

Grainger Residential Management Limited
Financial statements
30 September 2018



Grainger Residential Management Limited

Financial statements

Year ended 30 September 2018

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Grainger Residential Management Limited

Officers and professional advisers

| | |
|-------------------------------|--|
| The board of directors | Helen C Gordon Vanessa K Simms Adam McGhin Eliza Pattinson |
| 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 | Womble Bond Dickinson (UK) LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX |

Grainger Residential Management Limited

Strategic report

Year ended 30 September 2018

The directors present their strategic report for the year ended 30 September 2018.

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 residential landlord, capitalising on the compelling Private Rented Sector ("PRS") market opportunity and delivering attractive and sustainable total 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 experience. We will continue to increase and accelerate investment into existing and newly built rental homes; development team resources are focussed on delivery of new PRS stock; and the acquisitions team are improving access and conversion of PRS opportunities. We have concentrated resources on two core assets (PRS and regulated tenancies); overheads continue to be tightly controlled following the transition to a simpler, streamlined structure; direct investment has been prioritised; and our cost of financing reduced. We will continue to build on our experience 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 2018.

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 macro-economic conditions leading to long-term flat or negative valuation movements and/or the inability to transact and acquire PRS assets on acceptable terms; the inability to obtain sufficient finance which impacts the ability to fund the delivery of the strategy and maintain a strong capital structure; a failure to meet current or additional regulatory obligations or anticipate and respond to changes in regulation that increase cost; a failure to attract, retain and develop our people to ensure we have the right skills in the right place at the right time for our strategy, and a failure to increase female and ethnic minority representation at senior levels within the organisation; 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 procedures; the allocation of a portion of our capital to activities which carry development risk; the breach of confidential data or technology disruption due to an internal or external attack on our information systems and data or by internal security control failure; and the failure to implement change initiatives to people, processes and technology to fulfil our customer service standards to all our existing and future customers resulting in the loss of our position as the UK's leading PRS landlord.

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 2018

This report was approved by the board of directors on 13 June 2019 and signed on behalf of the board by:



Adam McGhin
Company Secretary

Grainger Residential Management Limited

Directors' report

Year ended 30 September 2018

The directors present their report and the financial statements of the company for the year ended 30 September 2018.

Directors

The directors who served the company during the year, and subsequent to the year end, were as follows:

| | |
|----------------------|-----------------------------|
| Mark J Robson | (Resigned 30 April 2019) |
| Helen C Gordon | |
| Vanessa K Simms | |
| Adam McGhin | |
| Nicholas M F Jopling | (Resigned 20 December 2017) |
| Eliza Pattinson | (Appointed 23 April 2019) |

Dividends

A dividend of £10,014,177 was paid during the year (2017: £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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 2018

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 13 June 2019 and signed on behalf of the board by:



Adam McGhin
Company Secretary

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

Opinion

/ We have audited the financial statements of Grainger Residential Management Limited ("the company") for the year ended 30 September 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors; see note 3, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

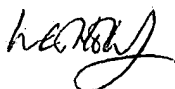
Auditor's responsibilities

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

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

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

This report is made solely to the 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.



Bill Holland (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
18 June 2019

Grainger Residential Management Limited

Statement of comprehensive income

Year ended 30 September 2018

| | Note | 2018 £ | 2017 £ |
|---|----------|-------------------------|-------------------------|
| Turnover | 4 | 12,184,898 | 17,008,787 |
| Cost of sales | | <u>(53,125)</u> | <u>(49,156)</u> |
| Gross profit | | 12,131,773 | 16,959,631 |
| Administrative expenses | | <u>(9,994,383)</u> | <u>(12,974,083)</u> |
| Operating profit | 5 | 2,137,390 | 3,985,548 |
| Other interest receivable and similar income | 7 | <u>501</u> | <u>76</u> |
| Profit before taxation | | 2,137,891 | 3,985,624 |
| Tax on profit | 8 | <u>(777,547)</u> | <u>(899,328)</u> |
| Profit for the financial year and total comprehensive income | | <u>1,360,344</u> | <u>3,086,296</u> |

All the activities of the company are from continuing operations.

The notes on pages 12 to 19 form part of these financial statements.

Grainger Residential Management Limited

Statement of financial position

30 September 2018

| | Note | 2018 £ | 2017 £ |
|---|------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 4,177,298 | 1,809,367 |
| Tangible assets | 11 | 346,287 | 698,026 |
| Investments | 12 | 1,045 | 1,045 |
| | | <u>4,524,630</u> | <u>2,508,438</u> |
| Current assets | | | |
| Debtors | 13 | 3,989,382 | 18,066,070 |
| Cash at bank and in hand | | <u>10,928,933</u> | <u>6,657,026</u> |
| | | 14,918,315 | 24,723,096 |
| Creditors: amounts falling due within one year | 14 | (15,178,056) | (14,351,944) |
| Net current (liabilities)/assets | | <u>(259,741)</u> | <u>10,371,152</u> |
| Total assets less current liabilities | | 4,264,889 | 12,879,590 |
| Provisions | | | |
| Deferred tax | 15 | (104,544) | (65,412) |
| Net assets | | <u>4,160,345</u> | <u>12,814,178</u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 1 | 1 |
| Profit and loss account | 18 | <u>4,160,344</u> | <u>12,814,177</u> |
| Shareholders' funds | | <u>4,160,345</u> | <u>12,814,178</u> |

These financial statements were approved by the board of directors and authorised for issue on 13 June 2019, and are signed on behalf of the board by:



Adam McGhin
Director

Company registration number: 4974627

The notes on pages 12 to 19 form part of these financial statements.

Grainger Residential Management Limited

Statement of changes in equity

Year ended 30 September 2018

| | Called up share capital £ | Profit and loss account £ | Total £ |
|---|---------------------------------------|---------------------------------|--------------|
| At 1 October 2016 | 1 | 9,727,881 | 9,727,882 |
| Profit for the year | — | 3,086,296 | 3,086,296 |
| Total comprehensive income for the year | — | 3,086,296 | 3,086,296 |
| At 30 September 2017 | 1 | 12,814,177 | 12,814,178 |
| Profit for the year | — | 1,360,344 | 1,360,344 |
| Total comprehensive income for the year | — | 1,360,344 | 1,360,344 |
| Dividends paid | 9 | — (10,014,177) | (10,014,177) |
| Total investments by and distributions to owners | — | (10,014,177) | (10,014,177) |
| At 30 September 2018 | 1 | 4,160,344 | 4,160,345 |

The notes on pages 12 to 19 form part of these financial statements.

Grainger Residential Management Limited

Notes to the financial statements

Year ended 30 September 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

2. Statement of compliance

The financial statements of Grainger Residential Management Limited ("the company") for the year ended 30 September 2018 were authorised for issue by the board of directors on 13 June 2019 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 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.

3. 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.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the company's net current liabilities of £259,741, which the directors believe to be appropriate for the following reasons.

The directors have not prepared any detailed cash flow forecasts for this company on a standalone basis but the company is included in a cash flow forecast for the wider Grainger plc group for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the wider Grainger plc group will have sufficient funds to meet its liabilities as they fall due for that period.

Considering this company on a standalone basis, its ability to continue to trade is dependent on its ultimate parent, Grainger plc, not seeking repayment of the amounts currently owed by the company, which at 30 September 2018 amounted to £nil. Grainger plc has indicated that it and its subsidiaries do not intend to seek repayment of these amounts for at least 12 months from the date of approval of these financial statements, and that they will continue to make available such funds as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently have prepared the financial statements on a going concern basis.

Grainger Residential Management Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2018

3. Accounting policies *(continued)*

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 capital management;
- (d) The effects of new but not yet effective IFRSs;
- (e) 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.

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.

Intangible assets

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

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2018

3. Accounting policies (continued)

Amortisation

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

Software Development - 5-7 years straight line

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:

Fixtures & Fittings - 3-5 years 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.

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.

4. Turnover

Turnover arises from:

| | 2018 | 2017 |
|---------------------|-------------------|-------------------|
| | £ | £ |
| Property management | <u>12,184,898</u> | <u>17,008,787</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.

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2018

5. Operating profit

Operating profit or loss is stated after charging:

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Amortisation of intangible assets | 467,375 | 417,895 |
| Depreciation of tangible assets | 397,042 | 470,627 |
| Operating lease rentals | 1,127,080 | 1,139,762 |
| Fees payable for the audit of the financial statements | <u>262,875</u> | <u>261,696</u> |

Audit fees mostly relate to fees payable in respect of other companies within the Grainger plc group. Statutory audit fees in respect of the company amounted to £2,400 (2017: £2,100).

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.

6. Particulars of employees

There are no persons holding service contracts with the company (2017: 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.

7. Other interest receivable and similar income

| | 2018 | 2017 |
|--|------------|-----------|
| | £ | £ |
| Interest on cash and cash equivalents | 501 | 11 |
| Other interest receivable and similar income | <u>—</u> | <u>65</u> |
| | <u>501</u> | <u>76</u> |

8. Tax on profit

Major components of tax expense

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Current tax: | | |
| UK current tax expense | 738,415 | 895,352 |
| Deferred tax: | | |
| Origination and reversal of timing differences | <u>39,132</u> | <u>3,976</u> |
| Tax on profit | <u><u>777,547</u></u> | <u><u>899,328</u></u> |

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 (continued)

Year ended 30 September 2018

8. Tax on profit (continued)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.50%).

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Profit on ordinary activities before taxation | <u>2,137,891</u> | <u>3,985,624</u> |
| Profit on ordinary activities by rate of tax | 406,199 | 777,197 |
| Adjustment to tax charge in respect of prior periods | 282,553 | 7,437 |
| Effect of expenses not deductible for tax purposes | 117,800 | 123,824 |
| Effect of capital allowances and depreciation | <u>(29,005)</u> | <u>(9,130)</u> |
| Tax on profit | <u>777,547</u> | <u>899,328</u> |

Factors that may affect future tax income

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) has been substantively enacted. This will reduce the company's future current tax charge accordingly.

9. Dividends

| | 2018 £ | 2017 £ |
|----------------|-------------------|-----------|
| Dividends paid | <u>10,014,177</u> | <u>—</u> |

10. Intangible assets

| | Software development £ |
|-----------------------------|------------------------------|
| Cost | |
| At 1 October 2017 | 2,809,201 |
| Additions | <u>2,835,306</u> |
| At 30 September 2018 | <u>5,644,507</u> |
| Amortisation | |
| At 1 October 2017 | 999,834 |
| Charge for the year | <u>467,375</u> |
| At 30 September 2018 | <u>1,467,209</u> |
| Carrying amount | |
| At 30 September 2018 | <u>4,177,298</u> |
| At 30 September 2017 | <u>1,809,367</u> |

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2018

11. Tangible assets

| | Fixtures and fittings £ | Total £ |
|-----------------------------|----------------------------|------------------|
| Cost | | |
| At 1 October 2017 | 5,487,845 | 5,487,845 |
| Additions | 45,303 | 45,303 |
| At 30 September 2018 | 5,533,148 | 5,533,148 |
| Depreciation | | |
| At 1 October 2017 | 4,789,819 | 4,789,819 |
| Charge for the year | 397,042 | 397,042 |
| At 30 September 2018 | 5,186,861 | 5,186,861 |
| Carrying amount | | |
| At 30 September 2018 | 346,287 | 346,287 |
| At 30 September 2017 | 698,026 | 698,026 |

12. Investments

| | Equity in participating interests £ |
|---|--|
| Cost | |
| At 1 October 2017 and 30 September 2018 | 1,045 |
| Impairment | |
| At 1 October 2017 and 30 September 2018 | - |
| Carrying amount | |
| At 30 September 2018 | 1,045 |

The company owns less than 1% of the capital of Grainger Treasury Property (2006) Limited Liability Partnership, a property investment partnership, and owns 30% of the share capital of Vesta (General Partner) Limited, both of whom are registered at Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

13. Debtors

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|-------------------|
| Trade debtors | 1,151,048 | 693,409 |
| Amounts owed by group undertakings | 1,763,491 | 16,315,315 |
| Prepayments and accrued income | 1,059,709 | 1,038,812 |
| Other debtors | 15,134 | 18,534 |
| | 3,989,382 | 18,066,070 |

The amount owed by group undertakings is unsecured, is repayable on demand, and does not bear interest.

Grainger Residential Management Limited

Notes to the financial statements (continued)

Year ended 30 September 2018

14. Creditors: amounts falling due within one year

| | 2018 | 2017 |
|------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 8,835,988 | 8,131,625 |
| Accruals and deferred income | 6,294,133 | 6,205,380 |
| Other creditors | 47,935 | 14,939 |
| | <u>15,178,056</u> | <u>14,351,944</u> |

15. Provisions

| | Deferred tax (note 16) |
|----------------------|---------------------------|
| | £ |
| At 1 October 2017 | 65,412 |
| Additions | 39,132 |
| At 30 September 2018 | <u>104,544</u> |

16. Deferred tax

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

| | 2018 | 2017 |
|----------------------------------|----------------|---------------|
| | £ | £ |
| Included in provisions (note 15) | <u>104,544</u> | <u>65,412</u> |

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

| | 2018 | 2017 |
|--------------------------------|----------------|---------------|
| | £ | £ |
| Accelerated capital allowances | <u>104,544</u> | <u>65,412</u> |

17. Called up share capital

Issued, called up and fully paid

| | 2018 | | 2017 | |
|----------------------------|----------|----------|----------|----------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

18. Reserves

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

19. Operating leases

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

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Not later than 1 year | 920,056 | 975,269 |
| Later than 1 year and not later than 5 years | 2,794,652 | 3,223,622 |
| Later than 5 years | 80,876 | 528,146 |
| | <u>3,795,584</u> | <u>4,727,037</u> |

Grainger Residential Management Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2018

20. 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.

21. 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.