

COMPANY REGISTRATION NUMBER: 04630928

Grainger Trust Limited
Financial statements
30 September 2017



Grainger Trust Limited

Financial statements

Year ended 30 September 2017

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Grainger Trust Limited

Company details

The board of management

Miss Gina Amoh
Mr Calum Mercer
Mrs Deborah F Shackleton
Mr Mark C Fleetwood
Mr Mark J Robson

Company secretary

Mrs Rodica Damian

Registered office

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Auditor

KPMG LLP
Chartered accountants & statutory auditor
15 Canada Square
Canary Wharf
London
E14 5GL

Bankers

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

Homes & Communities Agency (registration 4743)

Company registration number

04630928

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

The Board of Management presents its report and the financial statements for the year ended 30 September 2017.

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 Homes and Communities Agency 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 2017, and subsequent to the year end, were:

Mrs Deborah F Shackleton (Chairperson)
Miss Gina Amoh
Mr John Beresford (resigned 22 December 2017)
Mr Nicholas M F Jopling (resigned 27 November 2017)
Mr Calum Mercer
Mr Mark C Fleetwood (appointed 30 November 2016)
Mr Mark J Robson (appointed 27 November 2017)

Registration of the Company

The Company is registered with the Homes and Communities Agency (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 12.

Review of the year

Grainger Trust has grown significantly over the past financial year. At 30 September 2016 it owned 96 units across two sites and was contracted to purchase another 206 units at three separate locations. During 2017, a gross investment of £9.2m has increased total units under management by 105, to 201, split between three sites. The total annualised rent roll as at 30 September 2017 was £1.1m and equity shares in 48 units were sold in the year, generating revenues of £4.4m and profits of £2.2m. In addition, other leasehold interests were surrendered, generating revenues of £2.2m and profits of £0.5m.

Grainger Trust is well placed to complement the property portfolio of Grainger plc by delivering good quality social housing along with strong profits and returns, and expects to acquire over 100 units from house builders in the South East over the coming year, with further significant growth expected over the coming few years.

Value for money (VfM)

Grainger Trust is a for-profit affordable housing provider. Grainger Trust delivers both financial returns to its investors and social returns on the investment made through place making and regeneration. In the last year, Grainger Trust has supported Wellesley's Employment Skills Initiative offering employment opportunities to the local community including 17 work experience placements, 13 career talks and 11 new jobs.

In the last 12 months, Grainger Trust has delivered 105 affordable homes. These homes have been funded by £9.2m of new equity with a secured pipeline of around £50m established for delivery over the next four years. 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 total corporation tax payable of £578k for the 12 months to September 2017.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

Grainger Trust embeds value for money into its day to day activities from site appraisals to repairs and maintenance. It is this approach that allows Grainger Trust to continue to grow whilst producing financial and social returns.

Why is Value for Money important to Grainger Trust?

The current economic climate makes it increasingly important that we adopt a comprehensive and strategic approach to getting the most from Grainger Trust's and the Grainger plc group's resources.

What does Value for Money mean to Grainger Trust?

We design value and quality into our systems, processes and governance. We draw on the strengths and experience of the group's resources so that we are continuously putting our customers' needs first and, of course, ensuring best value. Our network of staff applies common sense and good judgement to find smart, efficient ways of finding small savings that impact the bigger picture.

It also helps us to understand how our efforts compare with others and change over time. That, in turn, helps us to identify problems so that we can address them. There have been improvements in the collection of our performance data, but we will continue to develop this with better systems to evidence value each year.

Overview

Grainger Trust was established in 2012 as one of the first for profit housing associations. Today, it is one of the largest, with a large secured pipeline of over 400 units. Over the next year, Grainger Trust will continue to ensure that our development projects produce a profit which can be recycled into future schemes. We are aiming to invest in 305 more affordable homes by 2018 and we will fund this through profits from other development sites and Grainger plc investment. By balancing communities (private and social housing), we hope to support both economic and physical regeneration. Mixed tenure sites attract infrastructure development and business investment to add value to Local Delivery Plans.

We have adopted this approach since 2012 and will continue into 2018 and beyond. We will be seeking to improve our VfM performance in order to produce greater profits to deliver more homes and savings to the business.

We are making improvements to our property management and our repairs and maintenance service. We targeted an operating outflow of around 20% per annum and delivered less than 20% net of fees for the year ended September 2017.

Our strategic approach to VfM

We define 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
- ensuring that we deliver VfM through service, team and individual action plans
- making sure that quality is an essential element in VfM decisions
- challenging how we deliver services and get VfM
- continually quantifying efficiencies to monitor cash savings, quality improvement and to comply with regulations
- buying goods and services more effectively.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

We check and challenge our VfM performance regularly in several ways, including:

- benchmarking our performance against peers
- monitoring and challenging key financial margins across the organisation
- pursuing our growth plans without incurring additional costs wherever possible
- monitoring VfM developments to ensure that we do not incur disproportionate costs in the drive for efficiency.

How we will measure success

A key element of VfM as detailed in the HCA Standard is for registered providers to obtain a detailed understanding of both their absolute and comparative costs. This will be derived from audited statutory accounts and measures the total cost of providing services including overhead.

How VfM fits into our structure

The Board has 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 VfM. It is not only important to our customers, but is necessary to meet our financial obligations. We have also embedded VfM in our workforce in several ways.

We measure a key basket of performance measures to test our operational efficiency. The table below provides an overview of how we are performing across these measures:

Performance measure	Our performance
Current arrears	2.0%
Rent collected % (excluding arrears brought forward)	96.9%
Properties with valid gas safe certificate at the year end	100%

Tenant satisfaction

As Grainger Trust is a small business, we are in the process of improving our KPI's and alongside incorporating the Sector Scorecard we will look to capture tenant satisfaction in 2018.

Collecting rent

We continue to be effective in collecting income through use of our in-house credit control team. Income collection for the year was 96.7%.

Days to re-let

Our year end performance for re-letting homes was positive. The new voids procedure and minimum voids standard played an integral part in improving both our re-let service and performance. During the year we have continued improving by focussing on the collaboration between our property managers and local authorities.

Comparing financial performance against other Registered Providers

Due to the unique nature of Grainger Trust, it is difficult to find small RPs to benchmark against as we utilise the platform of a much larger organisation to reduce costs. By implementing KPI's from the sector scorecard, we can monitor our performance against the whole industry.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

VfM in action

Performance measures	Our performance YE 17	Our performance YE 16
Direct cost per property of housing management	£520	£900
Direct cost per property of responsive repairs and voids	£449	£316
Direct cost per property of major and cyclical works	£1,012	£1,216
Overheads as a % of adjusted turnover	3%	20%
Growth in turnover	170%	300%
Growth in total assets	108%	300%

Efficiency in delivering our services

We have reviewed how we manage our properties to ensure they deliver the greatest possible VfM for our residents. We have increased our focus on efficient property management and this has resulted in a reduction of around £380 per property from the previous year's level. Aggregated across our stock, this represents a decrease in our operating costs of over £76k.

Improving our performance as a landlord

We have a commitment to keep our homes in good shape. Our repairs and maintenance performance is also a major concern for customers.

We value our customers' feedback and have a new home demonstration service to capture what residents think are key issues with their new properties; this is also providing a significant amount of information for performance, defect and snagging KPIs. Coupled with our weekly site visits and yearly inspections, this helps us to improve our design brief for future developments, our processes and the service we provide to our customers.

Value through smarter working

This year we continued with a number of significant change projects which will help to improve VfM in major operational areas.

We continued to deliver VfM in other areas during the year, including:

- improving the amount and quality of information provided routinely to customers on move in to reduce the number of incoming enquiries.
- switching to paperless direct debit facilities to speed up transactions for customers and further reduce paperwork and administrative costs.

The smarter and more effective use of information technology throughout the business is also having a significant impact on VfM. We are in the middle of a major, strategic review of our IT services, operational processes and procurement which will deliver an extensive range of savings, improvements in efficiency, and an enhanced service.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

How our finance systems contribute?

Our finance team plays a crucial role in delivering VfM through data collection, monitoring and analysis. Their work also helps managers to make well informed VfM decisions.

We use 'cost per property', 'gross to net' and 'profit as a percentage of turnover' as internal benchmarking tools to compare cost performance and services, while monitoring performance against budget. We also use outputs to improve the annual budgeting process and provide trend analysis to help our planning.

Our financial strength means that we have been able to deliver on our aspirations to provide more homes. As Grainger Trust grows, we will seek the lowest cost of finance in order to deliver best value.

Delivering future value

Projects and programmes of work to deliver further VfM in 2017-18:

Information technology

- Tablets for front line staff – already under trial
- Fully automated tenant and repairs portal – under review
- Online payment system – under review

Repair service

We are reviewing the way we deliver our repairs service to deliver efficiency savings as our portfolio grows, especially in our headline schemes.

Social and environmental impact

Contributing to local authority affordable homes targets via S106 and nomination agreements to let to those in housing need. The portfolio is designed to meet / exceed building regulatory thermal and fuel efficiency targets to assist in the eradication of fuel poverty. It is recognised that social and environmental value can be difficult to quantify, for this reason we have chosen not to attempt to monetise every example of the value created; preferring to measure this in terms of good links into housing authorities and councils via common housing register nominations 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 and well-being and general quality of life.

Development pre-construction

We will continue to drive further VfM by giving more time at all stages of the acquisition and procurement processes to focus on efficient design solutions, appropriate internal layouts and optimised specifications. This will help to reduce build costs while maximising values. In addition, a more highly focused, on-site inspection role and an after sales service will reduce minor snags and defects, increase the overall customer experience and improve satisfaction levels with the homes we build. It is too early to quantify what the VfM impact will be from this work. We will capture and measure the impact of the team on overall delivery, value and customer satisfaction.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

Whole life costing

In addition to VfM at the development stage, Grainger Trust has collated life cycle costs to inform Planned Preventative Maintenance Schedules to ensure that our new build assets are constantly retrofitted for the future and maintained throughout the building's life as exemplar housing.

The majority of Grainger Trust's homes are built to Life Time Homes Standards. This standard allows the internal design and fit out of the unit to be fully adapted to meet disabled clients' needs. The units are designed to accommodate wheelchair turning areas and special provision is allowed for any future potential adaptations, for example knock-out panels to bedrooms and the provision of tracked hoists. Drainage is provided so that baths can be easily adapted into walk-in showers. The aim of these properties is to provide a home for life set within a busy and active neighbourhood.

The Grainger Trust schemes at Berewood and Wellesley also incorporate solar panels to some roofs which provides an additional source of income to each dwelling. The systems are independent and serve each dwelling separately. This cuts down on the running costs for the residents and reduces the impact on the environment.

How the Board monitors performance

Grainger Trust has developed mechanisms for monitoring performance generally and for scrutinising performance in relation to VfM. The Board takes a keen interest in ensuring that Grainger Trust delivers services that our customers consider to be of good value. The Board receives and reviews management accounts detailing key performance data on a quarterly basis and has access to monthly performance packs that are reviewed by the operational team.

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 the 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.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

Governance

Grainger plc, the company's ultimate parent undertaking, has adopted and is operating under the relevant sections of the UK Corporate Governance Code. The Board of Management has considered the Code of Governance produced by the National Housing Federation (NHF). The Board strives to comply with the spirit of the recommendations made in the NHF's Code. In addition, Grainger Trust complies with the HCA's Governance and Financial Viability standard.

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 and the Statement of Recommended Practice 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They 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.

Grainger Trust Limited

Report of the board of management

Year ended 30 September 2017

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 2017. 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.

Small company provisions

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

This report was approved by the board of directors on 23 March 2018 and signed on behalf of the board by:



Mark Fleetwood
Director

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

Opinion

We have audited the financial statements of Grainger Trust Limited ("the association") for the year ended 30 September 2017 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the association as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 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

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

- 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 8 to 9, 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 association'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 association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bill Holland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
23 March 2018

Grainger Trust Limited

Statement of comprehensive income

Year ended 30 September 2017

	Note	2017 £	2016 £
Turnover	4	7,289,391	2,704,571
Cost of sales		(4,142,996)	(1,196,831)
Gross profit		3,146,395	1,507,740
Administrative expenses		(183,171)	(146,714)
Fair value gain on investment property	5	2,440,653	2,056,354
Operating profit	6	5,403,877	3,417,380
Other interest receivable and similar income		—	6
Profit on ordinary activities before taxation		5,403,877	3,417,386
Tax on profit on ordinary activities	8	(992,740)	(590,147)
Profit for the financial year		4,411,137	2,827,239
Unrealised surplus on revaluation of housing properties	9	4,084,543	857,144
Total tax on components of other comprehensive income	8	(694,372)	(145,714)
Total comprehensive income for the year		7,801,308	3,538,669

All the activities of the company are from continuing operations.

The notes on pages 15 to 23 form part of these financial statements.

Grainger Trust Limited

Statement of financial position

30 September 2017

	Note	2017 £	2016 £
Fixed assets			
Investment properties	9	12,430,245	8,301,643
Housing properties	9	14,803,172	3,251,571
		<u>27,233,417</u>	<u>11,553,214</u>
Current assets			
Stocks	10	3,822,727	646,932
Debtors	11	31,507	1,422,143
Cash at bank and in hand		1,673,392	2,140,157
		<u>5,527,626</u>	<u>4,209,232</u>
Creditors: amounts falling due within one year	12	(1,947,729)	(859,723)
Net current assets		<u>3,579,897</u>	<u>3,349,509</u>
Total assets less current liabilities		<u>30,813,314</u>	<u>14,902,723</u>
Provisions			
Deferred tax	14	(1,783,866)	(674,583)
Net assets		<u>29,029,448</u>	<u>14,228,140</u>
Capital and reserves			
Called up share capital	15	16,741,128	9,741,128
Revaluation reserve	16	4,101,601	711,430
Profit and loss account	16	8,186,719	3,775,582
Shareholders' funds		<u>29,029,448</u>	<u>14,228,140</u>

These financial statements were approved by the board of directors and authorised for issue on 23 March 2018, and are signed on behalf of the board by:



Mark Fleetwood
Director

Company registration number: 04630928

The notes on pages 15 to 23 form part of these financial statements.

Grainger Trust Limited

Statement of changes in equity

Year ended 30 September 2017

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
At 1 October 2015	3,241,128	–	948,343	4,189,471
Profit for the year	–	–	2,827,239	2,827,239
Other comprehensive income for the year:				
Unrealised surplus on revaluation of housing properties	–	857,144	–	857,144
Deferred tax relating to components of other comprehensive income	–	(145,714)	–	(145,714)
Total comprehensive income for the year	–	711,430	2,827,239	3,538,669
Issue of shares	6,500,000	–	–	6,500,000
Total investments by and distributions to owners	6,500,000	–	–	6,500,000
At 30 September 2016	9,741,128	711,430	3,775,582	14,228,140
Profit for the year	–	–	4,411,137	4,411,137
Other comprehensive income for the year:				
Unrealised surplus on revaluation of housing properties	–	4,084,543	–	4,084,543
Deferred tax relating to components of other comprehensive income	–	(694,372)	–	(694,372)
Total comprehensive income for the year	–	3,390,171	4,411,137	7,801,308
Issue of shares	7,000,000	–	–	7,000,000
Total investments by and distributions to owners	7,000,000	–	–	7,000,000
At 30 September 2017	16,741,128	4,101,601	8,186,719	29,029,448

The notes on pages 15 to 23 form part of these financial statements.

Grainger Trust Limited

Notes to the financial statements

Year ended 30 September 2017

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 Social Housing 2015 and the Statement of Recommended Practice Accounting by Registered Social Landlords, Update 2014 ('SORP 2014').

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 deemed to be on legal completion. Rental income is recognised on a straight line basis over the lease term on an accruals basis.

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

2. Accounting policies (continued)

Income tax

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will give rise to a future tax liability against which the deferred tax assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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 2014 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:

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.

Grainger Trust Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

2. Accounting policies *(continued)*

Investment properties

Grainger lets

These properties are not subject to regulation by the HCA (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 Housing Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers: Update 2014, 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 fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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 2017

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

	2017 £	2016 £
<i>Income from social/intermediate/shared ownership housing lettings:</i>		
Gross rents receivable	748,891	228,071
Less: Rent losses from voids	—	—
Net rents receivable	748,891	228,071
<i>Income from property sales:</i>		
Income from shared ownership sales	4,380,500	2,476,500
Income from leasehold surrender	2,160,000	—
Total income from housing lettings and sales	7,289,391	2,704,571
<i>Expenditure on social/intermediate housing activities:</i>		
Property operating expenses	224,604	59,867
Property book cost of sales	3,752,914	1,048,437
Property disposal fees	165,478	88,527
Cost of sales	4,142,996	1,196,831
Valuation fees	15,740	9,600
Intercompany management charges	96,083	54,702
Consultancy fees	42,455	58,633
Marketing	6,957	—
Directors' remuneration	20,261	20,268
Board meeting costs	171	1,335
General expenditure	1,504	2,176
Administrative expenses	183,171	146,714
Total expenditure on social/intermediate housing lettings and sales	4,326,167	1,343,545
Fair value gain on investment property	2,440,653	2,056,354
Operating profit	5,403,877	3,417,380

4. Turnover

Turnover arises from:

	2017 £	2016 £
Rental income	748,891	228,071
Proceeds from sale of shared ownership properties	4,380,500	2,476,500
Income from leasehold surrender	2,160,000	—
	7,289,391	2,704,571

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

	2017 £	2016 £
Fair value gain on investment properties	2,440,653	2,056,354

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

6. Operating profit

Audit fees of £2,100 (2016: £2,600) 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:

	2017	2016
	£	£
Remuneration	<u>20,261</u>	<u>20,268</u>

The remuneration of Deborah Shackleton, Calum Mercer, and Gina Amoh totalled £20,261 (2016: £20,268). In addition to their directorship of Grainger Trust Limited, John Beresford, Nicholas Jopling and Mark Fleetwood were directors/employees of other group companies and their remuneration was borne by another group company. The remuneration of the highest paid director totalled £10,261 (2016: £10,268).

8. Taxation

Tax expense included in profit or loss

	2017	2016
	£	£
Current tax:		
UK current tax expense	577,829	272,206
Deferred tax:		
Origination and reversal of timing differences	475,927	411,271
Impact of tax rate changes	(61,016)	(93,330)
Tax on profit on ordinary activities	<u>992,740</u>	<u>590,147</u>

Tax expense included in other comprehensive income

	2017	2016
	£	£
Deferred tax:		
Origination and reversal of timing differences	694,372	145,714
Tax on components of other comprehensive income	<u>694,372</u>	<u>145,714</u>

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

8. Taxation (continued)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.5% (2016: 20%).

	2017 £	2016 £
Profit on ordinary activities before taxation	5,403,877	3,417,386
Profit on ordinary activities by rate of tax	1,053,756	683,477
Impact of tax rate changes	(61,016)	(93,330)
Tax on profit on ordinary activities	992,740	590,147

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 £20,229 (2016: £50,158).

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) are in effect or have been substantively enacted. These will reduce the Company's future current tax charge accordingly.

9. Tangible assets

	Investment properties £	Housing properties £	Total £
Cost or valuation			
At 1 October 2016	8,301,643	3,251,571	11,553,214
Additions	1,687,949	7,467,058	9,155,007
Revaluations	2,440,653	4,084,543	6,525,196
At 30 September 2017	12,430,245	14,803,172	27,233,417
Depreciation			
At 1 October 2016	-	-	-
Charge for the year	-	89,821	89,821
Reversal of depreciation	-	(89,821)	(89,821)
At 30 September 2017	-	-	-
Carrying amount			
At 30 September 2017	12,430,245	14,803,172	27,233,417
At 30 September 2016	8,301,643	3,251,571	11,553,214

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 2017 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 2017 was 29 (2016: 25) and the number of shared ownership units was 86 (2016: 53).

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 2017 was 86 (2016: 18).

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 £16,740,083 (2016: £7,585,076).

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

10. Stocks

	2017 £	2016 £
Trading properties	111,905	646,932
Work in progress	3,710,822	–
	<u>3,822,727</u>	<u>646,932</u>

The replacement value of trading properties (sale at market value of the property subject to occupation by a resident) is £230,901 (2016: £941,978) based on market value at 30 September 2017.

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

	2017 £	2016 £
Rent arrears	23,018	4,105
Other debtors	8,489	1,418,038
	<u>31,507</u>	<u>1,422,143</u>

Other debtors includes £nil (2016: £1,417,937) relating to payments on account in respect of properties being developed by another company within the Grainger plc group.

12. Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	26,686	12,914
Amounts owed to group undertakings	1,488,293	682,193
Other creditors	373,725	138,471
Accruals and deferred income	59,025	26,145
	<u>1,947,729</u>	<u>859,723</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:

	2017 £	2016 £
Included in provisions (note 14)	<u>1,783,866</u>	<u>674,583</u>

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

	2017 £	2016 £
Revaluation of investment properties	943,780	528,869
Revaluation of housing properties	840,086	145,714
	<u>1,783,866</u>	<u>674,583</u>

Grainger Trust Limited

Notes to the financial statements (continued)

Year ended 30 September 2017

14. Provisions

	Deferred tax (note 13) £
At 1 October 2016	674,583
Additions dealt with in profit or loss	414,911
Additions dealt with in other comprehensive income	694,372
At 30 September 2017	<u>1,783,866</u>

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

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>16,741,128</u>	<u>16,741,128</u>	<u>9,741,128</u>	<u>9,741,128</u>

Share movements

	No.	£
Ordinary		
At 1 October 2016	9,741,128	9,741,128
Issue of shares	7,000,000	7,000,000
At 30 September 2017	<u>16,741,128</u>	<u>16,741,128</u>

On 1 February 2017, the company issued 7,000,000 ordinary £1 shares for consideration of £1 each, and on 17 October 2017 issued a further 2,650,000 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:

	2017 £	2016 £
Tangible assets	<u>49,314,806</u>	<u>19,368,008</u>

18. Operating leases

As lessor

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

	2017 £	2016 £
Not later than 1 year	1,186,211	629,406
Later than 1 year and not later than 5 years	4,322,389	2,303,842
Later than 5 years	34,206,643	11,890,572
	<u>39,715,243</u>	<u>14,823,820</u>

Grainger Trust Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2017

19. Related party transactions

Administrative expenses include an intercompany management recharge 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 under the Homes & Communities Agency (HCA) (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.