

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

**Financial statements**

**30 September 2018**



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

## **Financial statements**

**Year ended 30 September 2018**

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

## **Designated members and professional advisers**

<b>Designated members</b>	Grainger Treasury Property Investments Limited Partnership Grainger Residential Management Limited Northumberland & Durham Property Trust Limited
<b>Registered office</b>	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
<b>Auditor</b>	KPMG LLP Chartered accountants & statutory auditor 15 Canada Square Canary Wharf London E14 5GL
<b>Bankers</b>	Barclays Bank Plc Barclays House 5 St Ann's Street Quayside Newcastle Upon Tyne NE1 2BH
<b>Solicitors</b>	Womble Bond Dickinson (UK) 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 2018**

The members present their report and the financial statements of the LLP for the year ended 30 September 2018.

### **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.

The profit for the year was £10,729,719 (2017: £8,827,995).

### **Designated members**

The designated members who served the LLP during the year were as follows:

Grainger Treasury Property Investments Limited Partnership  
Grainger Residential Management Limited  
Northumberland & Durham Property Trust Limited

### **Policy regarding members' drawings and the subscription and repayment 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.

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 Members' Agreement drawn up on the incorporation of the Limited Liability Partnership.

### **Statement as to disclosure of information to auditor**

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.

### **Members' responsibilities statement**

The members are responsible for preparing the members' report and the 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 financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Members' report *(continued)*

Year ended 30 September 2018

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 its profit or loss for that period.

In preparing these financial statements, the members are required to:

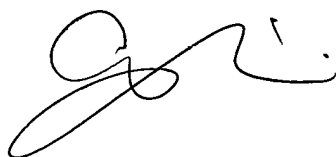
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the LLP'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 LLP or to cease operations, or have no realistic alternative but to do so.

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 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 LLP and to prevent and detect fraud and other irregularities.

### Auditor

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Signed on behalf of the members



Adam McGhin on behalf of  
Grainger Residential Management Limited

Designated member

Approved by the members on 26 February 2019

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

**Opinion**

We have audited the financial statements of Grainger Treasury Property (2006) Limited Liability Partnership ("the LLP") for the year ended 30 September 2018 which comprise the Statement of comprehensive income, Statement of financial position, Reconciliation of members' interests and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the LLP as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

**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 LLP 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.

**The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the members, see note 2, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the LLP's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

**Going concern**

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the LLP will continue in operation.

**Other information**

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

**Members' responsibilities**

As explained more fully in their statement set out on pages 2 to 3, the members 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 LLP'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 LLP 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](http://www.frc.org.uk/auditorsresponsibilities).

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

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

This report is made solely to the members of the 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 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 LLP and the LLP'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  
17 February 2019

# Grainger Treasury Property (2006) Limited Liability Partnership

## Statement of comprehensive income

Year ended 30 September 2018

	Note	2018 £	2017 £
Income from financial assets	4	6,508,935	5,300,011
Interest receivable and similar income	5	4,769,443	4,482,948
<b>Profit for the financial year available for discretionary division among members</b>		<b>11,278,378</b>	<b>9,782,959</b>
Unrealised loss on revaluation of fixed assets		(548,659)	(954,964)
<b>Other comprehensive loss for the period</b>		<b>(548,659)</b>	<b>(954,964)</b>
<b>Total comprehensive income for the year</b>		<b>10,729,719</b>	<b>8,827,995</b>

All the activities of the LLP are from continuing operations.

The notes on pages 11 to 15 form part of these financial statements.

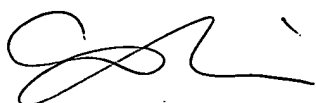
# Grainger Treasury Property (2006) Limited Liability Partnership

## Statement of financial position

30 September 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Financial interest in property assets	6	82,192,543	86,121,580
<b>Current assets</b>			
Debtors	7	137,812,207	123,153,451
<b>Net current assets</b>		<u>137,812,207</u>	<u>123,153,451</u>
<b>Total assets less current liabilities</b>		<u>220,004,750</u>	<u>209,275,031</u>
<b>Represented by:</b>			
<b>Equity</b>			
Members' other interests – members' capital		134,462,638	134,462,638
Members' other interests – available for sale reserve		7,275,546	7,824,205
Members' other interests – profit and loss account		78,266,566	66,988,188
		<u>220,004,750</u>	<u>209,275,031</u>
<b>Total members' interests</b>			
Members' other interests		220,004,750	209,275,031
		<u>220,004,750</u>	<u>209,275,031</u>

These financial statements were approved by the members and authorised for issue on 26 February 2019, and are signed on their behalf by:



Adam McGhin for and on behalf of  
Grainger Residential Management Limited

Registered number: OC325497

The notes on pages 11 to 15 form part of these financial statements.

## Grainger Treasury Property (2006) Limited Liability Partnership

### Reconciliation of members' interests

Year ended 30 September 2018

	Members' capital (classified as equity)	Members' other interests Available for sale reserve	Profit and loss account	Total
	£	£	£	£
Balance at 1 October 2017	134,462,638	7,824,205	66,988,188	209,275,031
Profit for the financial year available for discretionary division among members	—	—	11,278,378	11,278,378
Members' interests after profit for the year	134,462,638	7,824,205	78,266,566	220,553,409
Unrealised loss on revaluation of fixed assets	—	(548,659)	—	(548,659)
Balance at 30 September 2018	<u>134,462,638</u>	<u>7,275,546</u>	<u>78,266,566</u>	<u>220,004,750</u>

The reconciliation of members' interests continues on the following page.

The notes on pages 11 to 15 form part of these financial statements.

## Grainger Treasury Property (2006) Limited Liability Partnership

### Reconciliation of members' interests *(continued)*

Year ended 30 September 2018

	Members' capital (classified as equity)	Members' other interests Available for sale reserve	Profit and loss account	Total
	£	£	£	£
Balance at 1 October 2016	134,462,638	8,779,169	57,205,229	200,447,036
Profit for the financial year available for discretionary division among members	—	—	9,782,959	9,782,959
Members' interests after profit for the year	134,462,638	8,779,169	66,988,188	210,229,995
Unrealised loss on revaluation of fixed assets	—	(954,964)	—	(954,964)
Balance at 30 September 2017	<u>134,462,638</u>	<u>7,824,205</u>	<u>66,988,188</u>	<u>209,275,031</u>

The notes on pages 11 to 15 form part of these financial statements.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements

Year ended 30 September 2018

### 1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

The entity is a limited liability partnership incorporated in the UK. The registered office is:

Citygate  
St James' Boulevard  
Newcastle Upon Tyne  
NE1 4JE

The results of Grainger Treasury Property (2006) Limited Liability Partnership are included in the consolidated financial statements of Grainger plc which are available from Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

### 2. Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain 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 January 2017 (SORP 2017).

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.

#### Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Grainger plc which can be obtained from The Secretary, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the LLP.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

#### Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with Section 22 of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements *(continued)*

Year ended 30 September 2018

### 2. Accounting policies *(continued)*

#### **Members' participation rights *(continued)***

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the statement of comprehensive income in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the statement of financial position.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the statement of comprehensive income and are equity appropriations in the statement of financial position.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

All amounts due to members that are classified as liabilities are presented in the statement of financial position within 'Loans and other debts due to members'. In the event of a winding up, such amounts shall be distributed to members after payment and discharge of all other liabilities of the LLP. Amounts due to members that are classified as equity are shown in the statement of financial position within 'Members' other interests'.

#### **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 statement of comprehensive income 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 statement of comprehensive income is shown on the line 'Income 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. When gains or losses in the assets are realised, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income 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 partners' shares of net income or capital gains.

#### **Non-derivative financial instruments**

Non-derivative financial instruments comprise other debtors and loans and borrowings

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

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements *(continued)*

Year ended 30 September 2018

### 2. Accounting policies *(continued)*

#### Non-derivative financial instruments *(continued)*

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 members consider to be most significant to the financial statements relate to the valuation of fixed assets and are detailed at note 6.

### 3. Operating profit

Audit fees of £2,400 (2017: £2,100) are statutory audit fees only and are borne by another group company.

No remuneration was paid to the designated members' directors in respect of their services to the partnership during the year (2017: nil). The partnership had no employees during the current or preceding financial years.

### 4. Income from financial assets

	2018 £	2017 £
Interest income from financial assets	<u>6,508,935</u>	<u>5,300,011</u>

### 5. Interest receivable and similar income

	2018 £	2017 £
Interest from group undertakings	<u>4,769,443</u>	<u>4,482,948</u>

# Grainger Treasury Property (2006) Limited Liability Partnership

## Notes to the financial statements (continued)

Year ended 30 September 2018

### 6. Fixed assets

	Financial interest in property assets £
<b>Cost or valuation</b>	
At 1 October 2017	86,121,580
Disposals	(9,889,313)
Amounts taken to profit or loss	6,508,935
Amounts taken to other comprehensive income	(548,659)
<b>At 30 September 2018</b>	<b>82,192,543</b>
<b>Net book value</b>	
<b>At 30 September 2018</b>	<b>82,192,543</b>
At 30 September 2017	86,121,580

Financial interest in property assets relates 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 partnership'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 discount rate. The assumptions used to value the asset adopt an increase in house prices of between 2.85% and 3.85% per annum.

A discount rate of 3.5% has been applied to the interest income and a rate of 6.5% has been applied to the projected proceeds from sales of the underlying properties, reflecting the risk profile of each individual income stream.

The fair value of the interest changes as cash flows are realised and a decrease of £0.5m (2017: £1.0m) in the fair value has been recognised in the statement of comprehensive income and the available for sale reserve.

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.

### 7. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	137,159,830	121,704,685
Other debtors	652,377	1,448,766
	<b>137,812,207</b>	<b>123,153,451</b>

Included within amounts owed by group undertakings is an unsecured loan with a year end balance of £133,660,433 (2017: £120,538,991). The loan bears interest at a weighted rate of 3.90% (2017: 4.07%) in the year and is repayable on demand. Interest receivable for the year amounted to £4,769,443 (2017: £4,482,948). All other amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand.

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

## **Notes to the financial statements *(continued)***

**Year ended 30 September 2018**

### **8. Contingent liabilities**

At 30 September 2018 the partnership, together with certain of its fellow subsidiaries, has guaranteed the £350,000,000 (2017: £275,000,000) corporate bond issued by Grainger plc together with bank loans of £390,890,631 (2017: £501,167,944) 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.

### **9. Related party transactions**

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