

COMPANY REGISTRATION NUMBER: 4974627

Grainger Residential Management Limited
Financial statements
30 September 2016

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Grainger Residential Management Limited

Financial statements

Year ended 30 September 2016

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Grainger Residential Management Limited

Officers and professional advisers

The board of directors

Mark J Robson
Nicholas M F Jopling
Helen C Gordon
Vanessa K Simms
Adam McGhin

Company secretary

Adam McGhin

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
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 2016

The directors present their strategic report for the year ended 30 September 2016.

Principal activity

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

Strategy and business model

Grainger is a specialist residential property company. Our objective is to be the UK's leading private landlord, capitalising on the compelling Private Rented Sector ("PRS") market opportunity and delivering improved and sustainable rental asset led shareholder returns. Our strategy is designed to grow rents, simplify and focus the business and build on the operational strength and foundations of over 100 years of renting homes.

Our key areas of focus are to grow our rents, to simplify and focus the business, and to build on our heritage. We will continue to increase and accelerate investment into existing and newly built rental homes; re-allocate development team resources to deliver new PRS stock; and refocus the acquisitions team to improve access and conversion of PRS opportunities. We will concentrate resources on two core assets (PRS and regulated tenancies); reduce overheads by transitioning to a simpler, streamlined structure; prioritise direct investment; and reduce our cost of financing. We will build on our heritage through a continued commitment to our high quality, regulated tenancy portfolio, which delivers excellent total returns and cash generation which supports our PRS growth; and maximise the opportunities from our market leading residential platform by exploiting our existing competitive advantages.

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 an operating segment level. The directors of the company are satisfied with the results for the year ended 30 September 2016.

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. As such they have not been included within this report, but are included within the group's annual report.

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: weak macroeconomic conditions leading to long-term flat or negative house price inflation; a lack of availability or volatile pricing in respect of debt or equity finance for the group to achieve its strategic objectives; inability to obtain sufficient, diverse or appropriately priced funds to implement the current strategy; a failure to meet current or increased legal or regulatory obligations or anticipate and respond to changes in regulation that creates increased and costly obligations; a failure to attract, develop and retain our people to ensure that we have the right skills in the right place at the right time to deliver our strategy; a significant failure within or by a key third-party supplier or contractor; a significant health and safety incident as a result of inadequate or inappropriately implemented health and safety procedures and controls; weak environment of systems, controls and culture resulting in the failure of mitigants regarding the likelihood and impact of other principal risks; inability to fully implement PRS strategy due to failure to transact and acquire assets on acceptable terms and/or inability to integrate PRS assets efficiently in the management platform; excessive capital allocated to activities which carry development risk; and negative impact of Brexit.

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 2016

This report was approved by the board of directors on 25 May 2017 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'Adam McGhin', with a stylized flourish at the end.

Adam McGhin
Company Secretary

Grainger Residential Management Limited

Directors' report

Year ended 30 September 2016

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

Directors

The directors who served the company during the year were as follows:

Mark J Robson	
Nicholas M F Jopling	
Helen C Gordon	(Appointed 31 December 2015)
Vanessa K Simms	(Appointed 11 February 2016)
Adam McGhin	(Appointed 30 September 2016)
Andrew R Cunningham	(Resigned 31 December 2015)
Nick P On	(Resigned 30 September 2016)
Mark Greenwood	(Resigned 22 December 2015)

Dividends

The directors do not recommend the payment of a dividend (2015: £nil).

Directors' responsibilities statement

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), including FRS 101 *Reduced Disclosure Framework*. 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 the profit or loss of the company for that period.

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 2016

Auditor

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

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have 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.

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

This report was approved by the board of directors on 25 May 2017 and signed on behalf of the board by:



Adam McGhin
Company Secretary

**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 2016 set out on pages 8 to 17. 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 101 *Reduced Disclosure Framework*.

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 2016 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 matters 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.



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

Grainger Residential Management Limited

Statement of comprehensive income

Year ended 30 September 2016

	Note	2016 £	2015 £
Turnover	3	13,222,632	13,776,103
Cost of sales		<u>(32,918)</u>	<u>(14,534)</u>
Gross profit		13,189,714	13,761,569
Administrative expenses		<u>(15,621,503)</u>	<u>(13,987,078)</u>
Operating loss	4	(2,431,789)	(225,509)
Other interest receivable and similar income		<u>1,966</u>	<u>—</u>
Loss on ordinary activities before taxation		(2,429,823)	(225,509)
Tax on loss on ordinary activities	6	<u>449,367</u>	<u>(205,702)</u>
Loss for the financial year and total comprehensive loss		<u>(1,980,456)</u>	<u>(431,211)</u>

All the activities of the company are from continuing operations.

The notes on pages 11 to 17 form part of these financial statements.

Grainger Residential Management Limited

Statement of financial position

30 September 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	7	2,599,145	2,869,131
Investments	8	1,030	1,030
		<u>2,600,175</u>	<u>2,870,161</u>
Current assets			
Debtors	9	11,957,039	16,305,137
Cash at bank and in hand		7,411,966	4,394,552
		<u>19,369,005</u>	<u>20,699,689</u>
Creditors: amounts falling due within one year	10	(12,179,862)	(11,820,075)
Net current assets		<u>7,189,143</u>	<u>8,879,614</u>
Total assets less current liabilities		<u>9,789,318</u>	<u>11,749,775</u>
Provisions			
Deferred tax	12	(61,436)	(41,437)
Net assets		<u>9,727,882</u>	<u>11,708,338</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	9,727,881	11,708,337
Shareholders' funds		<u>9,727,882</u>	<u>11,708,338</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:



Adam McGhin
Director

Company registration number: 4974627

The notes on pages 11 to 17 form part of these financial statements.

Grainger Residential Management Limited

Statement of changes in equity

Year ended 30 September 2016

	Called up share capital £	Profit and loss account £	Total £
At 1 October 2014	1	12,139,548	12,139,549
Loss for the year	—	(431,211)	(431,211)
Total comprehensive loss for the year	—	(431,211)	(431,211)
At 30 September 2015	1	11,708,337	11,708,338
Loss for the year	—	(1,980,456)	(1,980,456)
Total comprehensive loss for the year	—	(1,980,456)	(1,980,456)
At 30 September 2016	<u>1</u>	<u>9,727,881</u>	<u>9,727,882</u>

The notes on pages 11 to 17 form part of these financial statements.

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2016

1. Statement of compliance

The financial statements of Grainger Residential Management Limited ("the company") for the year ended 30 September 2016 were authorised for issue by the board of directors on 25 May 2017 and the statement of financial position was signed on the board's behalf by Adam McGhin.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 company's ultimate parent undertaking, Grainger plc, includes the company in its consolidated financial statements. The consolidated financial statements of Grainger plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained 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, and in accordance with applicable UK accounting standards.

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.

Transition to FRS 101

The entity transitioned from previous UK GAAP to FRS 101 as at 1 October 2014. Details of how FRS 101 has affected the reported financial position and financial performance are given in note 18.

Disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- (a) Cash flow statement and related notes;
- (b) Comparative period reconciliations for share capital;
- (c) Disclosures in respect of transactions with wholly owned subsidiaries;
- (d) Disclosures in respect of capital management;
- (e) The effects of new but not yet effective IFRSs;
- (f) Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Grainger plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures.

Revenue recognition

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

Grainger Residential Management 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.

Operating leases

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.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

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

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

Investments

Fixed asset investments are stated at cost less any provisions for diminution in value. An impairment loss is recognised for the amount by which the carrying value of the investment exceeds its recoverable amount.

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 (continued)

Year ended 30 September 2016

2. Accounting policies (continued)

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 directors have considered whether there are any such sources of estimation or critical accounting judgements in preparing the financial statements and do not consider there to be any for the purposes of disclosure.

3. Turnover

Turnover arises from:

	2016 £	2015 £
Property management	<u>13,222,632</u>	<u>13,776,103</u>

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

4. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	844,050	827,410
Loss on disposal of tangible assets	–	2,412
Operating lease rentals	1,403,476	1,375,012
Fees payable for the audit of the financial statements	<u>264,180</u>	<u>278,952</u>

Audit fees relate to fees payable in respect of other companies within the Grainger plc group. Statutory audit fees in respect of the company amounted to £2,600 (2015: £1,500).

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.

Grainger Residential Management Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2016

5. Particulars of employees

There are no persons holding service contracts with the company (2015: none). 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.

6. Tax on loss on ordinary activities

Major components of tax (income)/expense

	2016 £	2015 £
Current tax:		
UK current tax (income)/expense	(469,366)	74,465
Deferred tax:		
Origination and reversal of timing differences	19,999	131,237
Tax on loss on ordinary activities	(449,367)	205,702

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

Reconciliation of tax (income)/expense

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

	2016 £	2015 £
Loss on ordinary activities before taxation	(2,429,823)	(225,509)
Loss on ordinary activities by rate of tax	(485,965)	(46,229)
Adjustment to tax charge in respect of prior periods	(110,391)	(88,097)
Effect of expenses not deductible for tax purposes	88,956	257,406
Effect of capital allowances and depreciation	58,033	82,622
Tax on loss on ordinary activities	(449,367)	205,702

Factors that may affect future tax income

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.

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2016

7. Tangible assets

	Software development £	Fixtures and fittings £	Total £
Cost			
At 1 October 2015	1,601,185	5,325,027	6,926,212
Additions	545,916	28,148	574,064
At 30 September 2016	2,147,101	5,353,175	7,500,276
Depreciation			
At 1 October 2015	334,131	3,722,950	4,057,081
Charge for the year	247,808	596,242	844,050
At 30 September 2016	581,939	4,319,192	4,901,131
Carrying amount			
At 30 September 2016	1,565,162	1,033,983	2,599,145
At 30 September 2015	1,267,054	1,602,077	2,869,131

8. Investments

	Shares in participating interests £
Cost	
At 1 Oct 2015 and 30 Sep 2016	1,030
Impairment	
At 1 Oct 2015 and 30 Sep 2016	-
Carrying amount	
At 30 September 2016	1,030

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.

The company owns 30% of the share capital of Vesta (General Partner) Limited, a company incorporated in England and Wales.

9. Debtors

	2016 £	2015 £
Trade debtors	42,635	31,763
Amounts owed by group undertakings	10,081,093	14,156,710
Prepayments and accrued income	1,570,818	1,810,245
Other debtors	262,493	306,419
	11,957,039	16,305,137

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2016

10. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	6,160,459	6,268,633
Accruals and deferred income	6,010,910	5,538,826
Other creditors	8,493	12,616
	<u>12,179,862</u>	<u>11,820,075</u>

11. Deferred tax

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

	2016 £	2015 £
Included in provisions (note 12)	<u>61,436</u>	<u>41,437</u>

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

	2016 £	2015 £
Accelerated capital allowances	<u>61,436</u>	<u>41,437</u>

12. Provisions

	Deferred tax (note 11) £
At 1 October 2015	41,437
Additions	19,999
At 30 September 2016	<u>61,436</u>

13. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

14. Reserves

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

15. Operating leases

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

	2016 £	2015 £
Not later than 1 year	848,592	1,038,171
Later than 1 year and not later than 5 years	3,685,141	4,285,965
Later than 5 years	1,046,666	1,952,103
	<u>5,580,399</u>	<u>7,276,239</u>

Grainger Residential Management Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2016

16. Related party transactions

The company is exempt from disclosing related party transactions as they are with other companies that are wholly owned within the Grainger plc group.

17. Ultimate controlling and parent company

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.

18. Transition to FRS 101

These are the first financial statements that comply with FRS 101. The company transitioned to FRS 101 on 1 October 2014.

No transitional adjustments were required in equity or profit or loss for the year.

The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 30 September 2016 and the comparative information presented in these financial statements for the year ended 30 September 2015.