

COMPANY REGISTRATION NUMBER 4974627

Grainger Residential Management Limited
Financial statements
30 September 2015



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Grainger Residential Management Limited

Financial statements

Year ended 30 September 2015

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Grainger Residential Management Limited

Officers and professional advisers

The board of directors

Mark J Robson
Nick P On
Nicholas M F Jopling
Helen C Gordon
Vanessa K Simms

Company secretary

Adam McGhin

Registered office

Citygate
St James' Boulevard
Newcastle Upon Tyne
NE1 4JE

Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

Bankers

Barclays Bank plc
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

Grainger Residential Management Limited

Strategic report

Year ended 30 September 2015

The directors present their strategic report for the year ended 30 September 2015.

Principal activity

The principal activity of the company during the year was property management.

Strategy and business model

Grainger is a specialist residential company. Our objective is to be the leading institutional residential investment vehicle, delivering sustainable long-term returns to our investors and our partners. Our strategy is to maximise the returns from our reversionary portfolio while we grow our private rented sector (PRS) business.

Our key areas of focus are to grow our rents, to simplify and focus our business, and to build on our heritage. We will continue to increase and accelerate investment into existing and newly built rental homes, re-allocate resources to deliver new PRS stock, and improve access and conversion of PRS opportunities. We will simplify and focus our business by concentrating on two core assets (PRS and regulated tenancies); exiting non-core businesses and assets; improving operational efficiency through reducing overheads and transitioning to a simpler, streamlined structure; prioritising direct investment; and further reducing our cost of financing. We will build on our heritage by retaining our high quality, regulated tenancy portfolio, which delivers excellent total returns and cash to support our growth in PRS. We will continue to maximise the opportunities and competitive advantage that our market leading residential platform provides.

Review of the business

The company is a subsidiary of Grainger plc. The directors of Grainger plc, the ultimate parent undertaking, manage the group's strategy and risks at a group level, rather than at an individual company level. Similarly the financial and operational performance of the business is assessed at a business unit level. The directors of the company are satisfied with the results for the year ended 30 September 2015.

The company's directors believe that analysis using financial and non-financial measures is not necessary or appropriate to understand the business' development, performance or position.

Principal Risks and Uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The principal risks and uncertainties of the group, which are specific to the company, include: a deterioration and/or instability of wider global/European economic markets leading to long-term flat or negative growth in the value of assets; a lack of availability of finance for the group to achieve its strategic objectives; a failure to meet current or increased legal or regulatory obligations; a failure to attract, retain and develop our people; a significant failure within or by a key third-party supplier or contractor; a significant Health and Safety incident; a failure of the supporting control environment; a failure to implement PRS strategy due to failure to acquire assets on acceptable terms and/or failure to integrate PRS assets efficiently in the management platform.

Future developments

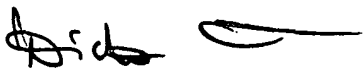
The directors expect the performance of the company to continue satisfactorily for the foreseeable future.

Grainger Residential Management Limited

Strategic report *(continued)*

Year ended 30 September 2015

By Order of the Board



Nick P On
Director
31 March 2016

Signed by order of the directors



Adam McGhin
Company Secretary

Approved by the directors on 31 March 2016

Grainger Residential Management Limited

Directors' report

Year ended 30 September 2015

The directors present their report and the financial statements of the company for the year ended 30 September 2015.

Results and dividends

The loss for the year, after taxation, amounted to £431,211. The directors have not recommended a dividend.

Directors

The directors who served the company during the year, and changes since the year end, were as follows:

Andrew R Cunningham
Mark J Robson
Nick P On
Mark Greenwood
Nicholas M F Jopling

Helen C Gordon was appointed as a director on 31 December 2015.

Vanessa K Simms was appointed as a director on 11 February 2016.

Andrew R Cunningham resigned as a director on 31 December 2015.

Mark Greenwood resigned as a director on 22 December 2015.

Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Grainger Residential Management Limited

Directors' report *(continued)*

Year ended 30 September 2015

Auditor

KPMG LLP were appointed as auditor during the year, and are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



Adam McGhin
Company Secretary

Approved by the directors on 31 March 2016

Independent auditor's report to the members of Grainger Residential Management Limited

We have audited the financial statements of Grainger Residential Management Limited for the year ended 30 September 2015 set out on pages 8 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2015 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report 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 Residential Management 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.



Nick Plumb (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

6 April 2016

Grainger Residential Management Limited

Profit and loss account

Year ended 30 September 2015

	Note	2015 £	2014 £
Turnover	2	13,776,103	13,169,933
Cost of sales		<u>(14,534)</u>	<u>(27,121)</u>
Gross profit		13,761,569	13,142,812
Administrative expenses		<u>(13,987,078)</u>	<u>(13,298,481)</u>
Operating loss	3	(225,509)	(155,669)
Interest receivable		–	224
Loss on ordinary activities before taxation		<u>(225,509)</u>	<u>(155,445)</u>
Tax on loss on ordinary activities	5	<u>(205,702)</u>	(86,991)
Loss for the financial year		<u>(431,211)</u>	<u>(242,436)</u>

All of the activities of the company are classed as continuing.

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £431,211 attributable to the shareholders for the year ended 30 September 2015 (2014 - loss of £242,436).

The notes on pages 10 to 15 form part of these financial statements.

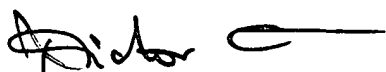
Grainger Residential Management Limited

Balance sheet

30 September 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	6	2,869,131	2,963,901
Investments	7	1,030	1,000
		<u>2,870,161</u>	<u>2,964,901</u>
Current assets			
Debtors	8	16,305,137	13,208,992
Cash at bank		4,394,552	5,511,379
		<u>20,699,689</u>	<u>18,720,371</u>
Creditors: Amounts falling due within one year	9	(11,820,075)	(9,545,723)
Net current assets		<u>8,879,614</u>	<u>9,174,648</u>
Total assets less current liabilities		<u>11,749,775</u>	<u>12,139,549</u>
Provisions for liabilities			
Deferred taxation	10	(41,437)	—
		<u>11,708,338</u>	<u>12,139,549</u>
Capital and reserves			
Called-up equity share capital	12	1	1
Profit and loss account	13	11,708,337	12,139,548
Shareholders' funds	14	<u>11,708,338</u>	<u>12,139,549</u>

These accounts were approved by the directors and authorised for issue on 31 March 2016, and are signed on their behalf by:



Nick P On
Director

Company Registration Number: 4974627

The notes on pages 10 to 15 form part of these financial statements.

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year.

Cash flow statement

The company is a wholly owned subsidiary of Grainger plc and the cash flows of the company are included in the consolidated cash flow statement of Grainger plc. Consequently, the company is exempt under the terms of FRS 1 from preparing a cash flow statement.

Turnover

Turnover comprises management fees and sundry other income, exclusive of VAT. Management fees and sundry other income are recognised when they become receivable.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	20% straight line
Software Development	-	33% straight line

Investments

Fixed asset investments are stated at cost less any provisions for diminution in value.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Group accounts

The financial statements contain information about Grainger Residential Management Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of the ultimate parent company, Grainger plc, a company registered in England and Wales.

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

2. Turnover

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the strategic report.

3. Operating loss

Operating loss is stated after charging:

	2015 £	2014 £
Depreciation of owned fixed assets	827,410	481,795
Loss on disposal of fixed assets	2,412	–
Auditor's remuneration		
- as auditor	278,952	295,608
Operating lease costs:		
- Plant and equipment	418,932	401,138
- Other	956,080	1,115,523

Audit fees are statutory audit fees only and are borne by this company on behalf of the Grainger plc group.

Operating lease payments represent the lease payments made in the year relating to renting of office space used by the company, car leases under contract hire arrangements and operating lease payments relating to office equipment such as photocopiers. Leases relating to office space used by the company have initial terms of varying lengths, between 1 to 5 years. Rent reviews generally take place every 5 years. Contract hire car leases generally have a 3 year term. The future annual operating lease commitments are expected to be broadly the same as those actual costs shown above.

4. Particulars of employees

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year, or in the previous year, in respect of their services to the company.

5. Taxation on ordinary activities

(a) Analysis of charge in the year

	2015 £	2014 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20.50% (2014 - 22%)	74,465	50,486
Total current tax	74,465	50,486
Deferred tax:		
Origination and reversal of timing differences (note 10)		
Capital allowances	131,237	36,505
Tax on loss on ordinary activities	205,702	86,991

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

5. Taxation on ordinary activities *(continued)*

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.50% (2014 - 22%).

	2015 £	2014 £
Loss on ordinary activities before taxation	<u>(225,509)</u>	<u>(155,445)</u>
Loss on ordinary activities by rate of tax	(46,229)	(34,198)
Expenses not deductible for tax purposes	257,406	66,000
Capital allowances for period in excess of depreciation	(48,615)	(36,505)
Adjustments to tax charge in respect of previous periods	<u>(88,097)</u>	<u>55,189</u>
Total current tax (note 5(a))	<u>74,465</u>	<u>50,486</u>

(c) Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years.

6. Tangible fixed assets

	Fixtures & Fittings £	Software Development £	Total £
Cost			
At 1 October 2014	5,181,036	1,055,139	6,236,175
Additions	189,006	546,046	735,052
Disposals	(45,015)	–	(45,015)
At 30 September 2015	<u>5,325,027</u>	<u>1,601,185</u>	<u>6,926,212</u>
Depreciation			
At 1 October 2014	3,151,143	121,131	3,272,274
Charge for the year	614,410	213,000	827,410
On disposals	(42,603)	–	(42,603)
At 30 September 2015	<u>3,722,950</u>	<u>334,131</u>	<u>4,057,081</u>
Net book value			
At 30 September 2015	<u>1,602,077</u>	<u>1,267,054</u>	<u>2,869,131</u>
At 30 September 2014	<u>2,029,893</u>	<u>934,008</u>	<u>2,963,901</u>

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

7. Investments

	Total £
Cost	
At 1 October 2014	1,000
Additions	<u>30</u>
At 30 September 2015	<u>1,030</u>
Net book value	
At 30 September 2015	<u>1,030</u>
At 30 September 2014	<u>1,000</u>

The company owns less than 1% of the capital of Grainger Treasury Property (2006) Limited Liability Partnership, a property investment partnership incorporated in England and Wales.

During the year the company acquired 30 £1 ordinary shares in Vesta (General Partner) Limited, a company incorporated in England and Wales.

8. Debtors

	2015 £	2014 £
Trade debtors	31,763	–
Amounts owed by group undertakings	14,156,710	11,216,607
Other debtors	306,419	370,417
Prepayments and accrued income	1,810,245	1,532,168
Deferred taxation (note 10)	–	89,800
	<u>16,305,137</u>	<u>13,208,992</u>

9. Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	6,268,633	6,345,572
Other creditors	12,616	56,571
Accruals and deferred income	5,538,826	3,143,580
	<u>11,820,075</u>	<u>9,545,723</u>

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

10. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2015 £	2014 £
Included in debtors (note 8)	-	(89,800)
Included in provisions	<u>41,437</u>	<u>-</u>
	<u>41,437</u>	<u>(89,800)</u>

The movement in the deferred taxation account during the year was:

	2015 £	2014 £
Balance brought forward	(89,800)	(126,305)
Profit and loss account movement arising during the year	<u>131,237</u>	<u>36,505</u>
Balance carried forward	<u>41,437</u>	<u>(89,800)</u>

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

	2015 £	2014 £
Excess of future depreciation on fixed assets over taxation allowances	<u>41,437</u>	<u>(89,800)</u>
	<u>41,437</u>	<u>(89,800)</u>

11. Related party transactions

The company has taken advantage of the exemption available under FRS 8 and has not disclosed transactions with companies that are wholly owned members of the Grainger plc group.

12. Share capital

Allotted, called up and fully paid:

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13. Profit and loss account

	2015 £	2014 £
Balance brought forward	12,139,548	12,381,984
Loss for the financial year	<u>(431,211)</u>	<u>(242,436)</u>
Balance carried forward	<u>11,708,337</u>	<u>12,139,548</u>

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2015

14. Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
Loss for the financial year	(431,211)	(242,436)
Opening shareholders' funds	<u>12,139,549</u>	<u>12,381,985</u>
Closing shareholders' funds	<u>11,708,338</u>	<u>12,139,549</u>

15. Ultimate parent undertaking and controlling party

The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

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