

COMPANY REGISTRATION NUMBER: 5019636

Grainger Employees Limited
Financial statements
30 September 2021

SATURDAY



ABBQPGVC

A9

03/09/2022

#6

COMPANIES HOUSE

Grainger Employees Limited

Financial statements

Year ended 30 September 2021

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 4
Directors' report	5 to 6
Independent auditor's report to the members of Grainger Employees Limited	7 to 10
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Notes to the financial statements	14 to 23

Grainger Employees Limited

Officers and professional advisers

The board of directors

Helen C Gordon
Adam McGhin
Eliza Pattinson
Michael P Keaveney
Rob J Hudson

Company secretary

Adam McGhin

Registered office

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Auditor

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

Banker

Barclays Bank plc
5 St Ann's Street
Quayside
Newcastle upon Tyne
NE1 2BH

Solicitor

Womble Bond Dickinson (UK) LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Grainger Employees Limited

Strategic report

Year ended 30 September 2021

The directors present their strategic report for the year ended 30 September 2021.

Principal activity

The principal activity of the company during the year was the provision of management services to other group companies.

Strategy and business model

Grainger is the UK's largest listed provider of private rental homes in the Private Rented Sector ('PRS'). Our strategy is to be the leading provider of private rental homes in the UK and deliver sustainable, attractive returns to our shareholders by increasing overall income returns and improving the resilience and efficiency of our business model.

Our fully integrated business model and operating platform has three key pillars to ensure we are investing in and designing the best possible assets and providing great service:

Originate - *planning, design and delivery*: Planning and creating sustainable buildings to our own specific design gives us control over the delivery and quality of new homes, whilst also ensuring our properties are efficient to run, lead the sector in health and safety, and are desirable to renters.

Invest - *research-backed capital allocation, geographic targeting, acquisitions and asset management*: Our investment process begins with comprehensive research to identify cities with the greatest demand and greatest growth potential. We invest in sites in safe neighbourhoods that provide residents with good proximity to public transport and local services.

Operate - *lettings, management and customer service*: With more than 100 years of experience in renting homes, we are committed to operational excellence and great customer service to achieve high occupancy rates and sustainable rental growth. Investment in technology and our online digital platform, CONNECT, secures our leading position in the market and enables our continued growth.

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 2021.

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 in 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 include:

- a recession or significant slow-down in the UK economic recovery, leading to flat or negative valuation movements and/or stagflation pursuant to an external factor, such as a new wave or variant of Covid-19 leading to disruptive domestic or international restrictions/measures;
- the inability to obtain sufficient finance to fund our growth strategy and operations arising from external factors/events (including, but not limited to, the Covid-19 pandemic) which impacts the ability to fund the delivery of the strategy and maintain a strong capital structure;
- a failure to meet current regulatory obligations and adapt to ongoing requirements of changing policy proposals, and our ability to forward look and prepare for the future, understanding complexities of a changing regulatory landscape in which we operate;

Grainger Employees Limited

Strategic report (continued)

Year ended 30 September 2021

- a failure to attract, retain and develop an inclusive and diverse workforce to ensure we have the right skills in the right place at the right time to deliver our strategy, heightened by an ever-increasing competitive job marketplace, a failure to deliver an effective roadmap to return to office working, and a failure to retain our talented employees by providing development opportunities, workplace flexibility, a sense of purpose and remuneration;
- a significant failure within, or by, a key third-party supplier or contractor, or supply chain disruption caused by our Procurement Strategy evolving to align with our CONNECT platform, leading to a change in the way we will engage and interact with our supply chain;
- a significant health and safety incident, in particular a fire or gas safety incident or near-miss occurrence, owing to inadequate or inappropriately implemented procedures; our reputation as a leading landlord impacted by our ability and responsibility to understand and follow fire safety and building control requirements to protect our residents; and ensuring the performance of our portfolio aligns to our Environmental, Social and Governance standards;
- the allocation of a portion of our capital to development activities which may be complex and potentially bring multiple related risks, and increased costs including build cost inflation, labour and material shortages under potential quality standards due to Brexit and Covid-19 conditions;
- 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;
- our ability to successfully retain our customers caused by a failure to fulfil our customer proposition and our service standards, and customers having wider choice offerings; and
- the impacts of climate change on our business and operations, including an extreme weather event, adaption to changes in weather patterns, the cost and feasibility of transitioning our existing portfolio to a zero-carbon economy whilst ensuring our new build portfolio meets our ESG standards, and customer preference for more energy efficient properties and growing stakeholder expectations.

Section 172 statement

This section of the strategic report describes how the directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006 ('s172') when performing their duty to promote the success of the company for the benefit of its shareholders. As the company is a subsidiary of Grainger plc (the 'Group'), its parent company and other members of the Group are key stakeholders of the company. Accordingly, the interests of the Group have been taken into account by the directors and decisions have been made in agreement with the Board of Grainger plc. The approach to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 are summarised as follows, and are detailed in the Grainger plc Annual Report.

The long term – Grainger is committed to being a long-term investor in homes and communities, and delivering long-term success to our shareholders.

Employees – Employees are at the heart of our business and our people strategy focuses on delivering the highest levels of learning and development, wellbeing and inclusion.

Business relationships with suppliers, customers and partners – The relationships with our key partners and suppliers are critical to our ability to deliver and maintain high-quality rental homes. Strong relationships with our customers supports retention and creates a community within our buildings.

The community and the environment – We consider communities to encompass those created within our buildings as well as those around them, and actively seek ways to promote thriving communities and to minimise our impact on the environment.

Grainger Employees Limited

Strategic report *(continued)*

Year ended 30 September 2021

High standards of business conduct – Grainger is proud to be a FTSE4Good business and adheres to the highest standards of business conduct in interactions with all our stakeholders.

Shareholders – We conduct regular direct engagement with our shareholders through a range of channels, and ensure key issues raised are factored into strategic decision-making.

Future developments

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

This report was approved by the board of directors on 11 August 2022 and signed on behalf of the board by:



Adam McGhin
Company Secretary

Grainger Employees Limited

Directors' report

Year ended 30 September 2021

The directors present their report and the financial statements of the company for the year ended 30 September 2021.

Directors

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

Helen C Gordon	
Adam McGhin	
Eliza Pattinson	
Andrew P Sanderson	(Appointed 4 May 2021, resigned 26 November 2021)
Michael P Keaveney	(Appointed 4 May 2021)
Vanessa K Simms	(Resigned 26 April 2021)
Rob J Hudson	(Appointed 17 November 2021)

Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

Employment of disabled persons

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled every effort is made to ensure that their employment within the company continues and that appropriate training is arranged where necessary. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees, for example, eligibility to join company share schemes, and on the various factors affecting the performance of the group. Communication is made using the company intranet, through regular newsletters, team meetings, presentations by senior management and quarterly all-staff conference calls hosted by the Executives.

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.

Grainger Employees Limited

Directors' report *(continued)*

Year ended 30 September 2021

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.

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 11 August 2022 and signed on behalf of the board by:



Adam McGhin
Company Secretary

Independent auditor's report to the members of Grainger Employees Limited

Opinion

We have audited the financial statements of Grainger Employees Limited ("the company") for the year ended 30 September 2021 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 2021 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.

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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to Grainger plc's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- reading Board minutes.
- considering remuneration incentive schemes and performance targets for management.
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of Group-wide fraud risk management controls.

We also performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

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

Directors' responsibilities

As explained more fully in their statement set out on pages 5 to 6, 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.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 auditors' 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.



Dan Gibson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

24 August 2022

Grainger Employees Limited

Statement of comprehensive income

Year ended 30 September 2021

	Note	2021 £	2020 £
Turnover	4	22,097,307	20,662,713
Cost of sales		(21,149,442)	(19,779,548)
Gross profit		947,865	883,165
Administrative expenses		(13,732)	(6,269)
Operating profit	5	934,133	876,896
Interest receivable and similar income	8	749,708	727,325
Profit before taxation		1,683,841	1,604,221
Tax on profit	9	(559,155)	(115,010)
Profit for the financial year and total comprehensive income		<u>1,124,686</u>	<u>1,489,211</u>

All the activities of the company are from continuing operations.

The notes on pages 14 to 23 form part of these financial statements.

Grainger Employees Limited

Statement of financial position

30 September 2021

	Note	2021 £	2020 £
Current assets			
Debtors	11	35,686,833	33,137,443
Creditors: amounts falling due within one year	12	(5,242,165)	(5,491,960)
Net current assets		<u>30,444,668</u>	<u>27,645,483</u>
Total assets less current liabilities		<u>30,444,668</u>	<u>27,645,483</u>
Net assets		<u>30,444,668</u>	<u>27,645,483</u>
Capital and reserves			
Called up share capital	16	1	1
Share option reserve	17	24,542,539	22,868,040
Profit and loss account	17	5,902,128	4,777,442
Shareholders' funds		<u>30,444,668</u>	<u>27,645,483</u>

These financial statements were approved by the board of directors and authorised for issue on 11 August 2022, and are signed on behalf of the board by:



Adam McGhin
Director

Company registration number: 5019636

The notes on pages 14 to 23 form part of these financial statements.

Grainger Employees Limited

Statement of changes in equity

Year ended 30 September 2021

	Called up share capital £	Share option reserve £	Profit and loss account £	Total £
At 1 October 2019	1	21,752,257	3,288,231	25,040,489
Profit for the year	—	—	1,489,211	1,489,211
Total comprehensive income for the year	—	—	1,489,211	1,489,211
Equity-settled share-based payments	—	1,115,783	—	1,115,783
Transactions with owners, recorded directly in equity	—	1,115,783	—	1,115,783
At 30 September 2020	1	22,868,040	4,777,442	27,645,483
Profit for the year	—	—	1,124,686	1,124,686
Total comprehensive income for the year	—	—	1,124,686	1,124,686
Equity-settled share-based payments	—	1,674,499	—	1,674,499
Transactions with owners, recorded directly in equity	—	1,674,499	—	1,674,499
At 30 September 2021	1	24,542,539	5,902,128	30,444,668

The notes on pages 14 to 23 form part of these financial statements.

Grainger Employees Limited

Notes to the financial statements

Year ended 30 September 2021

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 Employees Limited ("the company") for the year ended 30 September 2021 were authorised for issue by the board of directors on 11 August 2022 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.

Grainger Employees Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has net assets of £30,444,668 at 30 September 2021 and has generated a profit for the period then ended of £1,124,686. The company is a subsidiary of Grainger plc. The directors of Grainger plc, the ultimate parent undertaking, manage the group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Grainger plc operating segment level. For these reasons, the directors do not prepare cash flow forecasts at an individual entity level.

On a consolidated basis, the Group has assessed its future funding commitments and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, reasonable severe sensitivities, including the potential impact of Covid-19, have been applied to the key factors affecting financial performance of the Group. This includes the potential impact on performance due to possible changes in the level of cash collection, rental growth, letting activity, sales performance and development activity. The Directors of the Group have a reasonable expectation that it has adequate resources to continue operating for the foreseeable future period, and not less than 12 months from the date of approval of these financial statements.

Grainger plc has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for the foreseeable future. As with any entity 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. The directors do not intend to nor have they identified any circumstances which may lead to the entity being liquidated or to cease operating.

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 therefore have prepared the financial statements on a going concern basis.

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021

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.

The company has considered the impact of the adoption of those new and revised International Financial Reporting Standards and interpretations that were effective for the first time from 1 October 2020. There has been no material impact on the company following the adoption of these standards.

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.

Tangible assets

All fixed assets are initially recorded at cost.

Grainger Employees Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2021

3. Accounting policies *(continued)*

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 - 20% straight line

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charged in the financial statements represent the contributions payable by the company during the year.

Share-based payments

The group operates a number of equity-settled, share-based compensation plans comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn ('SAYE') scheme. Where the company's parent grants rights to its equity instruments to the company's employees which are accounted for as equity-settled in the consolidated accounts of the parent, the company accounts for these share-based payments as equity-settled. The fair value of the employee services received in exchange for the grant of shares and options is recognised as an employee expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options granted. For market-based conditions, the probability of vesting is taken into account in the fair value calculation and no revision is made to the number of shares or options expected to vest. For non-market conditions, each year the group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision to the original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

Awards that are subject to a market-based performance condition are valued at fair value using the Monte Carlo simulation model. Awards not subject to a market-based performance condition are valued at fair value using the Black-Scholes valuation model.

When options are exercised the proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium of the parent.

Non-derivative financial instruments

Non-derivative financial instruments comprise other debtors, loans and borrowings, and trade and other creditors.

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.

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Intercompany management charges	<u>22,097,307</u>	<u>20,662,713</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2021	2020
	£	£
Equity-settled share-based payments expense	<u>1,674,499</u>	<u>1,115,783</u>

Audit fees of £4,400 (2020: £3,700) are statutory audit fees only and are borne by another group company.

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021	2020
	No.	No.
Operations	151	142
Shared services	86	86
Group	11	12
	<u>248</u>	<u>240</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	18,244,965	16,932,635
Social security costs	1,745,173	1,766,669
Other pension costs	1,159,304	1,080,244
	<u>21,149,442</u>	<u>19,779,548</u>

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	1,779,271	1,548,999
Amount received under long term incentive schemes	1,067,904	611,521
Company contributions to defined contribution pension plans	52,952	28,372
	<u>2,900,127</u>	<u>2,188,892</u>

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021

7. Directors' remuneration (continued)

The number of directors who accrued benefits under company pension plans was as follows:

	2021 No.	2020 No.
Defined contribution plans	<u>4</u>	<u>2</u>

The highest paid director was Helen Gordon who was also a director of Grainger plc. Full details of her remuneration and her interests in Grainger plc shares and options are disclosed in the annual report of Grainger plc. The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest paid director was £1,305,999 (2020: £1,028,119) and company pension contributions of £74,921 (2020: £73,636) were made to a money purchase scheme on her behalf.

8. Interest receivable and similar income

	2021 £	2020 £
Interest from group undertakings	<u>749,708</u>	<u>727,325</u>

9. Tax on profit

Major components of tax expense

	2021 £	2020 £
Current tax:		
UK current tax expense	151,609	348,814
Deferred tax:		
Origination and reversal of temporary differences	407,546	(233,804)
Tax on profit	<u>559,155</u>	<u>115,010</u>

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

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	1,683,841	1,604,221
Profit on ordinary activities by rate of tax	319,930	304,802
Effect of capital allowances and depreciation	–	(630)
Tax effect of unpaid remuneration	–	(32,199)
Adjustments in respect of share-based payments	502,341	(156,963)
Impact of changes in tax rates	(263,116)	–
Tax on profit	<u>559,155</u>	<u>115,010</u>

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021

9. Tax on profit (continued)

Factors that may affect future tax income

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) has been enacted. This will increase the company's future current tax charge accordingly. Deferred tax at 30 September 2021 has been measured at 25% (2020: 19%).

10. Tangible assets

	Fixtures and fittings £	Total £
Cost		
At 1 October 2020	428,593	428,593
Disposals	(428,593)	(428,593)
At 30 September 2021	-	-
Depreciation		
At 1 October 2020	428,593	428,593
Disposals	(428,593)	(428,593)
At 30 September 2021	-	-
Carrying amount		
At 30 September 2021	-	-
At 30 September 2020	-	-

11. Debtors

	2021 £	2020 £
Amounts owed by group undertakings	34,548,017	31,551,257
Deferred tax asset	1,096,315	1,503,861
Other debtors	42,501	82,325
	<u>35,686,833</u>	<u>33,137,443</u>

Included within amounts owed by group undertakings is an unsecured loan with a year end balance of £19,501,285 (2020: £13,800,577). The loan bears interest at a weighted rate of 4.29% (2020: 4.22%) in the year and is repayable on demand but is not expected to be repaid within the next 12 months. Interest receivable for the year amounted to £749,708 (2020: £727,325). All other amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand.

12. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	762	812
Accruals and deferred income	4,309,268	4,608,045
Social security and other taxes	555,027	488,185
Other creditors	377,108	394,918
	<u>5,242,165</u>	<u>5,491,960</u>

Grainger Employees Limited

Notes to the financial statements *(continued)*

Year ended 30 September 2021

13. Deferred tax

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

	2021	2020
	£	£
Included in debtors (note 11)	<u>1,096,315</u>	<u>1,503,861</u>

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

	2021	2020
	£	£
Accelerated capital allowances	(5,297)	(4,909)
Provision deferred tax - unpaid remuneration	<u>(1,091,018)</u>	<u>(1,498,952)</u>
	<u>(1,096,315)</u>	<u>(1,503,861)</u>

14. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,159,304 (2020: £1,080,244).

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021

15. Share-based payments

The Grainger plc group operates a save as you earn ('SAYE') share option scheme available to employees. The number of shares subject to options as at 30 September 2021, the periods in which they were granted and the periods in which they may be exercised, are given below.

Year of grant	Exercise price (pence)	Exercise period	2021 number	2020 number
SAYE share options				
2015	156.6	2018-21	-	5,746
2016	150.7	2019-22	25,871	59,897
2017	189.9	2020-23	36,479	53,498
2018	228.6	2021-24	11,405	62,362
2019	193.0	2022-25	272,985	335,962
2020	245.0	2023-26	231,239	275,065
2021	234.0	2024-27	128,812	-
Total SAYE share options			<u>706,791</u>	<u>792,530</u>

The movement on the share options schemes during the year is as follows:

	Opening position	Exercised	Granted	Lapsed	Closing position
SAYE scheme					
2015	5,746	(5,746)	-	-	-
2016	59,897	(33,331)	-	(695)	25,871
2017	53,498	(16,571)	-	(448)	36,479
2018	62,362	(46,975)	-	(3,982)	11,405
2019	335,962	(6,778)	-	(56,199)	272,985
2020	275,065	(3,345)	-	(40,481)	231,239
2021	-	-	128,812	-	128,812
	<u>792,530</u>	<u>(112,746)</u>	<u>128,812</u>	<u>(101,805)</u>	<u>706,791</u>

For those share options exercised during the year, the weighted average share price at the date of exercise was 299.1p (2020: 302.4p). For share options outstanding at the end of the year, the weighted average remaining contractual life was 1.9 years (2020: 2.3 years). There were 38,674 (2020: 21,186) share options exercisable at the year end with a weighted average exercise price of 175.2p (2020: 180.9p).

The Grainger plc group operates an equity-settled, share-based compensation plan comprising awards under a long-term incentive plan ('LTIP'), a deferred bonus plan ('DBP'), a share incentive plan ('SIP') and a save as you earn ('SAYE') scheme.

For the LTIP awards granted in or after February 2020, 50% of the awards under the LTIP scheme are subject to an absolute Total Shareholder Return performance condition measured over three years from the date of grant, 25% are subject to annual growth in Total Property Return measured over three years from the date of grant, and the final 25% are subject to achieving Secured PRS Investment targets measured over three years from the date of grant.

Grainger Employees Limited

Notes to the financial statements (continued)

Year ended 30 September 2021.

For previous LTIP grants, 50% of the awards are subject to an absolute total shareholder return performance condition and 50% are subject to annual growth in Total Property Return, both measured over three years from the date of grant.

Awards granted under the DBP scheme have no specific performance conditions other than employees in the scheme continuing to be employed. There is a three-year vesting period from the date of grant. One-third of the awards vest at the end of each year. Participants can choose to exercise their awards on vesting or to retain their awards within the plan until the end of the third year at which point a 50% matching element is added to their award entitlement. In addition to the DBP scheme, an enhanced DBP scheme (EDBP) is also provided. The enhanced scheme operates in exactly the same way as the normal DBP scheme except that if participants retain their awards within the plan until the end of the fifth year, a further additional 50% matching award is added to their award entitlement. Awards under the DBP/EDBP have been valued based on the share price at the date of the award less the dividend yield at the award date as there is no entitlement to dividends during the vesting period.

Awards under the SAYE scheme have been valued at fair value using a Black-Scholes valuation model.

Awards under the SIP scheme have been based on the share price at the date of the award.

Shares were awarded, subject to any vesting conditions set out above, to executive directors and selected employees during the year under the LTIP. Share options were granted to employees of the group during the year under the SAYE scheme.

16. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

17. Reserves

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

Share option reserve - This reserve records equity-settled share based payments.

18. 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.

19. 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.