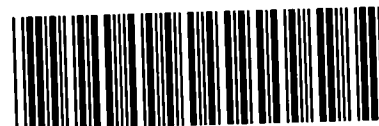


**COMPANY REGISTRATION NUMBER: 04630928**

**Grainger Trust Limited**  
**Financial statements**  
**30 September 2016**

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# **Grainger Trust Limited**

## **Financial statements**

**Year ended 30 September 2016**

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# Grainger Trust Limited

## Company details

### The board of management

Miss Gina Amoh  
Mr John Beresford  
Mr Nicholas M F Jopling  
Mr Calum Mercer  
Mrs Deborah F Shackleton  
Mr Mark C Fleetwood

### 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

Bond Dickinson LLP  
St Ann's Wharf  
112 Quayside  
Newcastle Upon Tyne  
NE1 3DX

### Managing agents

Grainger Residential Management Limited  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

### Registration

Homes & Communities Agency (registration 4743)

# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

The Board of Management present their report and the financial statements for the year ended 30 September 2016.

### **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 (FRRP) 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 2016, and subsequent to the year end, were:-

Mrs Deborah F Shackleton (Chairperson)  
Miss Gina Amoh  
Mr John Beresford  
Ms Laure Duhot (resigned 30 September 2016)  
Mr Nicholas M F Jopling  
Mr Calum Mercer  
Mr Mark C Fleetwood (appointed 30 November 2016)

### **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 experienced significant growth over the past financial year. At 30 September 2015 it owned 24 units at one site and was contracted to purchase another 206 units at three separate locations. During 2016, a gross investment of c. £9.1m has increased total units under management by 72, to 96, split between two sites. The total annualised rent roll as at 30 September 2016 was £530k and equity shares in 27 units have been sold, generating revenues of £2.5m and profits of £1.4m.

Grainger Trust is well placed to complement the property portfolio of the group 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. By the end of the next financial year, Grainger Trust will have more than doubled in size, with further significant growth expected over the coming few years.

### **Value for money**

This is our first year of reporting on our VfM performance under the self-assessment requirements of the Homes and Communities Agency (HCA).

Grainger Trust is a for-profit affordable housing provider. Grainger Trust not only delivers financial returns to its investors but also delivers social return on the investment made through place making and regeneration. In the last year, Grainger Trust has helped provide 12 apprenticeships and a skilled-up programme in conjunction with a local authority, as well as helping over half our residents purchase their first home.

In the last 12 months, Grainger Trust has delivered 72 affordable homes. These homes have been funded by £9m of new equity with a secured pipeline of around £50m established over the next five years. These homes and the pipeline of acquisitions 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 tax payable of £590k for the 12 months to September 2016.

# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

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 group's resources.

### ***What does Value for Money Mean to Grainger Trust?***

We depend on our staff using common sense and good judgement to find smart, efficient ways of working, putting our customers' needs first and, of course, ensuring best value. This helps us to show the small savings and efficiencies that they make every day but also the bigger picture – how we design value and quality into our systems, processes and governance.

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.

### ***Overview***

Grainger Trust was established in 2012 as one of the first profit housing associations. Today, it is one of the largest, with a large secured pipeline of over 500 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 aim to build 400 more affordable homes by 2018 and we will fund this through profits from other development sites and Grainger plc equity investment. By balancing communities 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 2017 onwards. 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 intend to reduce our operating leakage to 20% per annum.

### ***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 regulation
- buying goods and services more effectively.

# Grainger Trust Limited

## Report of the board of management

Year ended 30 September 2016

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	Median	Comparison
Current arrears	2.9%	3.8%	☺
Rent collected % (excluding arrears brought forward)	100 %	99.3%	☺
Properties with valid gas safe certificate at the year end	100%	100%	☺
Responsive repairs completed on time	100%	99.2%	☺

### ***Tenant satisfaction***

As Grainger Trust is a small business, we carry out a tenant satisfaction survey annually. The first set of metrics will be published in 2017.

Survey question	Goal
Satisfaction with rent %	80
Satisfaction with repairs and maintenance %	90
Satisfaction overall %	80
Satisfaction with home %	90
Satisfaction with neighbourhood %	90
Satisfaction with views being taken into account and listened to %	80

### ***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 100%.

# Grainger Trust Limited

## Report of the board of management

Year ended 30 September 2016

### ***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. We expect further improvements during 2016-17 as a result of continuing collaboration between our property managers and local authorities.

### ***Comparing financial performance against other Registered Providers***

We compare our performance against the sector averages to help give us a more objective perspective than simply tracking our own results. 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 in order to reduce costs. By using a sector average, we are able to monitor our performance against the whole industry.

### ***VfM in action***

### ***Overall costs table***

The table below demonstrates that our performance has improved when compared to the overall sector:

Cost measure	Our performance	Sector Average	Comparison
Direct cost per property of housing management	£900	£990	☺
Direct cost per property of responsive repairs and voids	£316	£744	☺
Direct cost per property of major and cyclical works	£1,216	£1,480	☺
Overheads as a % of adjusted turnover	20%	23%	
Growth in turnover	300%	N/A	
Growth in total assets	300%	N/A	

### ***Efficiency in delivering our services***

We have also reviewed how we manage our contractors to ensure they deliver the greatest possible VfM for our residents. We have increased our focus on robust contract management and this has contributed to responsive repairs resulting in a reduction of around £312 per property from the previous year's levels. Aggregated across our stock, this represents a decrease in our operating costs of £30k.

### ***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.

Last year we completed the development of 65 new properties. We value our customers' feedback and have an aftercare 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 in-house twice yearly inspections, this helps us to improve our design brief for future developments, our processes and the service we provide to our customers.

We tendered our repairs and property management services part way through the year, achieving savings of £30k.

# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

### ***Value through smarter working***

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

We have delivered 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.
- switching to paperless tenancy agreements to speed up the letting process 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 and improvements in efficiency.

### ***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 2016-17 are already underway:

#### ***Information technology***

- Tablets for front line staff
- Fully automated tenant and repairs portal
- Online payment system

#### ***Repair service***

We are reviewing the way we deliver our repairs service in order to deliver efficiency savings over a five-year period.

#### ***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.



# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

### ***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 a new 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.

### ***Whole life costing***

In addition to VfM at 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 scheme 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 have 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 the Trust and will be made available to all of its stakeholders on the Trust's website.

# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

### **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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 2012. 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.

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;

# **Grainger Trust Limited**

## **Report of the board of management**

**Year ended 30 September 2016**

- 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 2016. 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 in order to make ourselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

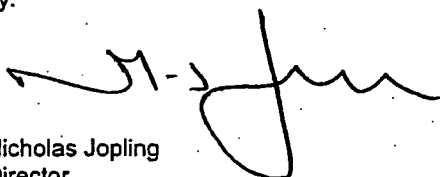
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **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 25 May 2017 and signed on behalf of the board by:

Nicholas Jopling  
Director



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

We have audited the financial statements of Grainger Trust Limited ("the association") for the year ended 30 September 2016 set out on pages 12 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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 association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Board of Management's Responsibilities 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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the report of the board of management for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



**Bill Holland (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL  
25 May 2017

# Grainger Trust Limited

## Statement of comprehensive income

Year ended 30 September 2016

	Note	2016 £	2015 £
<b>Turnover</b>	<b>4</b>	<b>2,704,571</b>	<b>472,716</b>
<b>Cost of sales</b>		<b>(1,196,831)</b>	<b>(182,592)</b>
<b>Gross profit</b>		<b>1,507,740</b>	<b>290,124</b>
Administrative expenses		(146,714)	(138,220)
Fair value gain on investment property	<b>5</b>	<b>2,056,354</b>	<b>559,593</b>
<b>Operating profit</b>	<b>6</b>	<b>3,417,380</b>	<b>711,497</b>
Other interest receivable and similar income		6	4
<b>Profit on ordinary activities before taxation</b>		<b>3,417,386</b>	<b>711,501</b>
Tax on profit on ordinary activities	<b>8</b>	<b>(590,147)</b>	<b>(143,060)</b>
<b>Profit for the financial year</b>		<b>2,827,239</b>	<b>568,441</b>
Unrealised surplus on revaluation of housing properties		857,144	—
Total tax on components of other comprehensive income		(145,714)	—
<b>Total comprehensive income for the year</b>		<b>3,538,669</b>	<b>568,441</b>

All the activities of the company are from continuing operations.

The notes on pages 15 to 24 form part of these financial statements.

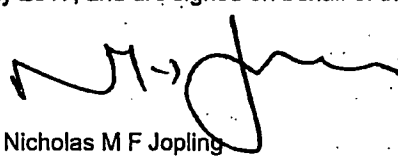
# Grainger Trust Limited

## Statement of financial position

30 September 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investment properties	9	8,301,643	2,698,695
Housing properties	9	3,251,571	—
		<u>11,553,214</u>	<u>2,698,695</u>
<b>Current assets</b>			
Stocks	10	646,932	363,955
Debtors	11	1,422,143	—
Cash at bank and in hand		2,140,157	1,622,814
		<u>4,209,232</u>	<u>1,986,769</u>
<b>Creditors: amounts falling due within one year</b>	12	(859,723)	(285,065)
<b>Net current assets</b>		<u>3,349,509</u>	<u>1,701,704</u>
<b>Total assets less current liabilities</b>		<u>14,902,723</u>	<u>4,400,399</u>
<b>Provisions</b>			
Taxation including deferred tax	14	(674,583)	(210,928)
<b>Net assets</b>		<u>14,228,140</u>	<u>4,189,471</u>
<b>Capital and reserves</b>			
Called up share capital	15	9,741,128	3,241,128
Revaluation reserve	16	711,430	—
Profit and loss account	16	3,775,582	948,343
<b>Shareholders' funds</b>		<u>14,228,140</u>	<u>4,189,471</u>

These financial statements were approved by the board of directors and authorised for issue on 25 May 2017, and are signed on behalf of the board by:

  
Mr Nicholas M F Jopling  
Director

Company registration number: 04630928

The notes on pages 15 to 24 form part of these financial statements.

# Grainger Trust Limited

## Statement of changes in equity

Year ended 30 September 2016

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total £
<b>At 1 October 2014</b>	1,550,000	–	379,902	1,929,902
Profit for the year	–	–	568,441	568,441
<b>Total comprehensive income for the year</b>	–	–	568,441	568,441
Issue of shares	1,691,128	–	–	1,691,128
<b>Total investments by and distributions to owners</b>	1,691,128	–	–	1,691,128
<b>At 30 September 2015</b>	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)	–	(148,469)
<b>Total comprehensive income for the year</b>	–	711,430	2,827,239	3,538,669
Issue of shares	6,500,000	–	–	6,500,000
<b>Total investments by and distributions to owners</b>	6,500,000	–	–	6,500,000
<b>At 30 September 2016</b>	9,741,128	711,430	3,775,582	14,228,140

The notes on pages 15 to 24 form part of these financial statements.



# Grainger Trust Limited

## Notes to the financial statements

Year ended 30 September 2016

### 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').

#### Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 October 2014. Details of how FRS 102 has affected the reported financial position and financial performance are given in note 21.

#### 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.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

#### Revenue recognition

Turnover represents rental income and sale proceeds of trading properties. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding contract.

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 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 2016

### 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.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### **Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported. The judgements, estimates and assumptions that the 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 2016

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

	Turnover £	Cost of sales £	Administrative expenses £	2016 Profit before fair value gains £	Turnover £	Cost of sales £	Administrative expenses £	2015 Profit before fair value gains £
<u>Income and expenditure from social/intermediate housing properties</u>	<u>2,704,571</u>	<u>(1,196,831)</u>	<u>(146,714)</u>	<u>1,361,026</u>	<u>472,716</u>	<u>(182,592)</u>	<u>(138,220)</u>	<u>151,904</u>
<u>Income from social/intermediate housing lettings</u>								
Gross rents receivable				228,071				112,716
Less: Rent losses from voids				-				-
Net rents receivable				228,071				112,716
<u>Income from shared ownership properties</u>								
Sales				2,476,500				360,000
<u>Total income from housing lettings and sales</u>				<u>2,704,571</u>				<u>472,716</u>
<u>Expenditure on social/intermediate housing activities</u>								
<u>Housing accommodation</u>								
Property operating expenses				59,867				18,808
Property book cost of sales				1,048,437				156,386
Property disposal fees				88,527				7,398
Cost of sales				1,196,831				182,592
Valuation fees				9,600				3,600
Intercompany management charges				54,702				104,939
Consultancy fees				58,633				5,700
Marketing				-				2,441
Directors' remuneration				20,268				20,282
Board meeting costs				1,335				-
General expenditure				2,176				1,258
Administrative expenses				146,714				138,220
<u>Total expenditure on social/intermediate housing lettings and sales</u>				<u>1,343,545</u>				<u>320,812</u>
<u>Fair value gain on investment property</u>				<u>2,056,354</u>				<u>559,593</u>
<u>Operating profit</u>				<u>3,417,380</u>				<u>711,497</u>

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 4. Turnover

Turnover arises from:

	2016 £	2015 £
Rental income	228,071	112,716
Proceeds from sale of shared ownership properties	2,476,500	360,000
	<u>2,704,571</u>	<u>472,716</u>

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

	2016 £	2015 £
Fair value gain on investment properties	<u>2,056,354</u>	<u>559,593</u>

### 6. Operating profit

Audit fees of £2,600 (2015: £1,500) 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:

	2016 £	2015 £
Remuneration	<u>20,268</u>	<u>20,282</u>

The remuneration of Deborah Shackleton, Calum Mercer, and Gina Amoh totalled £20,268 (2015: £20,282). In addition to their directorship of Grainger Trust Limited, John Beresford, Laure Duhot and Nicholas Jopling are directors/employees of other group companies and their remuneration was borne by another group company. The remuneration of the highest paid director totalled £10,268 (2015: £10,282).

### 8. Tax on profit on ordinary activities

Tax expense included in profit or loss

	2016 £	2015 £
<b>Current tax:</b>		
UK current tax expense	272,206	31,141
<b>Deferred tax:</b>		
Origination and reversal of timing differences	411,271	111,919
Impact of tax rate changes	(93,330)	—
<b>Tax on profit on ordinary activities</b>	<u>590,147</u>	<u>143,060</u>

Tax expense included in other comprehensive income

	2016 £	2015 £
<b>Deferred tax:</b>		
Origination and reversal of timing differences	145,714	—
<b>Tax on components of other comprehensive income</b>	<u>145,714</u>	<u>—</u>

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 8. Tax on profit on ordinary activities (continued)

#### Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.50%).

	2016 £	2015 £
Profit on ordinary activities before taxation	3,417,386	711,501
Profit on ordinary activities by rate of tax	683,477	145,858
Impact of tax rate changes	(93,330)	(2,798)
Tax on profit on ordinary activities	590,147	143,060

#### 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 £50,158 (2015: £25,926).

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

### 9. Tangible assets

	Investment properties £	Housing properties £	Total £
<b>Cost or valuation</b>			
At 1 October 2015	2,698,695	–	2,698,695
Additions	3,546,594	2,394,427	5,941,021
Revaluations	2,056,354	857,144	2,913,498
<b>At 30 September 2016</b>	<b>8,301,643</b>	<b>3,251,571</b>	<b>11,553,214</b>
<b>Depreciation</b>			
At 1 October 2015	–	–	–
Charge for the year	–	16,204	16,204
Reversal of depreciation	–	(16,204)	(16,204)
<b>At 30 September 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Carrying amount</b>			
<b>At 30 September 2016</b>	<b>8,301,643</b>	<b>3,251,571</b>	<b>11,553,214</b>
At 30 September 2015	2,698,695	–	2,698,695

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 2016 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 2016 was 25 (2015: 12) and the number of shared ownership units was 53 (2015: 12).

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 2016 was 18 (2015: nil).

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 £7,585,076 (2015: £1,644,055).

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 10. Stocks

	2016	2015
	£	£
Trading properties	646,932	80,368
Work in progress	—	283,587
	<u>646,932</u>	<u>363,955</u>

The replacement value of trading properties (sale at market value of the property subject to occupation by a resident) is £941,978 (2015: £210,000) based on market value at 30 September 2016.

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

	2016	2015
	£	£
Trade debtors	4,105	—
Other debtors	1,418,038	—
	<u>1,422,143</u>	<u>—</u>

Other debtors includes £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

	2016	2015
	£	£
Trade creditors	12,914	4,123
Amounts owed to group undertakings	682,193	267,286
Other creditors	138,471	8,580
Accruals and deferred income	26,145	5,076
	<u>859,723</u>	<u>285,065</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:

	2016	2015
	£	£
Included in provisions (note 14)	<u>674,583</u>	<u>210,928</u>

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

	2016	2015
	£	£
Revaluation of investment properties	528,869	210,928
Revaluation of housing properties	145,714	—
	<u>674,583</u>	<u>210,928</u>

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 14. Provisions

	Deferred tax (note 13) £
At 1 October 2015	210,928
Additions dealt with in profit or loss	317,941
Additions dealt with in other comprehensive income	145,714
At 30 September 2016	<u>674,583</u>

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

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>9,741,128</u>	<u>9,741,128</u>	<u>3,241,128</u>	<u>3,241,128</u>
<b>Share movements</b>				
Ordinary			No.	£
At 1 October 2015			3,241,128	3,241,128
Issue of shares			<u>6,500,000</u>	<u>6,500,000</u>
At 30 September 2016			<u>9,741,128</u>	<u>9,741,128</u>

On 27 January 2016, the company issued 6,500,000 ordinary shares for consideration of £1 each. The shares have full voting, dividend and capital distribution rights.

### 16. Reserves

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

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

### 17. Capital commitments

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

	2016 £	2015 £
Tangible assets	<u>19,368,008</u>	<u>22,458,000</u>

### 18. 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.

### 19. Legislative provisions

The Company is registered under the Homes & Communities Agency (HCA) (registration 4743).



# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 20. 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.

### 21. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 October 2014.

#### Reconciliation of equity

	1 October 2014			30 September 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Fixed assets	1,345,020	—	1,345,020	2,698,695	—	2,698,695
Current assets	946,575	—	946,575	1,986,769	—	1,986,769
Creditors: amounts falling due within one year	(262,684)	—	(262,684)	(285,065)	—	(285,065)
Net current assets	683,891	—	683,891	1,701,704	—	1,701,704
Total assets less current liabilities	2,028,911	—	2,028,911	4,400,399	—	4,400,399
Provisions	—	(99,009)	(99,009)	—	(210,928)	(210,928)
Net assets	2,028,911	(99,009)	1,929,902	4,400,399	(210,928)	4,189,471
Capital and reserves	2,028,911	(99,009)	1,929,902	4,400,399	(210,928)	4,189,471

# Grainger Trust Limited

## Notes to the financial statements (continued)

Year ended 30 September 2016

### 21. Transition to FRS 102 (continued)

#### Reconciliation of profit or loss for the year

	Year ended 30 September 2015		
	As previously stated	Effect of transition	FRS 102 (as restated)
	£	£	£
Turnover	472,716	—	472,716
Cost of sales	(182,592)	—	(182,592)
Gross profit	290,124	—	290,124
Administrative expenses	(138,220)	—	(138,220)
Fair value gain on investment property	—	559,593	559,593
Operating profit	151,904	559,593	711,497
Other interest receivable and similar income	4	—	4
Tax on profit on ordinary activities	(31,141)	(111,919)	(143,060)
Profit for the financial year	120,767	447,674	568,441

In preparing these financial statements, the Company has started from an opening balance sheet at 1 October 2014, the Company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102. As such this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 October 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 30 September 2015.

#### Restatement of equity from UK GAAP to FRS 102

##### Investment properties

Under FRS 102 changes in the fair value of investment properties are recognised in the profit or loss for the year. Under previous UK GAAP these changes were recorded in the Statement of Total Recognised Gains and Losses. This increased profit before tax for the year ended 30 September 2015 by £559,593.

##### Deferred tax - investment properties

Because FRS 102 defines deferred tax in relation to differences between carrying values and their related tax bases, rather than timing differences in the income statement, adjustments are required to recognise items which no deferred tax was recognised under UK GAAP.

Deferred tax was not provided under UK GAAP on the revaluation of investment properties, as the Company had no intention to dispose of them in a manner that would give rise to current tax. IFRS requires that deferred tax be recognised. The impact has been to recognise a deferred tax liability of £210,928 at 30 September 2015 and £99,009 at 30 September 2014. This reduced profit after tax for the year ended 30 September 2015 by £111,919.