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LIBERTY LIVING (AP) LIMITED

**Report and Financial Statements
For the year ended 31 August 2008**

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LIBERTY LIVING (AP) LIMITED

REPORT AND FINANCIAL STATEMENTS **For the year ended 31 August 2008**

CONTENTS	Page
Directory	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Independent Auditors' Report	4-5
Profit and Loss Account	6
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Notes to the Financial Statements	9-14

LIBERTY LIVING (AP) LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 August 2008

DIRECTORY

Directors:

R Boyland

R Chadwick

J Rose

Registered Number:

3633307 (England and Wales)

Registered Office:

32nd Floor

30 St Mary Axe

London EC3A 8BF

United Kingdom

Company Secretary:

Brandeaux Administrators Limited

Brandeaux House

13 Upper Mount Street

Dublin 2

Ireland

Auditors:

Deloitte & Touche

Deloitte & Touche House

Earlsfort Terrace

Dublin 2

Ireland

Property Valuer:

Lambert Smith Hampton

79 Mosley Street

Manchester M2 3LQ

United Kingdom

Solicitors:

Olswang

90 High Holborn

London WC1V 6XX

United Kingdom

Property Asset Manager:

Liberty Living plc

32nd Floor

30 St Mary Axe

London EC3A 8BF

United Kingdom

LIBERTY LIVING (AP) LIMITED

DIRECTORS' REPORT

The Directors of Liberty Living (AP) Limited (the "Company") present their Annual Report and the audited Financial Statements for the year ended 31 August 2008.

PRINCIPAL ACTIVITY

The principal activity of the Company and the Group (being the Company's intermediate parent and its subsidiaries) is to invest in student and key worker accommodation throughout the United Kingdom.

RESULTS AND DIVIDENDS

The Company made a loss for the year of £126,387 (2007: loss of £730,478), which has been transferred to reserves.

The Directors do not recommend the payment of a dividend (2007: £9,500,000).

DIRECTORS

The Directors set out below held office from 1 September 2007 to the date of this report unless otherwise stated:

R Boyland
R Chadwick (appointed 3 July 2008)
J Holmes (resigned 30 September 2008)
J Rose

At no time during the year or to date did any Director have any beneficial interest in the shares of the Company.

SECRETARY

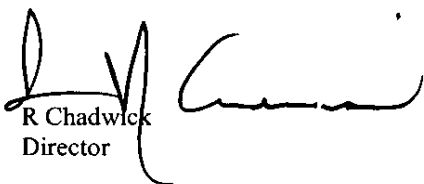
The Secretary of the Company during the year and to date is:

Brandeaux Administrators Limited

AUDITORS

Deloitte & Touche, Chartered Accountants, have expressed their willingness to remain in office.

Approved by the Board of Directors on 28 November 2008 and signed on its behalf by:


R Chadwick
Director

LIBERTY LIVING (AP) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The Financial Statements are required by law to 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 estimates that are reasonable and prudent;
- follow applicable United Kingdom accounting standards; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each 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 auditors are aware of that information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIBERTY LIVING (AP) LIMITED

We have audited the Financial Statements of Liberty Living (AP) Limited (the "Company") for the year ended 31 August 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 17. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 neither accept nor 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.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the Financial Statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility, as independent auditors, is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion: proper books of accounts are being kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the Financial Statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Company's Balance Sheet and Profit and Loss Account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and director's transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the Financial Statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIBERTY LIVING (AP) LIMITED (CONTINUED)

Opinion

In our opinion the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Company as at 31 August 2008 and of the loss of the Company for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company. The Company's Balance Sheet is in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the Financial Statements.



Chartered Accountants and Registered Auditors
Dublin

28 November 2008

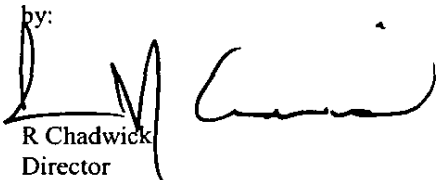
LIBERTY LIVING (AP) LIMITED

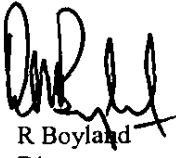
PROFIT AND LOSS ACCOUNT For the year ended 31 August 2008

	Note	2008 £	2007 £
Turnover	1	1,160,677	1,076,092
Operating costs		(131,196)	(80,012)
Gross profit		<u>1,029,481</u>	<u>996,080</u>
Other income		74,228	74,228
Administrative expenses		(5,500)	(5,500)
Operating profit / (loss)	2	<u>1,098,209</u>	<u>1,064,808</u>
Loss on disposal of investments		-	(277,714)
Interest receivable and similar income		7,333,588	7,207,004
Interest payable and similar charges	3	(8,558,184)	(8,677,303)
Profit / (loss) on ordinary activities before tax		<u>(126,387)</u>	<u>(683,205)</u>
Tax on profit / (loss) on ordinary activities	4	-	(47,273)
Profit / (loss) on ordinary activities after tax transferred to reserves	13	<u><u>(126,387)</u></u>	<u><u>(730,478)</u></u>

All gains and losses arise from continuing activities.

The Financial Statements were approved by the Board of Directors on 28 November 2008 and signed on its behalf by:


R Chadwick
Director


R Boyland
Director

LIBERTY LIVING (AP) LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
For the year ended 31 August 2008

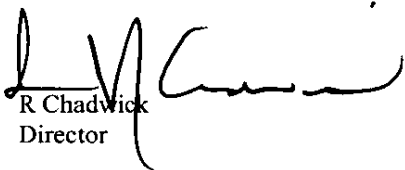
	Note	2008 £	2007 £
Profit / (loss) for the year	14	(126,387)	(730,478)
Revaluation of investment property	14	11,000,000	5,050,000
Total recognised gains / (losses) relating to the year		10,873,613	4,319,522

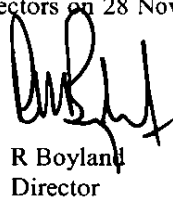
LIBERTY LIVING (AP) LIMITED

BALANCE SHEET As at 31 August 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	6	44,600,000	33,600,000
Investment in subsidiaries	7	3,025	102,027
Other fixed assets		12,606	12,606
		<u>44,615,631</u>	<u>33,714,633</u>
Current assets			
Debtors, prepayments and accrued income	8	117,875,725	118,459,044
		<u>117,875,725</u>	<u>118,459,044</u>
Creditors: amounts falling due within one year	9	(14,367,855)	(10,379,250)
Bank overdraft		-	(4,174,402)
		<u>-</u>	<u>(4,174,402)</u>
Net current assets		103,507,870	103,905,392
Total assets less current liabilities		148,123,501	137,620,025
Creditors: amounts falling due after one year	10	(117,000,249)	(117,249,474)
Provision for liabilities	11	(148,382)	(269,294)
		<u>(117,148,631)</u>	<u>(117,518,768)</u>
Net assets		<u>30,974,870</u>	<u>20,101,257</u>
Share capital and reserves			
Share capital	12	100,000	100,000
Reserves	13	30,874,870	20,001,257
		<u>30,974,870</u>	<u>20,101,257</u>
Equity Shareholders' funds	14	<u>30,974,870</u>	<u>20,101,257</u>

The Financial Statements were approved by the Board of Directors on 28 November 2008 and signed on its behalf by:


R Chadwick
Director


R Boyland
Director

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with accounting standards applicable in the United Kingdom and are denominated in pounds sterling (£). The particular accounting policies adopted are described below.

Accounting convention

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investment properties. The Financial Statements are prepared in accordance with applicable accounting standards, including SSAP19, which unlike the detailed rules of the Companies Act 1985 does not require depreciation of freehold and long leasehold investment properties.

Exemption from preparing consolidated financial statements

The financial statements contain information about Liberty Living (AP) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228A of the Companies Act 1985 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Liberty Living UK Limited, a company registered in England and Wales.

Turnover

Turnover comprises rental income which is accounted for on an accruals basis.

Investment property

Property is independently valued at the year end at market value. Gains and losses arising on revaluation of property are taken directly to a revaluation reserve unless a loss exceeds the revaluation reserve, in which case the excess would be debited to the Profit and Loss Account. Any realised gain or loss on the disposal of property is dealt with in the Profit and Loss Account as calculated by reference to its revalued amount at the preceding Balance Sheet date. Any revaluation gains and losses of earlier years are transferred from the revaluation reserve to the revenue reserve as a reserve movement.

Property acquisition costs

Acquisition costs are treated as part of the cost of property and have therefore been taken into account when calculating any gain or loss arising on the revaluation of property. Acquisition costs are thus written off within the property revaluation reserve in the Financial Statements in accordance with FRS12 "Provisions, Contingent Liabilities and Contingent Assets".

Deferred tax

The payment of tax is deferred or accelerated because of timing differences in the treatment of certain items for tax and accounting purposes. Full provision for deferred tax is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS 19 deferred tax is not provided on revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date.

Cash flow statement

The company is exempt from publishing a cash flow statement because it is ultimately a wholly owned subsidiary undertaking of Liberty Living UK Limited which publishes a consolidated cash flow statement.

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 August 2008

2. OPERATING PROFIT / (LOSS)

The operating profit / (loss) is stated after charging:

	2008	2007
	£	£
Auditors' remuneration	3,000	3,500
Directors' remuneration	-	-
	<u> </u>	<u> </u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes:

	2008	2007
	£	£
Interest payable on Group related party loans	(8,520,559)	(8,110,524)
Bank interest payable	(37,625)	(566,779)
	<u>(8,558,184)</u>	<u>(8,677,303)</u>

4. TAX

Analysis of the tax charge

The tax charge / (credit) on the profit / (loss) on ordinary activities for the year was as follows:

	2008	2007
	£	£
Current tax on income for the year	-	269,294
Adjustment – corporation tax	(120,912)	-
Adjustment – deferred tax	120,912	(222,021)
	<u> </u>	<u> </u>
Tax charge / (credit)	-	47,273

Factors affecting the tax charge:

	2008	2007
	£	£
Profit / (loss) on ordinary activities before tax	<u>(126,387)</u>	<u>(683,205)</u>
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% and 30% (2007: 30%)	(36,905)	(204,962)
Effects of:		
Expenditure not tax deductible	-	52,101
Group relief	36,905	978,055
Timing differences reflected in deferred tax	-	(777,921)
	<u> </u>	<u> </u>
Current tax charge / (credit)	-	47,273

5. DIVIDENDS

	2008	2007
	£	£
Ordinary shares of £1 each – interim dividend paid	<u> </u>	<u>9,500,000</u>

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

6. FIXED ASSETS

	Investment property at cost £	Property revaluation £	Total £
At 1 September 2007	18,493,616	15,106,384	33,600,000
Revaluation in year	-	11,000,000	11,000,000
At 31 August 2008	<u>18,493,616</u>	<u>26,106,384</u>	<u>44,600,000</u>

The Company's fixed assets have been used to secure a bank loan facility as set out in note 17 Other Financial Commitments.

The Company's investment property was valued at 31 August 2008 by Lambert Smith Hampton, an independent firm of external professional property valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

7. INVESTMENT IN SUBSIDIARIES

	2008 £	2007 £
At 1 September 2007	102,027	3,025
Intra-group loans capitalised	(99,002)	99,002
At 31 August 2008	<u>3,025</u>	<u>102,027</u>

Company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries	Interest	Nature of business
Liberty Living (Atlantic Point) Limited	100%	Property letting and management
Liberty Living (MP) Limited	100%	Property investment
Liberty Living (Mill Point) Limited	100%	Property letting and management
Liberty Living (CP) Limited	100%	Property investment
Liberty Living (Cambrian Point) Limited*	100%	Property letting and management
Liberty Living (QP1) Limited	100%	Property investment
Liberty Living (Quay Point) Limited	100%	Property letting and management
Liberty Living (QP) Limited*	100%	Property investment
Liberty Living (SP) Limited	100%	Property investment
Liberty Living (Severn Point) Limited	100%	Property letting and management
Liberty Living (PP) Limited	100%	Property investment
Liberty Living (Prospect Point) Limited*	100%	Property letting and management
Liberty Living (TP) Limited	100%	Property investment
Liberty Living (Trinity Point) Limited	100%	Property letting and management

All subsidiaries are directly held except as noted by *.

8. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2008 £	2007 £
Due from Group related parties	117,694,904	118,178,929
Due from non Group related parties	2,704	10,821
Other debtors, prepayments and accrued income	29,735	-
Deferred tax	148,382	269,294
	<u>117,875,725</u>	<u>118,459,044</u>

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

9. CREDITORS: amounts falling due within one year

	2008	2007
	£	£
Due to Group related parties	12,868,750	10,217,115
Due to non Group related parties	1,279,774	-
Other creditors and accrued expenses	219,331	162,135
	<u>14,367,855</u>	<u>10,379,250</u>

10. CREDITORS: amounts falling due after one year

	2008	2007
	£	£
Due to Group related parties	113,919,861	114,094,860
Other creditors and accrued expenses	3,080,388	3,154,614
	<u>117,000,249</u>	<u>117,249,474</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

	2008	2007
	£	£
Tax (calculated at 28% & 30% (2007: 30%))		
At 1 September 2007	269,294	-
Adjustment	(120,912)	
Corporation tax charge in the year	-	269,294
Deferred tax transferred to profit and loss account in the year	-	-
Deferred tax transferred to debtors in the year	-	-
Liability at 31 August 2008	<u>148,382</u>	<u>269,294</u>
Analysed as		
Taxation on ordinary activities	148,382	269,294
Accelerated capital allowances	-	-
Tax losses carried forward	-	-
Amounts included in debtors (note 8)	-	-
Liability at 31 August 2008	<u>148,382</u>	<u>269,294</u>

12. SHARE CAPITAL

Authorised

	2008	2008	2007	2007
	£	Number of shares	£	Number of shares
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

Issued

	2008	2008	2007	2007
	£	Number of shares	£	Number of shares
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

13. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Property revaluation reserve £	Revenue reserve £	Total
At 1 September 2007	5,492,423	15,106,384	(597,550)	20,001,257
Transfer from Profit and Loss Account	-	-	(126,387)	(126,387)
Revaluation of investment property	-	11,000,000	-	11,000,000
At 31 August 2008	<u>5,492,423</u>	<u>26,106,384</u>	<u>(723,937)</u>	<u>30,874,870</u>

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit / (loss) for the year	(126,387)	(730,478)
Revaluation of investment property	11,000,000	5,050,000
Total recognised gains and losses	<u>10,873,613</u>	<u>4,319,522</u>
Dividend payable	-	(9,500,000)
Dividend receivable	-	10,678,000
Share issue	-	98,564
Net increase / (decrease) in equity Shareholders' funds	<u>10,873,613</u>	<u>5,596,086</u>
Opening equity Shareholders' funds	20,101,257	14,505,171
Closing equity Shareholders' funds	<u>30,974,870</u>	<u>20,101,257</u>

15. CONTROLLING PARTIES

The Company's intermediate parent is Liberty Living Properties Limited ("LLPL"), a company incorporated in, and registered as a BVI Business Company in, the British Virgin Islands. The Group comprises LLPL and its Subsidiaries and is at the balance sheet date ultimately owned by the following companies incorporated in the British Virgin Islands:

Brandeaux Student Accommodation Fund Limited
 Brandeaux Sterling Fund Limited
 Brandeaux US Dollar Fund Limited
 Brandeaux Euro Fund Limited

LIBERTY LIVING (AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2008

16. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption available under FRS 8 Related Party Disclosures from disclosure of transactions between Group companies. Balances with Group entities are disclosed in debtors and creditors as Group related parties.

R Boyland, a director of the companies listed in note 15 above, has an interest in fees paid to the Company's Property Asset Manager, Liberty Living plc ("LLPLC"), which charged the Company rent collection fees of £nil (2007: £nil). The Company owed LLPLC fees of £nil (2007: £nil) at the year end.

Included within amounts due from non Group related parties are amounts totalling £2,704 (2007: £10,821) representing monies owed by LLPLC to the Company.

Included within amounts due to non Group related parties are amounts totalling £1,279,774 (2007: £nil) representing monies owed to LLPLC by the Company.

17. OTHER FINANCIAL COMMITMENTS

The Company is party to a guarantee for a bank loan facility of £200,000,000 made to the Group. The Company's assets including investment property are used as security for this facility. As at 31 August 2008 the facility was fully drawn by the Group.