

Grainger Retirement Housing Limited
Financial statements
30 September 2013

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Grainger Retirement Housing Limited

Financial statements

Year ended 30 September 2013

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Grainger Retirement Housing Limited

Officers and professional advisers

The board of directors

Andrew R Cunningham
Paul Barber
Nick 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 Retirement Housing 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 property investment and investment in property investment companies.

Directors

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

Andrew R Cunningham
Paul Barber
Peter Q P Couch
Nick On
Mark Greenwood
Nicholas M F Jopling

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

Grainger Retirement Housing Limited

Directors' report *(continued)*

Year ended 30 September 2013

- 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.

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



Michael P Windle
Company Secretary

Approved by the directors on 29 May 2014

Grainger Retirement Housing Limited

Independent auditor's report to the shareholders of Grainger Retirement Housing 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 loss 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 Retirement Housing 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 Retirement Housing Limited

Independent auditor's report to the shareholders of Grainger Retirement Housing 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.

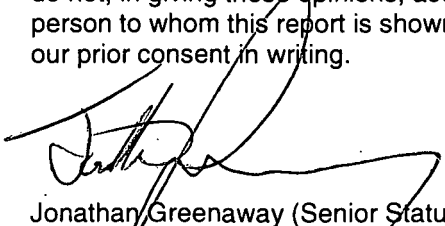
Responsibilities for the financial statements and the audit

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
29 May 2014

Grainger Retirement Housing Limited

Profit and loss account

Year ended 30 September 2013

	Note	2013 £	2012 £
Turnover	2	188,892	268,387
Cost of sales		<u>(57,800)</u>	<u>(76,320)</u>
Gross profit		131,092	192,067
Administrative expenses		<u>(60)</u>	<u>(170)</u>
Operating profit	3	131,032	191,897
Profit/(loss) on disposal of fixed assets	4	161,176	(6,999)
Movement on investment impairment	5	11,320	1,267,873
Interest payable and similar charges		<u>(1,242,819)</u>	<u>(1,278,625)</u>
(Loss)/profit on ordinary activities before taxation		(939,291)	174,146
Tax on (loss)/profit on ordinary activities	6	308,713	273,432
(Loss)/profit for the financial year		<u>(630,578)</u>	<u>447,578</u>

All of the activities of the company are classed as continuing.

The notes on pages 9 to 15 form part of these financial statements.

Grainger Retirement Housing Limited

Statement of total recognised gains and losses

Year ended 30 September 2013

	2013 £	2012 £
(Loss)/Profit for the financial year attributable to the shareholders	(630,578)	447,578
Unrealised profit/(loss) on revaluation of certain fixed assets	47,000	(229,250)
Total gains and losses recognised since the last annual report	<u>(583,578)</u>	<u>218,328</u>

Note of historical cost profits and losses

	2013 £	2012 £
Reported (loss)/profit on ordinary activities before taxation	(939,291)	174,146
Realisation of gains recognised in previous periods	(598,904)	(25,173)
Historical cost (loss)/profit on ordinary activities before taxation	<u>(1,538,195)</u>	<u>148,973</u>
Historical cost (loss)/profit for the year after taxation	<u>(1,229,482)</u>	<u>422,405</u>

The notes on pages 9 to 15 form part of these financial statements.

Grainger Retirement Housing Limited

Balance sheet

30 September 2013

	Note	2013 £	2012 £
Fixed assets			
Tangible assets	8	3,811,997	4,613,998
Investments	9	84,917,403	84,906,083
		<u>88,729,400</u>	<u>89,520,081</u>
Current assets			
Debtors	10	215,538	279,926
Cash at bank		—	29,857
		<u>215,538</u>	<u>309,783</u>
Creditors: Amounts falling due within one year	11	<u>(44,301,494)</u>	<u>(42,235,497)</u>
Net current liabilities		(44,085,956)	(41,925,714)
Total assets less current liabilities		<u>44,643,444</u>	<u>47,594,367</u>
Capital and reserves			
Called-up share capital	13	677,413	677,413
Share premium account	14	59,322,588	59,322,588
Revaluation reserve	14	(1,793,819)	(2,448,750)
Profit and loss account	14	(13,562,738)	(9,956,884)
Shareholders' funds	14	<u>44,643,444</u>	<u>47,594,367</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 29 May 2014, and are signed on their behalf by:



Mark Greenwood
Director

Company Registration Number: 5887329

The notes on pages 9 to 15 form part of these financial statements.

Grainger Retirement Housing 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 independent professionally qualified valuers every year. The basis of valuation is explained in the investment property note.

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

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.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Group accounts

The financial statements contain information about Grainger Retirement Housing Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the ultimate parent company, Grainger plc, a company registered in in England and Wales.

Deferred life tenancies

Where the company grants a lifetime lease on an investment property and receives from the lessee an upfront payment in respect of the grant of the lease, the upfront payment is treated as deferred rent in the balance sheet. This deferred rent is released to the profit and loss account on a straight line basis over the projected term of the lease. At each year end the projected term of the lease is revised on an actuarial basis and the remaining deferred rent is released to the profit and loss account on a straight line basis over this revised lease term.

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.

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

3. Operating profit

Operating profit is stated after crediting:

2013	2012
£	£

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. Profit/loss on disposal of fixed assets

	2013	2012
	£	£
Profit/(loss) on disposal of fixed assets	<u>161,176</u>	<u>(6,999)</u>

5. Movement on investment impairment

	2013	2012
	£	£
Amount written off/(back to) investments	<u>(11,320)</u>	<u>(1,267,873)</u>

6. 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%)	<u>(308,713)</u>	<u>(273,432)</u>
Total current tax	<u>(308,713)</u>	<u>(273,432)</u>

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 23.50% (2012 - 25%).

	2013	2012
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(939,291)</u>	<u>174,146</u>
(Loss)/profit on ordinary activities by rate of tax	<u>(220,733)</u>	43,536
Cost of investment written back not taxable	<u>(2,660)</u>	(316,968)
Accounting profit on disposal of fixed assets	<u>(37,876)</u>	-
Capital losses on disposal of fixed assets	<u>(47,444)</u>	-
Total current tax (note 6(a))	<u>(308,713)</u>	<u>(273,432)</u>

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

(c) Factors that may affect future tax charges

No tax would be payable if the company's properties were sold at their year end replacement values.

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

7. Dividends

Equity dividends

	2013 £	2012 £
Proposed at the year-end (recognised as a liability):		
Dividends on irredeemable preference shares	<u>2,367,345</u>	<u>2,190,947</u>

8. Tangible fixed assets

	Investment properties £
Cost or valuation	
At 1 October 2012	4,613,998
Disposals	(849,001)
Revaluation	47,000
At 30 September 2013	<u>3,811,997</u>
Net book value	
At 30 September 2013	<u>3,811,997</u>
At 30 September 2012	<u>4,613,998</u>

The company's investment properties have been valued at their open market value at the balance sheet date by valuers Allsop & Co., Chartered Surveyors, independent of the company. These represent estimates of the open market value of the properties subject to the tenancies then existing. The historical cost of these properties is £5,605,816 (2012: £7,122,921).

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

9. Investments

	Shares in subsidiary undertakings £
Cost	
At 1 October 2012 and 30 September 2013	<u>89,301,936</u>
Amounts written off	
At 1 October 2012	4,395,853
Written off in prior years written back	(11,320)
At 30 September 2013	<u>4,384,533</u>
Net book value	
At 30 September 2013	<u>84,917,403</u>
At 30 September 2012	<u>84,906,083</u>

The company owns 100% of the issued share capital of the companies listed below. The companies are incorporated in England and Wales, apart from The Capital Appreciation Trust (IOM) Limited and Retirement Housing Management (IOM) Limited which are incorporated in the Isle of Man and Retirement Housing Management (Guernsey) Limited which is incorporated in Guernsey.

Company	Nature of business
The Capital Appreciation Trust (IOM) Limited	Investment company
Economic Reversions Limited	Investment company
Milford Reversions Limited	Investment company
Retirement Housing Management (IOM) Limited	Investment company
Grainger Retirement Housing No 1 (2007) Limited	Property investment
Retirement Housing Management (Guernsey) Limited	Property investment

10. Debtors

	2013 £	2012 £
Trade debtors	1,723	2,216
Amounts owed by group undertakings	213,815	257,948
Other debtors	—	19,762
	<u>215,538</u>	<u>279,926</u>

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

11. Creditors: Amounts falling due within one year

	2013 £	2012 £
Trade creditors	1,464	17,833
Amounts owed to group undertakings	32,627,641	32,748,141
Other creditors	11,672,389	9,469,523
	<u>44,301,494</u>	<u>42,235,497</u>

Included within amounts owed to group undertakings is an unsecured loan with a year end balance of £35,080,305 (2012: £32,748,141). The loan bears interest at LIBOR plus margin plus costs, which averaged 3.83% in the year (2011: 3.99%), and is repayable on demand but is not expected to be repaid within the next 12 months. All other amounts owed by group undertakings are unsecured, bear no interest, and are repayable on demand.

Included within other creditors are deferred life tenancies of £1,140,342 (2012: £1,297,335) which pertain to the investment properties.

12. 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.

13. Share capital

Authorised share capital:

	2013 £	2012 £
15,000,100 Ordinary shares of £1 each	15,000,100	15,000,100
67,741,200 Irredeemable preference shares of £0.01 each	677,412	677,412
	<u>15,677,512</u>	<u>15,677,512</u>

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares of £1 each	1	1	1	1
Irredeemable preference shares of £0.01 each	67,741,200	677,412	67,741,200	677,412
	<u>67,741,201</u>	<u>677,413</u>	<u>67,741,201</u>	<u>677,413</u>

Grainger Retirement Housing Limited

Notes to the financial statements

Year ended 30 September 2013

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total shareholder s' funds £
Balance brought forward	677,413	59,322,588	(2,244,673)	(8,188,342)	49,566,986
Profit for the year	—	—	—	447,578	447,578
Equity dividends	—	—	—	(2,190,947)	(2,190,947)
Other gains and losses					
Revaluation of fixed assets	—	—	(229,250)	—	(229,250)
Other movements					
- transfer to/from revaluation reserve	—	—	25,173	(25,173)	—
Balance brought forward	677,413	59,322,588	(2,448,750)	(9,956,884)	47,594,367
Loss for the year	—	—	—	(630,578)	(630,578)
Equity dividends	—	—	—	(2,367,345)	(2,367,345)
Other gains and losses					
- Revaluation of fixed assets	—	—	47,000	—	47,000
Other movements					
- transfer to/from revaluation reserve	—	—	607,931	(607,931)	—
Balance carried forward	677,413	59,322,588	(1,793,819)	(13,562,738)	44,643,444

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.

Grainger Equity Release Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.