COMPANY REGISTRATION NUMBER: 04630928

Grainger Trust Limited

Financial statements

30 September 2021

Grainger Trust Limited

Financial statements

Year ended 30 September 2021

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Company details

The Board of Management	Mr Colin Sherriff Mr Toby Austin Mr Paul McGowan Ms Sharon Pearce
Company secretary	Mrs Rodica Damian
Registered office	Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Auditor	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
Bankers	Barclays Bank plc Barclays House 5 St Ann's Street Quayside Newcastle upon Tyne NE1 2BH
Solicitors	Womble Bond Dickinson (UK) LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX
Registration	Regulator of Social Housing (registration 4743)
Company registration number	04630928

Grainger Trust Limited

Report of the Board of Management

Year ended 30 September 2021

The Board of Management presents its report and the financial statements for the year ended 30 September 2021.

Principal activities
The principal activity of Grainger Trust Limited is the provision of affordable housing units for rent or shared ownership. Grainger Trust is a For Profit Registered Provider (FPRP) of social housing that was registered with the Regulator of Social Housing (RSH) in November 2012. It is a wholly owned, ring-fenced subsidiary of Grainger plc.

Members of the Board of Management
The Members of the Board of Management during the year ended 30 September 2021, and subsequent to the year end, were:

Ms Deborah F Shackleton CBE (Chairperson) (resigned 30 September 2021)
Mr Colin Sherriff (Chairperson)
Mr Toby Austin
Mr Paul McGowan
Mr Manpreet Dillon (resigned 21 May 2021)
Ms Sharon Pearce

Following 9 years of service as Chairperson, Deborah Shackleton retired from Board at the end of the financial year. The Board would like to thank Deborah for her valuable contributions during this period enabling the company to successfully grow from its initial inception in 2012 to an organisation now providing nearly 900 affordable homes. Colin Sherriff has subsequently been appointed as Chair.

Registration of the company
The company is registered with the Regulator of Social Housing (registration 4743).

Financial statements and state of the company's affairs
The results for the year are shown in the statement of comprehensive income on page 16.

Overview
Grainger Trust was established in 2012 as one of the first For Profit Registered Providers. Today, we are one of the largest, with 883 homes under management at the end of September 2021. Over the coming year, Grainger Trust will continue to leverage the resources and experiences of other Group companies to ensure that our development projects produce a profit for reinvestment and that our residents receive a Value for Money service. In FY21, for the first time, the management of the entirety of the Grainger Trust portfolio was taken in house within the Grainger plc group so we can better apply the advantages of our wider Group and private sector experience. We are aiming to invest in approximately 180 more affordable homes during 2022 and we will fund this through profits from other development sites and further investment from our parent company, Grainger plc. By integrating our communities and operating tenure blind, we aim to support both economic and physical regeneration of our neighbourhoods and generate Social Value for our residents.

We will ensure that our strong Value for Money performance is upheld in order to continue developing homes that improve wellbeing, providing management services that support our residents to make a success of their tenancies and delivering savings to the business to enable greater reinvestment.

Review of the year
Grainger Trust has continued to grow significantly over the past financial year, although the rate has been slowed compared to previous years by wider sector shortages of materials and labour. During 2021, a gross investment of £28.4m has increased total units owned by 181, to 883, split between seven sites. The total annualised rent roll as at 30 September 2021 was £5.4m (2020: £4.1m). Equity shares in 59 shared ownership homes (2020: 97) were sold in the year, generating revenues of £6.7m (2020: £11.1m) and profits of £2.9m (2020: £3.7m). As expected, shared ownership sales were lower than the prior year due to the mix of homes made available for sale from our pipeline.

Grainger Trust Limited

Report of the Board of Management

Year ended 30 September 2021

In the last 12 months, Grainger Trust has delivered a further 183 affordable homes, and sold the final share of 2 shared ownership units. These homes have been funded by £19.8m of new equity investment from the Grainger plc Group. All schemes bar one have been purchased without any reliance upon housing grant or public subsidy. Indeed, Grainger Trust is a net contributor to the public finances, with a total tax charge of approximately £4.6m for the 12 months to September 2021, an effective tax rate of 29.5%. This comprises current tax payable of £1.1m and deferred tax of £3.5m.

Of the new homes launched this year, 59 were located at a new Grainger Trust location of Apex Gardens at Seven Sisters in North London. This scheme mixes Private Rented Sector (PRS) Discount Market Rent homes with private rent, at heavy discounts and nominated to by the Local Authority, including 8 wheelchair accessible homes. Residents enjoy spacious and light accommodation, shared amenities including residents' lounges and outdoor terraces and concierge. Adjacent to Seven Sisters Underground station, residents are well connected to central London and beyond.

Grainger Trust is well placed to continue to complement the property portfolio of Grainger plc by delivering good quality affordable housing along with strong profits and returns. In FY22 it is expected that around 140 units will be acquired from house builders in the South East with two new phases breaking ground this year.

Covid-19

The day to day management processes are by now well adapted to the challenges of the new normal and Covid-19 has had a less significant impact on our business in FY21 when compared to the previous year. We have continued communications with our residents to clarify the ways in which we can help with affordability or any other issues and have been able to maintain our rent collections. The Group did not furlough any employees and adapted quickly to working remotely which has meant we coped with changes in Government guidance about working from home and any Track and Trace isolations. Our repairs and maintenance services have been back to full scope since Summer 2020 and have long since caught up with the non-emergency repairs that had to be put on hold during the first lockdown. We have worked with house builders to limit disruption to our delivery pipeline but like all construction industries, there have been difficulties in sourcing materials and labour which reflects in our delivery and acquisition metrics for FY21 being lower than pre-pandemic.

Value for money (VfM)

Grainger Trust embeds Value for Money into all of its day-to-day activities from development appraisals to repairs and maintenance and community engagement. It is our ability to benefit from the wider Group's purchasing power, economies of scale and customer service experience that allows Grainger Trust to continue to grow whilst producing financial and social returns.

Our strategic approach to Value for Money

Grainger Trust defines VfM as the best use of resources to achieve our objectives. We organise our VfM work under four themes:

- economy – managing costs
- efficiency – how well we use our resources to deliver objectives
- effectiveness – doing what we set out to do
- environment – improving our sustainability and reducing our impact.

Our approach to VfM is structured around:

- understanding our costs, benchmarking them internally and with our sector peers where possible
- making sure that quality is an essential element in VfM decisions
- choosing the best value option rather than the least expensive when effecting repairs
- reviewing any aspects of our service that generates resident complaints to ascertain how we can improve and provide a better value service
- including customer experience, sustainability, environmental and social value considerations when assessing the best value options
- continually quantifying efficiencies to monitor cash savings, quality improvement and to comply with regulations

- buying goods and services more effectively, including leveraging the economies of scale using Grainger plc procurement processes.

We check and challenge our VfM performance regularly in several ways, including:
- benchmarking our performance against peers
- regular cost reviews and quarterly KPI reporting
- benchmarking against our internal tolerances and discussion at Board
- pursuing our growth plans and revisiting procurement decisions that could benefit from further scale
- applying any relevant VfM guidance from RSH and the Sector Risk Profiles to keep our business lean and learning from regulatory judgements and guidance.

How VfM fits into our structure
The Board has a balance of both executive and non-executive members with a wide range of expertise in finance, development, social housing and commercial activity. The Board recognises and embraces its role in delivering and monitoring Value for Money and embedding it in the culture of our organisation. It is not only important to our customers but key to meeting our regulatory obligations.

How our residents experience VfM
We continued to deliver Value for Money direct to our residents in other areas during the year, including:

- Reviewing and developing our Allocations and Lettings Policy and Process to minimise voids and increase occupancy rate
- Adding management resources and growing the Grainger Trust team to improve customer service and satisfaction
- Providing a written and telephone translation service for any residents for whom English is not their first language
- Developing our Communication and Events Strategy for launch in FY22
- Building relationships with community safety teams and care in the community teams to minimise risks to our residents
- Investigating better value options for buildings insurance recharges to Shared Owners
- Negotiating discounted rates with local RICS surveyors for Shared Owners procuring valuations to resell or staircase
- Launching the Group's tailor made IT solution, which will improve back office operations, reporting and budgeting.

We are also developing our Customer Portal which will allow residents to access many services on demand via an app, including reporting repairs and arranging a visit from their property manager. The app will also act as a community engagement platform and give access to resident-only promotions.

VfM Metrics
Over the past year Grainger Trust has taken the management of the regional part of the portfolio in house, which at approximately 650 units was the significant majority of Grainger Trust's portfolio. Previously these units were contracted out to an external management company and this strategic decision was made to further improve our Value for Money through reducing overheads and unlocking the full benefits of integrating the management within the wider Group.

As part of the change in service provision, Value for Money metrics have been monitored ever closely to understand the benefits and challenges over time of our new management model. Being part of Grainger plc, and therefore being able to deliver efficiency through sharing resources, skills and experience with the rest of the Group is essential to the achievement of our VfM objectives.

One of our means of measuring VfM is through meeting the reporting requirements of the new VfM Standard and supporting Code of Practice. The Standard requires us to publish performance evidence in these annual accounts against our own metrics and those defined by the regulator, and report how that performance compares to peers.

Comparing financial performance against other Registered Providers
Due to the somewhat unique nature of Grainger Trust, it is difficult to find small FPRPs to benchmark against as we utilise the platform of a much larger organisation to reduce costs. We keep this under review and as the FPRP sector matures it is likely that we will be benchmarking in the traditional manner in the coming years. For now, in assessing our performance we have considered the overall performance of the sector based on the 2021 Global Accounts, being the latest published information available at the time of signing these annual accounts.

Metric 1 – Reinvestment %:
This metric considers the investment in properties, both maintenance of existing stock as well as new supply, as a percentage of the value of total properties held. As a relatively new organisation, we continue to invest heavily in new supply, while our existing homes need a relatively small amount of investment, compared to organisations with much older homes. We are ambitious to grow, and as such our investment is focussed on the delivery of new social housing homes for the sector.

In 2020/21 we are pleased to have again achieved a very strong level of performance in this metric, which compares favourably to both the targets we set and our peers in the social housing sector. As expected, the reinvestment measure is reducing as we continue to build scale in the organisation.

	GT 2020/21	GT 2019/20	GT 2018/19	Lower Quartile	Median	Upper Quartile
Reinvestment %	19.8%	31.5%	43.3%	4.0%	5.8%	8.2%

Metric 2 – New supply delivered %:
Grainger Trust is growing as part of its role in supporting the wider Grainger plc group, and this year we have delivered new social homes across a number of our estates, adding to our portfolio and growing the communities we are working with others in the Group to build.

Our performance significantly outweighs the peer group reflecting the continued high level of investment and the relatively low volume of homes in place at the start of the year while we are in a period of heavy growth. Many of our peers are significantly more established with a more stable volume of social homes. We expect to continue investing into new homes in the future.

	GT 2020/21	GT 2019/20	GT 2018/19	Lower Quartile	Median	Upper Quartile
New Supply (social homes) %	20.5%	29.3%	41.7%	0.5%	1.3%	2.0%

For Grainger Trust the focus is on the delivery of social homes; we have therefore not delivered any non-social homes in the current financial year.

Metric 3 – Gearing %:
Grainger Trust's financing model, which is not currently based on debt, means this metric is not applicable to our business. However, we are still ensuring that we make the most of our balance sheet and leverage investment in social housing through the strength of the Group as a whole.

As we grow and gain scale as a FPRP we will consider the most efficient financing model for our business to ensure we deliver VfM.

Metric 4 – EBITDA MRI – Interest cover %:
As with metric 3, this metric is not applicable to our business. As we are currently financed by our parent on an equity basis, we do not have any interest to repay.

Metric 5 – Headline social housing cost per unit (£):
We work with the rest of the Grainger plc group to achieve efficiencies in the management of our homes, as demonstrated by our cost per unit which is significantly lower than sector averages. In particular, this year the entirety of the Grainger Trust property management function was taken in house within the Group. Due to the phasing of acquisition of units differing each year, with a greater proportion of acquisitions occurring in the early months of FY21 compared to FY20, along with the change in mix, the cost per unit fluctuates each year. Costs are well managed within budgets set.

	GT 2020/21	GT 2019/20	GT 2018/19	Lower Quartile	Median	Upper Quartile
Social housing cost per unit (£)	1,803	1,450	1,175	3,210	3,730	4,760

Metric 6 – Operating margin:
Our operating margin shows the profitability of our business. As a for-profit provider profit is a key driver and a metric that we monitor closely. However, we are also driven by quality and customer service, and our understanding of VfM means that we balance a desire to maximise profitability with ensuring the best outcomes for residents. Our relatively strong performance reflects the high quality of the homes we provide, the relatively young age of the homes we operate, as well as the benefits and efficiencies resulting from being part of a larger organisation.

	GT 2020/21	GT 2019/20	GT 2018/19	Lower Quartile	Median	Upper Quartile
Operating Margin (social housing lettings) %	71.9%	73.8%	75.9%	22.2%	26.3%	32.6%
Operating Margin (overall) %	58.3%	59.2%	60.3%	18.1%	23.9%	28.2%

Metric 7 – Return on capital employed (%):
Our return on capital employed continues to compare favourably to our peers, reflecting the high level of investment in homes during the period and is in line with our targets for the business.

	GT 2020/21	GT 2019/20	GT 2018/19	Lower Quartile	Median	Upper Quartile
Return on capital employed %	3.3%	4.3%	3.7%	2.7%	3.3%	4.2%

Additional VfM metrics:
We measure a number of performance measures to test our operational efficiency, and measure and anticipate our current and future growth prospects. We will continue to monitor additional VfM metrics and where appropriate, we will revise and develop additional metrics that are most relevant to Grainger Trust over the forthcoming years.

The table below provides an overview of how we are performing across a selection of these measures, all of which are in line with our targets and expectations:

Performance measure	2020/21	2019/20	2018/19	2017/18	2016/17
Current arrears as at 30 September (against annual rent roll)	3.2%	2.6%	3.3%	2.7%	2.0%
Rent collected % (excluding arrears brought forward)	98.5%	97.9%	97.8%	96.7%	96.9%
Properties with valid gas safe certificate at the year end	100%	100%	100%	100%	100%
Grainger Lets units	96	41	31	31	29
Shared ownership units	362	313	220	106	86
Social housing units	425	348	245	152	86

Collecting rent
We continue to be effective in collecting income through use of our in-house credit control team. Income collection for the year remained broadly consistent at around 98% and arrears have remained consistent at around 3.0%.

Tenant satisfaction
The 2021 Customer Satisfaction survey captured 114 responses with the survey being opened up to units of all ages for the first time, a total of 880 occupied units at the time of surveying. This gave an overall 74% satisfaction with the services provided by Grainger Trust. This broke down to 80% satisfaction from rented households (Affordable Rent and Discounted Market Rent combined) and 60% satisfaction from Shared Owners.

When asked about their satisfaction with the Value for Money offered by Grainger Trust, this gave an overall 81% satisfaction which broke down to 97% for rented households and 58% for Shared Owners.

We are continuing to work with housebuilders to improve their response to defects as well as our resources for mediating, which remains an area of focus for our Shared Owners.

Community development
The pandemic has continued to subdue our ability to carry out community development activities but we have managed a variety of socially distanced events during the year. These have included scavenger hunts, quarterly newsletters, wildlife walks, Halloween events, craft workshops, fireworks display and self defence workshops for women.

Delivering future value
Projects and programmes of work to deliver further Value for Money in 2021-22:

- ***Information technology***
  Grainger plc continue with their significant investment into a new technology platform, CONNECT, which launched in part during the Summer of 2021. The aim of CONNECT is to enhance the customer experience, increasing operational efficiency and provide scalability, allowing all parts of Grainger to grow while controlling costs and securing our licence to operate. The CONNECT platform is an integrated solution that digitises and puts the entire rental process online, linking together everything from leasing, repairs and maintenance through to financial reporting and payment processing, ensuring that our health and safety credentials, cyber security and data protection is as good as it can be.

- ***Procurement***
  We are continuing to expand the number of contractors that we have onboarded – our stringent enhanced compliance requirements do limit who we will accept but we are building relationships with a greater number of suitable contractors. This will decrease costs and improve service by increasing the competition. We reviewed in FY21 whether it would be better VfM to issue a single repairs contract to one contractor for the whole portfolio. After approaching the sector, we concluded that using a framework of smaller contractors currently provides better VfM so will keep this under review in future years.

- ***Social and environmental impact***
  We will continue contributing to local authority affordable homes targets and the local area housing need. The specification of our portfolio has been controlled by us from conception and is designed to meet and exceed building regulatory thermal and fuel efficiency targets to assist in the eradication of fuel poverty. All of our properties are supplied with built in cookers, fitted carpets and blinds in place to combat affordability issues when setting up a home. Additionally all of our properties are future proofed with power spurs, water supply and drainage in place to allow for ease of accessibility adaptions and whole of life accommodation. All of our properties have modern and efficient gas boilers and central heating with 99.8% of EPCs at level B or above and 100% at level C or above.

  It is recognised that social and environmental value can be difficult to quantify and for this reason we do not attempt to monetise every example of the value created but instead measure this in terms of good relationships into housing authorities and demand for our housing stock. We believe that the quality and security of this accommodation leads to a range of benefits including improved health, well-being and general quality of life.

- ***Development pre-construction***
  This year we have installed a specialised development oversight role for Grainger Trust and will continue to drive further VfM by giving more resources at all stages of the acquisition and procurement processes. These resources will focus on efficient design solutions, appropriate internal layouts and optimised specifications to reduce build costs while maximising values and wellbeing. In addition, we are developing our after sales service to better support Shared Owners with their first home ownership and managing minor and major snags and defects, improving the customer experience and improving satisfaction levels with the homes we build. It is too early to quantify what the VfM impact will be from this work but have surveyed satisfaction prior to the changes and will measure the changes they produce over time.

How the Board monitors performance

Grainger Trust has well developed mechanisms for monitoring performance against our internal operating metrics and the Value for Money metrics. The Board takes a keen interest in ensuring that Grainger Trust delivers services that our customers perceive to be good value. The Board receives and reviews KPI performance and management accounts detailing key performance data on a quarterly basis and has access to monthly performance packs that are reviewed by the operational team. The Board also undertake regular Deep Dives into any aspect of performance that they feel needs a closer look and more thorough assurance.

Board assurance on VfM

The Board contains non-executive members with expertise in finance, development, social housing and commercial activities. It regularly reviews management reports and receives feedback from the executives. The Board is satisfied that this VfM self-assessment is a fair reflection of VfM within Grainger Trust and will be made available to all of its stakeholders on Grainger plc's website.

Governance

Grainger Trust has adopted, complies with and operates within the regulatory framework adopted by its ultimate parent undertaking, Grainger plc, namely the UK Corporate Governance Code.

In addition, Grainger Trust adopted and complies with the Code of Governance produced by the National Housing Federation (NHF) to the extent that this is legally practicable and able to, having regard to: (1) the group parent organisation and governance (as noted in provision B3 of the NHF Code), (2) insofar as the constitution of Grainger Trust and its ultimate parent, Grainger plc, does not conflict with the NHF Code (as noted in provision A2 of the NHF Code) and (3) the Board of the ultimate parent organisation must determine how and whether the NHF Code should apply to each of its subsidiaries (as noted in provision C4 of the NHF Code). Certain provisions of non-compliance with the NHF Code which can be specifically noted are:

- The Board of Grainger Trust does not have a non-executive majority of directors on the Board, being currently composed of 2 non-executive directors and 2 executive directors to comply with the requirements of the group parent organisation (provision B4 of the NHF Code). Its Chair is however a non-executive director as required under the NHF Code.

- Grainger Trust does not have the role of Chief Executive as this does not fit with the group parent organisation (main requirement G of the NHF Code).

- Grainger Trust does not have Committees as these are not considered necessary due to the group parent organisation (main provision E of the NHF Code) and the same applies to the requirement of an audit committee under provision F3 of the NHF Code as this function is fulfilled within the group parent organisation.

Grainger Trust has adopted and regularly reviews its Governance Operating Guidelines for the Board which incorporate certain of the requirements and provisions of both the UK Corporate Governance Code and the NHF Code on the basis set out above. In addition, Grainger Trust complies with the RSH's Governance and Financial Viability standard.

During the year, the Board resolved that with effect from the financial year commencing 1 October 2021, the EcoDa Code of Governance will be adopted. Board noted that this better reflected the particular operating requirements of the organisation. A full assessment of compliance with this Code will be undertaken during the financial year ending 30 September 2022 and the results of this exercise will be reported in the next set of annual financial reporting.

Statement of Board's responsibilities
The Board of Management is responsible for preparing the Management Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has 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.

Under company law the Board 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 of the profit or loss for that period. In preparing these financial statements, the Board is 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 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 Board is 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.

The Board of Management acknowledges its ultimate responsibility for ensuring that the company has in place a system of controls that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the company or for publication;
- the maintenance of proper accounting records, and
- the safeguarding of assets against unauthorised use or disposition and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is the responsibility of the Board of Management to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the company's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;

- forecasts and budgets are prepared which allow the Board of Management to monitor the key business and financial objectives and risks and the progress towards financial objectives set for the year and the medium term; regular management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information; significant variances from budget are investigated as appropriate;

- all investment projects are subject to formal authorisation procedures by the Board of Management;

- the Board of Management reviews reports from the managing agents, Strutt and Parker, and specialist Regulated Housing advisors Altair to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the company; and

- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the company for the year ended 30 September 2021. No weaknesses in internal financial control resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or the auditor’s report on the financial statements.

Statement of Disclosure of information to Auditors

We, the Board members of the company who held office at the date of approval of these financial statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditor is unaware; and

- we have taken all steps that we ought to have taken as Board members to make ourselves 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 25 March 2022 and signed on behalf of the board by:

Toby Austin
Director

Independent auditor's report to the members of
Grainger Trust Limited

Opinion
We have audited the financial statements of Grainger Trust Limited ("the company") for the year ended 30 September 2021 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 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;

- reading Board minutes;

- considering remuneration incentive schemes and performance targets for management;

- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that proceeds from sale of shared ownership properties close to the year end are recorded in the incorrect accounting period and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as valuation of investment and housing properties.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of Group-wide fraud risk management controls.

We also performed procedures including:

- tracing property sales recognised either side of the year end to completion statements to assess the appropriateness of the timing of revenue recognition;

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, landlord regulation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information
The directors are responsible for the other information, which comprises the report of the board of management. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, 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;
- in our opinion the information given in the report of the board of management 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
- 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 pages 10 to 11, 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 misstatement, 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 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Dan Gibson

Dan Gibson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
30 March 2022

Grainger Trust Limited

Statement of comprehensive income

Year ended 30 September 2021

	Note	2021 £	2020 £
Turnover	**4**	**11,675,131**	14,419,414
Cost of sales		**(5,183,172)**	(8,270,669)
Gross profit		**6,491,959**	6,148,745
Administrative expenses		**(677,589)**	(486,864)
Fair value gain on investment property	**5**	**9,719,360**	5,774,270
Operating profit	**6**	**15,533,730**	11,436,151
Other interest receivable and similar income		**619**	4,381
Profit on ordinary activities before taxation		**15,534,349**	11,440,532
Tax on profit on ordinary activities	**8**	**(4,584,239)**	(2,411,637)
Profit for the financial year		**10,950,110**	9,028,895
Unrealised surplus on revaluation of housing properties	**9**	**9,756,294**	10,221,782
Total tax on components of other comprehensive income	**8**	**(3,645,779)**	(2,139,938)
Total comprehensive income for the year		**17,060,625**	17,110,739

All the activities of the company are from continuing operations.

The notes on pages 19 to 27 form part of these financial statements.

Grainger Trust Limited

Statement of financial position

30 September 2021

	Note	2021 £	2020 £
Fixed assets			
Investment properties	**9**	**77,293,189**	52,349,749
Housing properties	**9**	**88,981,798**	66,596,511
		166,274,987	118,946,260
Current assets			
Stocks	**10**	**3,136,858**	16,847,399
Debtors	**11**	**5,384,460**	568,311
Cash at bank and in hand		**4,564,943**	3,925,596
		13,086,261	21,341,306
Creditors: amounts falling due within one year	**12**	**(2,765,965)**	(7,679,854)
Net current assets		**10,320,296**	13,661,452
Total assets less current liabilities		**176,595,283**	132,607,712
Provisions			
Deferred tax	**14**	**(14,282,569)**	(7,155,623)
Net assets		**162,312,714**	125,452,089
Capital and reserves			
Called up share capital	**15**	**102,757,128**	82,957,128
Revaluation reserve	**16**	**22,401,044**	16,290,529
Profit and loss account	**16**	**37,154,542**	26,204,432
Shareholders' funds		**162,312,714**	125,452,089

These financial statements were approved by the board of directors and authorised for issue on 25 March 2022, and are signed on behalf of the board by:

Toby Austin
Director

Company registration number: 04630928

The notes on pages 19 to 27 form part of these financial statements.

Grainger Trust Limited

Statement of changes in equity

Year ended 30 September 2021

	Called up share capital £	Revaluation reserve £	Profit and loss account £	**Total £**
At 1 October 2019	47,957,128	8,208,685	17,175,537	73,341,350
Profit for the year	–	–	9,028,895	9,028,895
Other comprehensive income for the year:				
Unrealised surplus on revaluation of housing properties	–	10,221,782	–	10,221,782
Deferred tax relating to components of other comprehensive income	–	(2,139,938)	–	(2,139,938)
Total comprehensive income for the year	–	8,081,844	9,028,895	17,110,739
Issue of shares	35,000,000	–	–	35,000,000
Total investments by and distributions to owners	35,000,000	–	–	35,000,000
At 30 September 2020	82,957,128	16,290,529	26,204,432	**125,452,089**
Profit for the year	–	–	10,950,110	**10,950,110**
Other comprehensive income for the year:				
Unrealised surplus on revaluation of housing properties	–	9,756,294	–	**9,756,294**
Deferred tax relating to components of other comprehensive income	–	(3,645,779)	–	**(3,645,779)**
Total comprehensive income for the year	–	6,110,515	10,950,110	**17,060,625**
Issue of shares	19,800,000	–	–	**19,800,000**
Total investments by and distributions to owners	19,800,000	–	–	**19,800,000**
At 30 September 2021	102,757,128	22,401,044	37,154,542	**162,312,714**

The notes on pages 19 to 27 form part of these financial statements.

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 company incorporated and domiciled in the UK. The registered office is:

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

The results of Grainger Trust Limited 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 fixed assets, and in accordance with applicable UK accounting standards.

The financial statements have been prepared on the going concern basis in accordance with applicable Accounting Standards in the United Kingdom, the Accounting Direction for Registered Providers of Social Housing 2019 and the Statement of Recommended Practice Accounting by Registered Social Housing Providers, Update 2018 ('SORP 2018').

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has net assets of £162,312,714 at 30 September 2021 and has generated total comprehensive income for the period then ended of £17,060,625. The Board of Management manage the company's strategy and risks through regular Board Meetings, together with regular monitoring of the financial and operating performance of the business. A funding model, including cash flow forecasts, is in place, and future funding is expected to continue to be from issues of equity.

In addition, on a consolidated basis, the Group has assessed its future funding commitments and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, reasonable severe sensitivities, including the potential impact of Covid-19, have been applied to the key factors affecting financial performance of the Group. This includes the potential impact on performance due to possible changes in the level of cash collection, rental growth, letting activity, sales performance and development activity. The Directors of the Group have a reasonable expectation that it has adequate resources to continue operating for the foreseeable future period, and not less than 12 months from the date of approval of these financial statements.

Grainger plc has indicated that it will make available funding through further equity raises via the parent company as required by the entity for the foreseeable future. As with any entity 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. The directors do not intend to nor have they identified any circumstances which may lead to the entity being liquidated or to cease operating.

2. Accounting policies *(continued)*

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 company.
(b) Disclosures in respect of financial instruments have not been presented.

Revenue recognition
Turnover represents rental income and sale proceeds of trading properties. Sales of properties are only recognised when the significant risks and returns have been transferred to the buyer, which is generally deemed to be on legal completion. Rental income is 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 current tax and deferred tax. Tax is recognised in the statement of comprehensive income or directly in equity according to the accounting treatment of the related transaction.

Current tax is the amount of income tax payable/(recoverable) in respect of the taxable profit for the period or prior periods. Tax is calculated using tax rates and laws that have been enacted or substantively enacted at the period end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted at the period end and that are expected to apply to the reversal of the timing difference.

Deferred 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 tax assets and liabilities relate to income taxes levied by the same tax authority where there is an intention to settle the balances on a net basis.

Housing properties
Social Housing properties are classified as property, plant & equipment in fixed assets. This class of properties are held under the revaluation model. In accordance with SORP 2018 they are revalued each year to their existing use value for social housing (EUV-SH).

Major components of housing properties are accounted for and depreciated separately from the housing structure over their expected useful economic lives. The components currently identified and their useful economic lives are as follows:

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

Housing properties

Main fabric	100 years
Roof	50 years
Windows & Doors	30 years
Kitchens	20 years
Bathrooms	25 years

Heating

Boilers	20 years

Other fixed assets

Electrics / mechanical systems and lifts	40 years

The useful economic lives of all tangible fixed assets are reviewed annually.

Investment properties

Grainger lets
These properties are not subject to regulation by the RSH (ie Intermediate Rent properties) and are revalued annually to their market value.

Shared ownership
The proportion of shared ownership properties not included in stock (see accounting policy for stocks) is classified as investment property and is revalued annually to its existing use value for social housing (EUV-SH).

Stocks
Under the SORP 2018, the initial percentage of a shared ownership house to be sold (first tranche) is treated as stock (Trading Property), with the remainder being classified as Investment Property.

Trading properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during the acquisition plus improvement costs. Net realisable value is the net sale proceeds which the company expects on sale of the first tranche of the property.

Repairs and improvements are the responsibility of the shared ownership tenant.

Work in progress
Work in progress comprises stage payments for the construction of shared ownership units.

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 transaction value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other creditors are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method.

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 tangible fixed assets and are detailed at note 9.

3. Turnover, cost of sales, administrative expenses and operating profit for the year

	2021	2020
	£	£
Income from social/intermediate/shared ownership housing lettings:		
Gross rents receivable	**4,983,576**	3,335,314
Less: Rent losses from voids	**–**	–
Net rents receivable	**4,983,576**	3,335,314
Income from property sales:		
Income from shared ownership sales	**6,690,025**	11,084,100
Other income	**1,530**	–
Total income from housing lettings and sales	**11,675,131**	14,419,414
Expenditure on social/intermediate/shared ownership housing activities:		
Property operating expenses	**1,400,363**	872,932
Property book cost of sales	**3,547,032**	7,076,951
Property disposal fees	**235,777**	320,786
Cost of sales	**5,183,172**	8,270,669
Surplus on shared ownership sales	***2,907,216***	*3,686,363*
Intercompany management charges	**504,450**	397,067
Consultancy fees	**16,183**	11,346
Directors' remuneration	**20,000**	17,083
Valuation fees	**103,750**	41,256
General expenditure	**33,206**	20,112
Administrative expenses	**677,589**	486,864
Total expenditure on social/intermediate/shared ownership housing lettings and sales	**5,860,761**	8,757,533
Fair value gain on investment property	**9,719,360**	5,774,270
Operating profit	**15,533,730**	11,436,151

Intercompany management charges represent property management services provided to Grainger Trust by other companies within the Grainger plc Group and are calculated on an arm's length basis and determined by the number of property units held.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Rental income	**4,983,576**	3,335,314
Proceeds from sale of shared ownership properties	**6,690,025**	11,084,100
Other income	**1,530**	–
	11,675,131	14,419,414

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

5. Fair value gain on investment property

	2021	2020
	£	£
Fair value gain on investment properties	**9,719,360**	5,774,270

6. Operating profit

Audit fees of £4,400 (2020: £3,700) are statutory audit fees only and are borne by another Group company.

7. Directors' remuneration

The directors’ aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	**20,000**	17,083

The remuneration of Deborah Shackleton, Colin Sherriff and Sharon Pearce totalled £20,000 (2020: £17,083). In addition to their directorship of Grainger Trust Limited, Paul McGowan, Toby Austin and Manpreet Dillon were directors/employees of other Group companies and their remuneration was borne by another Group company. The remuneration of the highest paid director totalled £10,000 (2020: £10,000).

8. Tax on profit

Major components of tax expense

	2021	2020
	£	£
Current tax:		
UK current tax expense	**1,088,815**	1,099,701
Adjustments relating to prior year	**14,257**	–
	1,103,072	1,099,701
Deferred tax:		
Origination and reversal of timing differences	**3,500,766**	1,311,936
Adjustments relating to prior year	**(19,599)**	–
Tax on profit on ordinary activities	**4,584,239**	2,411,637

Tax expense included in other comprehensive income

In addition to the above a deferred tax charge of £3,645,779 (2020: £2,139,938) was recognised in other comprehensive income. This represents the charge on the unrealised surplus on the revaluation of housing properties.

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). Tax is chargeable at an effective rate of 29.5% (2020: 21.1%).

	2021	2020
	£	£
Profit on ordinary activities before taxation	**15,534,349**	11,440,532
Profit on ordinary activities by rate of tax	**2,951,526**	2,173,701
Indexation on investment property disposals	**(4,574)**	–
Expenses not deductible for tax purposes	**1,553**	–
Impact of tax rate changes	**1,635,734**	237,936
Tax on profit on ordinary activities	**4,584,239**	2,411,637

8. Taxation *(continued)*

Factors that may affect future tax expense

No provisions have been made for tax that would become payable if the company's trading properties were sold at their year end replacement values. The total unprovided deferred tax in respect of this is £210,983 (2020: £139,000).

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) has been enacted. This will increase the company's future current tax charge accordingly. Deferred tax at 30 September 2021 has been measured at 25% (2020: 19%).

9. Tangible assets

	Investment properties £	Housing properties £	Total £
Cost or valuation			
At 1 October 2020	**52,349,749**	**66,596,511**	**118,946,260**
Additions	**15,798,477**	**12,628,993**	**28,427,470**
Disposals	**(574,397)**	**–**	**(574,397)**
Revaluations	**9,719,360**	**9,756,294**	**19,475,654**
At 30 September 2021	**77,293,189**	**88,981,798**	**166,274,987**
Depreciation			
At 1 October 2020	**–**	**–**	**–**
Charge for the year	**–**	**851,924**	**851,924**
Reversal of depreciation	**–**	**(851,924)**	**(851,924)**
At 30 September 2021	**–**	**–**	**–**
Carrying amount			
At 30 September 2021	**77,293,189**	**88,981,798**	**166,274,987**
At 30 September 2020	52,349,749	66,596,511	118,946,260

Investment properties comprise Grainger Lets properties and shared ownership properties. Grainger Lets properties have been valued at their open market value as at 30 September 2021 by Allsop LLP. Shared ownership properties have been valued on an existing use value for social housing (EUV-SH) basis. The number of Grainger Lets units under management at 30 September 2021 was 96 (2020: 41) and the number of shared ownership units was 362 (2020: 313).

Housing properties comprises social housing properties and are valued on an existing use value for social housing (EUV-SH) basis. The number of social housing properties at 30 September 2021 was 425 (2020: 348).

The valuations represent estimates of the open market value of the properties subject to the tenancies then existing. The historical cost of these properties is £109,144,707 (2020: £73,707,094).

The company has an obligation, under an overage deed, to pay further consideration in relation to certain shared ownership and housing properties. The overage payments are triggered at the point of sale and are a proportion of increase in value at time of acquisition and the price received on the date of sale. It is not possible to determine the amount or timing of any such future payments due to the long-term nature of the assets.

10. Stocks

	2021	2020
	£	£
Trading properties	**975,067**	938,674
Work in progress	**2,161,791**	15,908,725
	3,136,858	16,847,399

The replacement value of trading properties (sale at market value of the property subject to occupation by a resident) is £1,819,000 (2020: £1,670,252) based on market value at 30 September 2021.

Stock is stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is the net sales proceeds which the company expects on the sale of a property with vacant possession. The Directors have reviewed the vacant possession valuations of the properties. They concluded that there was no provision necessary against the carrying value of stock.

11. Debtors

	2021	2020
	£	£
Rent arrears	**181,631**	97,670
Amounts owed by group undertakings	**4,458,614**	–
Other debtors	**744,215**	470,641
	5,384,460	568,311

12. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	**23,979**	46,238
Amounts owed to group undertakings	**–**	3,754,636
Other creditors	**2,475,753**	3,592,970
Accruals and deferred income	**266,233**	286,010
	2,765,965	7,679,854

The amount owed to group undertakings is unsecured, is repayable on demand, and does not bear interest.

13. Deferred tax

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

	2021	2020
	£	£
Included in provisions (note 14)	**14,282,569**	7,155,623

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

	2021	2020
	£	£
Revaluation of investment properties	**6,815,556**	3,334,389
Revaluation of housing properties	**7,467,013**	3,821,234
	14,282,569	7,155,623

14. Provisions

	Deferred tax (note 13) £
At 1 October 2020	**7,155,623**
Additions dealt with in profit or loss	**3,481,167**
Additions dealt with in other comprehensive income	**3,645,779**
At 30 September 2021	**14,282,569**

15. Called up share capital
Issued, called up and fully paid

	2021		2020	
	No.	**£**	No.	£
Ordinary shares of £1 each	**102,757,128**	**102,757,128**	82,957,128	82,957,128

Share movements

	No.	**£**
Ordinary		
At 1 October 2020	**82,957,128**	**82,957,128**
Issue of shares	**19,800,000**	**19,800,000**
At 30 September 2021	**102,757,128**	**102,757,128**

On 3 February 2021, the company issued 10,000,000 ordinary £1 shares for consideration of £1 each, and on 14 September 2021 issued a further 9,800,000 ordinary £1 shares for consideration of £1 each. The shares have full voting, dividend and capital distribution rights.

16. Reserves
Revaluation reserve – This reserve records gains and losses on asset revaluations in respect of housing properties.

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

17. Capital commitments
Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2021	2020
	£	£
Tangible assets	**17,088,493**	25,306,910

Grainger plc has indicated that it will make available such funds as needed by the company to fulfil these capital commitments.

18. Operating leases

As lessor

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

	2021	2020
	£	£
Not later than 1 year	**4,243,233**	3,163,208
Later than 1 year and not later than 5 years	**11,764,654**	9,761,315
Later than 5 years	**5,001,691**	4,289,328
	21,009,578	17,213,851

19. Related party transactions

Administrative expenses include an intercompany management charge payable to another company within the Grainger plc group, which is not a Private Registered Provider of Social Housing, representing property services costs, office costs, IT costs and similar other costs.

20. Legislative provisions

The company is registered with the Regulator of Social Housing (registration 4743).

21. Ultimate controlling party

The Members of the Board of Management 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.

Grainger Housing & Developments Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.