

REGISTERED NUMBER OC325497

**Grainger Treasury Property (2006)  
Limited Liability Partnership  
Financial statements  
30 September 2015**



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# **Grainger Treasury Property (2006) Limited Liability Partnership**

## **Financial statements**

**Year ended 30 September 2015**

<b>Contents</b>	<b>Page</b>
Designated members and advisors	<b>1</b>
Members' report	<b>2</b>
Independent auditor's report to the members of Grainger Treasury Property (2006) Limited Liability Partnership	<b>4</b>
Profit and loss account	<b>6</b>
Statement of total recognised gains and losses	<b>7</b>
Balance sheet	<b>8</b>
Notes to the financial statements	<b>9</b>

# **Grainger Treasury Property (2006) Limited Liability Partnership**

## **Designated members and advisors**

<b>Designated members</b>	Grainger Treasury Property Investments Limited Partnership Northumberland & Durham Property Trust Limited Grainger Residential Management Limited
<b>Registered office</b>	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
<b>Auditor</b>	KPMG LLP Quayside House 110 Quayside Newcastle Upon Tyne NE1 3DX
<b>Bankers</b>	Barclays Bank Plc Barclays House 5 St Ann's Street Quayside Newcastle Upon Tyne NE1 2BH
<b>Solicitors</b>	Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle Upon Tyne NE1 3DX

# **Grainger Treasury Property (2006) Limited Liability Partnership**

## **Members' report**

**Year ended 30 September 2015**

The members present their members' report and the financial statements of the LLP for the year ended 30 September 2015.

### **Principal activities**

The principal activity of the partnership during the year was the acquisition of derivative interests in properties and to manage such interests as investments.

### **Results for the year and allocation to members**

The profit for the year available for distribution to members was £12,470,230 (2014: £9,722,903).

### **Designated members**

The following were designated members during the year:

Grainger Treasury Property Investments Limited Partnership  
Grainger Equity Release Management Limited  
Grainger Residential Management Limited

On 23 March 2016, Grainger Equity Release Management Limited transferred its membership interest to Northumberland & Durham Property Trust Limited for consideration of £1,000.

### **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

Members are remunerated solely out of the profits of the firm. Final allocation of profits to members is made according to the Members' Agreement drawn up on the incorporation of the Limited Liability Partnership.

### **Drawings**

The overall policy for members' drawings is to distribute any proceeds as soon as reasonably practicable after receipt by the LLP, and after payment of the expenses and liabilities of the LLP, up to the level of the members' outstanding commitments. Distributions are made pro rata to the members' respective commitments until the members have been paid their outstanding loans and capital contributions.

Any surpluses are retained by the LLP in relation to which no withdrawals may be made without the written consent of the members. Any such distributions are made in accordance with the Member's Agreement drawn up on the incorporation of the Limited Liability Partnership.

### **Members' responsibilities in respect of the members' report and the financial statements**

The members are responsible for preparing the members' report and the LLP financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare LLP financial statements for each financial year. Under that law the members have elected to prepare the LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

# **Grainger Treasury Property (2006) Limited Liability Partnership**

## **Members' report *(continued)***

**Year ended 30 September 2015**

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

### **Auditor**

KPMG LLP were appointed as auditor during the year, and are deemed to be re-appointed under section 487(2) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008.

Each of the persons who is a member at the date of approval of this report confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- each member has taken all steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

### **Small LLP provisions**

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

Signed on behalf of the members



Adam McGhin on behalf of  
Grainger Residential Management Limited

Designated member

Approved by the members on 31 March 2016

**Independent auditor's report to the members of  
Grainger Treasury Property (2006) Limited Liability  
Partnership**

We have audited the financial statements of Grainger Treasury Property (2006) Limited Liability Partnership for the year ended 30 September 2015 set out on pages 6 to 11. 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 members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of members and auditor**

As explained more fully in the Members' Responsibilities Statement set out on page 2, the members 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 Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state affairs of the LLP as at 30 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Independent auditor's report to the members of  
Grainger Treasury Property (2006) Limited Liability  
Partnership (continued)**

**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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships regime.



**Nick Plumb (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Quayside House  
110 Quayside  
Newcastle Upon Tyne  
NE1 3DX  
6 April 2016

# Grainger Treasury Property (2006) Limited Liability Partnership

## Profit and loss account

Year ended 30 September 2015

	Note	2015 £	2014 £
<b>Turnover</b>		—	—
Administrative expenses		—	—
<b>Operating profit</b>	<b>2</b>	<b>—</b>	<b>—</b>
Income from financial assets	<b>3</b>	<b>9,234,917</b>	7,004,127
Interest receivable	<b>4</b>	<b><u>3,235,313</u></b>	<b><u>2,718,776</u></b>
<b>Profit for the financial year before members' remuneration and profit shares available for discretionary division among members</b>	<b>9</b>	<b><u><u>12,470,230</u></u></b>	<b><u><u>9,722,903</u></u></b>

The LLP's turnover and expenses all relate to continuing operations.

The notes on pages 9 to 11 form part of these financial statements.



# Grainger Treasury Property (2006) Limited Liability Partnership

## Statement of total recognised gains and losses

Year ended 30 September 2015

	2015 £	2014 £
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	12,470,230	9,722,903
Unrealised profit on revaluation of tangible fixed assets:		
Financial interest in property assets	–	1,044,595
Total gains and losses recognised since the last annual report	<u>12,470,230</u>	<u>10,767,498</u>

The notes on pages 9 to 11 form part of these financial statements.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Balance sheet

30 September 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Tangible assets	5	<u>93,725,954</u>	<u>94,485,965</u>
<b>Current assets</b>			
Debtors	6	<u>93,466,492</u>	<u>80,236,251</u>
<b>Net current assets</b>		<u>93,466,492</u>	<u>80,236,251</u>
<b>Total assets</b>		<u><b>187,192,446</b></u>	<u><b>174,722,216</b></u>
<b>Net assets attributable to members</b>		<u><b>187,192,446</b></u>	<u><b>174,722,216</b></u>
<b>Represented by:</b>			
<b>Equity</b>			
Members' other interests - members' capital	9	<u>134,462,638</u>	<u>134,462,638</u>
Members' other interests - available for sale reserve	9	<u>5,870,161</u>	<u>5,870,161</u>
Members' other interests - profit and loss account	9	<u>46,859,647</u>	<u>34,389,417</u>
		<u><b>187,192,446</b></u>	<u><b>174,722,216</b></u>
<b>Total members' interests</b>			
Members' other interests	9	<u><b>187,192,446</b></u>	<u><b>174,722,216</b></u>
		<u><b>187,192,446</b></u>	<u><b>174,722,216</b></u>

These accounts were approved by the members and authorised for issue on 31 March 2016, and are signed on their behalf by:



Nick P On for and on behalf of  
Grainger Residential Management Limited

Registered Number: OC325497

The notes on pages 9 to 11 form part of these financial statements.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements

Year ended 30 September 2015

### 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 financial instruments, and in accordance with applicable UK accounting standards and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' issued in March 2010 (SORP 2010).

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 partnership is a wholly owned subsidiary of Grainger plc and the cash flows of the partnership are included in the consolidated cash flow statement of Grainger plc. Consequently, the partnership is exempt under the terms of FRS 1 from preparing a cash flow statement.

#### Financial interest in property assets

Financial interest in property assets is initially recognised at fair value plus transaction costs and is subsequently carried at fair value. Subsequent to initial recognition, the net change in value is recorded through the profit and loss account as follows: i) the carrying value of the asset is increased by the effective interest rate and ii) the carrying value of the asset is revised to the net present value of the revised cashflows arising from the instrument using the effective interest rate applicable at acquisition. The change in value recorded through the profit and loss account is shown on the line 'interest income/(expense) from financial assets'. Cash received from the instrument during the year is deducted from the carrying value of the asset.

Differences between revised cashflows using the effective interest rate applicable at acquisition compared to revised cashflows using a year end effective interest rate, assessed as the rate available in the market for an instrument with a similar maturity and credit risk, are taken through equity, with a corresponding adjustment to the carrying value of the asset. When gains or losses in the assets are realised, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from financial interest in property assets.

#### Taxation

No provision is made in the accounts of the partnership for tax liabilities (if any) arising on the partner's shares of net income or capital gains.

### 2. Operating profit

Operating profit is stated after charging:

	2015 £	2014 £
Auditor's remuneration		
- as auditor	—	—

Audit fees are statutory audit fees only and are borne by another group company.

There are no persons holding service contracts with the partnership.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements

Year ended 30 September 2015

### 3. Interest income from financial assets

	2015 £	2014 £
Interest income from financial assets	<u>9,234,917</u>	<u>7,004,127</u>

### 4. Interest receivable

	2015 £	2014 £
Interest from group undertakings	<u>3,235,313</u>	<u>2,718,776</u>

### 5. Tangible fixed assets

	Financial interest in property assets £
<b>Cost or valuation</b>	
At 1 October 2014	94,485,965
Disposals	(9,994,928)
Amounts taken to the profit and loss account	<u>9,234,917</u>
<b>At 30 September 2015</b>	<u><b>93,725,954</b></u>
<b>Net book value</b>	
<b>At 30 September 2015</b>	<u><b>93,725,954</b></u>
At 30 September 2014	<u>94,485,965</u>

Financial interest in property assets relate to the CHARM portfolio, which is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee.

The above valuation is based on an assessment of the future cash flows that will arise from the company's financial interest and on the effective interest rate used to discount those cash flows. The key assumptions affecting the carrying value are house price inflation and the effective interest rate.

House price inflation is assumed to be at 4%, 3.75%, 3.5% and 3.5% between 2016 and 2019 respectively and increase at 4% per annum thereafter. A change of 1% to the average house price inflation over the 10 year period from 1 October 2015 would either increase the valuation by £5.5m (2014: £4.6m) or reduce the valuation by £5.1m (2014: £4.3m).

A discount rate of 6.5% (2014: 6.5%) has been applied taking into consideration the company's current assessment of the market. The discount rate used at 30 September 2015 is 0.85% lower than the effective interest rate when the financial interest was acquired. A 1% change to the discount rate would either increase the carrying value by £7.4m (2014: £7.8m) or reduce the carrying value by £6.4m (2014: £6.8m).

Credit risk arises from the credit exposure relating to cash receipts from the financial instrument. All of the cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements

Year ended 30 September 2015

### 6. Debtors

	2015 £	2014 £
Amounts owed by group undertakings	92,180,115	79,284,740
Other debtors	1,286,377	951,511
	<u>93,466,492</u>	<u>80,236,251</u>

### 7. Contingent liability

At 30 September 2015 the partnership, together with certain of its fellow subsidiaries, has guaranteed the £275,000,000 (2014: £275,000,000) corporate bond issued by Grainger plc together with bank loans and a loan from a non-bank financial institution of £583,303,000 (2014: £557,080,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts. Details of the debt repayment profile are shown in the statutory financial statements of the ultimate parent undertaking, Grainger plc.

### 8. Related party transactions

The partnership has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with companies that are wholly owned members of the Grainger plc group.

### 9. Members' interests

	Members' capital (classified as equity) £	Members' other interests Available for sale reserve £	Profit and loss account £	Total £
Balance at 1 October 2014	134,462,638	5,870,161	34,389,417	174,722,216
Profit for the financial year available for discretionary division amongst members	—	—	12,470,230	12,470,230
Balance at 30 September 2015	<u>134,462,638</u>	<u>5,870,161</u>	<u>46,859,647</u>	<u>187,192,446</u>