

COMPANY REGISTRATION NUMBER 4974627

**Grainger Residential Management Limited**  
**Financial statements**  
**30 September 2014**



# **Grainger Residential Management Limited**

## **Financial statements**

**Year ended 30 September 2014**

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# **Grainger Residential Management Limited**

## **Officers and professional advisers**

### **The board of directors**

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

### **Company secretary**

Michael P Windle

### **Registered office**

Citygate  
St James' Boulevard  
Newcastle Upon Tyne  
NE1 4JE

### **Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants  
& Statutory Auditor  
Central Square South  
Orchard Street  
Newcastle upon Tyne  
NE1 3AZ

### **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  
NE99 1SB

# **Grainger Residential Management Limited**

## **Strategic report**

**Year ended 30 September 2014**

The directors present their strategic report on the group for the year ended 30 September 2014.

### **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. Accordingly 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 on pages 17-19, which does not form part of this report.

The principal activity of the company during the year was property management. The company has contributed to the overall strategy and business model of the group as outlined below.

### **Strategy**

Grainger is a specialist residential company. Our objective is to be a leader in the residential market, delivering sustainable long-term returns to our investors and our partners from a combination of sales, rents and fee income. We will achieve this by maintaining our leadership role within the industry, locating and managing our assets to deliver the best returns, balancing the sources of our income through exploiting changing market opportunities and optimising our financial and operational gearing to match market conditions.

### **Business Model**

Through our business model we deliver strong returns from our reversionary and market rented assets and our residential expertise allows us to supplement these returns by generating management fee income. Our expertise and the scale of our assets and operations enable us to generate sustainable income streams.

#### **Assets:**

**Reversionary Assets:** we acquire tenanted properties at a discount to vacant possession value and sell them when they become vacant. We continue to seek acquisition opportunities for reversionary assets.

**Market rented asset:** we let at market rents and actively manage our assets to drive rental growth. We will grow our market rental business and develop purpose built residential rental assets to hold and manage long term.

**Assets under management:** we earn fees from our management of residential assets owned by third-parties or within co-investment vehicles. We will use our residential expertise to increase our fee income.

#### **Sales**

The majority of our recurring sales revenues and profit on sale comes from the sale of properties when they fall vacant thereby releasing the inherent reversionary surplus. In addition, when we decide that a particular property no longer offers attractive future growth we sell these properties while occupied (tenanted sales). We also take advantage of opportunities for adding value by utilising our in-house expertise to refurbish a select number of properties before sale.

#### **Rents**

Rental income is a key income stream for the group. It is regular and predictable, complementing our sales from trading properties. Rental income is derived from both our reversionary and our market rented portfolios. Our opportunities to increase rent come largely from rent reviews on existing reversionary tenanted assets and renewals and new lets in our market rented portfolio.

# Grainger Residential Management Limited

## Strategic report *(continued)*

Year ended 30 September 2014


### Fees

A key strategic element of Grainger's business is to seek opportunities to generate recurring income. Over the past years we have been successful in increasing fee income from a number of different sources, derived from asset and property management fees from our co-investment vehicles and management contracts.

### 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. Accordingly the principal risks and uncertainties of the Grainger plc group, which include those of the company, are discussed on pages 21 to 23 of in the group's annual report, which does not form part of this report.

Signed by order of the directors



Michael P Windle  
Company Secretary

Approved by the directors on 16 June 2015

# Grainger Residential Management Limited

## Directors' report

Year ended 30 September 2014

The directors present their report and the financial statements of the company for the year ended 30 September 2014.

### Results and dividends

The loss for the year amounted to £242,436 (2013: profit of £1,802,995). The directors have not recommended a dividend.

### Principal risks and uncertainties

The directors of Grainger plc manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Grainger Residential Management Limited's business. The principal risks and uncertainties of the Grainger plc group, which include those of the company, are discussed in the group's annual report, which does not form part of this report.

### Key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of Grainger Residential Management Limited's business.

### Directors

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

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

Peter Q P Couch resigned as a director on 31 January 2014.

### Policy on the payment of creditors

It is the company's policy to pay all of its suppliers in accordance with their normal trading terms and conditions for both the current year and the following financial year. Payment in respect of the purchase of property is subject to and is in compliance with contractual terms. Trade creditor days relating to other trade creditors of the Company were calculated as 22 days (2013: 22 days).

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

# Grainger Residential Management Limited

## Directors' report (continued)

Year ended 30 September 2014

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out the company's strategic report information as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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.

### Auditor

A tender process for the external audit has recently concluded and the Board of Grainger plc resolved to appoint KPMG LLP as auditors of the company for the year ended 30 September 2015.

Signed by order of the directors



Michael P Windle  
Company Secretary

Approved by the directors on 16 June 2015

# **Grainger Residential Management Limited**

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

**Year ended 30 September 2014**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, Grainger Residential Management Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 September 2014 and of its loss for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

Grainger Residential Management Limited's financial statements comprise:

- the balance sheet as at 30 September 2014;
- the profit and loss account and statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **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.

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### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# Grainger Residential Management Limited

## Independent auditor's report to the members of Grainger Residential Management Limited (*continued*)

Year ended 30 September 2014

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

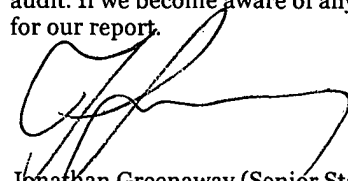
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Greenaway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
16 June 2015

# Grainger Residential Management Limited

## Profit and loss account

Year ended 30 September 2014

	Note	2014 £	2013 £
Turnover	2	13,169,933	14,276,220
Cost of sales		(27,121)	(33,456)
Gross profit		13,142,812	14,242,764
Administrative expenses		(13,298,481)	(11,792,564)
Operating (loss)/profit	3	(155,669)	2,450,200
Interest receivable		224	7,694
(Loss)/profit on ordinary activities before taxation		(155,445)	2,457,894
Tax on (loss)/profit on ordinary activities	5	(86,991)	(654,899)
(Loss)/profit for the financial year		<u>(242,436)</u>	<u>1,802,995</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 £242,436 attributable to the shareholders for the year ended 30 September 2014 (2013 - profit of £1,802,995).

The notes on pages 10 to 14 form part of these financial statements.

# Grainger Residential Management Limited

## Balance sheet

30 September 2014

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	6	2,963,901	992,040
Investments	7	1,000	1,000
		<u>2,964,901</u>	<u>993,040</u>
<b>Current assets</b>			
Debtors	8	13,208,992	14,843,917
Cash at bank		5,511,379	6,708,588
		<u>18,720,371</u>	<u>21,552,505</u>
<b>Creditors: Amounts falling due within one year</b>	10	<u>(9,545,723)</u>	<u>(10,163,560)</u>
<b>Net current assets</b>		<u>9,174,648</u>	<u>11,388,945</u>
<b>Total assets less current liabilities</b>		<u>12,139,549</u>	<u>12,381,985</u>
<b>Capital and reserves</b>			
Called-up equity share capital	12	1	1
Profit and loss account	13	12,139,548	12,381,984
<b>Shareholders' funds</b>	14	<u>12,139,549</u>	<u>12,381,985</u>

These accounts were approved by the directors and authorised for issue on 16 June 2015, and are signed on their behalf by:



Mark Greenwood  
Director

Company Registration Number: 4974627

The notes on pages 10 to 14 form part of these financial statements.

# Grainger Residential Management Limited

## Notes to the financial statements

Year ended 30 September 2014

### 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 Financial Reporting Standard No 1 (Revised 1996) from preparing a cash flow statement.

#### Turnover

Turnover comprises management fees and sundry other income, exclusive of VAT.

#### 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 provision 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 by full consolidation 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 2014

### 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)/profit

Operating (loss)/profit is stated after charging:

	2014 £	2013 £
Depreciation of owned fixed assets	481,795	317,220
Auditor's remuneration		
- as auditor	295,608	267,000
Operating lease costs:		
- Plant and equipment	401,138	647,345
- Other	1,115,523	772,281

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.

### 5. Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2014 £	2013 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 22% (2013 - 23.50%)	50,486	628,782
Total current tax	50,486	628,782
Deferred tax:		
Origination and reversal of timing differences (note 9)		
Capital allowances	36,505	26,117
Tax on (loss)/profit on ordinary activities	86,991	654,899

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

# Grainger Residential Management Limited

## Notes to the financial statements

Year ended 30 September 2014

### 5. Taxation on ordinary activities *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 22% (2013 - 23.50%).

	2014 £	2013 £
(Loss)/profit on ordinary activities before taxation	<u>(155,445)</u>	<u>2,457,894</u>
(Loss)/profit on ordinary activities by rate of tax	(34,198)	577,605
Expenses not deductible for tax purposes	66,000	58,750
Capital allowances for period in excess of depreciation	(36,505)	(7,573)
Adjustments to tax charge in respect of previous periods	55,189	-
Total current tax (note 5(a))	<u>50,486</u>	<u>628,782</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 £
<b>Cost</b>			
At 1 October 2013	3,331,797	450,722	3,782,519
Additions	1,849,239	604,417	2,453,656
<b>At 30 September 2014</b>	<u>5,181,036</u>	<u>1,055,139</u>	<u>6,236,175</u>
<b>Depreciation</b>			
At 1 October 2013	2,790,479	-	2,790,479
Charge for the year	360,664	121,131	481,795
<b>At 30 September 2014</b>	<u>3,151,143</u>	<u>121,131</u>	<u>3,272,274</u>
<b>Net book value</b>			
<b>At 30 September 2014</b>	<u>2,029,893</u>	<u>934,008</u>	<u>2,963,901</u>
At 30 September 2013	<u>541,318</u>	<u>450,722</u>	<u>992,040</u>

# Grainger Residential Management Limited

## Notes to the financial statements

Year ended 30 September 2014

### 7. Investments

	Participating interests £
<b>Cost</b>	
At 1 October 2013 and 30 September 2014	<u>1,000</u>
<b>Net book value</b>	
At 30 September 2014 and 30 September 2013	<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.

### 8. Debtors

	2014 £	2013 £
Trade debtors	–	289,313
Amounts owed by group undertakings	11,216,607	13,401,484
Other debtors	370,417	12,980
Prepayments and accrued income	1,532,168	1,013,835
Deferred taxation (note 9)	89,800	126,305
	<u>13,208,992</u>	<u>14,843,917</u>

### 9. Deferred taxation

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

	2014 £	2013 £
Included in debtors (note 8)	<u>89,800</u>	<u>126,305</u>

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

	2014 £	2013 £
Balance brought forward	126,305	152,422
Profit and loss account movement arising during the year	(36,505)	(26,117)
Balance carried forward	<u>89,800</u>	<u>126,305</u>

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

	2014 £	2013 £
Excess of depreciation over taxation allowances	89,800	126,305
	<u>89,800</u>	<u>126,305</u>

# Grainger Residential Management Limited

## Notes to the financial statements

Year ended 30 September 2014

### 10. Creditors: Amounts falling due within one year

	2014 £	2013 £
Overdrafts	–	2,910,742
Trade creditors	6,345,572	50,447
VAT	–	112,153
Other creditors	56,571	5,406,948
Accruals and deferred income	3,143,580	1,683,270
	<u>9,545,723</u>	<u>10,163,560</u>

### 11. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the Grainger plc group.

### 12. Share capital

Allotted, called up and fully paid:

	2014		2013	
	No	£	No	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

### 13. Profit and loss account

	2014 £	2013 £
Balance brought forward	12,381,984	10,578,989
(Loss)/profit for the financial year	(242,436)	1,802,995
Balance carried forward	<u>12,139,548</u>	<u>12,381,984</u>

### 14. Reconciliation of movements in shareholders' funds

	2014 £	2013 £
(Loss)/profit for the financial year	(242,436)	1,802,995
Opening shareholders' funds	<u>12,381,985</u>	<u>10,578,990</u>
Closing shareholders' funds	<u>12,139,549</u>	<u>12,381,985</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.