17 November 2022

Grainger plc

Full year financial results
for the twelve months ended 30 September 2022

Record performance
with four years of growth locked-in, funded and de-risked

- Net Rental Income up +22%
- Adjusted Earnings up +12%
- Like-for-like rental growth up +4.7%
- Record occupancy continues at 98% (PRS)
- EPRA Net Tangible Asset ('NTA') up +7%
- Total dividend per share up +16%

Grainger plc, the UK's largest listed residential landlord with a £3.2bn operational portfolio of 9,669 rental homes and, £1.8bn build-to-rent pipeline of 6,838 homes, today announces record performance for its financial year to the end of September 2022.

Helen Gordon, Chief Executive, said:

"I am pleased to report a very successful year for Grainger, in which we delivered record net rental income growth of 22%, driven by record occupancy, rental growth and lease up of our new schemes. Adjusted earnings for the year up 12%, EPRA NTA up 7% and dividend up 16%.

"Our £953m committed pipeline of 3,658 new build-to-rent homes is locked-in, fully-funded and de-risked with fixed construction costs, providing visibility on earnings growth for the next four years. On top of this we have the option to proceed with a further £241m of 769 homes in our secured pipeline and we have £599m in our planning and legal pipeline, comprising 2,411 homes. In total, our build-to-rent pipeline stands at £1.8bn and 6,838 new homes.

"We have a strong financial footing with a robust balance sheet. Our debt is 97% hedged with average debt maturities of six and a half years and we have no significant refinancing requirements until 2027. All of this puts Grainger in a position of strength to take advantage of the increasing demand for renting homes in the UK.

"Whilst we are mindful of the wider macro-economic environment, we are well positioned for the challenges ahead and our market benefits from positive long-term structural trends. Demand for renting continues to grow, supply remains constrained as many small landlords exit the rental market, and we benefit from a resilient customer base. The inflation-linked characteristics of our asset class, coupled with our high-quality, energy-efficient and well-located properties, scalable operating platform and unrivalled data, insight and analytics gives us confidence for our continued strong operational performance."

Highlights

- +22% growth delivered in Net Rental Income[1] to £86.3m (FY21: £70.6m)
- +12% growth in Adjusted Earnings[2] to £93.5m (FY21: £83.5m)
- Total dividend up +16% to 5.97p per share
- +4.7% like-for-like rental growth[3] across our total portfolio (FY21: 1.0%), with +3.5% growth in H1 and +5.5% growth in H2
  - +4.8% like-for-like rental growth in our PRS portfolio (FY21: 0.3%), with +3.5% in H1, +5.5% in H2 and maintained in October post year end
    - +5.6% like-for-like rental growth on new lets in our PRS portfolio
    - +4.1% like-for-like rental growth on renewals in our PRS portfolio

    - +4.6% like-for-like rental growth in our regulated tenancy portfolio (FY21: 3.6%), with 3.7% in H1 and 5.7% in H2
- Record occupancy of 98% in our PRS portfolio
- Total Property Return for the year of 7.5% due to strong valuation growth of +£157m driven by strong performance on lettings and rental growth
- EPRA NTA up +7% to 317pps (FY21: 297pps)
- Debt 97% hedged with an average cost of debt 3.1% expected to rise marginally by +20bps in FY23, a weighted average debt maturity of six and a half years and no significant refinancing requirements until 2027
- PRS Customer Net Promoter Score up +16pts to 34pts and 90% PRS customer satisfaction
- 26% reduction in Scope 1 & 2 emissions per £m assets under management (market-based methodology)
- 87% of PRS properties have EPC ratings A-C

Financial Highlights

Income returns	**FY21**	**FY22**	**Change**
Rental growth *(like-for-like)*	1.0%	4.7%	+372 bps
PRS rental growth (like-for-like)	0.3%	4.8%	+450 bps
Regulated tenancy rental growth (like-for-like, annualised)	3.6%	4.6%	+102 bps
Net rental income *(Note 5)*	£70.6m	£86.3m	+22%
Adjusted earnings *(Note 2)*	£83.5m	£93.5m	+12%
Profit before tax *(Note 2)*[4]	£152.1m	£298.6m	+96%
Earnings per share (diluted, after tax) *(Note 9)*[4]	16.1p	30.9p	+92%
Dividend per share *(Note 10)*[5]	5.15p	5.97p	+16%

Capital returns	**FY21**	**FY22**	**Change**
Total Property Return[6]	7.5%	7.5%	+2 bps
Total Accounting Return *(Note 3)*	5.5%	8.8%	+330 bps
EPRA NTA per share *(Note 3)*	297p	317p	+7%
Net debt	£1,042m	£1,262m	+21%
Group LTV	30.4%	33.4%	+304 bps
Cost of debt (average)	3.1%	3.1%	+1 bps
Reversionary surplus	£265m	£248m	(6)%

Secured build-to-rent pipeline	**Investment**	**Homes**
Secured & committed	£953m	3,658
Secured but not yet committed	£241m	769
Total investment value	£1,194m	4,427

ESG benchmark performance

FTSE4Good	since 2010
ISS ESG	Prime Rating
MSCI ESG	‘AA’
Sustainalytics ESG Risk Rating	Low Risk
EPRA Sustainability Best Practice Reporting	Gold Award
CDP (formerly the Carbon Disclosure Project)	‘B’ Rating
Workforce Disclosure Initiative	85%
GRESB Public Disclosure	‘A’ Rating

Future reporting dates

2023	
AGM & Trading update	8 February
Half year results	11 May
Trading update	September
Full year results	22 November

[1] Refer to Note 5 for net rental income calculation.

[2] Refer to Note 2 for profit before tax and adjusted earnings reconciliation.

[3] Rental growth is the average increase in rent charged across our portfolio on a like-for-like basis.

[4] Profit before tax includes an £81.2m valuation uplift from one-off transfers from trading property to investment property in FY22. The transfer does not impact the market value of properties reflected in EPRA measures, but does increase EPRA NTA by 3pps following the reclassification of £20.3m deferred and contingent tax.

[5] Dividends – Subject to approval at the AGM, the final dividend of 3.89p per share (gross) amounting to £28.8m will be paid on 14 February 2023 to Shareholders on the register at the close of business on 31 December 2022. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2023. An interim dividend of 2.08p per share amounting to a total of £15.4m was paid to Shareholders on 1 July 2022 – refer also to Note 10.

[6] Total Property Return (TPR) represents the change in gross asset value, net of capital expenditure incurred, plus net income, expressed as a percentage of gross asset value.

Results presentation

Grainger plc will be holding a presentation of the results at 08:30am (UK time) today, 17 November 2022, which can be accessed via webcast and a telephone dial-in facility (details below), which will be followed by a live Q&A session for sell side analysts and shareholders.

Webcast details:

To view the webcast, please go to the following URL link. Registration is required.

https://stream.brrmedia.co.uk/broadcast/633424dee019f405f294d272

The webcast will be available for six months from the date of the presentation.

Conference call details:

Call: +44 (0)330 551 0200

Confirmation Code: Quote Grainger when prompted by the operator

A copy of the presentation slides will also be available to download on Grainger's website (http://corporate.graingerplc.co.uk/) from 08:00am (UK time).

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Forward-looking statements disclaimer

This publication contains certain forward-looking statements. Any statement in this publication that is not a statement of historical fact including, without limitation, those regarding Grainger plc's future financial condition, business, operations, financial performance and other future events or developments involving Grainger, is a forward-looking statement. Such statements may, but not always, be identified by words such as 'expect', 'estimate', 'project', 'anticipate', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties as they relate to events which occur in the future and depend on circumstances which may or may not occur and go beyond Grainger's ability to control. Actual outcomes or results may differ materially from the outcomes or results expressed or implied by these forward-looking statements. Factors which may give rise to such differences include (but are not limited to) changing economic, financial, business, regulatory, legal, political, industry and market trends, house prices, competition, natural disasters, terrorism or other social, political or market conditions.

Grainger's principal risks are described in more detail in its Annual Report and Accounts, set out in the Risk Management report on pages 54-57 of the 2022 Annual Report and Accounts.

A number of risks faced by the Group are not directly within our control such as the wider economic and political environment.

In line with our risk management approach detailed on pages 52-54 of the 2022 Annual Report and Accounts, the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework. The war in Ukraine, as well as the devastating human impact, has substantially increased the geopolitical uncertainty in Europe and beyond. This has led to wider economic ramifications for society and business, with the duration and depth of the impact of the conflict being unclear. This lack of clarity is in the pre-existing context of inflationary pressures and, more recently, rising interest rates. Specifically in relation to Grainger, it is currently considered that the principal risks previously reported remain our principal risks. However, it is recognised that the Ukrainian war, the prevailing economic context and future uncertainty in that regard have arguably increased the likelihood of such risks being accelerated or becoming more acute. This would include, but is not limited to, market, development, regulatory and supplier risks. The risks to Grainger will continue to be monitored closely as well as the potential controls and mitigants that may be applied during this volatile and uncertain period.

These risks and other factors could adversely affect the outcome and financial effects of the events specified in this publication. The forward-looking statements reflect knowledge and information available at the date they are made and Grainger plc does not intend to update on the forward-looking statements contained in this publication.

This publication is for information purposes only and no reliance may be placed upon it. No representative or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this publication. Past performance of securities in Grainger plc cannot be relied upon as a guide to the future performance of such securities.

This publication does not constitute an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of Grainger plc.

Chief Executive's Statement

A year of strong performance, with growth de-risked and locked-in

Once again, I am pleased to report a very successful year for your Company. In 2022, we delivered a record increase in income, occupancy, lease up of our new schemes and rental growth. In addition we have secured and de-risked our medium-term growth. All of this puts Grainger in a position of strength to take advantage of the increasing demand for renting homes in the UK.

As the UK has emerged from the Covid-19 pandemic, the foundations we laid over previous years have enabled us to outperform. Demand for renting over the past year accelerated significantly across all our key markets, while our high-quality homes and scalable operating platform supported the exceptional growth rate in our income and our portfolio. We have delivered record levels of occupancy, rental growth and high levels of customer retention.

Our committed pipeline of new homes is funded, with permissions granted and costs fixed. This committed pipeline amounts to £953m of investment to deliver 3,658 new build-to-rent homes representing £47m of additional net rental income over the next four years, and gives us excellent visibility over our future earnings potential over the medium-term.

We know that, for many, home ownership has been put on hold and we are committed to ensuring that the experience of renting we provide at Grainger will be life enriching and fun.

A year of strong performance

During the pandemic we performed resiliently, with like-for-like rental growth positive throughout, rent collection averaging 98% and occupancy held at above 90%. Since then, we drove a very swift return to normal levels of occupancy and indeed by March achieved record levels. The speed of recovery was enabled by the investment we made in our technology platform, CONNECT, and in our in-house leasing team.

Through the course of the year, rental growth continued to build month on month, achieving an average of 4.7% across our whole portfolio, 4.8% in our Private Rented Sector ('PRS') portfolio and 4.6% in our regulated tenancy portfolio (FY21: 1.0% overall, PRS 0.3%, Regulated 3.6%). Overall, we grew net rental income by 22% to £86.3m (FY21: £70.6m), and therefore our proposed final dividend will be 3.89p per share, reflecting a total dividend of 5.97p per share (FY21: 5.15pps), a 16% increase.

On our capital returns, the growth in our income led to the value of our portfolio showing strong valuation growth. Our EPRA Net Tangible Assets ('NTA'), grew strongly by 20p or 7% to 317p, reflecting the quality and attractiveness of our properties.

Total Property Return for the business for the year was 7.5% (FY21: 7.5%).

Growth locked-in and de-risked, with optionality on longer-term commitments

Our committed pipeline is locked-in and de-risked and will deliver further net rental income growth next year and in the years that follow.

Our £1.8bn secured pipeline of 6,838 build-to-rent homes includes those projects that we have committed to, which represent £953m of investment, 3,658 homes and £47m NRI over the next four years, and those projects that we have the option to proceed with but which we have not yet committed to, representing £241m of investment, 769 homes and £10m potential NRI.

The remaining projects in our secured pipeline are predominantly schemes that are direct development projects where we have the option of choosing when to proceed, enabling us to manage the interplay between our financial commitments and the market appropriately.

Disciplined capital allocation

We have a strong commitment to discipline in our investment decisions. This includes our financial policies ensuring we have a solid balance sheet, the stringent ESG criteria we apply to all our decisions, the locational targeting we undertake, the detailed research we do for each of our investments, and our policy of putting the funding in place before committing to any new investments.

These all put us in a very strong position financially, and ensures we are investing in the right assets in the right locations.

Delivering a great customer experience

Our success is predicated on our customers choosing to rent and live with us. This means ensuring that we have great homes and an industry leading customer service offering.

We know that when our customers have a positive rental experience with us, they want to stay for longer, they are more willing to pay an appropriate rent in line with the quality of product and service they receive, and they tell others about their positive experience with Grainger.

All of this translates into stronger, more reliable rental income for your business, and ultimately increased dividends for Shareholders.

We know there is much more to the experience of renting than a high-quality apartment, which is why we have invested this year in our enhanced Customer Experience Programme, which leverages our research, insight and data to inform how we can continually improve our offering, delivering a better customer experience and better value.

Every member of the Grainger team, whether external customer facing or not, has undertaken a bespoke customer experience training programme. This is already showing results in enhanced customer feedback and with a 16 point improvement in our net promoter score to 34, one of our measures of customer satisfaction.

Other initiatives include:

1. Rolling out our customer app, MyGrainger, across our whole PRS property portfolio, which enables customers to log repairs or maintenance requests and allows us to communicate more easily with them;
2. Continual investment in our customer engagement programme to better understand what it means to deliver great customer service ‘The Grainger Way’;
3. An engaging campaign to help our customers ‘Live a Greener Life’, helping them reduce their energy bills and also taking some early steps towards reducing our Scope 3 carbon emissions.

Committed to our responsibility as a market leading landlord

We are proud of our 110-year heritage of being a responsible and market leading residential landlord. Our purpose of ‘Renting homes, Enriching lives’ and our core values guide every one of our decisions.

- Every home matters
- Leading the way
- Exceeding expectations
- People at the heart

Our ambitious ESG programme reflects this, where we are proactively driving a significant reduction in carbon emissions across Scopes 1, 2 and 3, and making a positive, long-lasting impact locally. Reflecting our commitment, this year we established a new Board-level Responsible Business Committee, overseeing ESG and Employee Voice. I am pleased that our new Non-Executive Director, Carol Hui, has taken Chairmanship of this committee.

Highlights during the year:

- A 26% reduction in our Scope 1 & 2 carbon emissions per £m of assets under management[1]
- Investing further in the energy efficiency of our properties, with 87% of our PRS portfolio now with the highest ratings (EPC ratings of A to C), providing considerable savings on energy costs for our customers
- Making significant progress on measuring Scope 3 emissions
- Donating six homes, free-of-charge, to Ukrainian refugee families, where they can live together and support each other

Health and safety

Health and safety is an absolute priority in our business of creating and providing homes to thousands of people across the country. Our exemplary Live.Safe programme ensures that we have in place the most robust health and safety regime possible. From the investment and development process through to ongoing operations and our Company safety culture, our Live.Safe programme supports our commitment to being a long-term responsible landlord, protecting our customers, our people and our reputation. This year the Building Safety Act

[1] Market-based methodology

came into force. At Grainger we contributed insights to the work of Dame Judith Hackitt and have gone beyond the requirements of the Act by employing additional resources to provide a greater depth of experience to our onsite teams in protecting the health and safety of our customers and employees.

Our people make the business

I am extremely proud of the very special colleagues I have at Grainger. The success of this business and the quality of our customer service is down to the care and hard work of our people. One of Grainger's core values is 'People at the heart' and this applies to our employees and our customers. After a challenging time supporting our customers during the pandemic, the Grainger team responded swiftly to the uptick in demand as life returned to normal and to the new launches during the year.

From all the feedback we receive from our customers, it is clear that what makes their experience great when renting with Grainger is our team. Our interactions with our customers and the service we provide is what truly makes the difference.

It's therefore hugely important that we focus a great deal of our energy on supporting our colleagues and ensuring that we are a great place to work.

At the end of last year our HR Director, Peter Tonathy, who had worked with me as we repositioned Grainger, retired and I would like to thank him for his dedication to building the Grainger team. Our new Chief People Officer, Michelle Boothroyd, joined us at the start of 2022 and has refocused her team and set out Grainger's People Strategy.

I am convinced that our commitment to a strong corporate culture and good working practices will ensure many talented colleagues will develop their careers at Grainger.

We are mindful of the financial stress felt by our employees which is why we moved swiftly in August of this year to support our colleagues during these difficult times, and made a one-off payment of £1,000 to all employees, excluding the Executive Committee.

Through our many feedback channels and surveys for colleagues, they tell us what they're thinking and how they're feeling, and in response we tailor our policies, our communications, our support and our business to respond.

This year, I am very pleased to report that in an independent review by Best Companies we moved from One to Watch to One Star status in our annual employee survey. This is a significant achievement that signifies 'very good' levels of workplace engagement and is a great milestone for Grainger.

Ensuring Grainger continues to be an inclusive and welcoming work environment for everyone from any background also continues to be a core focus for us. We have introduced more robust methods for measuring, tracking and understanding the makeup of our workforce, so we can tailor and target our initiatives and efforts when it comes to diversity and inclusion.

I am pleased to report that our gender pay gap has narrowed and that we have increased female representation in more senior roles during the year.

Concluding remarks and outlook

The business delivered another strong performance last year, and we are in a resilient position for the year to come. I am confident that we will continue to perform well despite the ongoing economic uncertainty ahead.

Our market benefits from continuing positive tailwinds, with demand for renting rising, constrained supply and a resilient customer base. The inflation-linked characteristics of our asset class, coupled with our high-quality properties, scalable operating platform and unrivalled data, insight and analytics gives me the confidence for our continued strong performance.

Despite the macro environment, we have locked-in and de-risked our medium-term growth, enabling us to continue our growth trajectory and deliver into a strong occupational market.

This successful year has been delivered by a talented and committed team at Grainger. I would like to thank the Grainger team and the Grainger Board for their hard work and dedication in building a business employees and Shareholders can be proud of.

Helen Gordon
CEO
16 November 2022

Financial review

In a year that has seen excellent operational performance, Grainger's in-house operational model has ensured that we capitalised on strong rental demand whilst continuing to deliver operational efficiencies. Our high-quality mid-market build-to-rent homes generated exceptionally strong demand in the period which has seen us deliver record occupancy at 98%, and strong like for like rental growth of 4.7% which continues to accelerate.

The 22% increase in net rental income was driven by this exceptional operational and leasing performance combined with the delivery of our new pipeline schemes. With a strong sales performance and a continued focus on cost control, we delivered continued earnings growth with adjusted earnings of £93.5m, up 12%.

We secured further pipeline opportunities earlier in the year amounting to 1,019 homes across three schemes and three land sites which provide optionality over future growth. Our growth strategy has always been combined with a prudent approach to balance sheet management, and with an LTV of 33.4% and £663m of headroom we are in a strong place for the year ahead.

The proposed final dividend for the year is 3.89p per share, taking the total dividend for the year to 5.97p per share, up 16%, reflecting the strength of our business model.

Financial highlights

Income return	**FY21**	**FY22**	**Change**
Rental growth (like-for-like)	1.0%	4.7%	+372 bps
Net rental income *(Note 5)*	£70.6m	£86.3m	+22%
Adjusted earnings *(Note 2)*	£83.5m	£93.5m	+12%
Profit before tax *(Note 2)*	£152.1m	£298.6m	+96%
Dividend per share *(Note 10)*	5.15p	5.97p	+16%

Capital return	**FY21**	**FY22**	**Change**
EPRA NTA per share *(Note 3)*	297p	317p	+7%
Total Property Return	7.5%	7.5%	+2 bps
Total Accounting Return (NTA basis) *(Note 3)*	5.5%	8.8%	+330 bps
Net debt	£1,042m	£1,262m	+21%
Group LTV	30.4%	33.4%	+304 bps
Cost of debt (average)	3.1%	3.1%	+1 bps

Income statement

The strong performance in the period is reflected in adjusted earnings increasing by +12% to £93.5m (FY21: £83.5m). We have delivered significant growth in net rental income in FY22, driven by strong like-for-like rental growth and the delivery of our pipeline. Future growth is locked-in as our fully funded committed pipeline converts into rental income, with the total secured pipeline delivering a c.70% increase in net rents over time. This will result in significant margin improvement and a doubling of recurring EPRA earnings compared to FY22. Residential sales profits were robust and in line with plan at £63.3m (FY21: £67.5m) reflecting the natural run off of vacant sales in our regulated tenancy portfolio over time.

Income statement (£m)	**FY21**	**FY22**	**Change**
Net rental income	70.6	86.3	+22%
Profit on sale of assets – residential	67.5	63.3	(6)%

Profit on sale of assets – development	1.8	2.0	+11%
CHARM income *(Note 15)*	4.9	4.8	(2)%
Management fees	5.1	4.4	(14)%
Overheads	(30.2)	(31.8)	+5%
Pre-contract costs	(0.6)	(0.8)	+33%
Joint ventures and associates	(0.4)	(1.4)	+250%
Net finance costs	(35.2)	(33.3)	(5)%
Adjusted earnings	**83.5**	**93.5**	**+12%**
Valuation movements	80.7	133.4	+65%
Other valuation movements[1]	-	81.2	
Other adjustments	(12.1)	(9.5)	(21)%
Profit before tax	**152.1**	**298.6**	**+96%**

[1] Profit before tax includes an £81.2m valuation uplift from one-off transfers from trading property to investment property in FY22. The transfer does not impact the market value of properties reflected in EPRA measures, but does increase EPRA NTA by 3pps following the reclassification of £20.3m deferred and contingent tax.

Rental income

Net rental income was up +22% during the year at £86.3m (FY21: £70.6m) due to increased occupancy (+£3.9m), £2.8m like-for-like rental growth and £12.0m PRS investment, offset by disposals (- £3.0m).

During the year we delivered 669 units (FY21: 1,304) across four schemes, all of which were fully stabilised at the year end. Passing rent at the end of FY22 was £91m. FY23 pipeline deliveries of 1,640 homes will deliver c.£17m net rent once stabilised, however given they are largely H2 weighted the lease up mostly benefits FY24. With a view to moving towards REIT conversion, we expect to see an increased level of disposals during FY23.

The rental market has been particularly strong in the period with rent collection levels at 98%, like-for-like growth strong at 4.7% (FY21: 1.0%), comprised of 4.8% rental growth in our PRS portfolio (FY21: 0.3%) and 4.6% in our regulated tenancy portfolio (FY21: 3.6%). Rental growth was much stronger in H2 at 5.5% (H1:3.5%) as rental growth continued to accelerate throughout the year. Above long-term average rental growth is expected to continue into FY23.

	£m
FY21 Net rental income	**70.6**
Occupancy	3.9
Disposals	(3.0)
PRS Investment	12.0
Rental growth	2.8
FY22 Net rental income	**86.3**

Sales and development activity

Our residential sales had a strong year delivering £63.3m of profit (FY21: £67.5m) from revenues of £148.7m (FY21: £157.2m) and continue to provide a key element of funding for our PRS growth. We delivered £32.4m of profit from vacant property sales (FY21: £39.6m) from revenues of £73.9m (FY21: £75.5m) and sales of tenanted properties delivered £30.9m of profit (FY21: £27.9m) from revenues of £74.8m (FY21: £81.7m). The prices achieved were 3.9% (FY21: 2.6%) ahead of previous valuations.

	FY21		FY22	
Sales (£m)	**Revenue**	**Profit**	**Revenue**	**Profit**
Residential sales on vacancy	75.5	39.6	73.9	32.4
Tenanted and other sales	81.7	27.9	74.8	30.9
Residential sales total	**157.2**	**67.5**	**148.7**	**63.3**
Development activity	30.6	1.8	26.0	2.0
Overall sales	**187.8**	**69.3**	**174.7**	**65.3**

Balance sheet

Our balance sheet remains in a strong position with LTV of 33.4% (FY21: 30.4%) which is below our target range of 40%-45%, a level that was set to withstand a c.50% fall in values and gives us plenty of headroom in our financial covenants which range from 70%-75% maximum LTV. Our policy of having our capex commitments fully funded upfront means we have significant available headroom of £663m (FY21: £641m). We also have the ability to flex our disposals to manage debt levels going forward. Our PRS portfolio now makes up 73% (FY21: 69%) of our overall asset base.

Market value balance sheet (£m)	**FY21**	**FY22**
Residential – PRS	2,024	2,189
Residential – regulated tenancies	896	812
Residential – mortgages (CHARM)	72	69
Forward funded – PRS work in progress	244	466
Development work in progress	146	182
Investment in JVs/associates	45	55
Total investments	**3,427**	**3,773**
Net debt	(1,042)	(1,262)
Other liabilities	(35)	(41)
EPRA NRV	**2,350**	**2,470**
Deferred and contingent tax – trading assets	(142)	(111)
EPRA NTA	**2,208**	**2,359**
Deferred and contingent tax – investment assets	(59)	(116)
Fair value of fixed rate debt and derivatives	(38)	240
EPRA NDV	**2,111**	**2,483**
EPRA NRV pence per share	316	333
EPRA NTA pence per share	**297**	**317**
EPRA NDV pence per share	284	334

EPRA NTA increased by 7% during the year to 317p per share (FY21: 297p per share). Our valuation uplift of 21pps was the major driver of this growth with earnings adding 3pps, offset by dividend payments of 5pps.

EPRA NDV increased by 18% with our high levels of fixed rate or hedged debt resulting in a £240m mark to market value of our debt.

EPRA NTA movement

	£m	Pence per share
EPRA NTA at 30 September 2021	**2,208**	**297**
Adjusted earnings	94	12
Valuations (trading & investment property)	157	21
Disposals (trading assets)	(60)	(8)
Tax (current, deferred & contingent)	(11)	(2)
Dividends	(40)	(5)
Other adjustments	(9)	(1)
Asset transfers[1]	20	3
EPRA NTA at 30 September 2022	**2,359**	**317**

[1] Transfer of properties from trading property to investment property generating £20.3m contingent tax reclassification (see Note 1c).

Property portfolio performance

Our overall portfolio value growth was 4.4% (FY21: 4.5%) with our operational PRS portfolio increasing by 4.6% (FY21: 3.4%) and our regulated portfolio delivering 4.1% valuation growth (FY21: 3.7%). ERV growth at 3.1% was the primary driver of valuation growth in our PRS portfolio with yields relatively flat. Our regional regulated portfolio saw strong valuation growth at 7.5%, ahead of the London regulated portfolio at 3.5%.

Portfolio	**Region**	**Capital value**	**Total valuation movement**	
		£m	**£m**	**%**
PRS	London & SE	1,262	37	3.1%
	Regions	927	59	6.8%
	PRS total	**2,189**	**96**	**4.6%**
Regulated Tenancies	London & SE	680	22	3.5%
	Regions	132	11	7.5%
	Regulated total	**812**	**33**	**4.1%**
Operational portfolio		**3,001**	**129**	**4.5%**
	Development	648	28	4.0%
Total portfolio		**3,649**	**157**	**4.4%**

Financing and capital structure

Our capital structure remains in a strong position with LTV at 33.4% (FY21: 30.4%), cash and available facilities of £663m (FY21: £641m) which more than covers our committed pipeline and no significant refinancing requirements until 2027. In August, we successfully refinanced our bank Revolving Credit Facility (‘RCF’) and term debt, increasing to £575m from £500m and maintaining margins.

The average cost of debt remained flat at 3.1% (FY21: 3.1%) during the period. We have hedged 97% of our interest rate risk with an average maturity of six years and expect a marginal increase in interest cost of c.20bps in FY23.

Net debt for the year was £1,262m (FY21: £1,042m) with £94m of operational cash flows, £110m of proceeds from asset recycling, offset by £347m of investment in our PRS pipeline.

For FY23 we expect similar levels of reinvestment into our PRS pipeline in line with the delivery of our strategy, together with an increased level of recycling in line with our ambition for future REIT conversion.

	FY21	**FY22**
Net debt	£1,042m	£1,262m
Loan to value	30.4%	33.4%
Cost of debt	3.1%	3.1%
Headroom	£641m	£663m
Weighted average facility maturity (years)	5.6	6.5
Hedging	100%	97%

Summary and outlook

FY22 was a year of very strong performance with good growth in rental income, earnings and dividend. With a fully funded, committed pipeline which has construction and finance costs fixed, we have clear visibility over the next four years of future growth and see our strong forecast earnings growth unchanged.

Our strong balance sheet, fully funded pipeline and fixed cost debt gives real strength to our capital structure. We have significant flexibility and liquidity in our balance sheet that will enable us to maintain our prudent approach to leverage whatever the macro-economic outlook, and will be well placed to take advantage of any opportunities that arise.

Rob Hudson
Chief Financial Officer
16 November 2022

Consolidated income statement

For the year ended 30 September	Notes	**2022 £m**	2021 £m
Group revenue	4	**279.2**	248.9
Net rental income	5	**86.3**	70.6
Profit on disposal of trading property	6	**64.4**	68.6
Profit on disposal of investment property	7	**1.7**	1.5
Income from financial interest in property assets	15	**6.0**	7.2
Fees and other income	8	**4.4**	5.1
Administrative expenses		**(31.8)**	(38.5)
Other expenses		**(10.3)**	(0.6)
Reversal of impairment / (impairment) of inventories to net realisable value	12	**1.5**	(0.1)
Operating profit		**122.2**	113.8
Net valuation gains on investment property	11	**129.0**	76.8
Net valuation gains on investment property reclassifications	1c, 11	**81.2**	-
Change in fair value of derivatives		**-**	(3.8)
Finance costs		**(34.6)**	(35.4)
Finance income		**1.3**	0.2
Share of profit of associates after tax	13	**1.2**	0.8
Share of loss of joint ventures after tax	14	**(1.7)**	(0.3)
Profit before tax	2	**298.6**	152.1
Tax charge	20	**(69.2)**	(42.6)
Profit for the year attributable to the owners of the Company		**229.4**	109.5
Basic earnings per share	9	**31.0p**	16.2p
Diluted earnings per share	9	**30.9p**	16.1p

Consolidated statement of comprehensive income

For the year ended 30 September	Notes	**2022 £m**	2021 £m
Profit for the year	2	**229.4**	109.5
Items that will not be transferred to the consolidated income statement:			
Remeasurement of BPT Limited defined benefit pension scheme	21	**5.7**	5.3
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**47.3**	16.1
Other comprehensive income and expense for the year before tax		**53.0**	21.4
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	20	**(1.4)**	(1.0)
Tax relating to items that may be or are reclassified to the consolidated income statement	20	**(11.9)**	(2.8)
Total tax relating to components of other comprehensive income		**(13.3)**	(3.8)
Other comprehensive income and expense for the year after tax		**39.7**	17.6
Total comprehensive income and expense for the year attributable to the owners of the Company		**269.1**	127.1

Consolidated statement of financial position

As at 30 September	Notes	**2022 £m**	2021 £m
ASSETS			
Non-current assets			
Investment property	11	**2,775.9**	2,179.2
Property, plant and equipment		**4.2**	1.4
Investment in associates	13	**16.7**	15.5
Investment in joint ventures	14	**38.5**	29.4
Financial interest in property assets	15	**69.1**	71.7
Retirement benefits	21	**9.8**	3.5
Deferred tax assets	20	**1.2**	3.7
Intangible assets		**0.5**	0.5
		2,915.9	2,304.9
Current assets			
Inventories – trading property	12	**453.8**	595.2
Trade and other receivables	16	**40.5**	38.5
Derivative financial instruments	19	**56.5**	-
Current tax assets		**16.5**	16.0
Cash and cash equivalents		**95.9**	317.6
		663.2	967.3
Total assets		**3,579.1**	3,272.2
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,317.6**	1,347.5
Trade and other payables	17	**2.2**	0.6
Provisions for other liabilities and charges	18	**1.1**	1.1
Deferred tax liabilities	20	**136.9**	69.5
		1,457.8	1,418.7
Current liabilities			
Interest-bearing loans and borrowings	19	**40.0**	-
Trade and other payables	17	**105.9**	109.8
Provisions for other liabilities and charges	18	**8.6**	0.2
Derivative financial instruments	19	**-**	4.5
		154.5	114.5
Total liabilities		**1,612.3**	1,533.2
NET ASSETS		**1,966.8**	1,739.0
EQUITY			
Issued share capital		**37.1**	37.1
Share premium account		**817.6**	817.3
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**32.1**	(3.3)
Retained earnings		**1,059.6**	867.5
TOTAL EQUITY		**1,966.8**	1,739.0

Consolidated statement of changes in equity

	Notes	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2020		33.8	616.3	20.1	0.3	(16.6)	789.1	1,443.0
Profit for the year	2	-	-	-	-	-	109.5	109.5
Other comprehensive income for the year		-	-	-	-	13.3	4.3	17.6
Total comprehensive income		-	-	-	-	13.3	113.8	127.1
Issue of share capital	24	3.3	200.8	-	-	-	-	204.1
Award of SAYE shares		-	0.2	-	-	-	-	0.2
Purchase of own shares		-	-	-	-	-	(0.3)	(0.3)
Share-based payments charge	22	-	-	-	-	-	1.7	1.7
Dividends paid		-	-	-	-	-	(36.8)	(36.8)
Total transactions with owners recorded directly in equity		3.3	201.0	-	-	-	(35.4)	168.9
Balance as at 30 September 2021		37.1	817.3	20.1	0.3	(3.3)	867.5	1,739.0
Profit for the year	2	**-**	**-**	**-**	**-**	**-**	**229.4**	**229.4**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**35.4**	**4.3**	**39.7**
Total comprehensive income		**-**	**-**	**-**	**-**	**35.4**	**233.7**	**269.1**
Award of SAYE shares		**-**	**0.3**	**-**	**-**	**-**	**-**	**0.3**
Purchase of own shares		**-**	**-**	**-**	**-**	**-**	**(3.3)**	**(3.3)**
Share-based payments charge	22	**-**	**-**	**-**	**-**	**-**	**1.7**	**1.7**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**(40.0)**	**(40.0)**
Total transactions with owners recorded directly in equity		**-**	**0.3**	**-**	**-**	**-**	**(41.6)**	**(41.3)**
Balance as at 30 September 2022		**37.1**	**817.6**	**20.1**	**0.3**	**32.1**	**1,059.6**	**1,966.8**

Consolidated statement of cash flows

For the year ended 30 September	Notes	**2022 £m**	2021 £m
Cash flow from operating activities			
Profit for the year	2	**229.4**	109.5
Depreciation and amortisation		**0.9**	1.2
Net valuation gains on investment property	11	**(129.0)**	(76.8)
Net valuation gains on investment property reclassifications	1c, 11	**(81.2)**	-
Net finance costs		**33.3**	35.2
Share of loss/(profit) of associates and joint ventures	13, 14	**0.5**	(0.5)
Profit on disposal of investment property	7	**(1.7)**	(1.5)
Share-based payment charge	22	**1.7**	1.7
Change in fair value of derivatives		**-**	3.8
Income from financial interest in property assets	15	**(6.0)**	(7.2)
Tax	20	**69.2**	42.6
Cash generated from operating activities before changes in working capital		**117.1**	108.0
Increase in trade and other receivables		**(1.9)**	(6.9)
Increase in trade and other payables		**8.5**	48.0
Increase/(decrease) in provisions for liabilities and charges		**8.4**	(0.2)
Decrease in inventories		**24.8**	62.2
Cash generated from operating activities		**156.9**	211.1
Interest paid		**(42.0)**	(45.6)
Tax paid		**(12.3)**	(16.9)
Payments to defined benefit pension scheme	21	**(0.6)**	(0.6)
Net cash inflow from operating activities		**102.0**	148.0
Cash flow from investing activities			
Proceeds from sale of investment property	7	**20.9**	40.3
Proceeds from financial interest in property assets	15	**8.6**	8.8
Investment in joint ventures	14	**(6.4)**	(0.8)
Loans advanced to joint ventures	14	**(4.4)**	(1.6)
Acquisition of investment property	11	**(289.2)**	(362.3)
Acquisition of property, plant and equipment and intangible assets		**(3.7)**	(0.3)
Net cash outflow from investing activities		**(274.2)**	(315.9)
Cash flow from financing activities			
Net proceeds from issue of share capital	24	**-**	204.1
Award of SAYE shares		**0.3**	0.2
Purchase of own shares		**(3.3)**	(0.3)
Proceeds from new borrowings		**14.2**	30.0
Payment of loan costs		**(6.1)**	-
Cash flows relating to new derivatives / settlement of derivatives		**(13.7)**	(3.8)
Repayment of borrowings		**(0.9)**	(77.0)
Dividends paid		**(40.0)**	(36.8)
Net cash (outflow)/inflow from financing activities		**(49.5)**	116.4
Net decrease in cash and cash equivalents		**(221.7)**	(51.5)
Cash and cash equivalents at the beginning of the year		**317.6**	369.1
Cash and cash equivalents at the end of the year		**95.9**	317.6

Notes to the preliminary financial results

1. Accounting policies

1a Basis of preparation

The Board approved this preliminary announcement on 16 November 2022. The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2021 or 30 September 2022. Statutory accounts for the year ended 30 September 2021 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2022 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors, KPMG LLP, have reported on the accounts for both years. The reports were unqualified, did not include reference to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 30 September 2022 have been prepared under the historical cost convention except for the following assets and liabilities, and corresponding income statement accounts, which are stated at their fair value; investment property; derivative financial instruments; and financial interest in property assets.

The accounting policies used are consistent with those contained in the Group's full annual report and accounts for the year ended 30 September 2022.

The financial information included in this preliminary announcement has been prepared in accordance with UK-adopted international accounting standards (IFRS) and applicable law.

1b Adoption of new and revised International Financial Reporting Standards and interpretations

The following new standards and amendments to standards were issued in the year and have no material impact on the financial statements:

i) Amendments to IFRS 16, IAS 39, IFRS 4 and IFRS 9 – Interest Rate Benchmark Reform (Phase 2)

New interpretations and agenda decisions were issued in the year and the most significant of these, and the impact on the Group's accounting, are set out below:

i) ***IFRIC:*** *Demand deposits with restrictions on use arising from a contract with a third party (IAS 7 Statement of Cash Flows)*

The agenda decision considered accounting for deposits subject to contractual restrictions on use. The Committee clarified the position such that where an entity has a contractual obligation with a third party to keep a specified amount of cash in a separate demand deposit for specified purposes, it will not meet the definition of cash and cash equivalents if it cannot be accessed on demand. This agenda decision applies to deposits held in connection with facility arrangements. At 30 September 2022, deposits amounting to £14.3m have restricted use and have been reflected in trade and other receivables, as set out in Note 16.

A number of new standards and amendments to standards have been issued but are not yet effective for the Group and have not been early adopted. The application of these new standards and amendments are not expected to have a material impact on the Group's financial statements.

c Significant judgements and estimates

Estimates

i. Valuation of property assets

Residential trading property is carried in the statement of financial position at the lower of cost and net realisable value and investment property is carried at fair value. The Group does, however, in its principal non-GAAP net asset value measures, EPRA NRV, EPRA NTA and EPRA NDV, include trading property at market value.

Notes to the preliminary financial results continued

The adjustment in the value of trading property is the difference between the statutory book value and its market value as set out in Note 3. For investment property, market value is the same as fair value. In respect of trading properties, market valuation is the key assumption in determining the net realisable value of those properties.

In all cases, forming these valuations inherently includes elements of judgement and subjectivity with regards to the selection of unobservable inputs. The valuation basis and key unobservable inputs are outlined in Note 2 in the 2022 Annual Report and Accounts.

The results and the basis of each valuation and their impact on both the financial statements and market value for the Group's non-GAAP net asset value measures are set out below:

	PRS £m	**Reversionary £m**	**Other £m**	**Total £m**	**Valuer**	**% of properties for which external valuer provides valuation**
Trading property	13.5	395.8	44.5	**453.8**		
Investment property	2,753.5	22.4	-	**2,775.9**		
Financial asset (CHARM)	-	69.1	-	**69.1**		
Total statutory book value	**2,767.0**	**487.3**	**44.5**	**3,298.8**		
Trading property						
Residential	13.9	789.0	-	**802.9**	Allsop LLP	75%
Developments	-	-	70.1	**70.1**	CBRE Limited	96%
Total trading property	**13.9**	**789.0**	**70.1**	**873.0**		
Investment property						
Residential	898.5	22.4	-	**920.9**	Allsop LLP / CBRE Limited	100%
Developments	111.8	-	-	**111.8**	CBRE Limited	100%
New build PRS	1,409.8	-	-	**1,409.8**	CBRE Limited	96%
Affordable housing	190.5	-	-	**190.5**	Allsop LLP	100%
Tricomm housing	142.9	-	-	**142.9**	Allsop LLP	100%
Total investment property	**2,753.5**	**22.4**	**-**	**2,775.9**		
Financial asset (CHARM)[1]	-	69.1	-	69.1	Allsop LLP	100%
Total assets at market value	**2,767.4**	**880.5**	**70.1**	**3,718.0**		
Statutory book value	2,767.0	487.3	44.5	**3,298.8**		
Market value adjustment[2]	0.4	393.2	25.6	**419.2**		
Total assets at market value	**2,767.4**	**880.5**	**70.1**	**3,718.0**		
Net revaluation gain recognised in the income statement for wholly-owned properties	129.0	-	-	**129.0**		
Net revaluation gain recognised in the income statement for wholly-owned properties reclassified in the year	81.2	-	-	**81.2**		
Net revaluation gain relating to joint ventures and associates[3]	0.9	-	-	**0.9**		
Net revaluation gain recognised in the year[3]	**211.1**	**-**	**-**	**211.1**		

[1] Allsop provides vacant possession values used by the Directors to value the financial asset.
[2] The market value adjustment is the difference between the statutory book value and the market value of the Group's properties. Refer to Note 3 for market value net asset measures.
[3] Includes the Group's share of joint ventures and associates revaluation gain after tax.

Notes to the preliminary financial results continued

Judgments

i. Distinction between investment and trading property

The Group considers the intention at the outset when each property is acquired in order to classify the property as either an investment or a trading property. Where the intention is either to trade the property or where the property is held for immediate sale upon receiving vacant possession within the ordinary course of business, the property is classified as trading property. Where the intention is to hold the property for its long-term rental yield and/or capital appreciation, the property is classified as an investment property. The classification of the Group's properties is a significant judgement which directly impacts the statutory net asset position, as trading properties are held at the lower of cost and net realisable value, whilst investment properties are held at fair value, with gains or losses taken through the consolidated income statement.

The Group continually reviews properties for changes in use that could subsequently change the classification of properties. A change of use occurs if property meets, or ceases to meet, the definition of investment property which is more than a change in management's intentions. The fact patterns associated with changes in the way in which properties are utilised are considered on a case by case basis and to the extent that a change in use is established, property reclassifications are reflected appropriately.

During the year, four property portfolios were reclassified from trading property to investment property where changes in use have been identified. Trading property with a cost of £116.5m and market value of £197.7m has been reclassified as investment property, resulting in valuations gains of £81.2m on reclassification which have been recognised in the consolidated income statement. In addition, £20.3m contingent tax on trading property has been reclassified as deferred tax on investment property in our EPRA NAV metrics which has increased EPRA NTA by 3p per share.

1d Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2022 Annual Report and Accounts.

A number of risks faced by the Group are not directly within our control such as the wider economic and political environment.

Risks, including updates to principal risks, are outlined in the 2022 Annual Report and Accounts.

1e Going concern assessment

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. Given market volatility and the impact on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 September 2022.

The financial position of the Group, including details of its financing and capital structure, is set out in the financial review on pages 32 to 37 in the 2022 Annual Report and Accounts. In making the going concern assessment, the Directors have considered the Group's principal risks (see pages 54 to 57 in the 2022 Annual Report and Accounts) and their impact on financial performance. The Directors have assessed the future funding commitments of the Group 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, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

Notes to the preliminary financial results continued

The going concern assessment is based on forecasts to the end of March 2024, which exceeds the required period of assessment of at least 12 months in order to be aligned to the Group's interim reporting date, and uses the same forecasts considered by the Group for the purposes of the Viability Statement. The assessment considers a severe downside scenario including a potential extreme longer-term impact of Covid-19, reflecting the following key assumptions:

- Reducing PRS occupancy to 92% by 31 March 2024
- Contraction in rental levels of 3.75% per annum
- Reducing property valuations by 19.5% per annum, driven by either yield expansion or house price deflation
- 20% development cost inflation
- Operating cost inflation of 20% per annum
- An increase in SONIA rate of 5% from 1 October 2022

No new financing is assumed in the assessment period, but existing facilities are assumed to remain available. Even in this severe downside scenario, the Group has sufficient cash reserves, with the loan-to-value covenant remaining no higher than 53% (facility maximum covenant ranges between 70% - 75%) and interest cover above 2.45x (facility minimum covenant ranges between 1.35x - 1.75x) for the period to March 2024, which covers the required period of at least 12 months from the date of authorization of these financial statements. Based on these considerations, together with available market information and the Directors' experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 30 September 2022.

1f Forward-looking statement

Certain statements in this preliminary announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct.

Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Notes to the preliminary financial results continued

2. Analysis of profit before tax

The table below details adjusted earnings, which is one of Grainger's key performance indicators. The metric is utilised as a key measure to aid understanding of the performance of the continuing business and excludes valuation movements and other adjustments that are one-off in nature, which do not form part of the normal ongoing revenue or costs of the business and, either individually or in aggregate, are material to the reported Group results.

	2022				2021			
£m	**Statutory**	**Valuation**	**Other adjustments**	**Adjusted earnings**	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**279.2**	**-**	**-**	**279.2**	248.9	-	-	248.9
Net rental income	**86.3**	**-**	**-**	**86.3**	70.6	-	-	70.6
Profit on disposal of trading property	**64.4**	**(0.8)**	**-**	**63.6**	68.6	(0.8)	-	67.8
Profit on disposal of investment property	**1.7**	**-**	**-**	**1.7**	1.5	-	-	1.5
Income from financial interest in property assets	**6.0**	**(1.2)**	**-**	**4.8**	7.2	(2.3)	-	4.9
Fees and other income	**4.4**	**-**	**-**	**4.4**	5.1	-	-	5.1
Administrative expenses	**(31.8)**	**-**	**-**	**(31.8)**	(38.5)	-	8.3	(30.2)
Other expenses	**(10.3)**	**-**	**9.5**	**(0.8)**	(0.6)	-	-	(0.6)
Reversal of impairment /(impairment) of inventories to net realisable value	**1.5**	**(1.5)**	**-**	**-**	(0.1)	0.1	-	-
Operating profit	**122.2**	**(3.5)**	**9.5**	**128.2**	113.8	(3.0)	(8.3)	119.1
Net valuation gains on investment property	**129.0**	**(129.0)**	**-**	**-**	76.8	(76.8)	-	-
Net valuation gains on investment property reclassifications	**81.2**	**(81.2)**	**-**	**-**	-	-	-	-
Change in fair value of derivatives	**-**	**-**	**-**	**-**	(3.8)	-	3.8	-
Finance costs	**(34.6)**	**-**	**-**	**(34.6)**	(35.4)	-	-	(35.4)
Finance income	**1.3**	**-**	**-**	**1.3**	0.2	-	-	0.2
Share of profit of associates after tax	**1.2**	**(0.9)**	**-**	**0.3**	0.8	(0.9)	-	(0.1)
Share of loss of joint ventures after tax	**(1.7)**	**-**	**-**	**(1.7)**	(0.3)	-	-	(0.3)
Profit before tax	**298.6**	**(214.6)**	**9.5**	**93.5**	152.1	(80.7)	12.1	83.5
Tax charge	**(69.2)**				(42.6)			
Profit for the year attributable to the owners of the Company	**229.4**				109.5			
Basic adjusted earnings per share				**10.2p**				10.0p
Diluted adjusted earnings per share				**10.2p**				9.9p

Profit before tax in the adjusted columns above of £93.5m (2021: £83.5m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £17.8m (2021: £15.9m) in line with the standard rate of UK Corporation Tax of 19.0% (2021: 19.0%), divided by the weighted average number of shares as shown in Note 9. The Group's IFRS statutory earnings per share is also detailed in Note 9. The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval. The £9.5m cost within other adjustments in 2022 comprises fire safety expenses including remedial work in respect of legacy assets. In 2021, the £12.1m cost within other adjustments comprises £8.3m software development costs following the change in accounting policy and £3.8m refinancing costs. These transactions do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

3. Segmental Information

IFRS 8, Operating Segments requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker ('CODM') so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM are the Executive Directors.

The two significant segments for the Group are PRS and Reversionary. The PRS segment includes stabilised PRS assets as well as PRS under construction due to direct development and forward funding arrangements, both for wholly-owned assets and the Group's interest in joint ventures and associates as relevant. The Reversionary segment includes regulated tenancies, as well as CHARM. The Other segment includes legacy strategic land and development arrangements, along with administrative expenses.

The key operating performance measure of profit or loss used by the CODM is adjusted earnings before tax, valuation and other adjustments.

The principal net asset value (NAV) measure reviewed by the CODM is EPRA NTA which is considered to become the most relevant, and therefore the primary NAV measure for the Group. EPRA NTA reflects the tax that will crystallise in relation to the trading portfolio, whilst excluding the volatility of mark to market movements on fixed rate debt and derivatives which are unlikely to be realised. Other NAV measures include EPRA NRV and EPRA NDV which we report alongside EPRA NTA.

Information relating to the Group's operating segments is set out in the tables below. The tables distinguish between adjusted earnings, valuation movements and other adjustments and should be read in conjunction with Note 2.

2022 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue	**103.2**	**150.5**	**25.5**	**279.2**
Segment revenue – external				
Net rental income	**70.8**	**15.2**	**0.3**	**86.3**
Profit on disposal of trading property	**(0.1)**	**61.7**	**2.0**	**63.6**
Profit on disposal of investment property	**1.6**	**0.1**	**-**	**1.7**
Income from financial interest in property assets	**-**	**4.8**	**-**	**4.8**
Fees and other income	**3.8**	**-**	**0.6**	**4.4**
Administrative expenses	**-**	**-**	**(31.8)**	**(31.8)**
Other expenses	**(0.8)**	**-**	**-**	**(0.8)**
Net finance costs	**(24.7)**	**(7.8)**	**(0.8)**	**(33.3)**
Share of trading loss of joint ventures and associates after tax	**(1.4)**	**-**	**-**	**(1.4)**
Adjusted earnings	**49.2**	**74.0**	**(29.7)**	**93.5**
Valuation movements				**133.4**
Valuation movements on investment property reclassifications				**81.2**
Other adjustments				**(9.5)**
Profit before tax				**298.6**

A reconciliation from adjusted earnings to adjusted EPRA earnings is detailed in the table below, with further details shown in the EPRA performance measures section at the end of this document:

£m	PRS	Reversionary	Other	Total
Adjusted earnings	**49.2**	**74.0**	**(29.7)**	**93.5**
Profit on disposal of investment property	**(1.6)**	**(0.1)**	**-**	**(1.7)**
Previously recognised profit through EPRA market value measures	**-**	**(58.2)**	**(2.9)**	**(61.1)**
Adjusted EPRA earnings	**47.6**	**15.7**	**(32.6)**	**30.7**

Notes to the preliminary financial results continued

2021 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue	78.8	138.7	31.4	248.9
Segment revenue – external				
Net rental income	51.9	18.4	0.3	70.6
Profit on disposal of trading property	(0.1)	66.1	1.8	67.8
Profit on disposal of investment property	1.3	0.2	-	1.5
Income from financial interest in property assets	-	4.9	-	4.9
Fees and other income	4.7	-	0.4	5.1
Administrative expenses	-	-	(30.2)	(30.2)
Other expenses	(0.6)	-	-	(0.6)
Net finance costs	(24.5)	(9.9)	(0.8)	(35.2)
Share of trading profit of joint ventures and associates after tax	(0.3)	-	(0.1)	(0.4)
Adjusted earnings	32.4	79.7	(28.6)	83.5
Valuation movements				80.7
Other adjustments				(12.1)
Profit before tax				152.1

A reconciliation from adjusted earnings to adjusted EPRA earnings is detailed in the table below:

£m	PRS	Reversionary	Other	Total
Adjusted earnings	32.4	79.7	(28.6)	83.5
Profit on disposal of investment property	(1.3)	(0.2)	-	(1.5)
Previously recognised profit through EPRA market value measures	-	(59.4)	3.4	(56.0)
Adjusted EPRA earnings	31.1	20.1	(25.2)	26.0

Segmental assets

The principal net asset value measures reviewed by the CODM are EPRA NRV, EPRA NTA and EPRA NDV. These measures reflect the current market value of trading property owned by the Group rather than the lower of historical cost and net realisable value. These measures are considered to be a more relevant reflection of the value of the assets owned by the Group.

EPRA NRV is the Group’s statutory net assets plus the adjustment required to increase the value of trading stock from its statutory accounts value of the lower of cost and net realisable value to its market value. In addition, the statutory statement of financial position amounts for both deferred tax on property revaluations and derivative financial instruments net of deferred tax, including those in joint ventures and associates, are added back to statutory net assets. Finally, the market value of Grainger plc shares owned by the Group are added back to statutory net assets.

EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of deferred tax liabilities. For the Group, deferred tax in relation to revaluations of its trading portfolio is taken into account by applying the expected rate of tax to the adjustment that increases the value of trading stock from its statutory accounts value of the lower of cost and net realisable value, to its market value. The measure also excludes all intangible assets on the statutory balance sheet, including goodwill.

EPRA NDV reverses some of the adjustments made between statutory net assets, EPRA NRV and EPRA NTA. All of the adjustments for the value of derivative financial instruments net of deferred tax, including those in joint ventures and associates, are reversed. The adjustment for the deferred tax on investment property revaluations excluded from EPRA NRV and EPRA NTA are also reversed, as is the intangible adjustment in respect of EPRA NTA, except for goodwill which remains excluded. In addition, adjustments are made to net assets to reflect the fair value, net of deferred tax, of the Group’s fixed rate debt.

Notes to the preliminary financial results continued

Total Accounting Return (NTA basis) of 8.8% is calculated from the closing EPRA NTA of 317p per share plus the dividend of 5.97p per share for the year, divided by the opening EPRA NTA of 297p per share.

These measures are set out below by segment along with a reconciliation to the summarised statutory statement of financial position:

2022 Segment net assets

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	**1,711.7**	**190.7**	**64.4**	**1,966.8**	**265p**
Total segment net assets (EPRA NRV)	**1,833.0**	**584.9**	**52.7**	**2,470.6**	**333p**
Total segment net assets (EPRA NTA)	**1,827.6**	**485.6**	**45.8**	**2,359.0**	**317p**
Total segment net assets (EPRA NDV)	**1,712.0**	**485.6**	**285.4**	**2,483.0**	**334p**

2022 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	**2,775.9**	**–**	**2,775.9**	**–**	**2,775.9**	**–**	**2,775.9**
Investment in joint ventures and associates	**55.2**	**–**	**55.2**	**–**	**55.2**	**–**	**55.2**
Financial interest in property assets	**69.1**	**–**	**69.1**	**–**	**69.1**	**–**	**69.1**
Inventories – trading property	**453.8**	**419.2**	**873.0**	**–**	**873.0**	**–**	**873.0**
Cash and cash equivalents	**95.9**	**–**	**95.9**	**–**	**95.9**	**–**	**95.9**
Other assets	**129.2**	**(51.4)**	**77.8**	**(0.5)**	**77.3**	**56.5**	**133.8**
Total assets	**3,579.1**	**367.8**	**3,946.9**	**(0.5)**	**3,946.4**	**56.5**	**4,002.9**
Interest-bearing loans and borrowings	**(1,357.6)**	**–**	**(1,357.6)**	**–**	**(1,357.6)**	**263.0**	**(1,094.6)**
Deferred and contingent tax liabilities	**(136.9)**	**136.0**	**(0.9)**	**(111.1)**	**(112.0)**	**(195.5)**	**(307.5)**
Other liabilities	**(117.8)**	**–**	**(117.8)**	**–**	**(117.8)**	**–**	**(117.8)**
Total liabilities	**(1,612.3)**	**136.0**	**(1,476.3)**	**(111.1)**	**(1,587.4)**	**67.5**	**(1,519.9)**
Net assets	**1,966.8**	**503.8**	**2,470.6**	**(111.6)**	**2,359.0**	**124.0**	**2,483.0**

2021 Segment net assets

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	1,484.7	256.1	(1.8)	1,739.0	234p
Total segment net assets (EPRA NRV)	1,637.4	677.8	34.8	2,350.0	316p
Total segment net assets (EPRA NTA)	1,608.5	571.8	27.5	2,207.8	297p
Total segment net assets (EPRA NDV)	1,550.2	571.8	(10.9)	2,111.1	284p

Notes to the preliminary financial results continued

2021 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	2,179.2	-	2,179.2	-	2,179.2	-	2,179.2
Investment in joint ventures and associates	44.9	-	44.9	-	44.9	-	44.9
Financial interest in property assets	71.7	-	71.7	-	71.7	-	71.7
Inventories – trading property	595.2	535.5	1,130.7	-	1,130.7	-	1,130.7
Cash and cash equivalents	317.6	-	317.6	-	317.6	-	317.6
Other assets	63.6	4.9	68.5	(0.5)	68.0	12.8	80.8
Total assets	3,272.2	540.4	3,812.6	(0.5)	3,812.1	12.8	3,824.9
Interest-bearing loans and borrowings	(1,347.5)	-	(1,347.5)	-	(1,347.5)	(46.7)	(1,394.2)
Deferred and contingent tax liabilities	(69.5)	66.1	(3.4)	(141.7)	(145.1)	(58.3)	(203.4)
Other liabilities	(116.2)	4.5	(111.7)	-	(111.7)	(4.5)	(116.2)
Total liabilities	(1,533.2)	70.6	(1,462.6)	(141.7)	(1,604.3)	(109.5)	(1,713.8)
Net assets	1,739.0	611.0	2,350.0	(142.2)	2,207.8	(96.7)	2,111.1

4. Group revenue

	2022 £m	2021 £m
Gross rental income (Note 5)	**121.4**	97.4
Gross proceeds from disposal of trading property (Note 6)	**153.4**	146.4
Fees and other income (Note 8)	**4.4**	5.1
	279.2	248.9

5. Net rental income

	2022 £m	2021 £m
Gross rental income	**121.4**	97.4
Property operating expenses	**(35.1)**	(26.8)
	86.3	70.6

Notes to the preliminary financial results continued

6. Profit on disposal of trading property

	2022 £m	2021 £m
Gross proceeds from disposal of trading property	**153.4**	146.4
Selling costs	**(4.0)**	(3.1)
Net proceeds from disposal of trading property	**149.4**	143.3
Carrying value of trading property sold (Note 12)	**(85.0)**	(74.7)
	64.4	68.6

7. Profit on disposal of investment property

	2022 £m	2021 £m
Gross proceeds from disposal of investment property	**21.3**	41.5
Selling costs	**(0.4)**	(1.2)
Net proceeds from disposal of investment property	**20.9**	40.3
Carrying value of investment property sold (Note 11)	**(19.2)**	(38.8)
	1.7	1.5

8. Fees and other income

	2022 £m	2021 £m
Property and asset management fee income	**2.7**	2.6
Other sundry income	**1.7**	2.5
	4.4	5.1

Included within other sundry income in the current year is £1.1m (2021: £1.6m) liquidated and ascertained damages ('LADs') recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts.

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held both in Trust and as treasury shares to meet its obligations under the Long-Term Incentive Plan ('LTIP') and Deferred Bonus Plan ('DBP'), on which the dividends are being waived.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 30 September 2022 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	30 September 2022			30 September 2021		
	Profit for the year £m	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Profit for the year £m	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share						
Profit attributable to equity holders	**229.4**	**740.5**	**31.0**	109.5	677.7	16.2
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.6**	**(0.1)**	-	2.7	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	**229.4**	**743.1**	**30.9**	109.5	680.4	16.1

10. Dividends

Subject to approval at the AGM, the final dividend of 3.89p per share (gross) amounting to £28.8m will be paid on 14 February 2023 to Shareholders on the register at the close of business on 31 December 2022. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2023. An interim dividend of 2.08p per share amounting to a total of £15.4m was paid to Shareholders on 1 July 2022.

11. Investment property

	2022 £m	2021 £m
Opening balance	**2,179.2**	1,778.9
Acquisitions	**14.4**	78.0
Capital expenditure – completed assets	**9.2**	22.8
Capital expenditure – assets under construction	**265.6**	261.5
Total additions	**289.2**	362.3
Transfer from inventories (Note 1c)	**116.5**	-
Disposals (Note 7)	**(19.2)**	(38.8)
Net valuation gains on investment properties	**129.0**	76.8
Net valuation gains on investment property reclassifications (Note 1c)	**81.2**	-
Closing balance	**2,775.9**	2,179.2

12. Inventories – trading property

	2022 £m	2021 £m
Opening balance	**595.2**	657.4
Additions	**58.6**	12.6
Transfer to investment property (Note 1c)	**(116.5)**	-
Disposals (Note 6)	**(85.0)**	(74.7)
Reversal of impairment/(impairment) of inventories to net realisable value	**1.5**	(0.1)
Closing balance	**453.8**	595.2

Notes to the preliminary financial results continued

13. Investment in associates

	2022 £m	2021 £m
Opening balance	**15.5**	14.7
Share of profit for the year	**1.2**	0.8
Closing balance	**16.7**	15.5

The closing balance comprises share of net assets of £2.1m (2021: £0.9m) and net loans due from associates of £14.6m (2021: £14.6m). At the balance sheet date, there is no expectation of credit losses on loans due.

As at 30 September 2022, the Group's interest in active associates was as follows:

	% of ordinary share capital held	Country of incorporation	Accounting period end
Vesta LP	20.0	UK	30 September

14. Investment in joint ventures

	2022 £m	2021 £m
Opening balance	**29.4**	27.3
Share of loss for the year	**(1.7)**	(0.3)
Further investment[1]	**6.4**	0.8
Loans advanced to joint ventures	**4.4**	1.6
Closing balance	**38.5**	29.4

[1] Grainger invested £6.4m into Connected Living London (BTR) Limited in the year (2021: £0.8m).

The closing balance comprises share of net assets of £13.2m (2021: £8.5m) and net loans due from joint ventures of £25.3m (2021: £20.9m). At the balance date, there is no expectation of credit losses on loans due.

At 30 September 2022, the Group's interest in active joint ventures was as follows:

	% of ordinary share capital held	Country of incorporation	Accounting period end
Connected Living London (BTR) Limited	51	UK	30 September
Curzon Park Limited	50	UK	31 March
Lewisham Grainger Holdings LLP	50	UK	30 September

15. Financial interest in property assets ('CHARM' portfolio)

	2022 £m	2021 £m
Opening balance	**71.7**	73.3
Cash received from the instrument	**(8.6)**	(8.8)
Amounts taken to income statement	**6.0**	7.2
Closing balance	**69.1**	71.7

Notes to the preliminary financial results continued

The CHARM portfolio is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee. It is accounted for under IFRS 9 and is measured at fair value through profit and loss.

It is considered to be a Level 3 financial asset as defined by IFRS 13. The financial asset is included in the fair value hierarchy within Note 19.

16. Trade and other receivables

	2022 £m	2021 £m
Rent and other tenant receivables	**4.7**	5.7
Deduct: Provision for impairment	**(1.5)**	(2.3)
Rent and other tenant receivables – net	**3.2**	3.4
Contract assets	**1.9**	2.6
Restricted deposits[1]	**14.3**	-
Other receivables	**17.1**	29.8
Prepayments	**4.0**	2.7
Closing balance	**40.5**	38.5

[1] In the prior year, the Group held £12.6m in restricted deposits within cash and cash equivalents. This balance is immaterial to the Group and as such prior year comparative figures have not been restated.

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgement or estimation due to the balance of gross rent and other tenant receivables of £4.7m (2021: £5.7m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

At the balance sheet date, there is no expectation of any material credit losses on contract assets.

Restricted deposits arise from contracts with third parties that place restrictions on use of funds and cannot be accessed. These deposits are held in connection with facility arrangements and are released by the lender on a quarterly basis once covenant compliance has been met.

In the prior year, other receivables included £10.4m due from land sales which have now been received.

The fair values of trade and other receivables are considered to be equal to their carrying amounts.

17. Trade and other payables

	2022 £m	2021 £m
Current liabilities		
Deposits received	**10.1**	9.1
Trade payables	**22.8**	16.3
Lease liabilities	**0.8**	0.7
Tax and social security costs	**0.7**	4.9
Accruals	**63.8**	72.6
Deferred income	**7.7**	6.2
	105.9	109.8
Non-current liabilities		
Lease liabilities	**2.2**	0.6
	2.2	0.6
Total trade and other payables	**108.1**	110.4

Within accruals, £43.0m comprises accrued expenditure in respect of ongoing construction activities (2021: £43.7m).

Notes to the preliminary financial results continued

18. Provisions for other liabilities and charges

	2022 £m	2021 £m
Current provisions for other liabilities and charges		
Opening balance	**0.2**	0.3
Additions	**8.7**	-
Utilisation	**(0.3)**	(0.1)
	8.6	0.2
Non-current provisions for other liabilities and charges		
Opening balance	**1.1**	1.2
Utilisation	**-**	(0.1)
	1.1	1.1
Total provisions for other liabilities and charges	**9.7**	1.3

Following an extensive review of legacy development projects, £8.7m for potential fire safety remediation costs has been provided for, relating to a small number of legacy properties that Grainger historically had an involvement in developing and may require fire safety related remediation works. A further £0.8m has been provided for in respect of loans to service charge accounts in respect of fire safety remediation costs, which is recognised in trade and other receivables. Where appropriate, the Group is seeking recoveries from contractors and insurers which may reduce the overall liability over time.

19. Interest-bearing loans and borrowings and financial risk management

	2022 £m	2021 £m
Current liabilities		
Bank loans – Pounds sterling	**40.0**	-
	40.0	-
Non-current liabilities		
Bank loans – Pounds sterling	**275.2**	306.5
Bank loans – Euro	**0.9**	0.9
Non-bank financial institution	**347.2**	346.6
Corporate bond	**694.3**	693.5
	1,317.6	1,347.5
Closing balance	**1,357.6**	1,347.5

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bond. As at 30 September 2022, unamortised costs totalled £14.4m (2021: £10.7m) and the outstanding discount was £2.2m (2021: £2.6m).

Categories of financial instrument

The Group holds financial instruments such as financial interest in property assets, trade and other receivables (excluding prepayments), derivatives, cash and cash equivalents. For all assets and liabilities excluding interest-bearing loans the book value was the same as the fair value as at 30 September 2022 and as at 30 September 2021.

As at 30 September 2022, the fair value of interest-bearing loans is lower than the book value by £263.0m (2021: £46.7m greater than book value), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

Notes to the preliminary financial results continued

Market risk

The Group is exposed to market risk through interest rates, the availability of credit and house price movements relating to the Tricomm Housing portfolio and the CHARM portfolio. The Group is not significantly exposed to equity price risk or to commodity price risk.

Fair values

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for the asset or liability.

The following table presents the Group's assets and liabilities that are measured at fair value:

	2022		2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
CHARM	**69.1**	**-**	71.7	-
Investment property	**2,775.9**	**-**	2,179.2	-
	2,845.0	**-**	2,250.9	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**47.8**	**-**	-	4.5
	47.8	**-**	-	4.5

The significant unobservable inputs affecting the carrying value of the CHARM portfolio are house price inflation and discount rates. A reconciliation of movements and amounts recognised in the consolidated income statement are detailed in Note 15.

The investment valuations provided by Allsop LLP and CBRE Limited are based on RIC's Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions.

The fair value of swaps and caps were valued in-house by a specialised treasury management system, using first a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments. As all significant inputs required to value the swaps and caps are observable, they fall within Level 2.

The reconciliation between opening and closing balances for Level 3 is detailed in the table below:

Assets – Level 3	**2022 £m**	2021 £m
Opening balance	**2,250.9**	1,852.2
Amounts taken to income statement	**216.2**	84.0
Other movements	**377.9**	314.7
Closing balance	**2,845.0**	2,250.9

Notes to the preliminary financial results continued

20. Tax

The tax charge for the year of £69.2m (2021: £42.6m) recognised in the consolidated income statement comprises:

	2022 £m	2021 £m
Current tax		
Corporation tax on profit	**17.8**	11.4
Adjustments relating to prior years	**(5.2)**	(3.7)
	12.6	7.7
Deferred tax		
Origination and reversal of temporary differences	**51.7**	33.4
Adjustments relating to prior years	**4.9**	1.5
	56.6	34.9
Total tax charge for the year	**69.2**	42.6

The 2022 current tax adjustments relating to prior years reflect adjustments which have been included in submitted tax returns and represent movements between deferred and current tax in relation to investment properties and capital allowances.

The Group works in an open and transparent manner and maintains a regular dialogue with HM Revenue & Customs. This approach is consistent with the 'low risk' rating we have been awarded by HM Revenue & Customs and to which the Group is committed.

The Group's results for this year are taxed at an effective rate of 19.0% (2021: 19.0%).

In addition to the above, a deferred tax charge of £13.3m (2021: £3.8m) was recognised within other comprehensive income comprising:

	2022 £m	2021 £m
Remeasurement of BPT Limited defined benefit pension scheme	**1.4**	1.0
Fair value movement in cash flow hedges	**11.9**	2.8
Amounts recognised in other comprehensive income	**13.3**	3.8

Deferred tax balances comprise temporary differences attributable to:

	2022 £m	2021 £m
Deferred tax assets		
Short-term temporary differences	**1.2**	2.1
Losses carried forward	**-**	0.2
Actuarial deficit on BPT Limited defined benefit pension scheme	**-**	0.2
Fair value movement in derivative financial instruments and cumulative exchange adjustments	**-**	1.2
	1.2	3.7
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(6.3)**	(7.8)
Investment property revaluation	**(108.9)**	(55.7)
Short-term temporary differences	**(8.6)**	(4.6)
Fair value movement in financial interest in property assets	**(1.2)**	(1.4)
Actuarial gain on BPT Limited defined benefit pension scheme	**(1.2)**	-
Fair value movement in derivative financial instruments	**(10.7)**	-
	(136.9)	(69.5)
Total deferred tax	**(135.7)**	(65.8)

Deferred tax has been calculated at a rate of 25.0% (2021: 25.0%) in line with the enacted main rate of corporation tax applicable from 1 April 2023.

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the consolidated statement of financial position and their market value has not been recognised by the Group. This contingent tax amounts to £104.8m, calculated at 25.0% (2021: £133.9m, calculated at 25.0%) and will be realised as the properties are sold.

21. Retirement benefits

The Group retirement benefit asset increased by £6.3m to £9.8m in the year ended 30 September 2022. This movement has arisen from changes in assumptions of £10.8m (primarily market observable discount rates) and £0.6m company contributions, offset by a loss on plan assets of £5.1m. The principal actuarial assumptions used to reflect market conditions as at 30 September 2022 are as follows:

	2022 %	2021 %
Discount rate	**5.0**	2.1
Retail Price Index (RPI) inflation	**3.8**	3.7
Consumer Price Index (CPI) inflation	**3.0**	2.9
Salary increases	**4.3**	4.2
Rate of increase of pensions in payment	**5.0**	5.0
Rate of increase for deferred pensioners	**3.0**	2.9

22. Share-based payments

The Group operates a number of 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 Scheme (‘SAYE’). The share-based payments charge recognised in the consolidated income statement for the period is £1.7m (2021: £1.7m).

23. Related party transactions

During the year ended 30 September 2022, the Group transacted with its associates and joint ventures (details of which are set out in Notes 13 and 14). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the consolidated income statement and consolidated statement of financial position are as follows:

	2022		2021	
	Fees recognised £’000	**Year end balance £’000**	Fees recognised £’000	Year end balance £’000
Connected Living London (BTR) Limited	**1,303**	**596**	1,211	1,588
Lewisham Grainger Holdings LLP	**319**	**-**	319	930
Vesta Limited Partnership	**743**	**207**	559	275
	2,365	**803**	2,089	2,793

Notes to the preliminary financial results continued

	2022			2021		
	Interest recognised £'000	Year end loan balance £m	Interest rate %	Interest recognised £'000	Year end loan balance £m	Interest rate %
Curzon Park Limited	**-**	**18.1**	**Nil**	-	18.1	Nil
Lewisham Grainger Holdings LLP	**692**	**7.2**	**6.9**	-	2.8	Nil
Vesta LP	**-**	**14.6**	**Nil**	-	14.6	Nil
	692	**39.9**		-	35.5	

24. Issue of share capital

In September 2021, the Group issued 67,379,369 new shares at an issue price of 310.0p raising a total amount of £204.1m net of costs. The shares were issued with a nominal value of £0.05p per share. This increased share capital by £3.3m and the share premium account by £200.8m.

25. Post balance sheet events

On 1 November 2022, the maturity date on a £40m sterling bank loan was extended by a further five years, with 2 x 1 year extension options.

EPRA Performance Measures - Unaudited

The European Public Real Estate Association (EPRA) is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Group is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations ('EPRA BPR') guidelines. The most recent guidelines, updated in February 2022, have been adopted by the Group.

EPRA Earnings

	2022			2021		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**298.6**	**743.1**	**40.1**	152.1	680.4	22.3
Adjustments to calculate adjusted EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**(211.4)**	**-**	**(28.4)**	(79.1)	-	(11.6)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**(1.7)**	**-**	**(0.2)**	(1.5)	-	(0.2)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(63.4)**	**-**	**(8.5)**	(56.7)	-	(8.3)
iv) Tax on profits or losses on disposals	**-**	**-**	**-**	-	-	-
v) Negative goodwill/goodwill impairment	**-**	**-**	**-**	-	-	-
vi) Changes in fair value of financial instruments and associated close-out costs	**-**	**-**	**-**	3.8	-	0.5
vii) Acquisition costs on share deals and non-controlling joint venture interests	**-**	**-**	**-**	-	-	-
viii) Deferred tax in respect of EPRA adjustments	**-**	**-**	**-**	-	-	-
ix) Adjustments i) to viii) in respect of joint ventures	**(0.9)**	**-**	**(0.1)**	(0.9)	-	(0.1)
x) Non-controlling interests in respect of the above	**-**	**-**	**-**	-	-	-
xi) Other adjustments in respect of adjusted earnings	**9.5**	**-**	**1.3**	8.3	-	1.2
Adjusted EPRA Earnings/Earnings per share	**30.7**	**743.1**	**4.1**	26.0	680.4	3.8
Adjusted EPRA Earnings per share after tax			**3.3**			3.1

EPRA Performance Measures - Unaudited (continued)

EPRA NRV, EPRA NTA and EPRA NDV

	2022			2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV** £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,966.8**	**1,966.8**	**1,966.8**	1,739.0	1,739.0	1,739.0
Include/Exclude:						
i) Hybrid Instruments	-	-	-	-	-	-
Diluted NAV	**1,966.8**	**1,966.8**	**1,966.8**	1,739.0	1,739.0	1,739.0
Include:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)	-	-	-	-	-	-
ii.b) Revaluation of IPUC (if IAS 40 cost option is used)	-	-	-	-	-	-
ii.c) Revaluation of other non-current investments	**5.1**	**5.1**	**5.1**	6.0	6.0	6.0
iii) Revaluation of tenant leases held as finance leases	-	-	-	-	-	-
iv) Revaluation of trading properties	**425.5**	**314.4**	**314.4**	543.3	401.6	401.6
Diluted NAV at Fair Value	**2,397.4**	**2,286.3**	**2,286.3**	2,288.3	2,146.6	2,146.6
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**115.6**	**115.6**	-	58.3	58.3	-
vi) Fair value of financial instruments	**(42.4)**	**(42.4)**	-	3.4	3.4	-
vii) Goodwill as a result of deferred tax	-	-	-	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	-	**(0.5)**	**(0.5)**	-	(0.5)	(0.5)
viii.b) Intangible as per the IFRS balance sheet	-	-	-	-	-	-
Include:						
ix) Fair value of fixed interest rate debt	-	-	**197.2**	-	-	(35.0)
x) Revalue of intangibles to fair value	-	-	-	-	-	-
xi) Real estate transfer tax	-	-	-	-	-	-
NAV	**2,470.6**	**2,359.0**	**2,483.0**	2,350.0	2,207.8	2,111.1
Fully diluted number of shares	**742.9**	**742.9**	**742.9**	742.8	742.8	742.8
NAV pence per share	**333**	**317**	**334**	316	297	284