br>£ | 2019<br>£ |
|---|-------|-----------|-----------|
| <b>Turnover</b>                               | 3     | 450,000   | 450,000   |
| Administrative expenses                       |       | (70,739)  | (61,585)  |
| (Loss) on revaluation of investment property  |       | -         | (354,744) |
| <b>Operating profit</b>                       | 4     | 379,261   | 33,671    |
| Finance costs                                 | 6     | (101,322) | (42,000)  |
| <b>Profit / (Loss) before taxation</b>        |       | 277,939   | (8,329)   |
| Tax on profit / (loss)                        | 7     | (52,768)  | (19,564)  |
| <b>Profit / (Loss) for the financial year</b> |       | 225,171   | (27,893)  |

All of the results for the current and prior year relate to discontinued operations.

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.

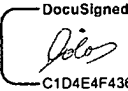
# Granite Real Estate UK Limited


## Balance Sheet

As at 31 December 2020

|   | Notes | 2020<br>£              | 2019<br>£            |
|---|-------|------------------------|----------------------|
| <b>Fixed assets</b>                                   |       |                        |                      |
| Tangible assets                                       | 8     | -                      | 5,811,849            |
| <b>Current assets</b>                                 |       |                        |                      |
| Stocks: Property held for resale                      | 9     | 5,811,849              | -                    |
| Debtors   |       | 20,000                 | 4,211                |
| Cash at bank and in hand                              |       | 791,302                | 436,279              |
| <b>Creditors: amounts falling due within one year</b> | 10    | 6,623,151<br>(266,988) | 440,490<br>(222,669) |
| <b>Net current assets</b>                             |       | 6,356,162              | 217,821              |
| <b>Total assets less current liabilities</b>          |       | 6,356,163              | 6,029,670            |
| <b>Creditors: Amounts falling due after one year</b>  | 11    | (2,902,587)            | (2,801,266)          |
| <b>Net Assets</b>                                     |       | 3,453,575              | 3,228,404            |
| <b>Capital and reserves</b>                           |       |                        |                      |
| Called-up share capital                               | 13    | 1                      | 1                    |
| Profit and loss account                               |       | 3,453,574              | 3,228,403            |
|   |       | 3,453,575              | 3,228,404            |

The financial statements of Granite Real Estate UK Limited, registered number 03020811, were approved by the Board of directors and authorised for issue on 27 August 2021.

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 P Galos  
 Director

DocuSigned by:  
  
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 W Schaper  
 Director

## Granite Real Estate UK Limited

### Statement of Changes in Equity for the year ended 31 December 2020

|   | Notes | Called up<br>share<br>capital<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>equity<br>£ |
|---|-------|------------------------------------|------------------------------------|----------------------|
| <b>At 1 January 2019</b>                              |       | 1                                  | 3,256,296                          | 3,256,297            |
| Loss for the year and total<br>comprehensive expense  |       | -                                  | (27,893)                           | (27,893)             |
| <b>At 31 December 2019</b>                            |       | 1                                  | 3,228,403                          | 3,228,404            |
| Profit for the year and total<br>Comprehensive income |       | -                                  | 225,171                            | 225,171              |
| <b>At 31 December 2020</b>                            |       | 1                                  | 3,453,574                          | 3,453,575            |

Included within the profit and loss account is £2,757,849 (2019: £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 2020

### 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) 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, 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

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 15

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 2020

#### **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 28<sup>th</sup> January 2021 the company has completed the sale of its sole investment property at a price of £6,000,000, giving a profit over valuation and sale costs of £98,281, and the Directors are currently reviewing 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**

The valuation of the Company's investment property at 31<sup>st</sup> December 2019 has used an estimated discount rate of 7.5%. This is referred to in note 8 of the financial statements. There are no key sources of estimated uncertainty at 31 December 2020.

The estimates and underlying assumptions 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**

##### **Investment properties**

The fair value of the investment property is determined, by in house and external real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. No revaluation was made at 31 December 2020 as the property was held for resale and this sale was completed in 2021 at a price close to the valuation in the financial statements. At 31 December 2019, the key valuation metrics for the property include a discount rate of 7.50% and a terminal capitalization rate of 9.75%. The valuation experts use recognised valuation techniques and the principles of FRS102.

# Granite Real Estate UK Limited

## Notes to the Financial Statements for the year ended 31 December 2020

### 3. Turnover

All income was earned in the United Kingdom.

|               | 2020<br>£      | 2019<br>£      |
|---------------|----------------|----------------|
| Rental income | <u>450,000</u> | <u>450,000</u> |

### 4. Profit before taxation

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

|                                     | 2020<br>£     | 2019<br>£     |
|-------------------------------------|---------------|---------------|
| Audit of these financial statements | <u>12,000</u> | <u>12,000</u> |
|                                     | <u>12,000</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 2020 and 2019. No Directors' fees were paid in the year (2019: Directors' fees: £ Nil). There were two Directors (2019: three) serving the Company in the year and no persons (2019: none) employed in the year.

### 6. Finance costs

|                                      | 2020<br>£        | 2019<br>£       |
|--------------------------------------|------------------|-----------------|
| Interest payable and similar charges | <u>(101,322)</u> | <u>(42,000)</u> |
|                                      | <u>(101,322)</u> | <u>(42,000)</u> |

#### Interest payable and similar charges

|                                    | 2020<br>£      | 2019<br>£     |
|------------------------------------|----------------|---------------|
| Amounts paid to group undertakings | <u>101,322</u> | <u>42,000</u> |
|                                    | <u>101,322</u> | <u>42,000</u> |

# Granite Real Estate UK Limited

## Notes to the Financial Statements for the year ended 31 December 2020

### 7. Tax on profit

#### (a) Tax on profit

The tax charge is made up as follows:

|                            | 2020<br>£     | 2019<br>£     |
|----------------------------|---------------|---------------|
| <i>Current tax:</i>        |               |               |
| UK corporation tax charged | 52,768        | 65,754        |
| <i>Deferred tax:</i>       |               |               |
| Provision for deferred tax | -             | (46,190)      |
|                            | <u>52,768</u> | <u>19,564</u> |

#### (b) Factors affecting current tax charge

The 2015 Finance Bill (No. 2) announced that the UK corporation tax rate will be reduced to 18% by 2020 and the Finance Act 2016 further reduced this rate to 17% by 2020. These reductions in the rates from 20% to 19% (effective from 1 April 2017) to 18% (effective from 1 April 2020) and to 17% (from 1<sup>st</sup> April 2021) were substantively enacted at 31<sup>st</sup> December 2019. Since that date the government has announced that the UK rate of corporation tax will remain at 19% until at least 31 March 2023. The Finance Bill 2021 proposes to increase this rate to 23% from 1 April 2023.

The rate applicable to the deferred tax liability or asset at 31 December 2020 has been calculated, having regard to a consideration of the likely timing of any liability, at the rate of 19% substantively enacted at the balance sheet date.

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

|   | 2020<br>£      | 2019<br>£      |
|---|----------------|----------------|
| Profit / (Loss) before taxation   | <u>277,939</u> | <u>(8,329)</u> |
| Profit / (Loss) multiplied by average standard rate of corporation tax in the UK of 19.00% (2019:19.00%)      | 52,808         | (1,583)        |
| Deficit / (surplus) on revaluation of investment property gives no taxable gain or loss due to tax allowances | -              | 67,401         |
| Disallowed expenses and capital allowances  | (40)           | (64)           |
| <b>Deferred Taxation</b>  |                |                |
| Origination and (reversal) of timing differences  | -              | (46,190)       |
| Total current tax (note 7(a))   | <u>52,768</u>  | <u>19,564</u>  |

There is no deferred tax provision at 31 December 2020 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 (2019: provision of £Nil). 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 2020

### 8. Investment properties

|  | Investment<br>properties<br>£ |
|--|-------------------------------|
| Fair value as at 1 January 2020                        | 5,811,849                     |
| Transfer to current assets as property held for resale | (5,811,849)                   |
| Fair value as at 31 December 2020                      | <u>-</u>                      |

At 31<sup>st</sup> December 2019 the company held an investment property that was freehold and held at fair value. At 31 December 2020 the property was held for resale and a sale was completed in January 2021 at a price above the value at which the property was last valued.

The investment property was valued, on the instructions of the directors by appropriately qualified colleagues, as at 31<sup>st</sup> December 2019, on the basis of open market value for existing use, at £5,811,849. At 31 December 2019, the key valuation metrics for the property include a discount rate of 7.50% and a terminal capitalization rate of 9.75%.

The historical cost of the investment property included at valuation at 31 December 2019 was £3,949,655.

At the balance sheet date, the company had contracted with tenants for the following future minimum lease payments.

|   | 2020<br>£        | 2019<br>£        |
|---|------------------|------------------|
| Not later than one year                           | 450,000          | 450,000          |
| Later than one year and not later than five years | 861,246          | 1,311,246        |
| Later than five years                             | -                | -                |
|   | <u>1,311,246</u> | <u>1,761,246</u> |

### 9. Stocks: Property held for resale

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

### 10. Creditors: amounts falling due within one year

|                              | 2020<br>£      | 2019<br>£      |
|------------------------------|----------------|----------------|
| Corporation tax              | 52,768         | 65,763         |
| Other taxation               | 62,171         | 24,631         |
| Deferred Income              | 44,075         | 112,500        |
| Other creditors and accruals | 107,974        | 19,775         |
|                              | <u>266,988</u> | <u>222,669</u> |

# Granite Real Estate UK Limited

## Notes to the Financial Statements for the year ended 31 December 2020

### 11. Creditors: amounts falling due after one year

The creditor shown as payable after one year of £2,902,587 (2019: £2,801,266) is 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%.

### 12. Provisions for liabilities and charges

There is no provision for deferred taxation required at 31 December 2020 or at 31 December 2019 as sale at the valuation of £5,811,849 would not give rise to a liability to corporation tax.

### 13. Called-up share capital and reserves

|                            | Allotted, called-up and fully paid |   |      |   |
|----------------------------|------------------------------------|---|------|---|
|                            | 2020                               |   | 2019 |   |
|                            | No.                                | £ | No.  | £ |
| Ordinary shares of £1 each | 1                                  | 1 | 1    | 1 |
|                            | 1                                  | 1 | 1    | 1 |

Included within the profit and loss account is £2,757,849 (2019: £2,757,849) of non-distributable reserves represented by unrealised property revaluations.

### 14. 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.

### 15. Ultimate parent company

At 31 December 2020, 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 Cooperative UA, Strawinskylaan 1429 Niederlande 1077 XX Amsterdam, a corporation registered in the Netherlands, which is 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.

### 16. Post balance sheet events

On 28<sup>th</sup> January 2021 the sale of the company's sole investment property was completed for a gross sales price of £6,000,000, resulting in a profit after costs of £98,281. The group loan of £2,800,000 and accumulated interest was repaid on 22<sup>nd</sup> February 2021. The directors are currently reviewing their strategy but at present they have no clear plans for future trading activity.