

COMPANY REGISTRATION NUMBER: 04217612

Grainger (Clapham) Limited
Financial statements
30 September 2017

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Grainger (Clapham) Limited

Financial statements

Year ended 30 September 2017

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Independent auditor's report to the members of Grainger (Clapham) Limited	6 to 8
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 to 15

Grainger (Clapham) Limited

Officers and professional advisers

The board of directors

Helen C Gordon
Vanessa K Simms
Adam McGhin
Michael P Keaveney

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

HSBC Bank plc
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Solicitors

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

Grainger (Clapham) Limited

Strategic report

Year ended 30 September 2017

The directors present their strategic report for the year ended 30 September 2017.

Principal activity

The principal activity of the company during the year was property development and trading.

Strategy and business model

Grainger is a specialist residential property company. Our objective is to be the UK's leading private residential landlord, capitalising on the compelling Private Rented Sector ("PRS") market opportunity and delivering attractive and sustainable total shareholder returns. Our strategy is designed to grow rents, simplify and focus the business and build on the operational strength and foundations of over 100 years of renting homes.

Our key areas of focus are to grow our rents, to simplify and focus the business, and to build on our experience. We will continue to increase and accelerate investment into existing and newly built rental homes; development team resources are focussed on delivery of new PRS stock; and the acquisitions team are improving access and conversion of PRS opportunities. We have concentrated resources on two core assets (PRS and regulated tenancies); overheads have been reduced by transitioning to a simpler, streamlined structure; direct investment has been prioritised; and our cost of financing reduced. We will continue to build on our experience through a continued commitment to our high quality, regulated tenancy portfolio, which delivers excellent total returns and cash generation which supports our PRS growth; and maximise the opportunities from our market leading residential platform by exploiting our existing competitive advantages.

Review of the business

The company is a subsidiary of Grainger plc. The directors of Grainger plc, the ultimate parent undertaking, manage the group's strategy and risks at a group level, rather than at an individual company level. Similarly the financial and operational performance of the business is assessed at an operating segment level. The directors of the company are satisfied with the results for the year ended 30 September 2017.

The company's directors believe that analysis using financial and non-financial measures is not necessary or appropriate to understand the business' development, performance or position. As such they have not been included within this report, but are included within the group's annual report.

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The principal risks and uncertainties of the group, which are specific to the company, include: weak macroeconomic conditions leading to long-term flat or negative valuation movements; the inability to obtain sufficient finance to fund the delivery of the strategy and maintain a strong capital structure; a failure to meet current or increased regulatory obligations, or anticipate and respond to changes in regulation that create increased and costly obligations; a failure to attract, retain and develop our people to ensure we have the right skills in the right place at the right time for our strategy; a significant failure within, or by, a key third-party supplier or contractor; a significant health and safety incident as a result of inadequate or inappropriately implemented procedures; a failure to implement strategy, including failure to transact and acquire assets on acceptable terms, to integrate PRS assets efficiently in the management platform at the required scale, to reduce overheads, to convert to a rental and income model, and to maintain our position as the UK's leading landlord while managing change; the allocation of a portion of our capital to activities which carry development risk; the breach of confidential data or technology disruption, caused by an internal or external attack on our information systems and data or by internal security control failure; and the failure to fulfil our customer proposition consistently, and meet our high service standards for our diversified customer base.

Future developments

The directors expect the performance of the company to continue satisfactorily for the foreseeable future.

Grainger (Clapham) Limited

Strategic report *(continued)*

Year ended 30 September 2017

This report was approved by the board of directors on 21 June 2018 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'AMcGhin', with a stylized flourish at the end.

Adam McGhin
Company Secretary

Grainger (Clapham) 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.

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	
Michael P Keaveney	(Appointed 5 June 2018)

Dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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.

Grainger (Clapham) 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.

This report was approved by the board of directors on 21 June 2018 and signed on behalf of the board by:



Adam McGhin
Company Secretary

Independent auditor's report to the members of Grainger (Clapham) Limited

Opinion

We have audited the financial statements of Grainger (Clapham) 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.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and 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 strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have 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 Grainger (Clapham) 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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
June 2018

Grainger (Clapham) Limited

Statement of comprehensive income

Year ended 30 September 2017

	Note	2017 £	2016 £
Turnover	4	763,300	16,958,428
Cost of sales		(431,305)	<u>(11,111,471)</u>
Gross profit		331,995	5,846,957
Administrative expenses		<u>(20)</u>	<u>(110)</u>
Operating profit	5	331,975	5,846,847
Interest receivable and similar income	6	1,604,811	<u>1,575,054</u>
Profit before taxation		1,936,786	7,421,901
Tax on profit	7	(377,608)	<u>(1,483,246)</u>
Profit for the financial year and total comprehensive income		<u>1,559,178</u>	<u>5,938,655</u>

All the activities of the company are from continuing operations.

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

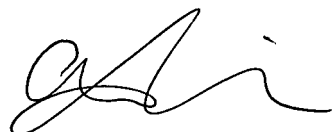
Grainger (Clapham) Limited

Statement of financial position

30 September 2017

	Note	2017 £	2016 £
Current assets			
Stocks	8	196,166	293,084
Debtors	9	42,138,063	41,469,158
Cash at bank and in hand		–	409,886
		<u>42,334,229</u>	<u>42,172,128</u>
Creditors: amounts falling due within one year	10	<u>(639,951)</u>	<u>(2,037,028)</u>
Net current assets		<u>41,694,278</u>	<u>40,135,100</u>
Total assets less current liabilities		<u>41,694,278</u>	<u>40,135,100</u>
Net assets		<u>41,694,278</u>	<u>40,135,100</u>
Capital and reserves			
Called up share capital	11	21,600,001	21,600,001
Profit and loss account	12	20,094,277	18,535,099
Shareholders' funds		<u>41,694,278</u>	<u>40,135,100</u>

These financial statements were approved by the board of directors and authorised for issue on 21 June 2018, and are signed on behalf of the board by:



Adam McGhin
Director

Company registration number: 04217612

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

Grainger (Clapham) Limited

Statement of changes in equity

Year ended 30 September 2017

	Called up share capital £	Profit and loss account £	Total £
At 1 October 2015	21,600,001	12,596,444	34,196,445
Profit for the year	—	5,938,655	5,938,655
Total comprehensive income for the year	—	5,938,655	5,938,655
At 30 September 2016	21,600,001	18,535,099	40,135,100
Profit for the year	—	1,559,178	1,559,178
Total comprehensive income for the year	—	1,559,178	1,559,178
At 30 September 2017	<u>21,600,001</u>	<u>20,094,277</u>	<u>41,694,278</u>

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

Grainger (Clapham) 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 Grainger (Clapham) Limited ("the company") for the year ended 30 September 2017 were authorised for issue by the board of directors on 21 June 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, 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.

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, and gross sale proceeds of trading properties and land, exclusive of VAT. Sales of properties are only accounted for when the company has entered into a legally binding contract. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis.

Grainger (Clapham) Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

3. Accounting policies *(continued)*

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.

Stocks

Development properties and development land are shown in the financial statements at the lower of cost and net realisable value. Cost includes legal and surveying charges incurred during the acquisition plus improvement costs. Net realisable value is calculated based on whether the land or property is to be sold in its current condition or whether it will be subject to further development. Where the land or property is to be further developed, net realisable value is based on the future expected value. Where the land or property is to be sold in its current condition, net realisable value is based on current market value.

Non-derivative financial instruments

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

Trade and 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 directors have considered whether there are any such sources of estimation or critical accounting judgements in preparing the financial statements and do not consider there to be any for the purposes of disclosure.

Grainger (Clapham) Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

4. Turnover

Turnover arises from:

	2017 £	2016 £
Rental income	34,550	32,674
Proceeds from sale of trading properties	728,750	16,925,754
	<u>763,300</u>	<u>16,958,428</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Audit fees of £2,100 (2016: £2,600) are statutory audit fees only and are borne by another group company.

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.

6. Interest receivable and similar income

	2017 £	2016 £
Interest from group undertakings	1,604,811	1,572,052
Other interest receivable and similar income	-	3,002
	<u>1,604,811</u>	<u>1,575,054</u>

7. Tax on profit

Major components of tax expense

	2017 £	2016 £
Current tax:		
UK current tax expense	377,608	1,483,246
Tax on profit	<u>377,608</u>	<u>1,483,246</u>

Reconciliation of tax expense

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 £	2016 £
Profit on ordinary activities before taxation	1,936,786	7,421,901
Profit on ordinary activities by rate of tax	377,673	1,484,380
Contaminated land relief	(65)	(1,134)
Tax on profit	<u>377,608</u>	<u>1,483,246</u>

Grainger (Clapham) Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

7. Tax on profit (continued)

Factors that may affect future tax expense

No provisions have been made for tax that would become payable if the company's properties were sold at their year end replacement values. The total unprovided deferred tax in respect of this is £104,352 (2016: £211,976).

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 or have been substantively enacted. These will reduce the company's future current tax charge accordingly.

8. Stocks

	2017 £	2016 £
Development properties	<u>196,166</u>	<u>293,084</u>

The replacement value of stock is £810,000 (2016: £1,540,000) based on market value at 30 September 2017.

The directors have reviewed the expected net sales valuations of the development. They have concluded that the net realisable value is more than the book cost of the properties and therefore no provision against the carrying value of stock is required.

9. Debtors

	2017 £	2016 £
Trade debtors	18,464	20,557
Amounts owed by group undertakings	42,119,349	41,422,025
Other debtors	250	26,576
	<u>42,138,063</u>	<u>41,469,158</u>

10. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	-	1,832
Amounts owed to group undertakings	-	1,406,138
Accruals and deferred income	496,919	629,058
Social security and other taxes	143,032	-
	<u>639,951</u>	<u>2,037,028</u>

The amounts owed to group undertakings are unsecured, repayable on demand, and do not bear interest.

Grainger (Clapham) Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

11. Called up share capital

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>21,600,001</u>	<u>21,600,001</u>	<u>21,600,001</u>	<u>21,600,001</u>

12. Reserves

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

13. Operating leases

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2017	2016
	£	£
Not later than 1 year	450	450
Later than 1 year and not later than 5 years	1,800	1,800
Later than 5 years	<u>63,709</u>	<u>64,159</u>
	<u>65,959</u>	<u>66,409</u>

14. 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.

15. 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.

GIP Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.