

COMPANY REGISTRATION NUMBER: 04630928

Grainger Trust Limited
Financial statements
30 September 2023

Grainger Trust Limited

Financial statements

Year ended 30 September 2023

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Grainger Trust Limited

Company details

The Board of Management

Mr Colin Sherriff
Mr Paul McGowan
Ms Sharon Pearce
Mr Kurt Mueller
Ms Diane Hart
Mr Henry Gervaise-Jones

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 2023

The Board of Management presents its report and the financial statements for the year ended 30 September 2023.

Principal activities

The principal activity of Grainger Trust Limited is the provision of affordable housing homes 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 2023, and subsequent to the year end, were:

Mr Colin Sherriff (Chairperson)
Mr Toby Austin (resigned 30 November 2022)
Mr Paul McGowan
Ms Sharon Pearce
Mr Kurt Mueller
Ms Diane Hart
Mr Henry Gervaise-Jones (appointed 26 January 2023)

In the financial year, Henry Gervaise-Jones was appointed following the resignation of Toby Austin.

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 18.

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.

Grainger Trust Limited

Report of the Board of Management

Year ended 30 September 2023

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 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 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 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;
- the Board reviews reports from management 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 has reviewed the effectiveness of the system of internal financial control in existence in the company for the year ended 30 September 2023. 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.

Grainger Trust Limited

Report of the Board of Management

Year ended 30 September 2023

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 2024 and signed on behalf of the board by:



Henry Gervaise-Jones
Director

Grainger Trust Limited

Strategic report

Year ended 30 September 2023

Overview

Grainger Trust was established in 2012 as one of the first For Profit Registered Providers. Today, we are one of the largest, with 911 homes under management at the end of September 2023. Over the coming year, Grainger Trust will continue to leverage the resources and experiences of the wider Grainger Group to ensure that our development projects produce a profit for reinvestment and that our residents receive a Value for Money service. We intend to continue to invest in more affordable homes during FY24 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 deliver market leading Value for Money and customer satisfaction in our neighbourhoods.

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

During the year, total units owned has decreased by 41, to 911, split between six sites. In the last 12 months, Grainger Trust has delivered a further 55 (2022: 70) affordable homes, and sold the final share of 7 (2022: 1) shared ownership units. Equity shares in 54 shared ownership homes (2022: 35) were sold in the year, generating income of £7.0m (2022: £3.9m) and profits of £2.6m (2022: £1.3m). In addition, a stock rationalisation exercise was undertaken, resulting in the transfer of 89 units to another provider, generating revenues of £13.6m and a small loss of £0.3m. The additional affordable homes delivered have been funded by equity investment from the Grainger plc Group. All schemes bar one have been purchased without any reliance upon housing grant or public subsidy. The total annualised rent roll as at 30 September 2023 was £7.6m (2022: £6.9m).

Of the new homes launched this year, 11 were located at Wellesley in Aldershot and 44 at Berewood in Waterlooville, both in Hampshire. These were a mix of Affordable Rent and Shared Ownership flats and houses. Grainger plc is the master developer on both schemes and residents enjoy spacious and high quality accommodation, community facilities and large amounts of green space at both locations.

Grainger Trust is a net contributor to the public finances, with a total tax charge of approximately £1.2m for the 12 months to September 2023, an effective tax rate of 19.7%.

Grainger Trust is well placed to continue to complement the property portfolio of Grainger plc by delivering good quality affordable housing along with attractive profits and returns.

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 procurement 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.

Grainger Trust Limited

Strategic report

Year ended 30 September 2023

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 undertaking 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 associated published 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 and business objectives.

How our residents experience VfM

We continued to deliver a Value for Money service directly to our residents during the FY23 year, often as a response to resident feedback, including:

- Adding further management resources and growing the Grainger Trust team to improve customer service and satisfaction
- Completed a stock rationalisation exercise, transferring 89 units to another provider that were consuming a disproportionate amount of expenditure and management time due to their isolated location. Following an informal and formal resident consultation process, these residents are now with a local provider with a strong service record.
- Hosted a 'Cops & Coffee' event with local Community Police to increase resident awareness of methodology for dealing with ASB.
- Hosted a Resident Open Day at each development to give customers the opportunity to meet the team, raise issues, learn about future plans for each development and meet neighbours.
- Retendered our gardening contract in one location following poor customer feedback for a new contractor.
- Partnered with local police to allow access in case of a warrant and avoid door replacement costs.
- Retendered our insurance provider again due to poor customer experience through insurance claims.

Grainger Trust Limited

Strategic report

Year ended 30 September 2023

- Added to our local approved contractors list to increase competition for planned repairs, improving service and reducing costs.
- Introduced a Damp, Mould and Condensation management system and IT process to ensure that all reports of DMC are tracked until resolved, gathering data about cost and frequency, and that no resident is informed that their 'lifestyle' is the cause without a damp specialist's opinion.
- Surveyed residents at regular touchpoints, including after every repair, and reviewed feedback monthly to look for insights to inform improvements.

We are also developing 'Know Your Customer' software which will allow us to hold and analyse resident data to better understand the needs of those that we house and direct specific communications to those most in need.

VfM Metrics

Delivery was slower than initially expected this year as a result of delays in the third-party housebuilder pipelines outside of our control. As our second full year managing the entire portfolio in-house, FY23 saw further improvements arising from integrating the management within the wider Group, benefitting from the economies of scale and support of the back office functions. The management team merged with that of a smaller Grainger plc PRS portfolio on the two large Hampshire estates, allowing for increased team resource and flexibility, increasing our days on site away from the office. The increased scale allowed us to renegotiate some of our service contracts providing better Value for Money for GT residents.

One of our means of measuring VfM is through meeting the reporting requirements of the 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 comparable 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 2023 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 with new build modern homes, 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 affordable housing homes for the sector, albeit organically via Grainger plc schemes.

	GT 2022/23	GT 2021/22	GT 2020/21	Lower Quartile	Median	Upper Quartile
Reinvestment %	8.0%	6.4%	19.8%	4.3%	6.7%	9.4%

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 affordable 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.

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Strategic report

Year ended 30 September 2023

Our performance significantly exceeds that of the peer group reflecting the continued high level of investment. 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 2022/23	GT 2021/22	GT 2020/21	Lower Quartile	Median	Upper Quartile
New Supply (social homes) %	6.7%	3.6%	16.0%	0.6%	1.3%	2.2%

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

Metric 3 – Gearing %:

Grainger Trust's financing model, which does not currently use any debt leverage, means this metric is not applicable to our business.

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 pay.

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 is the second full year that the entirety of the Grainger Trust property management function was operated within the Group. Due to the phasing of acquisition of units differing each year, with the associated changes in portfolio split between rented and Shared Ownership, the cost per unit fluctuates each year. As our portfolio has doubled in size since FY19, we have also invested in our team significantly and developed non-core functions such as community engagement and wellbeing initiatives. Costs are well managed within budgets set.

	GT 2022/23	GT 2021/22	GT 2020/21	Lower Quartile	Median	Upper Quartile
Social housing cost per unit (£)	2,255	1,965	1,642	4,082	4,586	5,847

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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 2022/23	GT 2021/22	GT 2020/21	Lower Quartile	Median	Upper Quartile
Operating Margin (social housing lettings) %	75.4%	73.4%	71.9%	14.4%	19.8%	25.5%
Operating Margin (overall) %	58.8%	55.2%	58.3%	12.0%	18.2%	23.0%

Metric 7 – Return on capital employed (%):

Our return on capital employed continues to be consistent with our peers, reflecting the high level of investment in homes during the period and is in line with our targets for the business.

	GT 2022/23	GT 2021/22	GT 2020/21	Lower Quartile	Median	Upper Quartile
Return on capital employed %	3.6%	2.5%	3.3%	2.2%	2.8%	3.6%

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	2022/23	2021/22	2020/21	2019/20	2018/19
Current arrears as at 30 September (against annual rent roll)	4.3%	3.9%	3.2%	2.6%	3.3%
Rent collected % (excluding arrears brought forward)	99.7%	98.1%	98.5%	97.9%	97.8%
Properties with valid gas safe certificate at the year end	100%	100%	100%	100%	100%
Discount Market Rent (inc Grainger Let) units	137	136	96	41	31
Shared ownership units	315	346	362	313	220
Social housing units	459	470	425	348	245

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Collecting rent

We continue to be effective in collecting income through use of our in-house credit control team. This year Grainger Trust recruited a specialist Income Support Officer role for the first time to complement our existing credit control functions. The ISO role is able to conduct Income Maximisation reviews with residents who are struggling with arrears and get incoming residents set up correctly for the best start with us. Arrears have still grown in the year as the role was only added in Q3 FY23 but we expect to see the benefits coming through in FY24.

Tenant satisfaction

The FY2022/23 annual customer survey captured 257 responses (compared to 229 in FY2021/22). This was our first year of conducting the full prescribed Tenant Satisfaction Measures survey and reporting on 12 tenant perception metrics in the standardised methodology. The survey was carried out by independent customer research group The Leadership Factor (TLF).

Low Cost Rental Accommodation (LCRA)

Grainger Trust achieved an overall 85.1% satisfaction with the services provided by Grainger Trust, up from 77% in FY2021/22 using the same methodology. This put us within the top quartile of the RPs that TLF has surveyed this year.

All LCRA TSMs scored above average when benchmarked against the other 54 RPs TLF had conducted surveys for.

Low Cost Home Ownership (LCHO)

Grainger Trust achieved an overall 55% satisfaction with the services provided by Grainger Trust, up from 47% in FY2021/22 using the same methodology. This put us within the top quartile of the Shared Ownership providing RPs that TLF has surveyed this year.

All LCHO TSMs scored above average when benchmarked against the other 54 RPs TLF had conducted surveys for, with the exception of TP09.

Insight and Outcomes

We have received clear feedback that residents are very satisfied that we are providing safe homes, keep them informed about things that matter to them and treat them fairly and with respect.

We have also learned that we need to look at further improvements to our complaints handling and ASB management processes.

We have already introduced a 'Grumble' process so we are now logging any expression of dissatisfaction so that we can identify patterns and change processes accordingly. We are also refreshing our formal complaints policy in light of the new statutory Complaints Handling Code – this will ensure that any customer expressing dissatisfaction is given the opportunity to raise as a formal complaint and increase the volume that we can derive insights from. We are also producing a compensation policy and will pay particular attention to Shared Owners, whose satisfaction with complaints handling is lowest.

Analysis of qualitative responses also showed that our repairs service is both a driver of satisfaction and dissatisfaction. On average, residents that had reported a repair to Grainger Trust in the last 12 months were actually 7% more satisfied than those that didn't. But we are aware it has a big impact on satisfaction when things go wrong. We are currently procuring a single repairs contract with a national contractor that will cut our emergency response times from 24 to 4 hours, urgent response from 5 to 3 days and routine response from 20 to 15 days. We will also be able to offer more flexible appointment times and continue to request feedback from customers after every job has been completed.

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Strategic report

Year ended 30 September 2023

Community development

We also surveyed our residents about what events and engagement they would most like to see from us and delivered the first Grainger Trust Open Days at our two major locations; residents had the chance to meet the team and their neighbours, learn about the future of their developments and raise queries and concerns.

We also facilitated a range of community events including a charity 10k run, wildlife events in our SANGS land, a Cops and Coffee event with the local policing team, a winter photo competition and wreath making event.

Delivering future value

Projects and programmes of work to deliver further Value for Money in 2023-24:

- **Information technology**

Grainger plc continue with their significant investment into a new technology platform, CONNECT, which launched in part during the Summer of 2021. Further tranches of software followed and in FY24 we will continue to finesse the functionality of these systems to best suit the needs of the organisation and our residents. This will include utilising a Customer Relationship Management suite for Grainger Trust residents that will allow us to better Know Our Customer – new Tenancy Inspection templates will gather and update tenant data and for the first time we will be able to report on a variety of support requirements to better tailor our day-to-day services. 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. We are also building out powerful analytical tools that will allow insights into the portfolio and residents to further improve satisfaction and wellbeing. Grainger Trust takes full advantage of CONNECT and this benefit is set to grow.

- **Procurement**

We benefit from Group investments into the Procurement team and in FY24 are looking to award a single repairs contract in partnership with the parent company, allowing us to access a scale that will unlock the most competitive rates available. We will be leveraging the process to not only bring a reduction in costs for reactive and planned maintenance, but also an increase in service satisfaction and social value generated from our repairs partnerships.

- **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, carpets/flooring 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 adaptations 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, enabling significant savings in energy bills.

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 with 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.

Grainger Trust Limited

Strategic report

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- **Resident support**

In FY23 we introduced a 1-2-1 resident support initiative for our most vulnerable residents and a new role of Income Support Officer to ensure that our residents are accessing all of the support available to them and that their tenancies remain affordable. Our experienced property managers continue to provide moderate support to a number of residents within our general needs portfolio.

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.

Statement of compliance with adopted Code of Governance

The Regulator of Social Housing's Governance and Financial Viability Standard requires that the Group adopt an appropriate Code of Governance and report any variation on a "comply or explain" basis. This statement therefore forms part of Grainger Trust's regulatory compliance.

Following an assessment of different Codes of Governance in 2021, the Board of Grainger Trust adopted the latest version (March 2021) of the ecoDa Corporate Governance Guidance and Principles for Unlisted Companies in Europe ("the ecoDa Code of Governance") as the most appropriate for the organisation which seeks to comply with both this and best practice regarding corporate governance.

An initial assessment of compliance with the adopted Code of Governance was undertaken in 2021/22 and areas for improvement were identified in relation to Board recruitment, induction and appraisal.

In line with the organisation's governance and arrangements, compliance against the chosen Code of Governance is reviewed annually and reported to the Board. A review of compliance against the ecoDa Code of Governance has concluded that actions previously identified for improvement have now been implemented during the financial year and the organisation fully complies with the code's provisions in so far as they apply to Grainger Trust, with once exception. As part of the organisation's commitments to continuous improvement, further steps are being implemented to strengthen and embed Grainger Trust's internal control, risk management and assurance framework (Principle 6, Key Point 3). These steps and further actions are well under way to be implemented and embedded and will be reported in the statement of compliance in the next annual report and accounts.

It should also be noted that Principles 9 and 12 of the Code are not applicable as the former relates to family businesses and the latter relates to Board Committees which Grainger Trust does not currently operate. Grainger Trust also does not operate with a Chief Executive, and principles relating to this role have been applied to the Head of Grainger Trust position.

Statement of compliance with RSH Financial Viability and Governance standard

A review of compliance against the Regulator of Social Housing's Regulatory Standards has confirmed Grainger Trust's full compliance with the Governance and Financial Viability Standard.

Grainger Trust Limited

Strategic report

Year ended 30 September 2023

Risk Management

The Board of Management is responsible for governance of risk, determining the levels of risk tolerance and the risks it is willing to take (appetite). In FY23 we completed our review of our Risk Register and agreed detailed Risk Appetite Statements, defining the risk/reward trade-offs and indicators of desired behaviours for each of our risks.

Risk analysis considers Grainger Trust's strategic objectives, the external environment in which it operates and the internal operating environment of Grainger Trust. Risks are identified and described in a standard risk register template and quantified using a likelihood and impact 5x5 matrix. When deciding how to treat a risk, treatments can include Accept, Transfer, Treat and Terminate.

Further work is underway to complete the Golden Thread between our Corporate Strategy, Risk Register, stress testing and Internal Audit Programme.

This report was approved by the board of directors on 25 March 2024 and signed on behalf of the board by:



Henry Gervaise-Jones
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 2023 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 2023 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 2022.

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.

**Independent auditor's report to the members of
Grainger Trust Limited (continued)**

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.

**Independent auditor's report to the members of
Grainger Trust Limited (continued)**

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.

We have nothing to report in these respects.

**Independent auditor's report to the members of
Grainger Trust Limited (continued)**

Directors' responsibilities

As explained more fully in their statement set out on pages 2 to 3, 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 (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
27 March 2024

Grainger Trust Limited

Statement of comprehensive income

Year ended 30 September 2023

		2023 £	2022 £
Turnover	Note 3, 4	13,257,220	10,256,287
Cost of sales	3	(5,468,487)	(4,718,869)
Gross profit		7,788,733	5,537,418
Administrative expenses	3	(789,860)	(762,783)
Fair value (loss)/gain on investment property	5	(998,833)	7,122,657
(Loss) on disposal of investment properties	3	(720,148)	–
Gain on disposal of housing properties	3	512,396	–
Operating profit	6	5,792,288	11,897,292
Other interest receivable and similar income		134,084	11,306
Profit on ordinary activities before taxation		5,926,372	11,908,598
Tax on profit on ordinary activities	8	(1,169,298)	(2,694,640)
Profit for the financial year		4,757,074	9,213,958
Unrealised (loss)/gain on revaluation of housing properties	9	(7,098,212)	5,310,556
Total tax on components of other comprehensive income	8	1,774,552	(1,327,639)
Total comprehensive (loss)/income for the year		(566,586)	13,196,875

All the activities of the company are from continuing operations.

The notes on pages 21 to 29 form part of these financial statements.

Grainger Trust Limited

Statement of financial position

30 September 2023

	Note	2023 £	2022 £
Fixed assets			
Investment properties	9	83,132,576	86,671,868
Housing properties	9	93,709,715	101,831,710
		<u>176,842,291</u>	<u>188,503,578</u>
Current assets			
Stocks	10	1,682,258	1,086,892
Debtors	11	1,442,605	1,133,928
Cash at bank and in hand		17,547,790	12,536,736
		<u>20,672,653</u>	<u>14,757,556</u>
Creditors: amounts falling due within one year	12	(8,053,078)	(10,354,948)
Net current assets		<u>12,619,575</u>	<u>4,402,608</u>
Total assets less current liabilities		<u>189,461,866</u>	<u>192,906,186</u>
Provisions			
Deferred tax	14	(14,518,863)	(17,396,597)
Net assets		<u>174,943,003</u>	<u>175,509,589</u>
Capital and reserves			
Called up share capital	15	102,757,128	102,757,128
Revaluation reserve	16	19,454,053	26,383,961
Profit and loss account	16	52,731,822	46,368,500
Shareholders' funds		<u>174,943,003</u>	<u>175,509,589</u>

These financial statements were approved by the board of directors and authorised for issue on 25 March 2024, and are signed on behalf of the board by:



Henry Gervaise-Jones
Director

Company registration number: 04630928

The notes on pages 21 to 29 form part of these financial statements.

Grainger Trust Limited

Statement of changes in equity

Year ended 30 September 2023

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 October 2021	102,757,128	22,401,044	37,154,542	162,312,714
Profit for the year	—	—	9,213,958	9,213,958
Other comprehensive income for the year:				
Unrealised gain on revaluation of housing properties	—	5,310,556	—	5,310,556
Deferred tax relating to components of other comprehensive income	—	(1,327,639)	—	(1,327,639)
Total comprehensive income for the year	—	3,982,917	9,213,958	13,196,875
At 30 September 2022	102,757,128	26,383,961	46,368,500	175,509,589
Profit for the year	—	—	4,757,074	4,757,074
Other comprehensive income for the year:				
Unrealised loss on revaluation of housing properties	—	(7,098,212)	—	(7,098,212)
Realisation of revaluation on sale	—	(2,141,664)	2,141,664	—
Deferred tax transfer on realisation of revaluation on sale	—	535,416	(535,416)	—
Deferred tax relating to components of other comprehensive income	—	1,774,552	—	1,774,552
Total comprehensive income for the year	—	(6,929,908)	6,363,322	(566,586)
At 30 September 2023	<u>102,757,128</u>	<u>19,454,053</u>	<u>52,731,822</u>	<u>174,943,003</u>

The notes on pages 21 to 29 form part of these financial statements.

Grainger Trust Limited

Notes to the financial statements

Year ended 30 September 2023

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 2022 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 £174,943,003 at 30 September 2023 and has generated a total comprehensive loss for the period then ended of £566,586. 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 have been applied to the key factors affecting financial performance of the Group. The assessment includes the potential impact of reduced PRS occupancy, contraction in rental levels, reduced property valuations, cost inflation and changes in interest rates. 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 investment 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.

Grainger Trust Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2023

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:

Grainger Trust Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2023

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
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Other fixed assets

Electrics / mechanical systems and lifts	40 years
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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.

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2023

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

	2023 £	2022 £
<i>Income from social/intermediate/shared ownership housing lettings:</i>		
Gross rents receivable	7,805,436	6,538,849
Less: Rent losses from voids	(194,316)	(186,087)
Net rents receivable	7,611,120	6,352,762
<i>Income from property sales:</i>		
Income from shared ownership sales	5,646,100	3,902,525
Other income	–	1,000
Total income from housing lettings and sales	13,257,220	10,256,287
<i>Expenditure on social/intermediate/shared ownership housing activities:</i>		
Property operating expenses	2,347,804	2,081,831
Property book cost of sales	2,983,240	2,532,844
Property disposal fees	137,443	104,194
Cost of sales	5,468,487	4,718,869
Intercompany management charges	579,183	552,483
Consultancy fees	33,157	38,698
Directors' remuneration	25,000	18,827
Valuation fees	119,976	114,260
General expenditure	32,544	38,515
Administrative expenses	789,860	762,783
Total expenditure on social/intermediate/shared ownership housing lettings and sales	6,258,347	5,481,652
Fair value (loss)/gain on investment property	(998,833)	7,122,657
(Loss) on disposal of investment properties	(720,148)	–
Gain on disposal of housing properties	512,396	–
Operating profit	5,792,288	11,897,292

4. Turnover

Turnover arises from:

	2023 £	2022 £
Rental income	7,611,120	6,352,762
Proceeds from sale of shared ownership properties	5,646,100	3,902,525
Other income	–	1,000
	13,257,220	10,256,287

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

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2023

5. Fair value (loss)/gain on investment property

	2023 £	2022 £
Fair value (loss)/gain on investment properties	<u>(998,833)</u>	<u>7,122,657</u>

6. Operating profit

Audit fees of £12,900 (2022: £6,900) 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:

	2023 £	2022 £
Remuneration	<u>25,000</u>	<u>18,827</u>

The remuneration of Colin Sherriff, Sharon Pearce and Diane Hart totalled £25,000 (2022: £18,827). In addition to their directorship of Grainger Trust Limited, Paul McGowan, Henry Gervaise-Jones, Kurt Mueller and Toby Austin were directors/employees of other Group companies and their remuneration was borne by another Group company. The remuneration of the highest paid director totalled £12,000 (2022: £11,077).

8. Tax on profit

Major components of tax expense

	2023 £	2022 £
Current tax:		
UK current tax expense	2,272,174	904,251
Adjustments relating to prior year	306	4,000
	<u>2,272,480</u>	<u>908,251</u>
Deferred tax:		
Origination and reversal of timing differences	(1,103,182)	1,786,389
Tax on profit on ordinary activities	<u>1,169,298</u>	<u>2,694,640</u>

Tax expense included in other comprehensive income

In addition to the above a deferred tax credit of £1,774,552 (2022: charge of £1,327,639) was recognised in other comprehensive income. This represents the credit/charge on the unrealised loss (2022: unrealised gain) on the revaluation of housing properties.

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 22% (2022: 19%). Tax is chargeable at an effective rate of 19.7% (2022: 22.6%).

	2023 £	2022 £
Profit on ordinary activities before taxation	<u>5,926,372</u>	<u>11,908,598</u>
Profit on ordinary activities by rate of tax	1,303,802	2,262,634
Indexation on investment property disposals	(2,995)	(519)
Expenses not deductible for tax purposes	873	3,792
Impact of tax rate changes	<u>(132,382)</u>	<u>428,733</u>
Tax on profit on ordinary activities	<u>1,169,298</u>	<u>2,694,640</u>

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2023

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 £44,247 (2022: £217,302).

With effect from 1 April 2023, the UK corporation tax rate increased from 19% to 25%. The company's 2023 current tax charge has been calculated at 22% (2022: 19%) and will be 25% in future periods. Deferred tax at 30 September 2023 has been measured at 25% (2022: 25%).

9. Tangible assets

	Investment properties £	Housing properties £	Total £
Cost or valuation			
At 1 October 2022	86,671,868	101,831,710	188,503,578
Additions	7,255,130	3,953,350	11,208,480
Disposals	(9,795,589)	(4,977,133)	(14,772,722)
Revaluations	(998,833)	(7,098,212)	(8,097,045)
At 30 September 2023	83,132,576	93,709,715	176,842,291
Depreciation			
At 1 October 2022	–	–	–
Charge for the year	–	1,165,534	1,165,534
Reversal of depreciation	–	(1,165,534)	(1,165,534)
At 30 September 2023	–	–	–
Carrying amount			
At 30 September 2023	83,132,576	93,709,715	176,842,291
At 30 September 2022	86,671,868	101,831,710	188,503,578

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 2023 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 2023 was 137 (2022: 136) and the number of shared ownership units was 315 (2022: 346).

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 2023 was 459 (2022: 470).

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 £126,314,765 (2022: £125,959,644).

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2023

10. Stocks

	2023	2022
	£	£
Trading properties	874,913	830,791
Work in progress	807,345	256,101
	<u>1,682,258</u>	<u>1,086,892</u>

The replacement value of trading properties (sale at market value of the property subject to occupation by a resident) is £1,051,903 (2022: £1,700,000) based on market value at 30 September 2023.

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

	2023	2022
	£	£
Rent arrears	272,231	211,984
Other debtors	1,170,374	921,944
	<u>1,442,605</u>	<u>1,133,928</u>

12. Creditors: amounts falling due within one year

	2023	2022
	£	£
Trade creditors	74,646	40,977
Amounts owed to group undertakings	4,726,081	7,110,525
Other creditors	2,733,831	2,730,637
Accruals and deferred income	518,520	472,809
	<u>8,053,078</u>	<u>10,354,948</u>

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:

	2023	2022
	£	£
Included in provisions (note 14)	<u>14,518,863</u>	<u>17,396,597</u>

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

	2023	2022
	£	£
Revaluation of investment properties	8,034,179	8,601,945
Revaluation of housing properties	6,484,684	8,794,652
	<u>14,518,863</u>	<u>17,396,597</u>

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2023

14. Provisions

	Deferred tax (note 13) £
At 1 October 2022	17,396,597
Movements dealt with in profit or loss	(1,103,182)
Movements dealt with in other comprehensive income	(1,774,552)
At 30 September 2023	<u>14,518,863</u>

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

	2023		2022	
	No.	£	No.	£
Ordinary shares of £1 each	<u>102,757,128</u>	<u>102,757,128</u>	<u>102,757,128</u>	<u>102,757,128</u>

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:

	2023 £	2022 £
Tangible assets	<u>49,098,815</u>	<u>30,696,564</u>

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:

	2023 £	2022 £
Not later than 1 year	649,338	546,299
Later than 1 year and not later than 5 years	161,402	184,500
Later than 5 years	<u>4,100,173</u>	<u>5,400,067</u>
	<u>4,910,913</u>	<u>6,130,866</u>

Grainger Trust Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2023

19. Related party transactions

Property operating expenses include intercompany management charges of £604,194 (2022: £430,321) representing property services costs, office costs, IT costs and similar other costs. In addition, administrative expenses include an intercompany administration fee of £579,183 (2022: £552,483). All such charges are payable to another company within the Grainger plc group, which is not a Private Registered Provider of Social Housing, are calculated on an arm's length basis, and are determined by rental levels and the number of property units held.

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.

Atlantic Metropolitan (U.K.) Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.