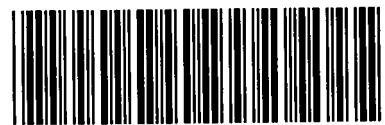


LIBERTY LIVING (LIBERTY AP) LIMITED

**Annual Report and Audited Financial Statements
For the year ended 31 August 2014**

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LIBERTY LIVING (LIBERTY AP) LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS For the year ended 31 August 2014

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LIBERTY LIVING (LIBERTY AP) LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS **For the year ended 31 August 2014**

DIRECTORY

Directors:

R Boyland

J Rose (resigned 31 December 2013)

R McNally

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

Independent Auditor:

Deloitte & Touche

Chartered Accountants and Statutory Audit Firm

Deloitte & Touche House

Earlsfort Terrace

Dublin 2

Ireland

Property Valuer:

Savills (UK) Limited

33 Margaret Street

London W1G 0JD

United Kingdom

Solicitors:

Olswang

90 High Holborn

London WC1V 6XX

United Kingdom

Property Asset Manager:

Liberty Living Management Two Limited

32nd Floor

30 St Mary Axe

London EC3A 8BF

United Kingdom

LIBERTY LIVING (LIBERTY AP) LIMITED

Registered Number: 3633307 (England and Wales)

DIRECTORS' REPORT

The Directors of Liberty Living (Liberty AP) Limited (the "Company") present their Annual Report and the audited Financial Statements for the year ended 31 August 2014.

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 accommodation throughout the United Kingdom.

The Directors consider the following to be the principal risks and uncertainties which may affect the company performance:

- continued availability of finance within the Group; and
- the supply of, and demand for Student Accommodation, and any associated reputation and compliance risks involved in the operation of the properties.

RESULTS AND DIVIDENDS

The Company made a profit for the year of £1,731,114 (2013: profit of £1,746,165), which has been transferred to reserves.

The Directors do not recommend the payment of a dividend (2013: £nil).

CONTROLLING PARTY

As at 31 August 2014, the redeemable preference shares of the Company's parent Liberty Living Properties Limited ("LLPL"), which participate in all the gains and losses of the Group, were controlled by Brandeaux Student Accommodation Fund (Sterling) Limited ("BSAF(£)"). On 1 July 2013 the Directors of BSAF(£) suspended dealing in its redeemable preference shares due to the uncertainty created in the investment market by an excess amount of student accommodation property available for sale and the liquidity issues associated with open ended property funds (an example being the impact of certain regulatory initiative aimed at discouraging independent financial advisors from marketing non-regulated funds).

The Directors of BSAF(£) are in discussions to create liquidity for shareholders and their underlying investors, through property sales and other means, the outcome and timing of which cannot be predicted with certainty.

DIRECTORS

The Directors set out below held office from 1 September 2013 to the date of this report unless otherwise stated:

R Boyland
J Rose (resigned 31 December 2013)
R McNally

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

LIBERTY LIVING (LIBERTY AP) LIMITED

Registered Number: 3633307 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITOR

The independent auditors, Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, have signified their willingness to remain in office.

Approved by the Board of Directors on 16 January 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R McNally', is written over the printed name.

R McNally
Director

LIBERTY LIVING (LIBERTY AP) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare Financial Statements for each financial year which 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 those 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; 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 books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with relevant legislation. 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.

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

We have audited the Financial Statements of Liberty Living (Liberty AP) Limited (the "Company") for the year ended 31 August 14 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 15. 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).

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 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 Auditor

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. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give a 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 the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Continued on next page/

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

Opinion on other matters 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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



Eimear McCarthy (Senior Statutory Auditor)
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin, Ireland

Date: 16 January 2015

LIBERTY LIVING (LIBERTY AP) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 August 2014

	Note	2014 £	2013 £
Turnover	1	3,212,632	2,466,561
Operating costs		(472)	(51,594)
Gross profit		<u>3,212,160</u>	<u>2,414,967</u>
Other income		74,228	74,228
Administrative expenses		(2,400)	(2,200)
Operating profit	2	<u>3,283,988</u>	<u>2,486,995</u>
Interest receivable and similar income		5,590,622	5,590,622
Interest payable and similar charges	3	(6,848,800)	(6,848,800)
Profit on ordinary activities before tax		<u>2,025,810</u>	<u>1,228,817</u>
Tax (charge) / credit on profit on ordinary activities	4	(294,695)	517,348
Profit on ordinary activities after tax		<u>1,731,115</u>	<u>1,746,165</u>
transferred to reserves	11	<u><u>1,731,115</u></u>	<u><u>1,746,165</u></u>

All gains and losses arise from continuing activities.

The accompanying notes form an integral part of these Financial Statements.

LIBERTY LIVING (LIBERTY AP) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 August 2014

	Note	2014 £	2013 £
Profit for the year	12	1,731,115	1,746,165
Revaluation of investment property	12	(3,495,948)	4,351,933
Total recognised (losses)/gains relating to the year		(1,764,834)	6,098,098

The accompanying notes form an integral part of these Financial Statements.

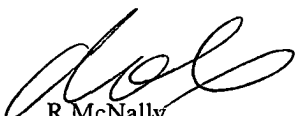
LIBERTY LIVING (LIBERTY AP) LIMITED

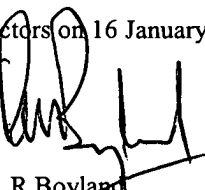
BALANCE SHEET As at 31 August 2014

	Note	2014 £	2013 £
Fixed assets			
Tangible assets	5	60,800,000	64,100,000
Investment in subsidiaries	6	3,025	3,025
		<u>60,803,025</u>	<u>64,103,025</u>
Current assets			
Debtors, prepayments and accrued income	7	143,013,821	139,055,916
		<u>143,013,821</u>	<u>139,055,916</u>
Creditors: amounts falling due within one year	8	(28,678,937)	(26,181,970)
Net current assets		114,334,884	112,873,946
Total assets less current liabilities		175,137,909	176,976,971
Creditors: amounts falling due after one year	9	(125,009,246)	(125,083,474)
Net assets		<u><u>50,128,663</u></u>	<u><u>51,893,497</u></u>
Share capital and reserves			
Share capital	10	100,000	100,000
Reserves	11	50,028,663	51,793,497
Equity Shareholders' funds	12	<u><u>50,128,663</u></u>	<u><u>51,893,497</u></u>

The accompanying notes form an integral part of these Financial Statements.

The Financial Statements were approved by the Board of Directors on 16 January 2015 and signed on its behalf by:


R McNally
Director


R Boyland
Director

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2014

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 (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 August 2014**

2. OPERATING PROFIT

The operating profit is stated after charging:

	2014	2013
	£	£
Auditors' remuneration	2,400	2,200
Directors' remuneration	-	-
	<u> </u>	<u> </u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges includes:

	2014	2013
	£	£
Interest payable on Group related party loans	6,848,800	6,848,800
	<u> </u>	<u> </u>

4. TAX

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year and the tax affecting the charge are as follows:

Factors affecting the tax charge:

	2014	2013
	£	£
Profit on ordinary activities before tax	2,025,809	1,228,817
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22% (2013: 23%)	445,678	282,628
Effects of:		
Capital allowances	(95,264)	(562,856)
Group relief	(55,719)	(237,120)
	<u> </u>	<u> </u>
Current tax charge / (credit)	294,695	(517,348)
	<u> </u>	<u> </u>

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 August 2014

5. FIXED ASSETS

	Investment property at cost £	Property revaluation £	Total £
At 1 September 2013	23,466,040	40,633,960	64,100,000
Property additions	195,948	-	195,948
Revaluation in year	-	(3,495,948)	(3,495,948)
At 31 August 2014	<u>23,661,988</u>	<u>37,138,012</u>	<u>60,800,000</u>

The Company's investment property was valued at market value as at 31 August 2014 by Savills, an independent firm of external professional property valuers, who are regulated by the Royal Institution of Chartered Surveyors ("RICS"). The valuation was conducted in accordance with RICS Valuation -Professional Standards 9th Edition.

6. INVESTMENT IN SUBSIDIARIES

	2014 £	2013 £
At 1 September 2013	3,025	3,025
At 31 August 2014	<u>3,025</u>	<u>3,025</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 (Liverpool) Limited	100%	Property letting and management
Liberty Living (LP Manchester) Limited	100%	Property investment
Liberty Point (Manchester) Limited	100%	Property letting and management
Liberty Living (Liberty CP) Limited	100%	Property investment
Liberty Cambrian Point (Cardiff) Limited*	100%	Property letting and management
Liberty Living (QP1) Limited	100%	Property investment
Liberty Quay (Newcastle) Limited	100%	Property letting and management
Liberty Living (LQ Newcastle) Limited*	100%	Property investment
Liberty Living (Liberty SP) Limited	100%	Property investment
Liberty Living Severn Point (Cardiff) Limited	100%	Property letting and management
Liberty Living (Liberty PP) Limited	100%	Property investment
Liberty Prospect Point (Liverpool) Limited*	100%	Property letting and management
Liberty Living (LP Coventry) Limited	100%	Property investment
Liberty Point (Coventry) Limited	100%	Property letting and management

All subsidiaries are directly held except as noted by *.

7. DEBTORS, PREPAYMENTS AND ACCRUED INCOME

	2014 £	2013 £
Due from Group related parties	143,013,273	138,345,886
Other debtors, prepayments and accrued income	548	710,030
	<u>143,013,821</u>	<u>139,055,916</u>

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 August 2014

8. CREDITORS: amounts falling due within one year

	2014 £	2013 £
Bank overdraft	143,136	2,178,652
Due to Group related parties	28,476,803	23,840,345
Other creditors and accrued expenses	58,998	162,973
	<u>28,678,937</u>	<u>26,181,970</u>

9. CREDITORS: amounts falling due after one year

	2014 £	2013 £
Due to Group related parties	<u>125,009,246</u>	<u>125,083,474</u>

10. SHARE CAPITAL

Authorised

	2014 £	2014 Number of shares	2013 £	2013 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

	2014 £	2014 Number of shares	2013 £	2013 Number of shares
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

11. STATEMENT OF MOVEMENTS ON RESERVES

	Share premium account £	Property revaluation reserve £	Revenue reserve £	Total
At 1 September 2013	5,492,423	40,633,960	5,667,114	51,793,497
Transfer from Profit and Loss Account	-	-	1,731,115	1,731,115
Revaluation of investment property	-	(3,495,948)	-	(3,495,948)
At 31 August 2014	<u>5,492,423</u>	<u>37,138,012</u>	<u>7,398,229</u>	<u>50,028,664</u>

LIBERTY LIVING (LIBERTY AP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 August 2014

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2014	2013
	£	£
Profit for the year	1,731,114	1,746,165
Revaluation of investment property	(3,495,948)	4,351,933
Net decrease in equity Shareholders' funds	(1,764,834)	6,098,098
Opening equity Shareholders' funds	51,893,497	45,795,399
Closing equity Shareholders' funds	<u>50,128,663</u>	<u>51,893,497</u>

13. 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 Brandeaux Student Accommodation Fund (Sterling) Limited, a company incorporated in the British Virgin Islands.

14. 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.

15. OTHER FINANCIAL COMMITMENTS

In November 2011, LLPL repaid its existing bank loan facility in full and entered into a new £200 million loan facility agreement with HSBC Bank plc and The Royal Bank of Scotland plc with a 5 year maturity date. In February 2012, LLPL accessed the US Private Placement market and launched US\$155 million (£100 million) of loan notes in two equal tranches with maturities of 10 and 12 years respectively.

LLPL is party to a guarantee for the loan facilities and loan notes and its assets, including investment property, are used as security for the facilities. LLPL is also an obligor under the loan facility agreement. The assets of the Company are pledged as security