

COMPANY REGISTRATION NUMBER: 4278616

Tricomm Housing Limited
Financial statements
30 September 2017



Tricomm Housing Limited

Financial statements

Year ended 30 September 2017

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Tricomm Housing Limited

Officers and professional advisers

The board of directors

Helen C Gordon
Vanessa K Simms
Adam McGhin
Andrew P Saunderson

Company secretary

Adam McGhin

Registered office

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Auditor

KPMG LLP
Chartered accountants & statutory auditor
15 Canada Square
Canary Wharf
London
E14 5GL

Bankers

Royal Bank of Scotland
16 Northumberland Street
Newcastle upon Tyne
NE1 7EL

Solicitors

Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Tricomm Housing Limited

Directors' report

Year ended 30 September 2017

The directors present their report and the financial statements of the company for the year ended 30 September 2017.

Principal activities

The principal activity of the company during the year was property investment. The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who served the company during the year, and subsequent to the year end, were as follows:

Nicholas M F Jopling	(Resigned 20 December 2017)
Helen C Gordon	
Vanessa K Simms	
Adam McGhin	
Andrew P Saunderson	(Appointed 4 January 2018)

Directors' responsibilities statement

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), including FRS 101 *Reduced Disclosure Framework*. 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 the profit or loss of the company for that period.

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;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Tricomm Housing Limited

Directors' report *(continued)*

Year ended 30 September 2017

Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have 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.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Small company provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 12 March 2018 and signed on behalf of the board by:



Adam McGhin
Director

Independent auditor's report to the members of Tricomm Housing Limited

Opinion

We have audited the financial statements of Tricomm Housing Limited ("the company") for the year ended 30 September 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

Independent auditor's report to the members of Tricomm Housing Limited (continued)

- 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 exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bill Holland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
12 March 2018

Tricomm Housing Limited

Statement of comprehensive income

Year ended 30 September 2017

	Note	2017 £000	2016 £000
Turnover	4	8,737	8,713
Cost of sales		<u>(1,242)</u>	<u>(1,395)</u>
Gross profit		7,495	7,318
Administrative expenses		(35)	(16)
Fair value gain on investment property	5	<u>3,967</u>	<u>4,647</u>
Operating profit	6	11,427	11,949
Interest receivable and similar income	7	3,534	—
Interest payable and similar expenses	8	<u>(3,560)</u>	<u>(10,401)</u>
Profit before taxation		11,401	1,548
Tax on profit	9	<u>(1,902)</u>	<u>690</u>
Profit for the financial year and total comprehensive income		<u>9,499</u>	<u>2,238</u>

All the activities of the company are from continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

Tricomm Housing Limited

Statement of financial position

30 September 2017

	Note	2017 £000	2016 £000
Fixed assets			
Investment property	10	120,082	116,115
Current assets			
Debtors	11	4,291	2,360
Cash at bank and in hand		11,877	9,988
		<u>16,168</u>	<u>12,348</u>
Creditors: amounts falling due within one year	12	<u>(28,820)</u>	<u>(29,338)</u>
Net current liabilities		<u>(12,652)</u>	<u>(16,990)</u>
Total assets less current liabilities		107,430	99,125
Creditors: amounts falling due after more than one year	13	<u>(67,841)</u>	<u>(69,035)</u>
Net assets		<u><u>39,589</u></u>	<u><u>30,090</u></u>
Capital and reserves			
Called up share capital	15	200	200
Profit and loss account	16	<u>39,389</u>	<u>29,890</u>
Shareholders' funds		<u><u>39,589</u></u>	<u><u>30,090</u></u>

These financial statements were approved by the board of directors and authorised for issue on 12 March 2018, and are signed on behalf of the board by:



Adam McGhin
Director

Company registration number: 4278616

The notes on pages 9 to 16 form part of these financial statements.

Tricomm Housing Limited

Statement of changes in equity

Year ended 30 September 2017

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 October 2015	200	27,652	27,852
Profit for the year	—	2,238	2,238
Total comprehensive income for the year	—	2,238	2,238
At 30 September 2016	200	29,890	30,090
Profit for the year	—	9,499	9,499
Total comprehensive income for the year	—	9,499	9,499
At 30 September 2017	<u>200</u>	<u>39,389</u>	<u>39,589</u>

The notes on pages 9 to 16 form part of these financial statements.

Tricomm Housing Limited

Notes to the financial statements

Year ended 30 September 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

2. Statement of compliance

The financial statements of Tricomm Housing Limited ("the company") for the year ended 30 September 2017 were authorised for issue by the board of directors on 12 March 2018 and the statement of financial position was signed on the board's behalf by Adam McGhin.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The company's ultimate parent undertaking, Grainger plc, includes the company in its consolidated financial statements. The consolidated financial statements of Grainger plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

3. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment property and derivative financial instruments, 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.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities, which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Grainger plc, the company's ultimate parent undertaking. The Grainger plc group has considerable financial resources together with a large property portfolio and access to credit facilities. Grainger plc has provided the company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Tricomm Housing Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

3. Accounting policies *(continued)*

Disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) Cash flow statement and related notes;
- (b) Comparative period reconciliations for share capital;
- (c) Disclosures in respect of capital management;
- (d) The effects of new but not yet effective IFRSs;
- (e) Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Grainger plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures.

Revenue recognition

Turnover comprises gross rentals, exclusive of VAT. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis.

Income tax

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will give rise to a future tax liability against which the deferred tax assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tricomm Housing Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

3. Accounting policies *(continued)*

Investment property

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is included in the carrying amount of the property when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains or losses arising from changes in the fair value of the company's investment properties are included in the statement of comprehensive income of the period in which they arise.

Derivative financial instruments

The company uses derivative instruments to help manage its interest rate risk. In accordance with its treasury policy, the company does not hold or issue derivatives for trading purposes. Derivatives are classified as current liabilities.

The derivatives are recognised initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for cash flow hedge accounting in which case any gain or loss is taken to equity in a cash flow hedge reserve via other comprehensive income.

In order to qualify for hedge accounting, the company is required to document in advance the relationship between the item being hedged and the hedging instrument. The company is also required to demonstrate that the hedge will be highly effective on an on-going basis. The effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

The fair value of interest rate swaps is based on a discounted cash flow model using market information.

Tricomm Housing Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

3. Accounting policies (continued)

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, other creditors.

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Other creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported. The judgements, estimates and assumptions that the directors consider to be most significant to the financial statements relate to the valuation of investment properties and are detailed at note 10.

4. Turnover

Turnover arises from:

	2017 £000	2016 £000
Rental income	<u>8,737</u>	<u>8,713</u>

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

5. Fair value gain on investment property

	2017 £000	2016 £000
Fair value gain on investment property	<u>3,967</u>	<u>4,647</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2017 £000	2016 £000
Fees payable for the audit of the financial statements	<u>9</u>	<u>13</u>

There are no persons holding service contracts with the company (2016: none). None of the directors received any remuneration from the company during the year, or in the previous year, in respect of their services to the company.

Tricomm Housing Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

7. Interest receivable and similar income

	2017 £000	2016 £000
Gain on financial instruments	3,533	–
Other interest receivable and similar income	1	–
	<u>3,534</u>	<u>–</u>

8. Interest payable and similar expenses

	2017 £000	2016 £000
Interest due to group undertakings	3,111	2,575
Loss on financial instruments	–	6,015
Other interest payable and similar charges	449	1,811
	<u>3,560</u>	<u>10,401</u>

9. Tax on profit

Major components of tax expense/(income)

	2017 £000	2016 £000
Current tax:		
UK current tax expense	335	331
Deferred tax:		
Origination and reversal of temporary differences	1,567	(1,021)
Tax on profit	<u>1,902</u>	<u>(690)</u>

Reconciliation of tax expense/(income)

The tax assessed on the profit on ordinary activities for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.50% (2016: 20%).

	2017 £000	2016 £000
Profit on ordinary activities before taxation	11,401	1,548
Profit on ordinary activities by rate of tax	2,223	309
Adjustment to tax charge in respect of prior periods	(13)	(1,114)
Indexation included in deferred tax provision	(68)	(249)
Impact of tax rate changes	(240)	364
Tax on profit	<u>1,902</u>	<u>(690)</u>

Factors that may affect future tax income

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) are in effect of have been substantively enacted. These will reduce the company's future current tax charge accordingly.

Tricomm Housing Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

10. Investment property

	Investment property £000
Cost or valuation	
At 1 October 2016	116,115
Revaluations	3,967
At 30 September 2017	120,082
Carrying amount	
At 30 September 2017	120,082
At 30 September 2016	116,115

The property assets owned by Tricomm Housing Limited and let under a long-term lease arrangement with the Secretary of State for Defence under a PFI Project Agreement have been valued by Allsop LLP. Allsop LLP has provided an Investment Valuation which is defined as 'the value of an asset to the owner or a prospective owner for individual investment or operational objectives'. The Investment Valuation has been made in accordance with RICS Professional Valuation Standards, is based on a discounted cash flow model, and results in an Investment Valuation of £120.1m as at 30 September 2017 (2016: £116.1m). The property is held in the company balance sheet as investment property at this figure.

The historical cost of these properties is £89,721,077 (2016: £89,721,077).

11. Debtors

	2017 £000	2016 £000
Trade debtors	886	14
Deferred tax asset	746	2,312
Prepayments and accrued income	752	34
Derivative financial assets	1,907	–
	4,291	2,360

12. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	27,296	26,886
Accruals and deferred income	967	132
Social security and other taxes	378	517
Derivative financial liability	–	1,626
Other creditors	179	177
	28,820	29,338

Tricomm Housing Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

12. Creditors: amounts falling due within one year (continued)

Included within amounts owed to group undertakings is £1,280,176 (2016: £1,320,767) relating to Tranche A of the loans due to Grainger Finance (Tricomm) Limited (see note 13). Also included within amounts owed to group undertakings is £24,652,842 (2016: £23,705,735) which is unsecured, is repayable on demand and bears interest at a weighted rate of 4.05% in the year (2016: 4.52%). Interest payable for the year amounted to £947,107 (2016: £267,047). All other amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

13. Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	<u>67,841</u>	<u>69,035</u>

There are two tranches of loans due to Grainger Finance (Tricomm) Limited.

Tranche A is repayable over a period of 24 years and 6 months by way of semi-annual payments which commenced on 30 April 2004, with the last repayment due on 31 October 2028.

Tranche B is fully repayable on 31 October 2028 in one payment.

The total of the two tranches, including amounts due within one year, is £60,883,553 (2016: £62,204,320).

The loans with Grainger Finance (Tricomm) Limited are secured by way of a fixed and floating charge over the assets of the company.

Interest is charged at floating rates fixed by way of swap instruments at a weighted average interest rate of 6.4% per annum.

The company is hedging against interest rate movements by fixing the interest it will pay over the period of the loans with interest rate swaps.

Also included in amounts owed to group undertakings is a loan of £9,200,000 (2016: £9,200,000) owed to Tricomm Housing (Holdings) Limited.

The loan bears interest at 11% and is repayable in 2028.

14. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2017 £000	2016 £000
Included in debtors (note 11)	<u>746</u>	<u>2,312</u>

The deferred tax account consists of the tax effect of temporary differences in respect of:

	2017 £000	2016 £000
Fair value adjustment of investment property	2,463	1,857
Swap liability	<u>(3,209)</u>	<u>(4,169)</u>
	<u>(746)</u>	<u>(2,312)</u>

Tricomm Housing Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

15. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>199,998</u>	<u>200</u>	<u>199,998</u>	<u>200</u>

16. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

17. Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Grainger plc group.

18. Ultimate controlling and parent company

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.

Tricomm Housing (Holdings) Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.