A better quality of **living**

ANNUAL REPORT
AND ACCOUNTS 2021

Investing in homes since 1912
grainger plc

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

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Our purpose is to provide high-quality rental homes and great customer service. It's about renting homes that give people the best possible experience through our deep understanding of our customers' wants and needs and our commitment to innovation, wellbeing and creating places where people feel part of a community.

We aim to enrich people's lives and provide them with **A better quality of living.**

Continued **growth** from a position of strength, demonstrating the resilience of the business

Dear Shareholders,

Grainger has once again delivered a robust financial performance and has continued to successfully execute on its well-established growth strategy, despite economic disruption and a challenging market due to Covid-19 lockdowns.

The business demonstrated strong resilience throughout the pandemic maintaining strong rental collection rates and driving occupancy levels back up towards normalised levels by the year end as lockdown restrictions were eased. The business also capitalised on the strong sales market by increasing its rate of asset recycling to support new investment. This, together with another very successful equity raise of £209m gross proceeds, has allowed the business to step up investment with a number of additional acquisitions, added to its growing pipeline. Once again, the Board is very grateful for the support our Shareholders have provided to the Company's growth strategy.

Over the course of the year, Grainger has delivered over 1,300 new, high-quality rental homes. A record year for the business and, importantly, each of these six new schemes are leasing up ahead of expectations.

We spoke last year of the great responsibility being a landlord brings with it and the importance we place on health and safety through our own Live.Safe programme. Our focus, commitment and work in this area remains a top priority. We continue to show our leadership in our design specification and have been recognised for our leading approach to health and safety and fire safety, specifically, by the UK Government's Industry Safety Steering Group.

We have continued to make good progress across all areas of ESG including our four long-term ESG commitments. We set out the details of this within the ESG section of this report starting on page 38. We remain committed to improving diversity within the organisation and are making positive headway through our Diversity and Inclusion Programme. We are also encouraging greater diversity within our sector by working with young people in educational settings, and we continue to attract and support more diverse and inclusive communities within our buildings. To provide additional focus at Board level on these important topics we are establishing a new committee of the Board, the Responsible Business Committee, which will focus on all aspects of ESG.

During the year we have successfully rolled out key elements of our technology platform and we have already seen real benefits coming through, especially against a backdrop of having to operate virtually at times during the year. Over the coming years we expect to see further benefits including efficiencies and scalability, and continued enhancements to the experience we deliver for our customers.

During the year we saw Vanessa Simms leave the Company as previously announced, and Rob Hudson replace her as Group CFO. Rob joined the Board on 1 September and brings a wealth of experience from the real estate sector. Carol Hui joined the Board on 1 October as Non-Executive Director and will be Chair of the new Responsible Business Committee. Carol brings experience from a number of sectors and has been responsible for delivering ESG strategies elsewhere. At the AGM in February 2022, Andrew Carr-Locke will be stepping down from the Board by rotation and we are very grateful for his service as both Senior Independent Director and the Chair of the Audit Committee. Andrew has made an invaluable contribution over the last seven years and we wish him every success in the future.

The proposed final dividend for the year is 3.32p per share, reflecting our policy of distributing 50% of our net rental income, taking the total dividend for the year to 5.15p per share. This reflects the growth in net rental income from new schemes offset by the acceleration of our asset recycling initiatives combined with lower occupancy levels due to the Covid-19 restrictions affecting the lettings market earlier in the year.

As we look ahead, Grainger's path is clear. The Board will continue to focus on accelerating growth within the private rented sector in the UK, building on its strong foundations, delivering great homes, great places and great service to its customers.

Mark Clare
Chairman

17 November 2021

Robust performance and a record year of delivery

Income

Like-for-like rental growth

1.0%

-195bps
(FY20: 3.0%)

Net rental income

£70.6m

-4%
(FY19: £73.6m)

Adjusted earnings

£83.5m

+2%
(FY20: £81.8m)

Profit before tax

£152.1m

+53%
(FY20: £99.1m)[1]

Dividend per share

5.15p

-6%
(FY20: 5.47p)

Capital

EPRA NTA

297pps

+4%
(FY20: 285pps)

Loan to value

30.4%

-301bps
(FY20: 33.4%)

Total property return

7.5%

+209bps
(FY20: 5.4%)

IFRS net assets

234pps

+9%
(FY20: 214pps)[1]

EPRA NDV

284pps

+4%
(FY20: 273pps)[1]

1 Restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 38 for an explanation of prior year restatements.

* Additional information and definitions for all KPIs are included at pages 20 and 21.

I am pleased to report that your Company is in a strong position and has continued to grow despite the challenges of the past year. The demand for our homes and the delivery of new schemes means our growth strategy has continued unabated. We delivered a record number of new homes and leased these swiftly whilst also recovering occupancy across our whole PRS portfolio. We are focused on continually improving the homes we provide by enhancing our offer to our customers, achieving a collective purpose of 'Renting homes, enriching lives'.

We added six further schemes, totalling 1,304 great rental homes, to our portfolio.

Our successful equity placing in September, which was heavily over-subscribed, has enabled us to continue our expansion and bring forward and commit to new schemes.

For the year we delivered growth in Adjusted Earnings up 2% to £83.5m, growth in the value of our portfolio with EPRA NTA up 4% to 297p per share, and passing net rental income was up to £81m at the year end. Reported net rental income for the year was £70.6m, reflecting the investment disposals we made and the reduced occupancy we experienced during the year caused by the pandemic, at the time of writing this has now been recovered. We are pleased to maintain our total dividend distribution of £36.9m (FY20: £36.8m) with a proposed final dividend of 3.32p per share.

We are set to accelerate our well-established growth trajectory, with a £1.9bn pipeline which will see our net rental income grow by 2.5 times, and creating a high-quality portfolio for future growth.

Our growth strategy continues to be the right one

Our strategy of investing in high-quality mid-market private rental homes in target cities across the UK, remains the right strategy for Grainger.

The UK rental market (or private rented sector) remains a highly attractive sector to invest in. It proved resilient during the pandemic. In fact, consumer rental trends we identified a few years ago have accelerated during the pandemic in favour of our product of high-quality homes and more professional customer service.

We allocate capital based on insights, data and research to determine which cities to invest in. This has proven successful as demonstrated by the resilience of our portfolio and the successful lease up of our new buildings. Our business has benefited from this strategy by having the right product in the right places.

Our three strategic focus areas that we set out in 2016: (1) grow rents, (2) simplify and focus, and (3) build on our experience, remain relevant today.

> "Our strategy of investing in high-quality mid-market private rental homes in target cities across the UK remains the right strategy for Grainger."

HELEN GORDON,
CEO

Establishing scale is important for us as a business. It enables us to enhance both returns to Shareholders, and importantly it also enables us to enhance our offer to our customers and all our stakeholders. That is why we are focused on growth, driving net rental income and dividend. Today, our net rental income is more than double what it was when we set out our strategy, and our growing pipeline, supported by our recent equity placing, will see net rental income more than double again, supporting dividend growth of the same magnitude.

During the year we took the opportunity to further simplify the business by selling assets which we felt would not deliver for our Shareholders and our customers in the longer term into a strong market. Whilst this reduced net rental income in the short term, it will also reduce capital expenditure and vacancy in the portfolio over the long term and ensure a high-quality portfolio.

We are grateful to our Shareholders for their overwhelming support for our equity placing in September, which enabled us to bring forward our growth plans even further by securing new acquisitions.

Building on our experience

Maintaining our position as market leader remains a strategic focus for us. Our experience and heritage as a responsible, residential landlord in the UK since 1912 provides us a strong foundation for future growth. Our growth plans are coupled with a continued focus on what makes a good experience of renting while continually refining our business model and operating platform, focusing on scalability and efficiencies. This enables us to outperform and outcompete. And as we grow, our business model and operating platform has been designed so that our central cost base does not significantly increase, so that as our net rental income grows over the coming years this will lead to compounding of returns and significant growth to our earnings.

Our guiding values align to our strategy

Our values, as set out below, are our guiding principles for the business. They have been developed by our employees so that they complement and align with our strategy, taking account of our customers and communities. By embedding these values, we believe we will be a better, stronger business, delivering better service and homes to more customers, support to our communities and drive better returns for Shareholders and importantly being a business people want to work in.

People at the heart

One of our core guiding values is ‘People at the heart’. This value guides how we think about our customers but also employees, which is wide-ranging from employee attraction and retention through to mental health, wellbeing, professional development and diversity. We are especially proud of the work of our employee-led Diversity & Inclusion Network, and the foundations we continue to lay to support gender and ethnicity diversity across the business.

Once again, the Grainger team have demonstrated exceptional commitment to our customers, our colleagues and the Grainger business.

Resident Services Manager

Our values

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

Resident Services team at The Filaments, Manchester

At the start of the financial year we were able to return to our offices and the levels of staff engagement were high in all areas of the business, but by the end of the first quarter we were in a second lockdown. I was proud of the way the business swiftly responded, showing no sign of complacency or resignation but rising to the challenge of serving our customers well.

Our frontline Resident Services teams in our build-to-rent properties stayed in place and supported our customers, many of whom were working from home. The teams provided additional services and enhanced health and safety regimes.

Our office-based teams returned over the summer and by the end of September we saw between 75% and 95% of our colleagues return to our offices, with high levels of engagement and enthusiasm to create and support our next stage of growth.

Our 'People at the heart' value helps guide our customer service strategy. Using data and insight, including direct, independently-gathered customer feedback, we have in-depth knowledge and understanding of our customers, their wants, needs and preferences. And this insight and data informs our decision-making, from capital allocation, through to design, operations and marketing.

Securing a future for all

We strongly believe that Grainger is a force for good, providing high-quality homes, with high service standards, to the mid-market, in a country with a housing shortage and an inadequate rental offering generally. But our ESG ambitions reach far beyond this, with stretching commitments and targets relating to carbon reductions, social impact and diversity.

Throughout the business, from the Board through to on-site operational teams and supply chain partners, we are challenging ourselves to do more, embedding ESG and responsible business objectives in every team and in every process and decision.

Our leading ESG strategy and efforts will help secure Grainger's future as a responsible business and will help secure a brighter future for all our stakeholders. We were pleased to be a commercial partner for the COP26 Built Environment Virtual Pavilion. This year, our sustainability and ESG efforts were recognised again through multiple awards and benchmarks, including achieving a Gold Award for EPRA's Sustainability Best Practice Reporting for the eighth consecutive year. We have also maintained our sector leading Prime Rating on the ISS ESG assessment.

We were awarded an A rating on the GRESB Public Disclosure Assessment, and were the highest scoring UK residential organisation. Grainger contributed to the development of the British Property Federation's Residential ESG Guidance and the UK Apartment Association's ESG Best Practice Guide, which seek to increase consistency of ESG performance and reporting across the private rented sector.

Enhancing our platform to enable occupancy to outperform

The business proved exceptionally resilient during the course of the pandemic with rent collections averaging between 97% and 99%. The restrictions put in place due to the coronavirus pandemic did lead to reduced lettings activity and we entered this financial year at reduced occupancy levels.

We addressed this by building our own in-house leasing team, refurbishing and enhancing our older rental properties when voids occurred.

In February this year we launched our customer Service Desk available to all residents but particularly those who have less access to an on-site Resident Services team.

The in-house leasing team enabled us to respond quickly to the surge of enquiries as the market opened up over the Summer. We achieved record numbers of lettings across the country.

By the end of September we were close to fully recovering occupancy at 94% and shortly thereafter were back to a stabilised occupancy of 95% on our PRS portfolio. In addition, we outperformed against our expectations on the lease up of all our new assets, totalling over 1,300 new rental homes which were 91.5% let by the end of October.

We continued to invest in our technology platform, CONNECT, during the year. Our digital leasing capability has been expanded to the entirety of our PRS portfolio, and we have introduced new, market-leading technology supporting customer relationship management, our repairs process and supply chain, asset management and data reporting. In addition to enhancing our platform and boosting our occupancy levels, this will support our future growth, and enable us to deliver a better service, more efficiently.

Delivering Shareholder returns

Our strategy is delivering for Shareholders and our robust results demonstrate resilient performance during the pandemic.

Rent collection was high, new lettings outperformed and voids were successfully reduced. Our rental growth was lower than in previous years reflecting our desire to retain customers and encourage occupancy over rental growth. We expect our ability to increase rents while maintaining high retention rates to return in future years.

Our early investment sales timed to capitalise on a healthy investment market reduced overall income, however as we go into our next year our exceptional lease up of new schemes places us in a great position to continue to grow rents substantially.

Through these actions, we saw an increase in Adjusted Earnings and a notable increase in the value of our portfolio with EPRA NTA up 4% to 297p. And as we deliver our pipeline of new schemes the growth in net rental income will drive growth in our dividend, and will generate compounded growth in earnings as we leverage up on our operating platform.

An exceptional year of new openings

During the year we launched five new schemes and acquired one stabilised scheme, our largest delivery to date and our new homes are performing ahead of expectations. Our scheme Gatehouse Apartments in Southampton was let in four months at rents ahead of expectations. Our schemes in London were launched in July and August and are leasing well and our central Leeds project, The Headline, has beaten leasing velocity records, reaching stabilised levels within 3.5 months. These new developments are homes that the Grainger team are very proud of, they represent years of hard work and attention to detail and as our residents settle into these new communities the feedback has been extremely positive.

Board visits and engagement

I am grateful for the commitment of the Grainger Board in supporting the growth of the business by being responsive and agile. Despite the restrictions of lockdown, the Board visited two new Grainger schemes during the year in Southampton and London. The interest, enthusiasm and engagement is a boost to the frontline operational team.

The strength of the Grainger team

We have further strengthened our team with senior appointments during the year. John Blanshard, our Director of Operations joined us in March from Unite, the student housing provider, and has a strong operational and customer focused background.

Our new CFO, Rob Hudson, joined in late August replacing Vanessa Simms who left in late April. Vanessa worked with me on the repositioning of Grainger over the past five years, and I thank her for her friendship, contribution and support during this time.

Rob brings a wealth of real estate experience from his previous roles at British Land and as CFO and Interim CEO of St Modwen. He also has a strong technology and data background from his tenure at Experian.

As the market leader, Grainger paves the way when it comes to influencing and shaping the future of the rental homes market in the UK. Our longer-term tenancies, inclusive super-fast WiFi and pet- friendly policies are just some of the ways that we are providing our customers with better value and a better rental experience.

We are building a business our employees and Shareholders can be proud of. We have a clear strategy and commitment to quality and service which guides us. We are building communities where we can support people to have a better quality of life.

Helen Gordon
CEO

17 November 2021

For more information on

- Our data and research led strategy, see page 13
- Our offering to customers and stakeholders, see page 18
- Our diversity and inclusion activities, see page 40
- Our capital allocation decision-making, see page 13
- Our ESG strategy and ambitions, see page 43

The **shape** and **strength** of our business

We are the UK's leading listed provider of private rental homes. We design, own and operate rental homes across the country.

109
years in operation

20,000+
customers

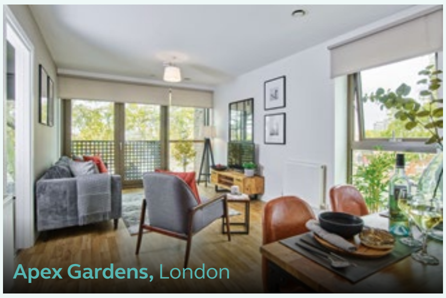
9,727
homes

322
employees

£3.1bn
portfolio

£81m
passing net rental income

A snapshot of our PRS portfolio

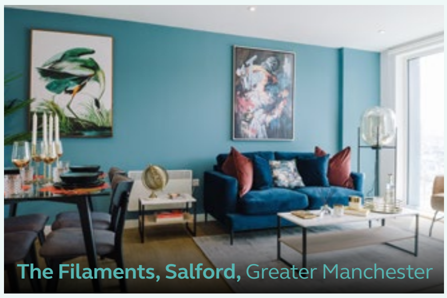

Apex Gardens, London


The Headline, Leeds


Gatehouse Apartments, Southampton

Springfield House, London


Kew Bridge Court, London


The Filaments, Salford, Greater Manchester


The Forge, Newcastle

Windlass Apartments, London


Berewood, Hampshire

Private Rental Homes

We have over 7,000 private rental homes across the country, and a further 8,950 in our pipeline.

We offer a broad mix of well-located properties with good value rents from modern apartments to suburban houses in a variety of styles. Our new buildings are built to the highest standards and technical specification and unlike many landlords, we manage our properties in-house to ensure the best customer experience.

7,174
PRS homes

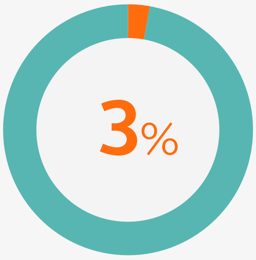
£2.1bn
portfolio valuation

98%
average rent collection

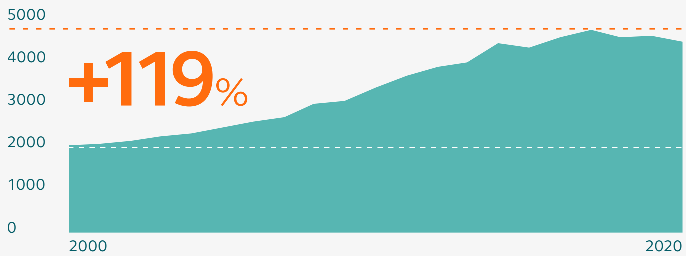
5.1%
average gross yield

PRS[1] as strong as ever…

Huge market potential, only 3% of PRS homes are owned by institutional landlords



Growing demand in PRS since 2000



See our Marketplace on pages 16 and 17

1 Private Rented Sector.

Regulated Tenancy Homes

We own and manage 2,553 regulated tenancy homes across the UK. These are historic tenancy agreements that were created before 1989, where the tenant has the right to reside for life. Rents are set at levels below the open market by independent local rent officers, but the capital gain on the eventual sale is significant. When these properties are vacated, we typically sell them, generating significant cash flow each year, providing funding for growth in our PRS portfolio.

Providing predictable cashflow to fund PRS…

2,553
homes valued at **£968m**

18-20%
valuation uplift on vacancy

7.3%
properties sold on vacancy

+3.6%
annualised rental growth

Providing the best rental experience

- We provide a digitised rental experience via our **CONNECT** technology platform, enabling scalable growth and an enhanced rental experience for our customers.
- We are enriching lives by providing higher standards and a market-leading rental offering including pet-friendly and longer-term tenancies.
- Live.Safe is our industry-leading health and safety programme.

See Our Feature Stories on pages 23 to 31

4 in 5
residents "really like" their Grainger home

Over 82%
of online reviews by our PRS customers were 5 star this year

A clear, strategic growth plan

We set out a strategy in 2016 to reshape the business and focus our investment in our PRS assets. This remains just as relevant today.

This strategy is underpinned by three pillars (1) to grow rents, (2) simplify the business and (3) build on our experience as a leading, responsible residential landlord. The business today is much simpler than it was, but we continue to look for efficiencies that will improve performance.

Our focus on growing rents and being the best and most responsible landlord remain our top priorities. This strategy is designed to deliver significant growth in dividend and net asset values over the coming years.

This year more than ever, we've been delivering homes, creating more value and enriching renters' lives.

£1.9bn
pipeline

8,373
new mid-market rental homes in our pipeline

2.5x
projected potential net rental growth, post-pipeline

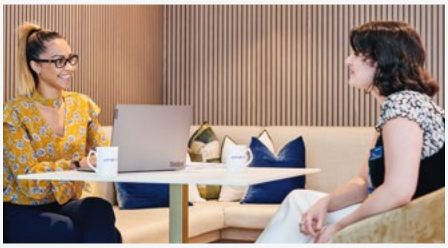
Committed to ESG

Purpose driven, guided by our core values with a clear strategic vision.

Renting has often fallen short for renters in the UK. We are working hard to change that by providing better homes, better service and better value to our customers with high-quality, mid-market rental homes delivered by our leading operational platform and an ambitious ESG strategy coupled with stretching long-term commitments.

EPRA sBPR GOLD

FTSE4Good



People

We are committed to being a great employer to our people, a great landlord to our customers, and to delivering long-term social value to communities.

Assets

We are committed to creating high-quality homes that attract customers and retain them to help deliver long-term value to our stakeholders.

Environment

Aligned to our goal of protecting the long-term future of our business, we are committed to enhancing our environmental impact.

See our ESG report on page 38 and 39

Millet Place in partnership with the LPP

Partner of choice

People want to work with us, and we are making great progress on schemes we are delivering in partnership – including Millet Place in partnership with the Local Pension Partnership, Wellesley with the Defence Infrastructure Organisation and Weavers Yard in Newbury with West Berkshire Council and Network Rail.

We also continue to make good progress on the schemes in our partnership with TfL.

Transport for London

Lewisham

LPP Local Pensions Partnership

Defence Infrastructure Organisation

Focused on people

Our employees, customers, communities, suppliers and investors are critical stakeholders who all enable us to deliver on our vision and strategy. We constantly capture feedback from all our stakeholders to inform our business decisions.

Driving forward a positive Diversity & Inclusion agenda for future talent, employees, our Board and customers alike.

80%
response rate to Best Companies Index employee engagement survey

best companies™

39%
of employees have over five years' service

5,175
hours of training delivered to Grainger employees

See our People section on pages 40 and 41

With unique values

Our purpose to provide high-quality rental homes and great customer service is underpinned by our unique values.

Every home matters

We're passionate about providing every customer with a great place to rent that they are proud to call home.

People at the heart

We want our customers to feel safe, secure and happy in their homes. We provide levels of comfort, service, flexibility that make their lives easier.

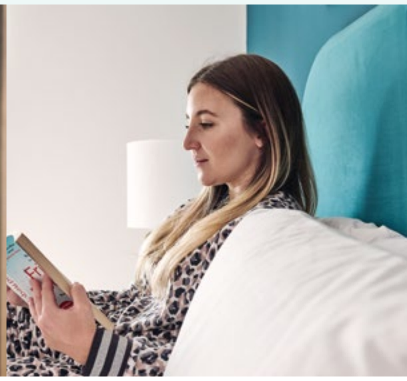
Leading the way

We want to give people the best renting experience and never stop finding innovative, smart and creative ways to stay in front and be responsible landlords.

Exceeding expectations

We've been a professional landlord for over 100 years, but we never rest on our laurels. We always endeavour to go beyond expectations to deliver more to our customers, each other, our investors and our partners.



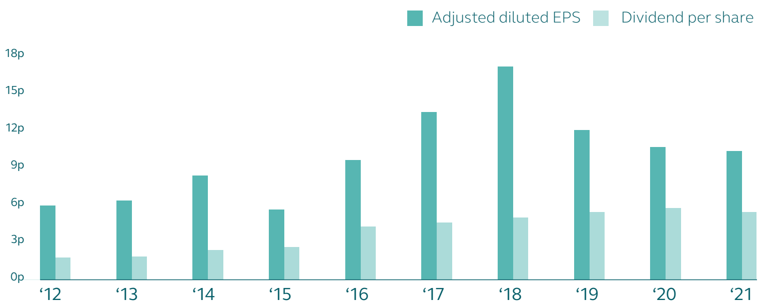



Strong financials

- Investment Grade credit rating
- Robust balance sheet management
- Strong operational cashflows
- Clear future earnings growth
- Enabling us to deliver on our plans and ambitions

See our Financial Report on pages 32 to 37

Earnings and dividend growth over the last ten years (pence)



£641m
headroom available

30.4%
loan to value

5.6 years
average debt maturity (incl. extension options)

Our capital allocation strategy

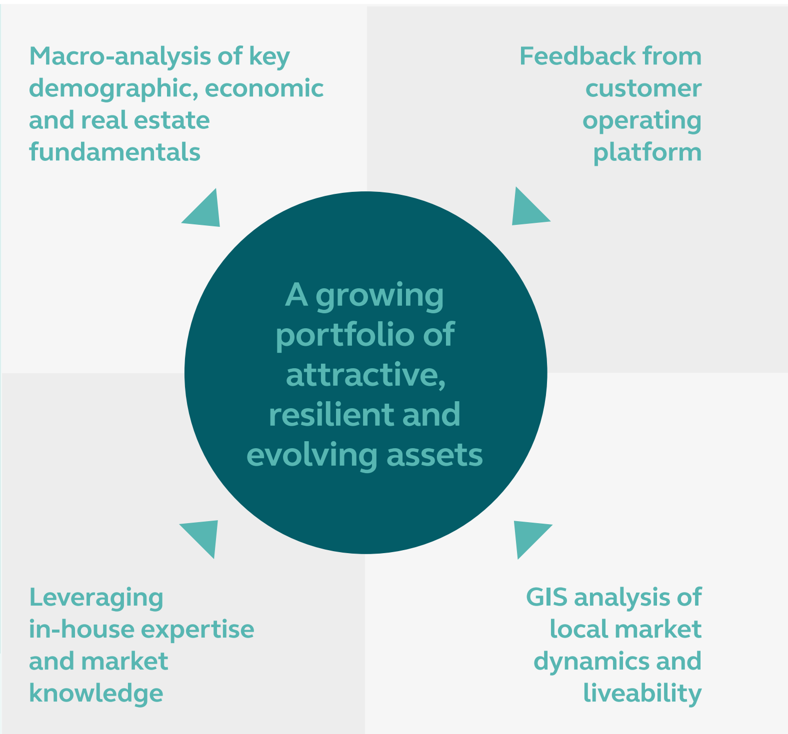
Knowledge and insight help ensure our real estate portfolio delivers strong performance. Our approach to PRS investment is to use data at both the macro- and micro-level, combined with our staff's own market knowledge, to focus on areas with the strongest growth potential.

At the macro-level, we assess cities on their demographic, economic and real estate fundamentals, to ensure that we invest in prosperous, dynamic areas that will deliver growing customer demand and rental growth across the real estate cycle.

At the micro-level, we build a full understanding of the surroundings. We use a geographical information system ('GIS') to build an accurate picture of local amenities, walkability, public transport, access to employment centres and green space – confirming it's an attractive location for customers.

The two-way approach combined with input from our investment and development teams, enables us to leverage their market experience and knowledge and drive decision-making that reflects a balance of top-down analysis and real-time market dynamics.

Another critical pillar of our approach is the ability as a large-scale operator to use feed-back from our customers to better inform and optimise the design of our buildings and services.



Research-led investing

378
local authorities analysed

6
success factors

62
cities analysed

18
economic datasets

A clustered portfolio & pipeline strategy

PRS PORTFOLIO

7,174 homes

PIPELINE PORTFOLIO

8,373 homes

Including homes in the planning and legals stage, and projected TfL partnership homes

PRS VALUE

£2.1bn

PIPELINE VALUE

£1.9bn

GEOGRAPHIC BREAKDOWN OF OUR EXISTING PORTFOLIO BY NUMBER OF HOMES

Central London	21%
Outer London	10%
South East	19%
South West	8%
East & Midlands	3%
North West	32%
Other regions	7%

Regional Portfolio

NUMBER OF HOMES

2021 2022 2023 2024 2025

Manchester & Liverpool		
1,927		
Newcastle		
380		
East Midlands		
348	Queens Road, Nottingham	
259	Becketwell, Derby	
Birmingham		
158	Gilders Yard	
375	Exchange Square	
West & Wales		
508		
307	Copper Works, Cardiff	
231	Millwrights Place, Bristol	
South		
497		
232	Weavers Yard, Newbury	
98	Guildford Station	
Leeds & Sheffield		
587		
216	The Pin Yard, Leeds	
284	Well Meadow, Sheffield	
Milton Keynes		
139		
261	Enigma Square, YMCA	

Key
- Operational schemes
- Pipeline schemes

London Portfolio

NUMBER OF HOMES

2021 2022 2023 2024 2025

North London

Homes	Development	Map ref
TBC	Arnos Grove	1
TBC	Cockfosters	2

North East London

Homes	Development	Map ref
163	Apex Gardens	3
108	Windlass Apartments	4

East London

Homes	Development	Map ref
134	Argo Apartments	5
100	Abbeville Apartments	6
146	Canning Town 2	7
132	Canning Town 3	8
TBC	Limmo Peninsula	9

London City fringe

Homes	Development	Map ref
90	Ability Towers	10
101	Ability Plaza	11
85	Springfield House	12
122	Other	13 14 15

South East London

Homes	Development	Map ref
208	The Gardens	16
324	Besson street	17

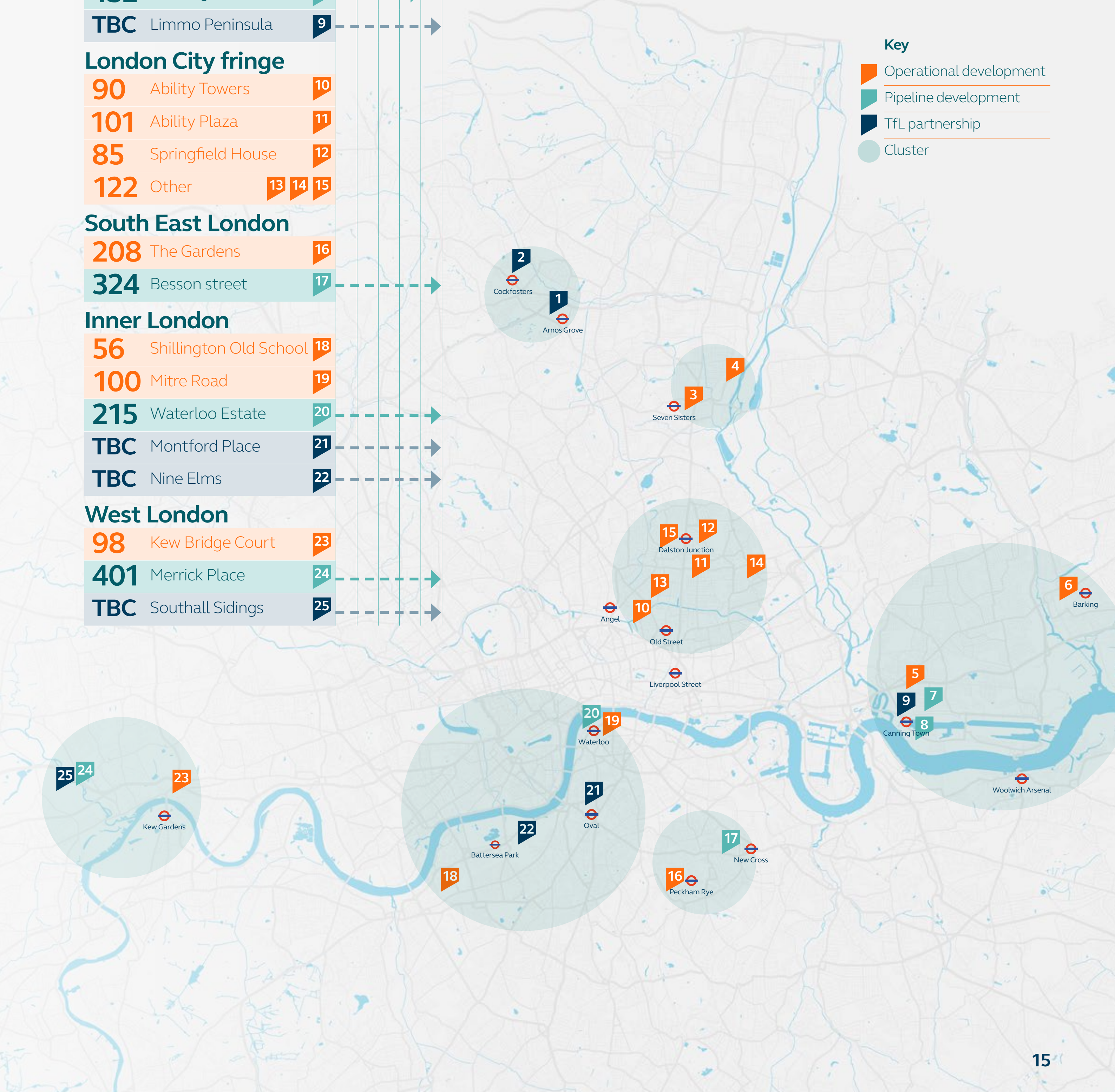
Inner London

Homes	Development	Map ref
56	Shillington Old School	18
100	Mitre Road	19
215	Waterloo Estate	20
TBC	Montford Place	21
TBC	Nine Elms	22

West London

Homes	Development	Map ref
98	Kew Bridge Court	23
401	Merrick Place	24
TBC	Southall Sidings	25

We employ a **cluster strategy**, investing in assets within relatively close proximities, which enable us to drive operational efficiencies, driving down costs while also enhancing the service we can provide to our residents.



Our market

The fundamentals in the UK rental market remain strong

During the pandemic, the UK Private Rented Sector ('PRS') has further demonstrated its strong underlying fundamentals, with demand proving robust despite sharp economic challenges, and rents continuing to increase.

PRIVATE RENTAL DEMAND CONTINUES TO GROW, WHILE A HOUSING SUPPLY SHORTFALL CONTINUES

The demand for homes, particularly private rented homes, in the UK continues to grow. This growing demand is contrasted by a severe housing supply shortfall that has characterised the UK housing markets for decades and is set to continue.

A resilient market

The private rental market's long history of low volatility and stability continued to hold true despite the economic disruption caused by the Covid-19 pandemic. With millions of office workers mandated to work from home, demand for well-managed, high-quality homes strengthened. In fact, overall market conditions improved, something borne out by rent collection in the build-to-rent ('BTR') sector. Knight Frank data shows that rent collection within the BTR sector has not fallen below 95% at any point during the pandemic[1], while Grainger's average rent collection in our PRS portfolio was 98% for the year.

98% v 95%[1]

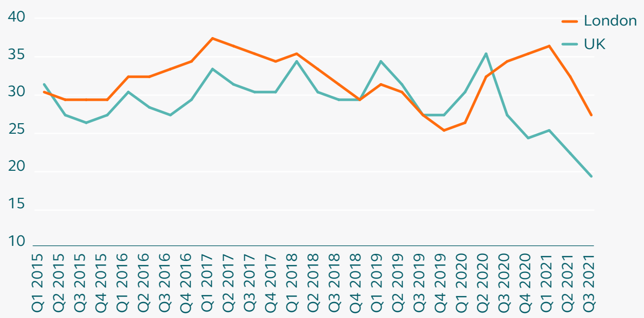
Rent collection, Grainger compared to market baseline

1 Knight Frank Research, March-20 to August-21.
2 Source: Hometrack/Zoopla

RENTS HAVE INCREASED, AND PROPERTIES ARE LEASING QUICKLY

Although Q2 2020 saw a sharp increase in the time to let a property in the UK, from that point onwards we have seen very strong demand, with the time to let a property (according to Rightmove) falling to just 19 days by Q3 2021. This has been reflected in rental growth over the period, with UK rents seeing growth of 2% in the year[2] to July. Most major cities have continued to see positive rental growth despite office-based employees working from home for much of the year.

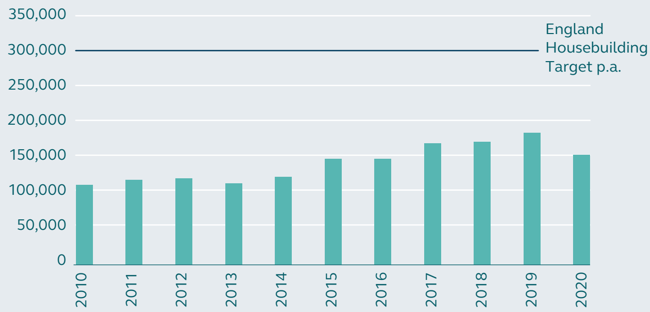
Rightmove – time-to-let – days



SUPPLY REMAINS CONSTRAINED

2020 saw a sharp fall in new homes completed, down to 148,000, from 178,000 the previous year, well below the Government's housebuilding target for England of 300,000 homes p.a. This structural deficit is set to continue with only 130,000 new housing starts being seen in 2020, and the first half of 2021 only seeing 90,000.

Permanent dwellings completed, England



Homes have never been so important

The pandemic has reinforced the importance of our homes and the communities we live in. Research shows that those residents in BTR properties have really valued having a quality home during a difficult time. Given strong political backing, the professional private rented sector has plenty of room for growth.

PANDEMIC HAS REINFORCED THE BENEFITS OF HIGH-QUALITY RENTAL ACCOMMODATION

A major impact of the pandemic and the associated lockdowns has been to reinforce to people how important their living space is to them, not just in a practical sense but in the effect it has on their overall happiness and wellbeing. At Grainger our long-term BTR strategy has been to meet renters' desire for high-quality homes and provide a great service to our customers in a sector that has grown steadily over the past 20 years, but that has often failed to provide homes that meet renters' expectations.

Data from HomeViews' 2021 National Build-to-Rent Report looking at residents' reviews of BTR homes wholly-owned by professional landlords and investors, compared to rental homes owned by private individual landlords, demonstrates the extent to which the BTR sector was adept at maintaining its customers' happiness during the pandemic, with resident sentiment remaining positive throughout. BTR developments outperformed in every category measured, including value, management and design.

BTR outperforms in all categories according to renters

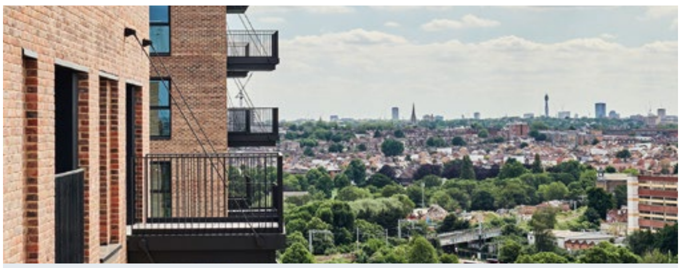
(HomeViews 2021 Build to Rent Report)

3 Grainger analysis of data from BPF, Savills, English Housing Survey, Scottish Household Survey, StatsWales – Dwelling stock estimates, and Northern Ireland Housing Statistics.

4 Census Bureau, "Rental Housing Finance Survey," 2018; Pew Research Centre Analysis.

THERE IS STRONG POLITICAL SUPPORT FOR A PROFESSIONAL PRIVATE RENTED SECTOR, AND A SUBSTANTIAL MARKET OPPORTUNITY

The Government and opposition parties all favour a PRS characterised by high-quality and good service standards. There is a significant market for Grainger to address. Recent years have seen the Government restrict the amount of Income Tax relief private landlords receive on residential property finance costs to the basic rate of tax, alongside the introduction of a 3% stamp duty surcharge on the purchase of additional properties – both impacting the attractiveness of the sector to smaller private landlords. As smaller private landlords are squeezed, there is a real opportunity for larger BTR landlords to grow market share. The current supply of BTR developments is estimated to total only 1.3% of total PRS households in the UK[3]. In contrast, data from the US Census Bureau suggests that for-profit businesses control around 19% of US rental properties[4].



CITIES ARE DRAWING RESIDENTS BACK WITH THEIR STRONG CULTURAL AND LEISURE OFFERS

Although the pandemic generated some debate regarding the future of cities and urbanisation, early signs suggest that people have eagerly returned to cities to enjoy the culture and leisure opportunities on offer. Rental activity has been strong through August and September in London, and Grainger has seen a significant uplift in leasing enquiries over the period.

Our **fully integrated** business model and operating platform set us apart from our competitors

Inputs

Our people
People are at the heart of everything we do. With a real diversity of skills across the business our people are passionate about quality, service and making a real difference for our residents.

Read more pages 40 and 41

Technology
Leading the way with technology, supporting our sustainable growth and enhancing the customer experience.

Read more page 30

Data insight & knowledge
Driven by in-house research we have a wealth of data, expertise and knowledge we leverage, providing competitive advantage.

Read more pages 30 and 31

Our relationships
Building relationships with our residents, suppliers and partners to deliver long-term, sustainable value.

Read more pages 60 to 65

Our properties
9,727
well located homes

Read more pages 14 and 15

Financial capital
Efficient capital structure, strong balance sheet and our rigorous investment process ensures sustainable returns.

Read more pages 32 to 37

Outputs

Shareholders

Dividend per share

5.15p

EPRA NTA

297pps

Stakeholders

Customers

4 in 5
customers "really like" their Grainger home

Employees

87%
retention rate

Communities

550+
in-person and virtual resident and community events

Employees

100%
of eligible employees (12 months+ employment) are Shareholders

Read more on our performance pages 20 and 21

How we create value

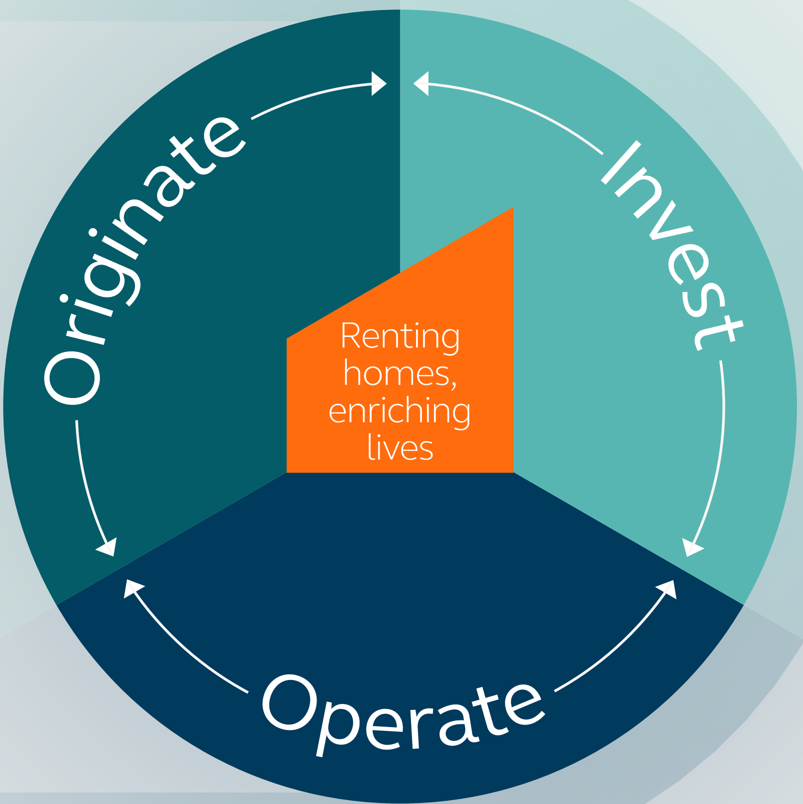
Our fully integrated business model and operating platform ensures we are investing in and designing the best possible assets and providing great service. It enables us to deliver market leading, sustainable returns for our Shareholders, and a positive impact for all stakeholders.

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.

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.



Lettings, management and customer service

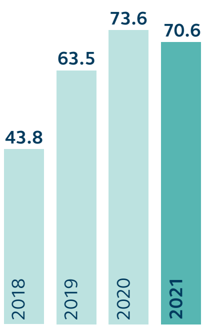
With more than 100 years of experience in renting homes, we are committed to operational excellence and great customer service to achieve high occupancy rates and sustainable rental growth. Investment in technology and our online digital platform, CONNECT, secures our leading position in the market and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

Driving income returns

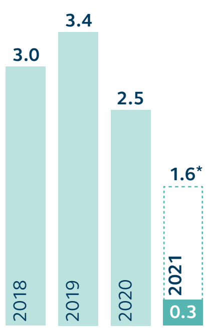
Our key performance indicators ('KPIs') are aligned to the business strategy. These measures are used by the Board and senior management to actively monitor business performance.

Link to strategy Grow rents | Simplify and focus | Build on our experience

Net rental income (£m)

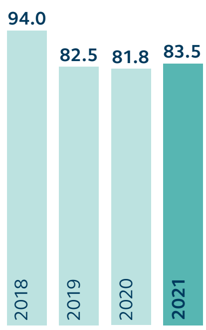


PRS rental growth (%)

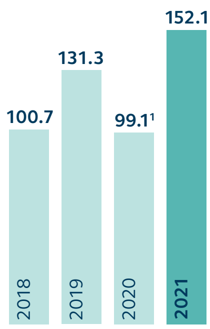


Property operating cost (gross to net) (%)

Adjusted earnings (£m)



Profit before tax (£m)



1 Restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 38 for an explanation of prior year restatements. Figures prior to FY20 have not been restated.

Net rental income

KPI definition

Gross rental income after deducting property operating expenses.

Comment

Decrease of 4% due to a combination of lower average occupancy (-£5.3m) and disposals (-£4.4m), offset by £5.2m from PRS investment and £1.5m rental growth.

Link to strategy

Grow rents

Notes

See Note 6 to the financial statements.

PRS rental growth

KPI definition

Like-for-like average growth of rents across our PRS portfolio, including incentives.

Comment

0.3% like-for-like PRS rental growth achieved despite challenging market conditions.

*Excluding incentives, like-for-like PRS rental growth would have been 1.6%.

Link to strategy

Grow rents

Notes

See Glossary on page 171 for definition and calculation basis.

Property operating cost (gross to net)

KPI definition

Property operating costs expressed as a percentage of gross rental income.

Comment

Gross to net performance reflects the impact of voids, increased cleaning due to Covid-19 and new launches completed in the year. Stabilised gross to net performance is 25.9%.

Link to strategy

Grow rents, Simplify and focus, Build on our experience

Notes

See Note 6 to the financial statements.

Adjusted earnings

KPI definition

Profit before tax, valuation movements on investment assets and derivatives, and other adjustments, that are one-off in nature, which do not form part of the normal on-going revenue or costs of the business.

Comment

Increase of 2% delivered as strong sales profits more than offset the impact of voids on net rental income.

Link to strategy

Grow rents, Simplify and focus, Build on our experience

Notes

See Note 3 to the financial statements for explanation and for reconciliation to statutory measures.

Profit before tax

KPI definition

Profit before tax is a statutory IFRS measure as presented in the Group's consolidated income statement.

Comment

Increase of 53% driven by strong valuation gains.

Link to strategy

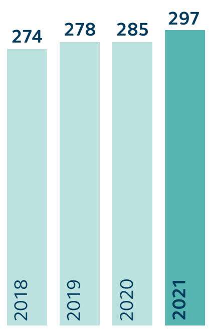
Grow rents, Simplify and focus, Build on our experience

Notes

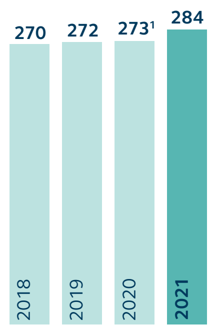
See consolidated Group income statement on page 110.

Delivering capital returns

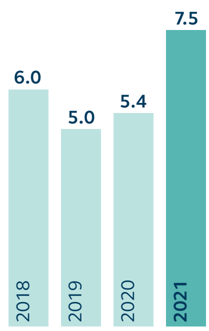
EPRA NTA (pps)



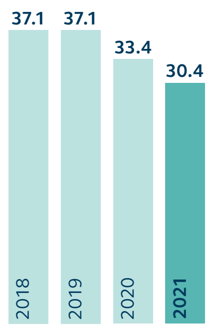
EPRA NDV (pps)



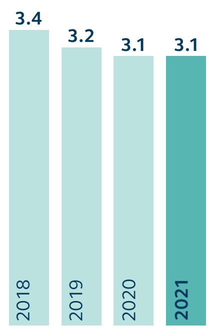
Total Property Return ('TPR') (%)



Loan to value ('LTV') (%)



Cost of debt (average) (%)



	EPRA NTA	EPRA NDV	Total Property Return ('TPR')	Loan to value ('LTV')	Cost of debt (average)
KPI definition	EPRA NTA (Net Tangible Assets) is the market value of property assets, after deducting deferred tax on trading assets, and excluding intangible assets and derivatives.	EPRA NDV (Net Disposal Value) is EPRA NTA after deducting deferred tax on investment property revaluations and including market value adjustments of debt and derivatives.	TPR is the change in gross asset value, (net of capital expenditure), plus property related net income, expressed as a percentage of opening gross asset value.	Ratio of net debt to the market value of properties on a consolidated Group basis.	Average cost of debt for the year including costs and commitment fees.
Comment	12p growth in the year, primarily driven by 19p which relates to valuation uplift. Key items offsetting this are 5p relating to dividend payments and 5p increase in deferred tax as a result of tax rate changes.	4% growth in FY21 reflecting resilient trading and strong valuation performance.	Returns of 7.5% in FY21 demonstrating strong overall returns from our property portfolio.	Following the successful equity raise, LTV reduced to 30.4%.	Average cost of debt maintained at 3.1% as we lock into favourable rates for longer term with average debt maturity now at 5.6 years, including extension options.
Link to strategy					
Notes	See page 36 for further detail on EPRA NTA and page 164 for EPRA performance measures.	See Note 4 to the financial statements for reconciliation to statutory measures and EPRA performance measures from page 164.	See Alternative Performance Measures on page 169 for calculation.	See Alternative Performance Measures on page 169 for calculation.	See Note 27 to the financial statements for further detail regarding capital risk management.

Non-financial and ESG KPIs

Link to strategy Grow rents Simplify and focus Build on our experience

OUR CUSTOMERS AND COMMUNITIES

We believe creating thriving communities helps attract and retain customers.

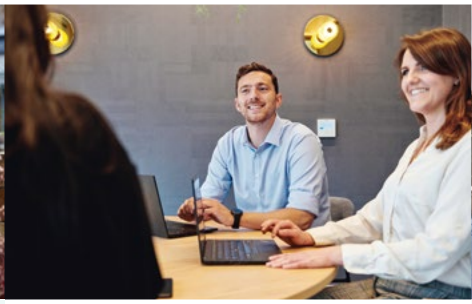
Our investment in customer service training and our new customer Service Desk have supported continued improvements in customer experience and feedback.

28 months
average length of stay for PRS customers

Over **82**%
of all online reviews by PRS customers were 5 star

550+
resident and community events

Link to strategy



OUR PEOPLE

Positive employee engagement underpins the successful delivery of our strategy and our strong financial performance.

This year we continued to invest in the wellbeing and development of our workforce, maintaining high levels of engagement and retention.

80%
response rate to our employee engagement survey

100%
of eligible employees (12 months+ employment) are Shareholders

87%
retention rate

Link to strategy

OUR IMPACT ON THE ENVIRONMENT

Aligned to our goal of protecting the long-term future of our business, we are committed to enhancing the energy efficiency of our portfolio and achieving our commitment to the net zero carbon operation of our buildings.

1,226 tonnes of CO_2e
our carbon footprint (market-based methodology)

-10%
change in market-based carbon emissions per £m AUM

85%
EPC ratings 'C' and above (for PRS properties)

Link to strategy

Our purpose is to enrich lives by providing high-quality rental homes and great customer service.

We deliver this through our values:

Every home matters

People at the heart

Leading the way

Exceeding expectations

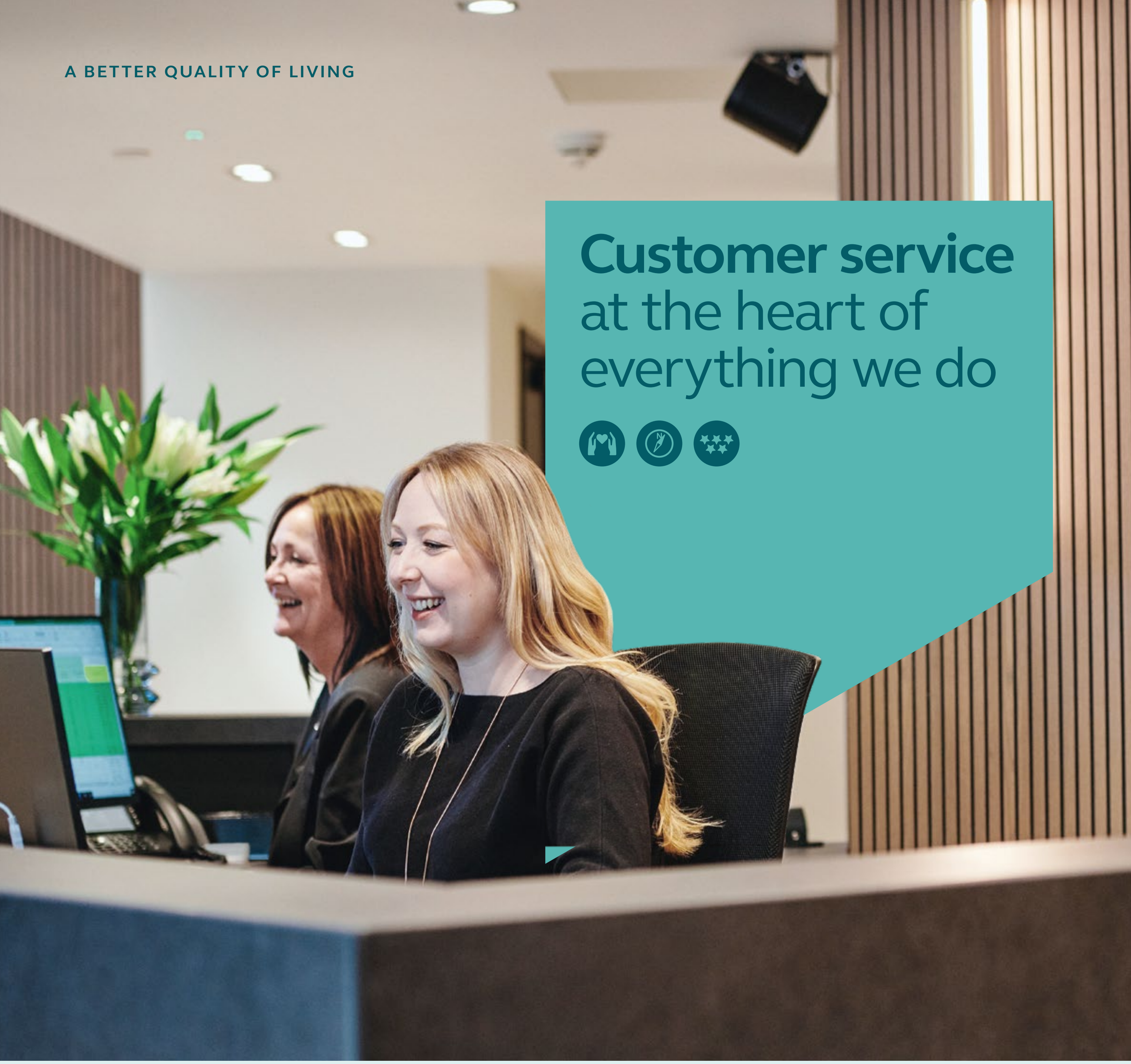
The following stories demonstrate how we provide our customers with **a better quality of living**.

CUSTOMER SERVICE AT THE HEART OF EVERYTHING WE DO

DEVELOPING COMMUNITIES, RETAINING CUSTOMERS

A FOCUS ON DELIVERING HIGH-QUALITY RENTAL HOMES

DRIVEN BY DATA AND INSIGHTS



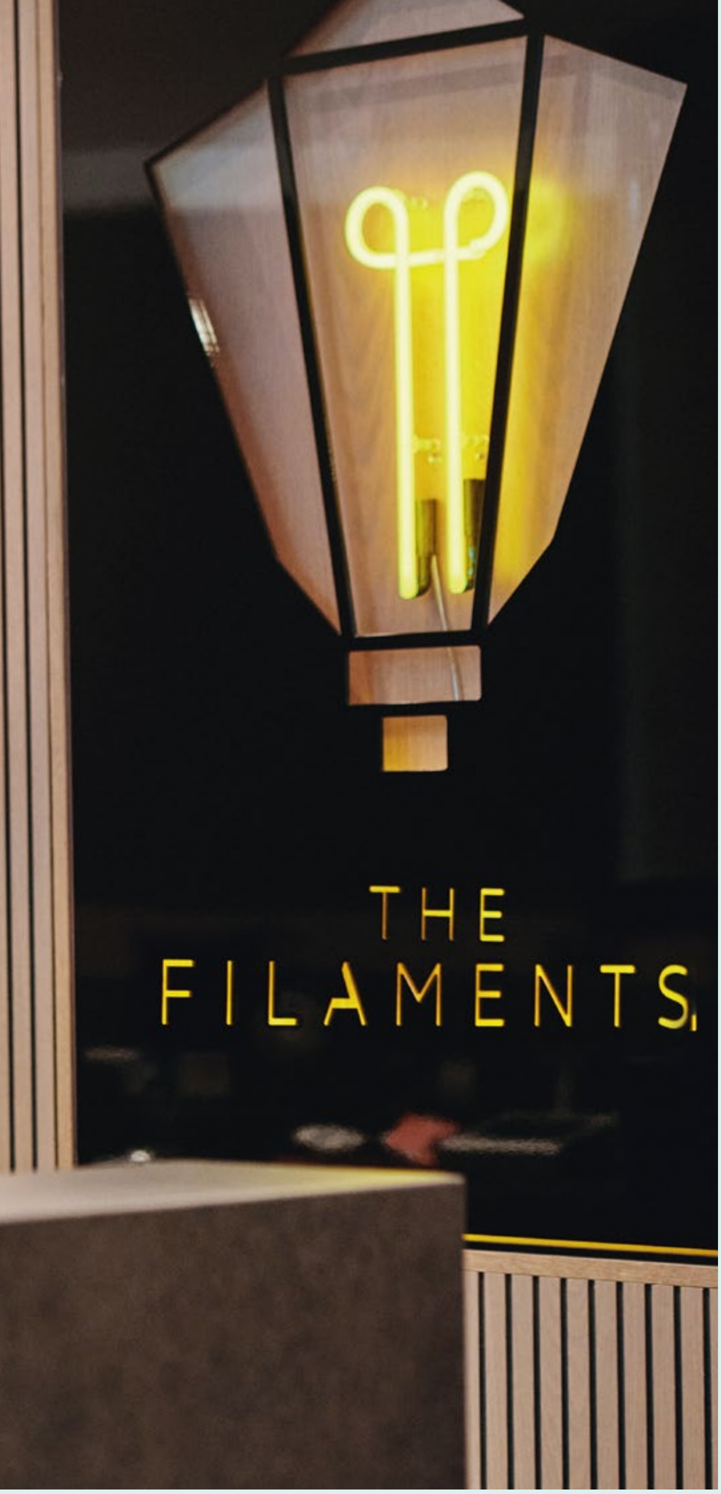
Customer service at the heart of everything we do

Satisfied customers stay longer and at Grainger we aim to exceed resident expectations by always delivering excellent customer service.

We regularly undertake research with our residents to better understand their needs and expectations and to help inform business planning; continuously looking for areas to improve and further develop our offering.

This year, we've further enhanced our service offering in many ways, most notably with the introduction of our new dedicated Service Desk. Based in Newcastle, this new team are the primary point of contact for residents. Typical enquiries the team assist with include: tenancy agreement queries and changes, feedback on Grainger services, repairs and maintenance, and general questions. To provide a seamless experience, our Service Desk team work in unison with our on-the-ground team.

Resident Services Team at The Headline, Leeds



> A massive shout out to Grace who has helped me in no time… Grace was very friendly, responsive and professional and above all empathetic with me. Thanks a lot Grace for your big help! She definitely deserves a reward and a raise for her great customer care and her work ethics!

FEEDBACK FROM A HAPPY RESIDENT FOR GRACE WHO WORKS ON OUR SERVICE DESK

Following the launch of the Service Desk in February 2021, we have received some very positive feedback from residents who recognise the benefits of the dedicated approach.

We continually improve through technology enhancements, with the continued delivery of CONNECT, our technology platform, and the doubling of WiFi speed for all residents to accommodate increased home-working.

We have continued to invest in training. Our Resident Services Managers now undertake an industry recognised training course, customer service training, a management training programme and mental health training. The latter is designed to help better support and manage residents in need. We've also set-up a buddy system for our Resident Services Managers to ensure they are well supported.

Grainger's national portfolio is a clear USP and to prepare for growth our Resident Services Managers spend time at different sites, ensuring a team member from Southampton could easily relocate or support at a London-based site if required. Our process model, which delivers standardisation of service and operational continuity, also supports this.

We recognise our Resident Services team as a clear differentiator in the market and we've redesigned our recruitment process and revised what we're looking for and what's most important in terms of skills, attitude and experience to ensure we recruit the best people for the role.

With service excellence our aim, resident feedback is invaluable. This year, we've further enhanced the way in which we collect feedback; adding in focus groups and resident surgeries to secure more detailed and insightful feedback, whilst providing QR codes and feedback cards for more instantaneous feedback. We closely monitor and track all feedback and ensure actions are taken to address and improve any issues or opportunities highlighted. One such way we are doing this is by working closely with our supply chain to further improve the turnaround time on maintenance requests.

Developing communities, **retaining customers**

Resident wellbeing event at Clippers Quay, Greater Manchester

Family wildlife walk at Berewood

In addition to professionally managed, high-quality homes, community is what really sets a build-to-rent development apart from other rental options.

With design informed by our insight and experience of renters' wants and needs, our schemes provide a range of additional resident amenity spaces; from co-working areas, to resident lounges, roof terraces, gyms and wellness spaces, to private dining rooms, guest suites and cinema rooms.

More than just extra space to enjoy, these areas form the heart of the building; designed to encourage natural interactions between residents and their neighbours.

We know that happy residents stay longer and feeling part of a community is a great driver in satisfaction amongst renters.

Guided by Grainger's community engagement blueprint, our Resident Services teams work hard to develop and grow a sense of community within our developments, with each site offering an annual events programme.

Outdoor cinema showing of Aladdin at Wellesley's Cambridge Primary School

Despite the challenges of hosting in-person events in lockdown, our teams maintained momentum, creating a programme of virtual events, which included: online life drawings, online facial workshops, virtual yoga as part of our Wellness Wednesday's initiative, online quizzes and cookery contests, Valentine's Day celebrations, cultural celebrations such as Pride and Cinco de Mayo and socially distanced Christmas bauble hanging.

As things started to re-open, we held socially distanced football events and opening-up gatherings. In August at Clippers Quay we hosted a wellness-themed placemaking event, offering a day of wellness workshops and classes combined with an independent market and local food stalls for residents and the local community to enjoy. The event was a real success and helped showcase Clippers Quay as a thriving new community.

Retreat to Clippers Quay placemaking event

Our engagement plan isn't only focused on our events. Ideally, we want our residents to host them too. We have several personal trainers living with us who have hosted sessions for their neighbours, and we've seen a resident jewellery maker host an exhibition in our amenity space at Argo Apartments. At The Forge, a resident who works in beauty, treated her neighbours to an online facial workshop.

We also want to bring in the wider community and recognise the importance of supporting and promoting local businesses. In Bristol, the local brewery hosted an event for our residents and at Clippers Quay our team arranged a series of local food pop-ups during lockdown.

In our pet friendly developments, we have dedicated initiatives to engage with pet owners, with activities either launched or in planning including: dog training to ensure we have well behaved pets, dedicated dog terraces, a pet park, pet passports and vet checks, and pet gifts.

A focus on delivering **high-quality rental** homes

Our ambitious growth plans answer to the growing demand for professionally managed, high-quality homes and we are proud that despite the pandemic and various lockdowns, our pipeline delivery has continued. 2021 proved a record year of delivery for Grainger as we added six new schemes and over 1,300 new homes to our operational portfolio.

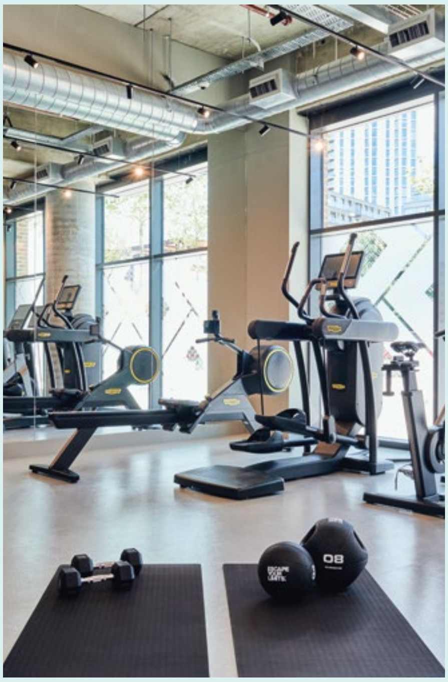
In delivering these homes, more people can now enjoy a quality place to live.

Across these schemes, considered design was integral to the development process. Using our experience and understanding of what works, we have designed a series of spaces that we know our residents will want to use.

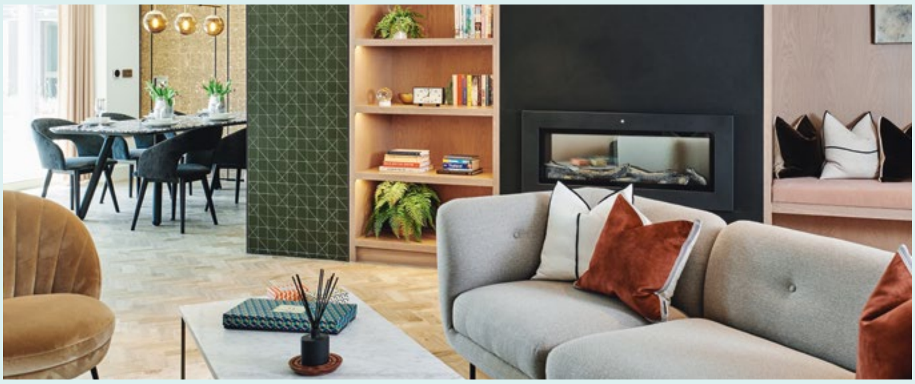
The importance of wellness, wellbeing, safety, security and community are key elements within our designs: from gyms and wellness studios to outdoor spaces, terraces and greening; we ensure resident wellbeing is prioritised.

The pandemic highlighted the importance of having a safe, quality home to live in and for many it reinforced the importance of having good neighbours or support close by. With loneliness and mental wellbeing also concerns, build-to-rent can be a solution in more ways than one.

Homes for all: Although BTR typically appeals to young professionals, our mid-market offering attracts a wider demographic, from sharers to families, to downsizers. With duplexes and townhouses, our recently launched The Filaments scheme appeals to a broader demographic, including families.



Wellbeing and wellness: A core design pillar for Grainger, whether it's a gym, wellness studio, outdoor terrace, private balconies or easy access to local green space; our buildings are designed with resident wellbeing and wellness in mind. Uniquely positioned between the River Lee and the Walthamstow Wetlands, residents of Windlass Apartments have access to greenery and the outdoors on their doorstep.



Sense of Community: Our amenity spaces provide an extension to the home and an opportunity to create natural interactions between residents. With over 5,300 sq.ft of resident amenity space, including lounge, co-working space, dining room and sky lounge, The Headline in Leeds provides residents with a range of excellent amenity spaces.

"Absolutely love living here. We have been made to feel really welcome. Joe, Ruth, George and Coren have been super helpful, and definitely give the place a family feel. The building is brand new and has been made with working from home in mind. There's a gym, Sky lounge and workspaces, and it's so close to the city. Feels like home."

HARRIETT, RESIDENT

Safe and secure: We know that security is a key driver for renters as everyone wants to, and should, feel safe in their home. At Grainger, we prioritise safety and security above everything. Our Apex Gardens development is designed to maximise safety for our residents, achieving a Gold Award on the Secured by Design certification scheme.

"I feel safe here. Once I get inside the gate, the hustle of the high road is long gone, replaced by the quietness of the courtyard. Staff are friendly and accommodating. We love the courtyard and the playground on the 1st floor as well the working area that offers an extra workspace should I need it."

KATHLEEN, RESIDENT

Professionally managed: With over 109 years' experience, we are experts in our field. We understand the rental journey and we use our expertise to take the hassle out of renting. The Resident Services team at our Gatehouse Apartments scheme in Southampton was invaluable in managing all the move-ins earlier this year, following a record lease-up.

"Very impressed by the warm welcome from Alice and her friendly yet professional approach. First-class experience so far; this is how renting should be done!"

JONATHAN, RESIDENT

Record Year of Delivery

Gatehouse Apartments, Southampton
Feb 2021 – 132 homes

The Filaments, Salford
April 2021 – 376 homes

The Forge, Newcastle
June 2021 – 283 homes

Windlass Apartments, North London
July 2021 – 108 homes

Apex Gardens, North London
July 2021 – 163 homes

The Headline, Leeds
August 2021 – 242 homes

Driven by **data and insights**

This year, additional components of CONNECT, our technology programme, were delivered and they are already having a positive and beneficial impact on the business.

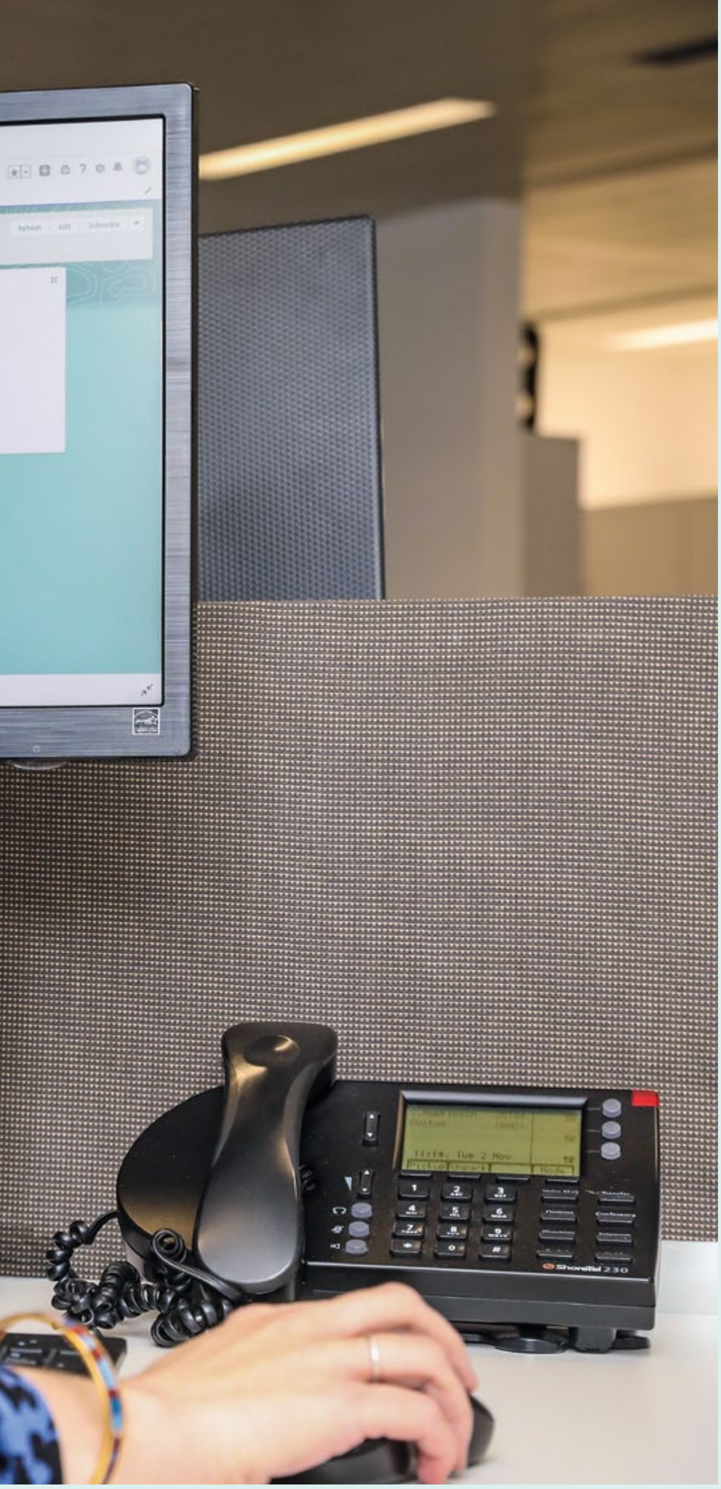
In addition to the online leasing journey which was expanded to cover all of our portfolio, we have implemented new software systems that help to provide operational efficiencies across a number of disciplines including: Repairs & Maintenance, Finance, Customer Relationship Management and Asset Management.

Each of these components support the business, delivering operational efficiencies and helping us to scale up for growth, whilst at the same time, enhancing and differentiating our service offering.

These enhancements have enabled us to transition to direct lettings, resulting in an increased volume of leads, increased number of lets, and stronger conversion rate.

We also have full visibility of what's happening within a workstream at any point in time. For example, with a repair or maintenance job, our team now receive real time information that is also shared directly with residents, providing great confidence that the job is in hand, clearly defining timelines and next steps, and generally enhancing our service delivery.

Through CONNECT, we have access to rich data and invaluable insights on our customers and all elements of the business operation. These insights are vital in helping us maintain our position as sector leader, enabling us to exceed resident expectations, and informing how we continuously improve and respond to the needs and wants of renters.



Future proofing through innovation

We know that clever use of technology can be a win-win for residents and Grainger as operators. From small and simple changes to something larger in scale like CONNECT, we seek out innovations that make our residents' lives easier and our operations more efficient.

Our technology innovation process is driven by a series of strategic checkpoints, ensuring that we are focusing on enhancements that make a genuine difference.

Through this we have identified many outputs which are now either in place or in motion across our build-to-rent sites, including:

- **Smart CCTV:** an intelligent, analytical driven and future ready, smart building security and sensor technology. Built on best in class hardware via an intuitive, cloud-based software platform, Verkada enables Grainger to operate safer, smarter buildings across all locations managed by a single centralised platform.
- **Superfast WiFi:** From WiFi 6 to enhanced fibre connectivity, we are providing ultrafast connectivity for residents and ensuring future readiness for Grainger.
- **Smart Lockers:** With parcel collections a much-valued service offering, smart lockers, with digital access and keyless entry, help make parcel management easier for our team and parcel collection hassle-free for our residents.
- **Wireless charging:** as a further benefit for residents using our amenity spaces, we are adding wireless charging technology to them.
- **WiredScore Certification:** We are using WiredScore ratings on our schemes. This certification system helps landlords assess, improve, benchmark and promote the digital connectivity and capability of their buildings, and helps residents better understand the connectivity rating of a building.

250mbps
Internet bandwidth free for all eligible customers

100%
PRS portfolio covered by digital leasing via CONNECT

Virtual reality property viewings

Poised for growth

“As we grow over the medium term, delivering our pipeline and leveraging our platform, we will see significant net rental income growth translate into strong earnings and dividend growth. With funding already in place to deliver this secured pipeline we will continue to pursue further accretive growth opportunities and maintain our leadership position in the private rented sector.”

Financial highlights

Income return	FY20	FY21	Change
Rental growth (like-for-like)	3.0%	**1.0%**	(195) bps
Net rental income *(Note 6)*	£73.6m	**£70.6m**	(4)%
Passing net rental income	£74.1m	**£80.9m**	+9%
Adjusted earnings *(Note 3)*	£81.8m	**£83.5m**	+2%
Profit before tax *(Note 3)*	£99.1m[1]	**£152.1m**	+53%
Earnings per share (diluted) *(Note 15)*	12.7p[1]	**16.1p**	+27%
Dividend per share *(Note 14)*	5.47p	**5.15p**	(6)%

Capital return	FY20	FY21	Change
EPRA NTA per share *(Note 4)*	285p	**297p**	+4%
Net debt	£1,032m	**£1,042m**	+1%
Group LTV *(Note 27)*	33.4%	**30.4%**	(301) bps
Cost of debt (average)	3.1%	**3.1%**	+3 bps
Total Property Return	5.4%	**7.5%**	+209 bps
Total Accounting Return (NTA basis) *(Note 4)*	3.6%	**5.5%**	+188 bps

1 Restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 38 for an explanation of prior year restatements.

In a year that has seen numerous disruptions, Grainger's focus on delivering our growth strategy has continued unabated, delivering 1,304 homes across six schemes, securing further pipeline opportunities amounting to 1,174 homes across four schemes and continuing to invest in our best-in-class operating platform. The opportunity in the build-to-rent sector is significant. Grainger has the people, platform, and capital to maximise this opportunity and it is certainly a very exciting time to join the business.

Having proved robust during the lockdown, our leading operating platform and the actions we have taken to enhance it enabled us to capitalise on the reopening of the UK and the lettings market in late Summer resulting in September year-end occupancy at 94%, rising to 95% today. With demand for good quality mid-market build-to-rent homes as strong as ever we are well positioned to see a return to pre-pandemic rental growth levels.

A strong sales performance has ensured continued earnings growth throughout the year with dividend payments flat for the year at £36.9m (FY20: £36.8m). The proposed final dividend for the year is 3.32p per share, reflecting our policy of distributing 50% of our net rental income, taking the total dividend for the year to 5.15p per share.

Valuations are starting to reflect the strength of investment markets with this reflected in 10bps yield compression in our prime regional centres during the year.

Our ambitious growth agenda is always combined with a prudent approach to balance sheet management, and with an LTV of 30.4% and £641m of headroom we remain in good shape. The successful equity raise in September, which was significantly oversubscribed, has enabled us to continue to accelerate our growth strategy further, exploiting the operating leverage in our business model and continuing to improve our return profile over time.

Income statement

Despite the challenging economic backdrop adjusted earnings increased by 2% to £83.5m (FY20: £81.8m). Net rental income was impacted by accelerated asset recycling in H1 and the temporary reduction in occupancy but will return to significant growth in FY22 and beyond as our sizable pipeline converts into rental income. Residential sales profit increased by 14% to £67.5m (FY20: £59.4m) as a strong underlying sales market supported both volumes and pricing.

We continue to invest in our market leading operating platform that enables us to scale our business without significant cost increases and continue our transition to an income-focused PRS business.

7.5%
Total Property Return

95%
PRS occupancy (as at Oct 2021)

+4%
EPRA NTA per share to 297p

Income statement (£m)	FY20	FY21	Change
Net rental income	73.6	**70.6**	(4)%
Profit on sale of assets – residential	59.4	**67.5**	+14%
Profit on sale of assets – development	4.2	**1.8**	(57)%
CHARM income *(Note 20)*	5.1	**4.9**	(4)%
Management fees	3.5	**5.1**	+46%
Overheads	(28.7)	**(30.2)**	+5%
Pre-contract costs	(0.6)	**(0.6)**	+0%
Joint ventures and associates	(0.7)	**(0.4)**	(43)%
Net finance costs	(34.0)	**(35.2)**	+4%
Adjusted earnings	81.8	**83.5**	+2%
Valuation movements	29.7	**80.7**	+172%
Other adjustments	(12.4)[1]	**(12.1)**	(2)%
Profit before tax	99.1[1]	**152.1**	+53%

1 Restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 38 for an explanation of prior year restatements.

Net rental income

Net rental income was down 4% during the year at £70.6m (FY20: £73.6m) due to a combination of lower average occupancy (- £5.3m) and disposals (- £4.4m) offset by £1.5m rental growth and £5.2m from PRS investment. Of the 1,304 homes delivered during the year, let up has been strong with 91.5% already let at the end of October, which will underpin a strong increase in net rental income in the coming year.

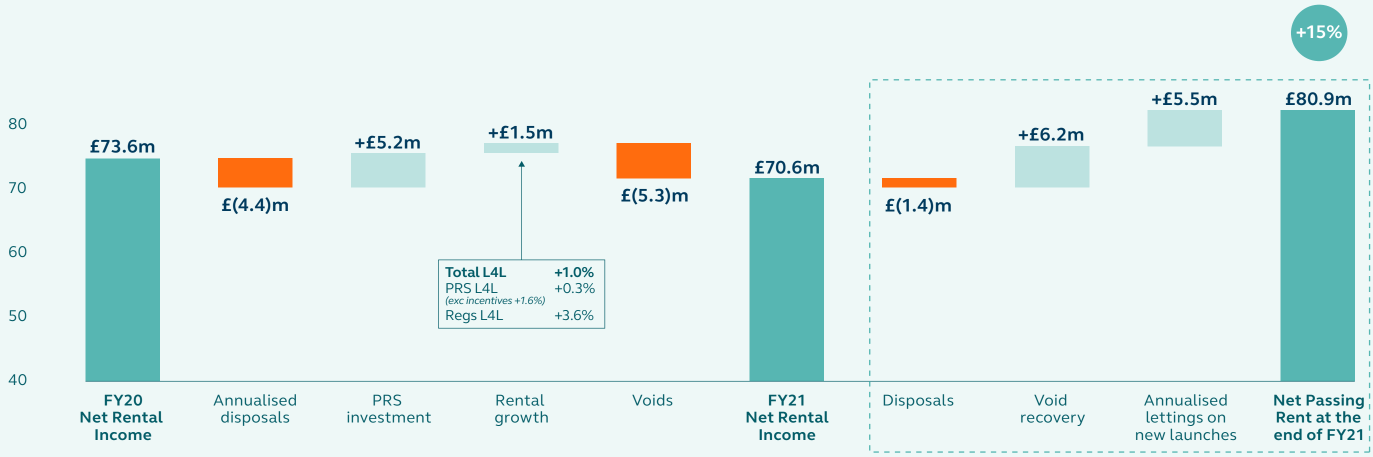
With occupancy having recovered strongly in Q4 leaving year end occupancy at 94%, and new schemes having let up well, the passing rent at the year-end stands at £80.9m, up some 15% on the FY21 reported net rental income, delivering strong growth momentum into the new financial year. This reflects £6.2m from void recovery and £5.5m from lettings on FY21 launches less £1.4m disposal impact. We expect a further £3m additional net rent from the remaining lease up of FY21 launches and FY22 pipeline deliveries which are largely H2 weighted with lease up primarily in FY23. As we continue our asset recycling, we would expect disposals to be in line with prior years.

Despite the challenging market backdrop, our like-for-like growth remained resilient at 1.0% (FY20: 3.0%) with 0.3% rental growth in our PRS portfolio (FY20: 2.5%) and 3.6% in our regulated tenancy portfolio (FY20: 4.6%). Having prioritised occupancy through the pandemic impacted period through use of incentives, PRS like-for-like growth was 1.6% excluding these, and we believe that we are now well placed to return to pre-pandemic rental growth levels of c.3%.

The difference between the performance of our London and regional portfolios has been relatively minor with a slightly earlier recovery in occupancy in the regions, and with London demand coming back strongly in August and September.

Our secured pipeline will see net rental income increase by c.90% to c.£137m upon delivery and stabilisation over the coming years.

Rental income
(£m)



	FY20		FY21	
Sales (£m)	Revenue	Profit	**Revenue**	**Profit**
Residential sales on vacancy	65.9	35.2	75.5	39.6
Tenanted and other sales	72.8	24.2	81.7	27.9
Residential sales total	138.7	59.4	**157.2**	**67.5**
Development activity	5.4	4.2	30.6	1.8
Overall sales	144.1	63.6	**187.8**	**69.3**

Sales and development activity

Our residential sales business had a strong year delivering £67.5m of profit (FY20: £59.4m) from revenues of £157.2m (FY20: £138.7m) and continues to provide a key element of funding for our PRS growth. Vacant property sales delivered £39.6m of profit (FY20: £35.2m) from revenues of £75.5m (FY20: £65.9m).

In line with our disciplined asset recycling strategy we have taken the opportunity to sell into a strong market delivering strong sales with both volumes and pricing at good levels. The prices achieved were 2.6% ahead of previous valuations with a sales transaction velocity (keys to cash) of 108 days (FY20: 120 days).

Sales of tenanted properties delivered £27.9m of profit (FY20: £24.2m) from revenues of £81.7m (FY20: £72.8m). Development for sale activity has largely stopped as we focus on developing our PRS pipeline, however we did take the opportunity to maximise potential from some strategic land sales. Profits for the year were £1.8m (FY20: £4.2m).

“We successfully returned to 94% occupancy by the year end.”

ROB HUDSON,
CFO

£69.3m
of sales profit

+53%
increase in PBT

Sales prices
+2.6%
above valuation

+1.0%
Like-for-like rental growth

Balance sheet

Our operational PRS portfolio now makes up 69% (FY20: 63%) of our overall asset base as we continue to deliver our pipeline and recycle out of our regulated tenancy portfolio. With an LTV of 30.4% and available headroom of £641m we are balancing the wider business growth strategy with prudent balance sheet management and have the funding in place to deliver our committed pipeline in line with our policy.

Intangible assets have been restated to align with the recently issued IFRIC interpretation of IAS 38 which requires development costs that relate to Software as a Service to be expensed rather than capitalised.

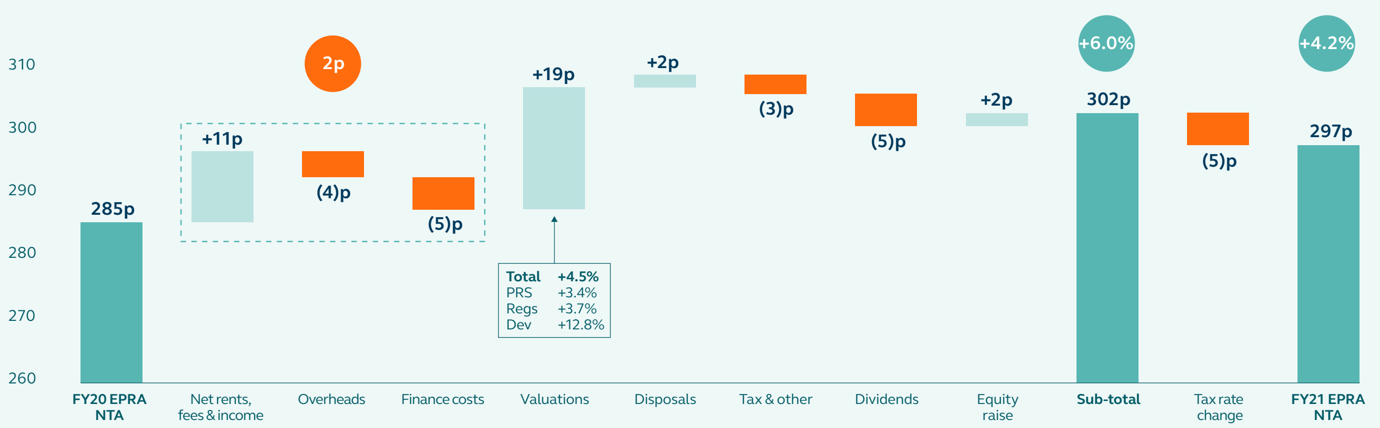
EPRA NTA increased by 4% during the year to 297p per share (FY20: 285p per share). The primary driver of the growth was a 19pps valuation uplift, with earnings before tax adding 2pps, and disposals of trading assets 2pps.

Market value balance sheet (£m)	FY20[1]	FY21
Residential – PRS	1,624	**2,024**
Residential – regulated tenancies	968	**896**
Residential – mortgages (CHARM)	73	**72**
Forward Funded – PRS work in progress	231	**244**
Development work in progress	147	**146**
Investment in JVs/associates	42	**45**
Total investments	3,085	**3,427**
Net debt	(1,032)	**(1,042)**
Other assets/liabilities	(20)	**(35)**
EPRA NRV	2,033	**2,350**
Deferred and contingent tax – trading assets	(109)	**(142)**
Exclude: intangible assets	(1)	**–**
EPRA NTA	1,923	**2,208**
Add back: intangible assets	1	**–**
Deferred and contingent tax – investment assets	(24)	**(59)**
Fair value of fixed rate debt and derivatives	(57)	**(38)**
EPRA NDV	1,843	**2,111**
EPRA NRV pence per share	301	**316**
EPRA NTA pence per share	285	**297**
EPRA NDV pence per share	273	**284**

1 Restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 38 for an explanation of prior year restatements.

This was off-set by 5pps of dividend payments and a one-off 5pps reduction resulting from the increase in our deferred tax liabilities as a result of the announced increase in corporation tax from 19% to 25% in 2023. Growth before the impact of this one-off tax adjustment was 6%.

EPRA NTA movement
(Pence per share)



Portfolio	Homes	Capital Value (£m)	Valuation Movement: ERV / HPI Growth £m	%	Yield and other £m	%	Total Valuation movement £m	%
PRS Portfolio			**ERV Growth**		**Yield and other**			
London & SE	3,440	1,228	12	1.0%	9	0.8%	21	1.8%
Regions	3,580	796	15	2.0%	30	4.0%	45	6.0%
PRS Total	**7,020**	**2,024**	**27**	**1.4%**	**39**	**2.0%**	**66**	**3.4%**
Regs Portfolio			**HPI Growth**		**Other**			
London & SE	1,243	726	8	1.1%	11	1.6%	19	2.7%
Regions	881	170	12	7.7%	1	0.5%	13	8.2%
Regs Total	**2,124**	**896**	**20**	**2.3%**	**12**	**1.4%**	**32**	**3.7%**
Operational Portfolio	**9,144**	**2,920**	**47**	**1.7%**	**51**	**1.8%**	**98**	**3.5%**
Development			**ERV Growth**		**Yield and other**			
Development		390	6	1.7%	38	11.1%	44	12.8%
Total Portfolio	**9,144**	**3,310**	**53**	**1.7%**	**89**	**2.8%**	**142**	**4.5%**

Property portfolio performance

Our overall portfolio valuation growth was 4.5% (FY20: 2.4%) with our operational PRS portfolio increasing by 3.4% (FY20: 3.1%) and our regulated portfolio delivering 3.7% valuation growth (FY20: 4.0%). Our PRS portfolio is valued on a net rent and yield basis reflecting the institutional nature of the investment market, with the PRS valuation growth driven by completion and stabilisation of developments together with a c.10bps inwards yield shift on our regional PRS assets, and 1.9% ('ERV') rental growth. Our regulated tenancy portfolio is valued on a discount to vacant possession value, and with 81% of this portfolio in greater London the uplift is largely in line with market price movements.

Financing and capital structure

Our capital structure remains in a strong position giving us a solid foundation on which to build our ambitious growth strategy. Our LTV now stands at 30.4% (FY20: 33.4%) with our headroom of £641m (FY20: £650m) covering our committed pipeline capex of £559m, ensuring our ability to deliver on our pipeline independent of any funding requirements or operational cashflows. Including this committed capex in our LTV calculation would see our LTV rise to 40.1%, comfortably within our LTV range of 40-45%.

Net debt for the year was relatively flat at £1,042m (FY20: £1,032m) with £128m of operational cashflows, £64m of proceeds from asset recycling and the £204m proceeds of equity raise, offset by £348m of investment in our PRS pipeline. The proceeds from our equity raise have been deployed into 3 schemes amounting to £236m.

The average cost of debt remained flat at 3.1% (FY20: 3.1%), while finance costs for the year were up 5% to £30.2m (FY20: £28.7m). This reflected investment activity with associated higher average levels of net debt during the year, with debt reducing in September as a result of our equity raise. For FY22 we would expect to see finance cost increase by c.£2m as we continue to invest in our pipeline.

	FY20	**FY21**
Net debt	£1,032m	**£1,042m**
Loan to value	33.4%	**30.4%**
Cost of debt	3.1%	**3.1%**
Headroom	£650m	**£641m**
Weighted average facility maturity (years)	6.6	**5.6**
Hedging	100%	**100%**

Summary and outlook

Having delivered a robust performance for the year we are well positioned for a strong year of rental growth in FY22. With occupancy having now recovered to stabilised levels our focus will return to delivering rental growth and the associated valuation growth. As we grow over the medium term, delivering our pipeline and leveraging our platform, we will see significant net rental income growth translate into strong earnings and dividend growth. With funding already in place to deliver this secured pipeline we will continue to pursue further accretive growth opportunities and maintain our leadership position in the PRS sector.

Rob Hudson
Chief Financial Officer

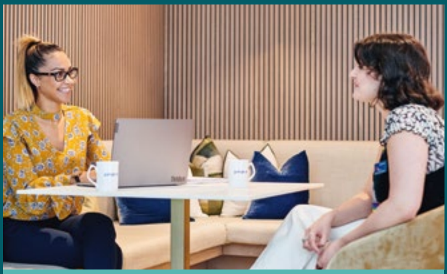
17 November 2021

Grainger's **sustainability strategy** has three pillars which focus our efforts in the areas most material to our business and our stakeholders.

Our purpose:

To enrich lives by providing high-quality rental homes and great customer service

Our sustainability pillars:



PEOPLE

TREATING PEOPLE POSITIVELY

We are committed to being a great employer to our people, a great landlord to our customers, and to delivering long-term social value to the communities where we operate.

Long-term commitments

- Measure and deliver positive social value contribution to our customers and local communities.
- Ensure Grainger's workforce is reflective of society.

Read more on pages 40 and 41

ASSETS

CREATING DESIRABLE, HEALTHY HOMES

We are committed to creating high quality homes for rent. We take a long-term view and want our properties to be attractive to as many customers as possible for years to come, and to be resilient, delivering long-term returns to our stakeholders.

Long-term commitment

- Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns.

Read more on page 42

ENVIRONMENT

SECURING OUR FUTURE

Aligned to our goal of protecting the long-term future of our business, we are committed to measuring our environmental impact, and taking appropriate action to ensure it is as positive as it can be.

Long-term commitment

- Achieve net zero carbon for the operation of our buildings by 2030.

Read more on page 43

Our material ESG risks

Our sustainability focus areas and our supporting commitments respond to the key risks and opportunities we have identified including:

- Delivering on our company's purpose by developing high-quality homes that are affordable for local people and using our growth plans to enhance the positive social impact we create.
- To ensure our workforce is as diverse and inclusive as possible to deliver the highest levels of customer service to our diverse customer base.
- The critical importance of protecting the health, safety and wellbeing of our residents and all stakeholders.
- Growing expectations from our employees, investors and customers to deliver a just transition to a net zero carbon UK economy by 2050.

Our long-term **ESG commitments:**

We are progressing well against the long-term commitments we set in 2019.

Long-term commitment	Headline achievements from 2021	Key workstreams for 2022
Measure and deliver positive social value contribution to our customers and local communities.	We have completed an assessment of the areas where we are delivering social value for our stakeholders and defined our social value priorities. See page 41	We will assess and report the social value delivered by a typical Grainger operational BTR asset.
Ensure Grainger's workforce is reflective of society.	Our employee-led Diversity & Inclusion Network has progressed with a series of engagement activities. See page 40 We have developed a new digital self-reporting system to improve the accuracy and coverage of our workforce diversity data.	We will review approaches to measure and benchmark Grainger's diversity and inclusion performance and we will put in place a bespoke diversity talent identification and mentoring programme.
Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns.	We developed our action plan to report in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), issuing our first report. See page 45 Following the Government's consultation on increasing minimum energy efficiency standards to EPC band C by 2025, we have defined our strategy for achieving this across our portfolios.	We will complete climate scenario analysis for our portfolio to enhance reporting on physical climate-related risks, and will issue our first full report in alignment with the recommendations of the TCFD.
Achieve net zero carbon for the operation of our buildings by 2030.	We further developed our roadmap to achieving net zero carbon for the operation of our buildings and explored options to expand the scope of our commitment to quantify and reduce emissions from our value chain. See page 43	We will further develop our strategy to measure and reduce tenant carbon emissions.

Our people

Embedding inclusivity

Our employee-led Diversity & Inclusion Network – which was established in 2020 – continued to thrive and helped maintain employee engagement during the Covid-19 related lockdowns.

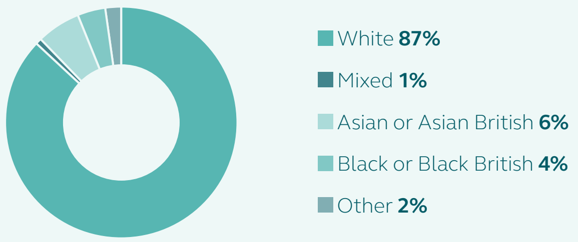
We celebrated a range of events including a Diwali cookalong and held engagement campaigns on Black History Month, International Women's Day and Pride Month with content and activities shared in our offices and our buildings.

We have provided diversity and inclusion awareness training to all staff and we have hosted a number of learning hours with expert speakers from external organisations designed to raise awareness of specific diversity and inclusion topics. This included an inspiring session from charity Mermaids which supports gender-diverse children and their families.

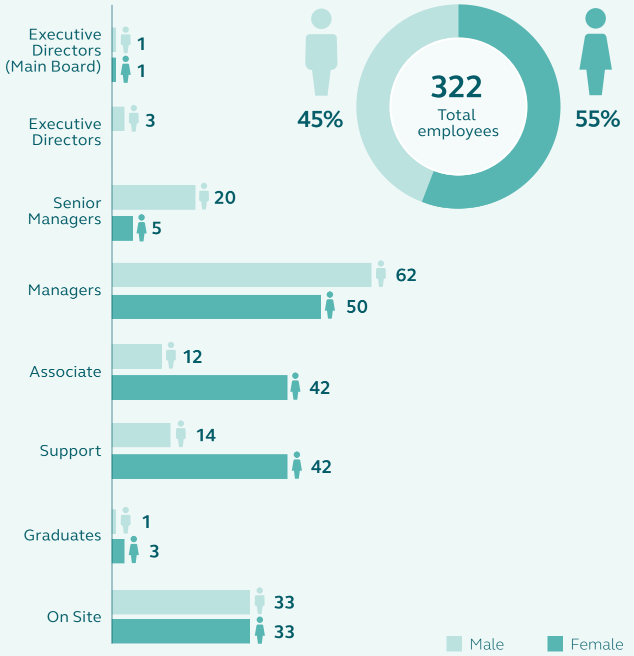
This year we undertook a review of our approach to tracking workforce diversity data and have implemented a new digital system to enable all employees to self-report data covering a broader range of diversity characteristics. This is designed to improve the accuracy and coverage of our workforce diversity data, supporting us to better track our progress.

We also introduced some new diversity and inclusion-related questions in our annual Best Companies employee engagement survey. The results suggested 81% of survey respondents feel Grainger takes diversity and inclusion seriously and 83% feel they can be themselves at work.

Ethnicity



Gender



People at the heart

Developing our senior leaders

Our first cohort of future leaders completed a nine month course designed to prepare them for senior roles in our business. The course touched on diverse topics from confidence to Board readiness and 45% of participants were female. Participants were also tasked with undertaking a group project for the Executive Committee to review the potential impact of a key piece of emerging legislation and its potential impact on the business, providing an opportunity to deploy their leadership skills and work collaboratively on a strategic business project.

Nurturing new talent

We also enhanced our programmes to recruit new talent into the property industry, working with our joint venture partner Transport for London to create a new educational engagement programme to inspire young Londoners into careers into property, and sponsoring a bursary for a disadvantaged student to undertake a real estate degree through the Worshipful Company of Chartered Surveyors.

Our new apprenticeship programme in partnership with The Apprentice Academy is designed to recruit local young people into roles in our Resident Services teams and two new roles have been created this year. Our Resident Services Apprentices will experience the whole lifecycle of onsite duties at our build-to-rent sites, and will work towards the qualification of Level 3 Housing/Property Management, which upon completion will enable them to join the Institute of Residential Property Management.

Using our skills to give something back

Grainger became a signatory of the LandAid pro bono programme to use our people's skills to give back. We supported on three pro bono projects during the year, helping charities with projects from lease negotiations to building surveys.

We are a founding partner of the LandAid First Step Campaign which aims to help young people take the first step out of homelessness, by increasing the provision of emergency accommodation. Through the programme, Grainger is providing financial support and pro bono advice to an accommodation project for YMCA North Tyneside, close to our Newcastle home.

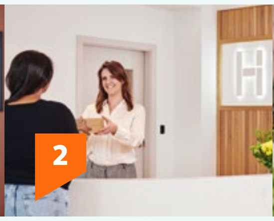
Resident Services Manager at Gatehouse Apartments

Introducing our social value priorities

Grainger has reviewed all the ways we generate social value to our stakeholders. We have prioritised the key areas to focus on to enhance the value we create and enable this to be consistently measured and communicated:

Providing homes that matter

We play a key role in alleviating the housing crisis and delivering high-quality homes.



Supporting our people

We enhance the wellbeing of our employees and provide an inclusive workplace.

Enhancing our residents' wellbeing

We enrich the lives and wellbeing of our residents and communities.

Building inclusive communities

We create a sense of belonging and community within and around our buildings.

Creating positive local impact

We partner with our supply chain to create jobs for local people and support local businesses.

Assets

Our design specification for build-to-rent developments ensures we set high standards of sustainability for all our new buildings.

Our new schemes feature specific design innovations that minimise our environmental impact, maximise the wellbeing of our residents and are bespoke to the building's design and location:

Generating renewable energy on-site is a key contributor to Grainger's net zero carbon commitment. The solar array at Gatehouse Apartments, Southampton is our largest yet with over 400 panels and will generate enough energy to power approximately 10% of the building's energy.

Safety is a key concern for our residents and safety features are incorporated into all Grainger's buildings, with regular reviews of site safety undertaken. Apex Gardens, North London is designed to maximise safety for our residents, achieving a Gold Award on the Secured by Design certification scheme.

As climate change increases temperatures, we are integrating features to minimise overheating without using active cooling. These innovative side vents at Windlass Apartments, North London are designed to maintain a comfortable environment for our residents.

Partnering with our supply chain

This year we introduced enhanced sustainability criteria for key spend areas and launched new partnerships with key suppliers for specific sustainability-related products and services.

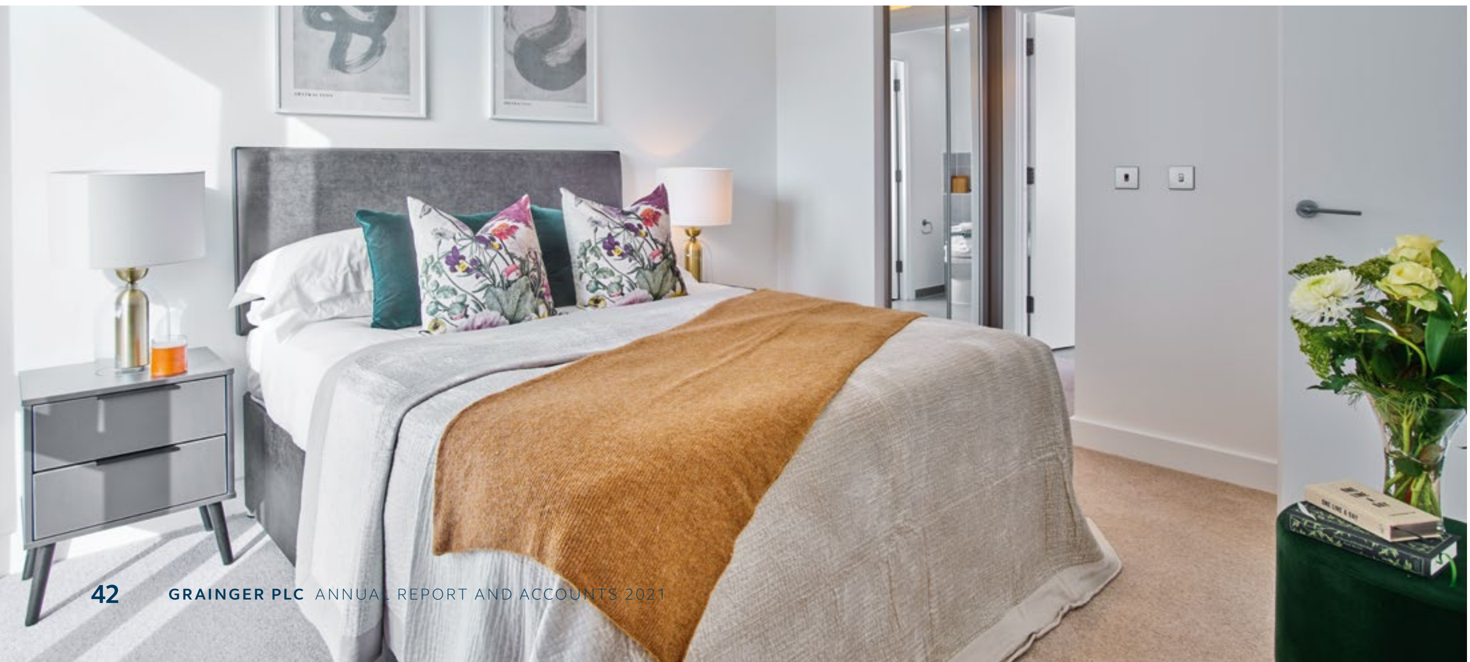
This included a preferred supplier agreement with PodPoint to install electric vehicle chargepoints and a partnership with AO to ensure we purchase energy efficient appliances consistently across our portfolio and responsibly dispose of old appliances.

We reviewed and enhanced our contractor management processes and policies covering areas including modern slavery.

Upskilling our teams to deliver the highest standards of health and safety

We rolled out a comprehensive behaviour-based health and safety training programme to employees which covered topics from Construction Design and Management to electrical safety. This was piloted by our on-site Resident Services teams who ensure we continue to maintain the highest health and safety standards in our buildings.

Bolstering our office-based mental health champions network, Mental Health First Aid training was delivered to customer facing staff in our buildings to aid our teams in supporting the mental wellbeing of our residents.



Environment

Grainger takes our commitment to tackling climate change seriously and has committed to reducing our Scope 1 and 2 emissions to net zero by 2030. Our approach to reducing our emissions to net zero aligns to the UK Green Building Council's framework definition for net zero carbon buildings and follows the energy hierarchy to be lean, be clean and be green:

Be Lean – Reducing our energy consumption

We undertake refurbishments of the common parts of Grainger's properties which upgrade the lighting and where required the building fabric. These refurbishments typically result in an overall 30-50% reduction in energy consumption.

Between 2020 and 2021, we completed major refurbishments on six properties, achieving reductions in energy consumption on all buildings, with overall reductions of up to 51% and year-on-year savings of up to 23%.

Be Clean – Supplying energy efficiently

For existing assets that have communal gas heating and that we plan to own for the long term, we are removing these gas systems or replacing them with electric or low carbon alternatives.

We reviewed and updated our specification for new schemes, and where possible we specify fossil fuel free heating systems for our pipeline projects.

Be Green – Renewable energy

Currently Grainger purchases renewable electricity for all landlord supplies and transfers properties onto this contract as quickly as possible upon completion, with 84% of supplies now renewable. Where possible we use available roof space for solar PV and now have seven assets generating renewable energy.

We are rolling out a renewable void energy programme to place all void homes onto a renewable electricity tariff. In addition to contributing to the reduction of Grainger's carbon footprint when the energy used in these homes is temporarily within Grainger's control, we hope this will encourage residents to remain on a renewable tariff, reducing their emissions.

Advocating for industry wide change

Alongside reducing our own emissions, Grainger is committed to supporting our sector in developing a consistent and leading approach to meeting the net zero carbon transition. We have undertaken a number of political and industry engagement activities, including meeting with the Housing Minister to discuss the industry's approach to net zero carbon.

Grainger participated in the UK Green Building Council's Whole Life Carbon Task Group to develop a roadmap for reducing whole life carbon from the built environment. We have also supported the development of the British Property Federation's Residential ESG Guidance and the UK Apartment Association's ESG Best Practice Guide. We were proud commercial partners of the built environment virtual pavilion, Build Better Now, at the COP26 climate change conference.

Taking action on Scope 3 emissions

Customers' emissions

Grainger's customers purchase their own energy which falls within our Scope 3 emissions. We estimate this makes up a significant proportion of the energy consumption in our buildings and are therefore committed to helping our customers reduce their energy and associated emissions by:

- Undertaking refurbishments to meet higher energy efficiency standards.
- Installing energy efficient appliances in our homes.
- Providing guidance and encouraging behaviour change amongst our customer base.

Embodied carbon

Grainger's strategy to invest in new build-to-rent developments has an associated embodied carbon impact. Often Grainger uses a forward funded model for development which reduces the influence and control we can have over the carbon generated from our buildings' design and development. We therefore focus on selecting long-lasting materials which reduce the lifecycle carbon during the operational stage. We are engaging with our development partners to improve our knowledge on the embodied carbon generated by current projects and identify reduction opportunities.

Section 172 statement

The Board takes its responsibilities to all stakeholders seriously, and has acted consistently to promote the long-term success of the Company for the benefit of Shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

An overview of the key channels and processes used for engagement with our stakeholders and outcomes from this engagement during the year are set out on page 61.

A summary of the Board's activity and how matters raised through engagement have been considered in key decisions taken during the year is provided on pages 62 and 63.

Section 172 matter	Overview	FY21 comment	Relevant disclosures
The long term	Grainger is committed to being a long-term investor in homes and communities, and delivering long-term success to our Shareholders.	The Board undertook a comprehensive review and update of the business's long-term strategy during the year.	Business model pages 18 and 19
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.	Janette Bell has been designated as the Non-Executive Director responsible for employee engagement and consultation and undertook a review of employee engagement with the HR Director, attended regular all staff calls and D&I network meetings, site visits and delivered a presentation to our future leaders cohort.	Our people pages 40 and 41
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 Board considered reports on the management of our suppliers, alternative supplier arrangements and the overhaul of our approach to procurement.	Suppliers page 63
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.	The Board received biannual updates on progress against Grainger's long-term ESG commitments and the Company's net zero carbon transition plan was a key topic on the agenda for the Board's 2021 strategy review.	Sustainability pages 38 to 43
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.	Our values set the standards of conduct for all involved in our organisation and the roll-out of our new values continued in FY21 with an on-going engagement campaign.	Our values page 23 Governance page 54
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.	This year we continued our extensive programme of investor engagement, re-instating face to face contact where safe and appropriate to do so, including as part of our successful equity placing exercise.	Shareholder engagement page 64

TCFD summary

Grainger is a supporter of the Task Force on Climate-related Financial Disclosures and is committed to assessing, managing and reporting climate-related risks. Below is a summary aligned to the recommendations of the TCFD. More detailed information on climate-related risks and opportunities is reported in our annual public response to the CDP climate change programme.

Governance

Ultimate responsibility for all sustainability issues including climate-related issues lies with Grainger's Chief Executive and the Executive team. A biannual sustainability update is provided to Grainger's Board and Executive Committee, which includes an update on climate-related issues.

Grainger's Audit Committee undertakes an annual review of the Company's principal risks including climate change – see page 51. Climate-related risks are reviewed quarterly at relevant management committees including the Investment Committee, Development Board and Operations Board.

Strategy

The key climate-related risks and opportunities identified by the organisation are:

	Short-term	Medium-Long-term
Transition	• Costs and technology implications of meeting increased legislation such as Minimum Energy Efficiency Standards and Future Homes Standard. • Increased revenues from development opportunities. • Increased access to capital from responsible investors.	• Impacts of overheating and energy efficiency on customer demand.
Physical	• Increased risk of flooding.	• Increased severity and frequency of extreme weather events.

The impact of these risks and opportunities on Grainger's strategy and financial planning include undertaking enhanced due diligence of climate-related risks at acquisition, integrating climate-related considerations within our asset recycling strategy, and investing in refurbishments to improve the energy efficiency of our buildings.

Grainger proactively communicates our ESG performance to development partners and investors to maximise opportunities to attract additional investment. We have developed a sustainable finance framework which will be published shortly. We have commissioned some climate-related scenario analysis to assess the resilience of the Company's portfolios and will report on the findings in our 2022 TCFD Report.

Risk Management

Climate related risks are identified using both a 'bottom up' and 'top down' approach through asset-level due diligence, portfolio-level risk reviews and our corporate risk management framework. We apply our 'three lines of defence' model to the management of climate change risk, which this year included an internal audit of sustainability.

For more details on the Company's overall approach to risk management including management of climate change risk, refer to principal risks and uncertainties on page 51.

Metrics and targets

For details on Grainger's target to achieve net zero carbon for the operation of its buildings by 2030, refer to page 43. Scope 1, 2 and 3 greenhouse gas ('GHG') emissions are reported in the Streamlined Energy and Carbon Report on pages 100 and 101.

The metrics used by the organisation to assess climate-related risks and opportunities include:

1,226
market-based GHG emissions

85%
of PRS properties rated EPC band A-C

57%
of build-to-rent properties have low carbon heating

84%
of electricity purchased was renewable

62%
less CO_2 produced on average by Grainger properties compared to a typical home

Effective risk management contributing to delivering sustainable growth

Our risk management framework is designed to identify the principal risks to our business and ensure that they are being appropriately monitored, suitable controls are in place and the required actions have clear ownership and accountability.

Risk management approach

Risk management is fundamental for meeting our operational and strategic objectives. The competitive market we operate in requires effective decision-making, ensuring we properly assess risks, apply controls and calculate returns. We have accepted that our influence over external factors can be limited and we have demonstrated resilience to risks by focusing on internal controls and mitigants. This is supported by maintaining adequate disaster recovery and business continuity procedures.

Our overall risk management ethos is to give appropriate balance to being responsive, forward-looking, consistent and accountable. At Grainger, we seek to do this by applying and reinforcing our risk management culture across the business and by adopting a 'three lines of defence' model throughout the business (see diagram on page 47). As our PRS strategy progresses, it is fundamental that our risk management systems and controls are aligned and evolve accordingly.

2021 has demonstrated Grainger's resilience as a business in the context of economic uncertainty arising from the Covid-19 pandemic. Throughout this period, our mature risk management framework has shown its in-built flexibility which is able to adapt to a swiftly changing environment.

Rigorous risk assessment

We consider a range of risk categories, including strategic, market, financial, legal or regulatory, operational, IT, project and people. We identify individual risks using both a 'bottom-up' and a 'top-down' approach.

We determine the potential probability and impact of each risk and give it a gross (before mitigation) and net (after mitigation) score. This identifies which risks depend heavily on internal mitigating controls, and those that require further treatment.

We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. For risks in operational areas, we base their likelihood on how often they occur in a rolling 12-month period. We record their impact and likelihood scores in departmental risk registers. These risk registers are regularly reviewed reflecting our adaptability where required. The appropriate internal committee reviews these registers at least quarterly. We then collate a Group top risk report for consideration by the Executive Committee and Audit Committee.

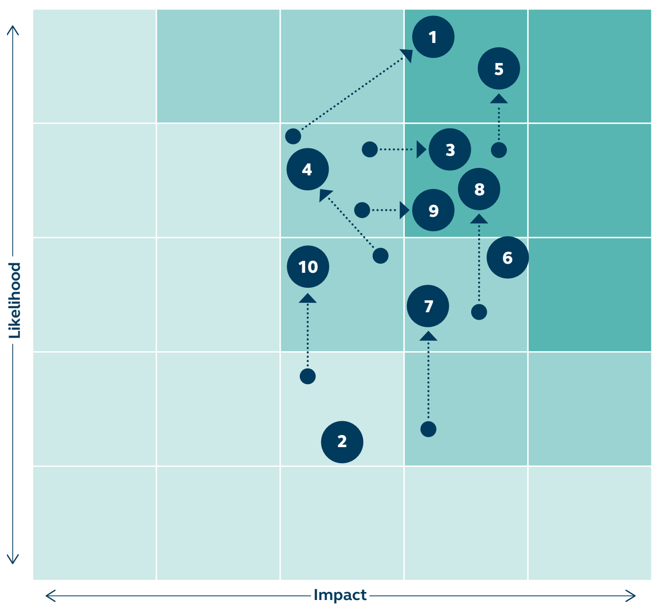
This process has identified ten principal risks which we monitor accordingly (see pages 48 to 51). Overall, there has been an increase in the likelihood and potential impact of a number of the principal risks over the year. This prudent assessment has been reached considering wider economic uncertainty and other external factors, balanced against Grainger's resilience as a business and the need for good quality homes in the UK. The diagram below illustrates these movements.

MAPPING OUR KEY RISKS AND MOVEMENT

Current principal risk areas

1. Market and transactional
2. Financial
3. Regulatory
4. People
5. Supplier
6. Health and safety
7. Development
8. Cyber and information security
9. Customers
10. Climate change

⋯▶ Indicates risk movement from last year



We have a structured approach to the identification and assessment of emerging risks. Our internal committees are tasked with identifying risks on the horizon which may develop or already exist but are difficult to quantify. We use a 'risk radar' to capture these risks which are monitored continuously and reviewed regularly.

To promote a broader and deeper understanding of the risks we face we have continued to consider the interconnectivity of our key risks and also how one risk arising can increase the likelihood and/or impact of another risk. This holistic view has allowed us to consider if key controls already in place were sufficient or not, and also whether these controls were in contradiction of one another.

Risk control framework and appetite

The Board has ultimate responsibility for Grainger's risk management and internal control systems, and for determining the Group's risk appetite. The detailed assessment of risk appetite for our principal risks remains the same for 2021 and the Board adopts a generally low tolerance for risk, particularly for regulatory and reputational matters. Regarding development risk, a medium risk appetite is tolerated by the Board in order to continue to capitalise on the substantial opportunity within the PRS, particularly in relation to build-to-rent schemes.

The Board approves the risk management framework developed by the Executive Committee. Our internal governance structure complements our evolution to a 'three lines of defence' model, with a view to having clear divisions between each line. This framework includes various management committees, with dedicated risk registers, overseeing key investment, operational and corporate functions.

The management committees and the Executive Committee examine the identified risks, reported controls, mitigation and the principal risk report. The Audit Committee supports the Board by monitoring and reviewing the control processes and mitigation for the identified risks.

It also ensures we reconsider the principal risks. We monitor the internal control framework for these risks through the Internal Audit monitoring plan and the resulting audit outcomes.

For more information on internal controls, please refer to page 75.

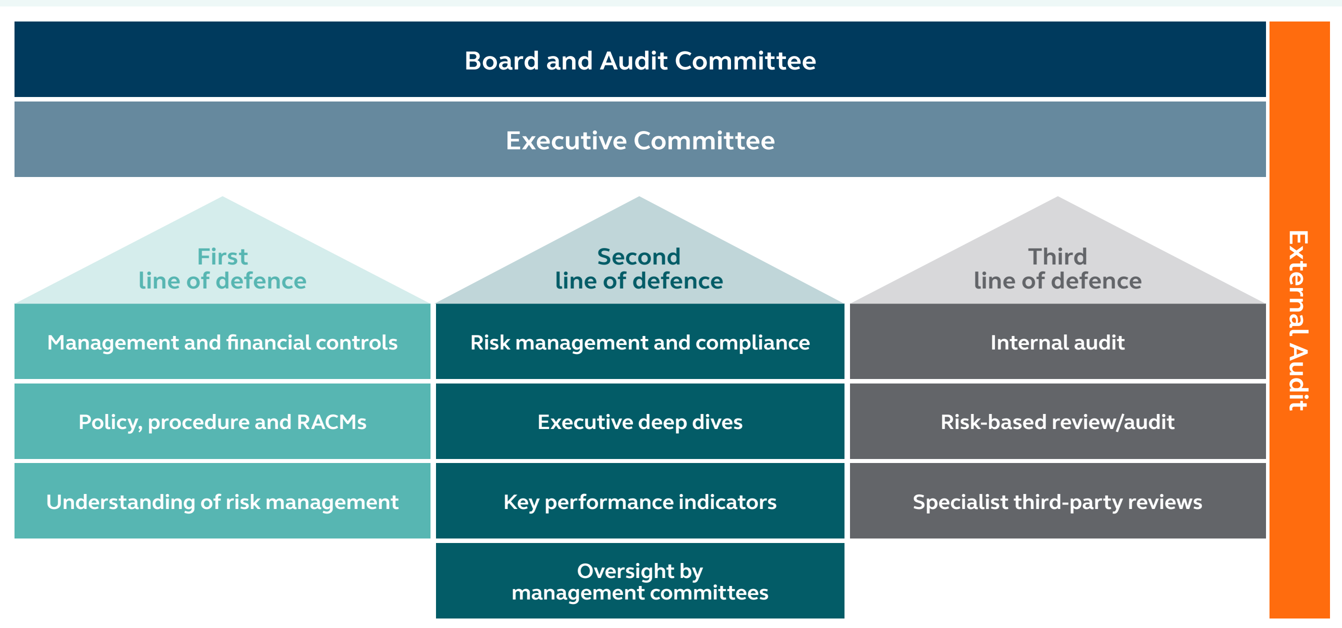
Assurance on risk controls is provided by internal management information, internal audits, external audits and Board oversight. We also hold assurance maps for our principal and operational risks. A key focus over the last year has been updating our process documentation to reflect the changes arising from delivery of the next phase of the CONNECT platform whilst ensuring the ownership of controls within Grainger's first line.

We have an externally supported whistleblowing hotline that our people can use anonymously if they do not wish to use our other processes for raising concerns.

The data protection activities of the business have been integrated into Grainger's business as usual processes overseen by the Data Protection Committee, consisting of senior people from across the key areas of the business. The Board and Audit Committee are updated regularly on matters arising and activities undertaken to develop our data protection compliance regime. Our health and safety initiative, Live.Safe, which embeds a culture that puts health and safety at the heart of everything that we do, has remained a priority, especially in response to the Covid-19 pandemic.

Looking forward to 2022, whilst there continues to be economic uncertainty, the application of a robust risk management framework and controls will continue to be fundamentally important, as well as having the flexibility to adapt to changing external conditions. We also expect that we will see the benefits and efficiencies of our technology platform, CONNECT, fully embedded into the business. This technology has introduced a range of changes to our processes and procedures.

RISK CONTROL FRAMEWORK



Managing our **principal risks and uncertainties**

The Directors have systematically assessed the Group's principal risks. They have considered them across four years, which aligns with our viability statement on page 52.

Principal risks, uncertainties and opportunities

Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities.

Covid-19 and Brexit

In 2020 we provided examples of the measures we took in response to Covid-19 in relation to our key stakeholder groups. This year we have included commentary within each principal risk to describe the impacts of Covid-19 on our principal risks together with appropriate mitigants.

On 1 January 2021 the new relationship between the UK and the EU began. The 'transition period' ended on 31 December 2020 which kept most pre-departure agreements in place. The EU-UK Trade and Cooperation Agreement which came into force on 1 May 2021 takes its place. Our preparations for Brexit began in 2016 and included engaging with our supply chain to identify those materials and parts that are sourced from the EU, and assessing alternative non-EU suppliers and/or holding sufficient reserves of stock. It is unclear whether the recent challenges for the UK supply chain and skills shortages have arisen due to Brexit, Covid-19 or a combination of both.

Over the last year and going forward, we continue to scrutinise the impact of Covid-19 and Brexit on our supply chain, and the consequential impact this may have on our business, in particular our development schemes and the related construction costs. Brexit remains a risk to the business in the context of wider geo-political and economic uncertainty, and the impact this may have on the real estate/supply and capital markets. This being so, the potential risks of Brexit are specified in respect of a number of our principal risks.

Free movement and immigration rules have changed and some sectors have reported labour shortages. Notwithstanding this uncertainty, the Board continues to hold the view that the on-going material lack of supply of homes in the UK substantially mitigates the risks to Grainger that may arise from the post-Brexit transition period. Our opinion is that the Company's exposure to this risk is not materially higher than similar UK-focused businesses. We have previously conducted analysis to assess those areas where Brexit would have an impact on our operations.

Impact on our business model

- Originate
- Invest
- Operate

Impact on our strategy

- Grow rents
- Simplify and focus
- Build on our experience

Cultural link to values

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

1 MARKET AND TRANSACTIONAL

INCREASED ▲

Risk description

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.

Impact on strategy

An economic downturn leads to a lack of appetite from investors for assets being disposed of as part of our asset recycling strategy. Pressure on rental levels; falling asset values; subsequent investment constraints on further investment into the PRS; covenant compliance risk; unable to provide Shareholders with sustainable returns in the long term.

Key mitigants

- We have actively transitioned the business to reduce reliance on trading income and house price inflation.
- Average salaries have historically tracked the rate of inflation, thus mitigating increases in the cost of living.
- Increased competition in the PRS/BTR market is beneficial for evidencing and driving market valuations.
- We have a high proportion of liquid and diverse assets to enable sales where necessary, as was shown clearly in the last economic downturn.
- We have a geographically diverse portfolio and exercise active asset management to enhance returns and have target towns and cities for future investment.
- Focus on PRS potentially leverages greater customer flexibility and lower overall financial commitment compared with home ownership. Renting could be attractive for customers during uncertain economic periods.

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- Invest
- Operate

Impact on our strategy

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- Leading the way
- Exceeding expectations

2 FINANCIAL

UNCHANGED

Risk description

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.

Impact on strategy

Lack of availability from credit markets and cash resources; breach of loan and bond covenants; adverse movement in interest rates could have an unacceptable impact on the cost of new debt; inability to fund acquisitions at the relevant time.

Key mitigants

- We have a strong balance sheet position enhanced by the recent equity placing.
- We carry out detailed financial viability sensitivity testing and develop clear mitigation and contingency plans.
- We closely monitor our banking covenants and our performance against credit rating criteria and use this information to drive decision making.
- We conduct our business within Board-approved capital operating guidelines and interest rate hedging policy.
- We have a diversity of financing sources and strong relationships with lenders. We engage early with lenders prior to loan in order to mitigate against refinancing risk and monitor the availability of finance.
- We maintain sufficient levels of headroom to fund our transactions and development pipeline.
- Due to our close monitoring of the transactional pipeline, we have a degree of control over the timing and number of new acquisitions, to reduce cash outflows if needed.
- Our strategic focus is to increase income credentials to provide greater interest cover.

3 REGULATORY

INCREASED ▲

Risk description

Failure to meet current regulatory obligations and adapt to ongoing requirements of changing policy proposals for example, difficulty in removing problematic tenants or H&S/building regulation changes.

Our ability to forward look and prepare for the future, understanding complexities of a changing regulatory landscape in which we operate.

Impact on strategy

Fines, penalties and sanctions; damage to reputation; loss of operational efficiency and competitiveness; increased costs; reduction in market opportunities; impact on ability to finance opportunities; reduced ability to generate rents; inability to build competitive PRS portfolio.

Key mitigants

- Our position as the UK's foremost PRS provider brings a cultural ethos of leadership and best practice.
- We have an on-going programme of management and staff training.
- We have invested in employing specialist legal, compliance and corporate affairs teams which monitor and advise internally, review the regulatory horizon and have close involvement with well established leading industry bodies.
- We work closely with expert law firms and other professional services organisations who keep us updated about forthcoming changes to the regulatory framework.
- We have strict asset management controls and compliance processes which can also adapt to change.

4 PEOPLE

INCREASED ▲

Risk description

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.

Failure to deliver an effective roadmap to return to office working.

Failure to retain our talented employees by providing development opportunities, workplace flexibility, a sense of purpose and remuneration.

Impact on strategy

Reduced ability to achieve business plan and strategy; reduced control; inability to grow market share of the PRS; failure to innovate and evolve to maintain competitiveness in a customer-driven market; damage to reputation; increased staff turnover.

Key mitigants

- Because of lockdown we have introduced remote working, improved communications with colleagues and are using the lessons we have learned from lockdown to influence our hybrid working approach.
- We listen to our colleagues' views and opinions by undertaking twice yearly employee engagement surveys as well as ad-hoc surveys on specific issues and act upon the findings.
- We have a talent identification process and have succession plans for key colleagues known as our future leaders programme.
- We have a programme of learning and development for colleagues.
- We carry out regular performance reviews and appraisals of colleagues to identify opportunities to develop, and internal career progression.
- We undertake regular reviews of our benefit structure against the external market to ensure we remain competitive.
- Committed to raising awareness and encouraging diversity amongst the workforce through a diversity network initiative.
- We have appointed a Board member with specific responsibilities on employee engagement.

Impact on our business model

- Originate
- Invest
- Operate

Impact on our strategy

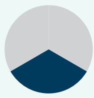
- Grow rents
- Simplify and focus
- Build on our experience

Cultural link to values

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

5 SUPPLIER

INCREASED ▲



Risk description

A significant failure within, or by, a key third-party supplier or contractor.

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.

Impact on strategy

Reputational damage; increased costs; inability to achieve performance objectives; legal action and regulatory sanctions; customer dissatisfaction; a restriction on ability to grow platform; negative impact on organisational or portfolio growth plans; increased Grainger workload to reschedule reactive and/or planned maintenance in a timely manner.

Key mitigants

- We have engaged with our current supply chain from an early stage to ensure they understand the impacts of our CONNECT platform.
- Our Procurement Strategy promotes having a diverse range of suppliers to reduce reliance on any one organisation. Consideration of locally based suppliers aligns with our sustainability approach. This is applied across our range of suppliers including repairs and maintenance, law firms and other professional services.
- Our Procurement Strategy sets our intent towards internal controls and management systems regarding contractors/suppliers, which include counterparty reviews and covenant strength assessments are well developed.
- Dedicated contractor management role to oversee relationships supported by a Contractor Management Policy to set behaviours.
- We work closely with a number of legal specialists appointed on their experience of understanding our business and can provide appropriate advice.
- Our finance team supports in understanding the financial due diligence of our supply chain through regular dialogue and reviews.
- Our supply chains and availability of labour have adapted well to the impacts of the economic uncertainty caused by Covid-19 and Brexit.

6 HEALTH AND SAFETY

UNCHANGED

Risk description

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. Ensuring the performance of our portfolio aligns to our Environmental, Social and Governance standards.

Impact on strategy

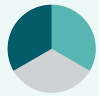
Harm to customers, employees, contractors, or visitors; possible legal action or fine; subsequent reputational damage. Reduced investor interest.

Key mitigants

- We have clear governance structures in place for health and safety. The Board sets the direction, monitors and reviews performance and delegates responsibility to the senior management team for ensuring a positive health and safety culture. Fire safety and the changes in this field receives substantial focus from the Board and across the business.
- We have strengthened the oversight of our Health and Safety actions by the introduction of an oversight committee.
- Our health and safety management system is supported by Live.Safe our initiative to promote a positive health and safety culture.
- Our improved technology platform, CONNECT, delivers efficient recording and reporting.
- Our specialist Health and Safety team empower colleagues by providing information and training.
- Our risk management framework applies a system of close oversight and reporting of health and safety matters.
- We have planned and reactive maintenance measures in place, which assess gas, electrical, water, asbestos, fire and mechanical services.
- We regularly review innovative energy sources.

7 DEVELOPMENT

INCREASED ▲



Risk description

We allocate a portion of our capital to development activities which may be complex and potentially bring multiple related risks.

Increased costs including build cost inflation, labour and material shortages under potential quality standards due to Brexit and Covid-19 Conditions.

Impact on strategy

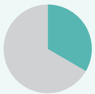
Exposure to risk of cost overrun, cost inflation, income shortfall and yield expansion, affecting achievement of the strategy and returns in developing rent schemes.

Key mitigants

- We monitor the capital we deploy to development matters carefully, following capital allocation guidelines.
- We carry out thorough due diligence and in-depth research before committing to a scheme, ensuring we have a good understanding of the context, the contractor and its supply chain.
- We proactively monitor cost inflation, rents and yields to allow us to identify trends and understand any negative risk impact.
- We enter into fixed price contracts with our supply chain for construction.
- We employ an experienced team with specialist development skills and have established relationships with expert advisers and development partners.
- We have well established governance structures which provide strong oversight to our development schemes, applying the skills of our in-house development management experts, together with qualified external consultants and professionals.
- As part of our PRS strategy, the portfolio of development schemes now focuses on build-to-rent assets and does not seek speculative returns from investing in development that is solely for sale.

8 CYBER AND INFORMATION SECURITY

INCREASED ▲



Risk description

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. The investment to improve our technology to deliver our CONNECT platform has heightened this risk on Cloud SaaS Solutions and complex API integrations.

Impact on strategy

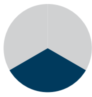
Financial loss; fines; reputational damage; operational and business disruption; loss of customers; loss of employees; share price devaluation; inability to serve our customers, manage our properties and conduct our business; competitive disadvantage; inability to meet contractual obligations.

Key mitigants

- We employ an experienced IT team and have reviewed our resources to ensure we have the correct roles to achieve our strategy.
- We engage external advisers to carry out regular penetration testing to ensure our systems are robust.
- We ensure our colleagues receive adequate training on security awareness to protect our data and assets.
- We have implemented a Security Information Event Management system which delivers security analytics, alert detection and threat visibility.
- We have appointed a Cloud Security partner to implement a security improvement programme and to ensure our CONNECT platform is well understood, resilient and protected now and in the future.

9 CUSTOMERS

INCREASED ▲



Risk description

Our ability to successfully retain our customers caused by a failure to fulfil our customer proposition and our service standards, and customers have wider choice offerings.

Impact on strategy

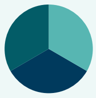
Negative publicity; increased complaints; poor customer experience; reputational damage; loss of customers; lower rental increases and higher voids.

Key mitigants

- We have created a dedicated customer Service Desk with a single phone number for residents to raise queries.
- Embedding our ESG strategy across our business and throughout the customer experience.
- We continue to manage and support individual circumstances arising from the pandemic.
- We have a leading operating platform with substantial experience in managing a portfolio of approximately £3.1bn of assets and of meeting the requirements of our residential customers.
- Our operating model is designed to provide a platform for optimising a customer-focused strategy.
- Our proactive asset management means we can gather greater asset and customer knowledge.
- We carry out customer service-focused reviews measuring customer preferences and satisfaction levels.
- We monitor customer feedback through several channels, such as Google reviews.
- Our employees receive customer service training and their performance is measured against key metrics.

10 CLIMATE CHANGE

INCREASED ▲



Risk description

The impacts of climate change on Grainger's 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; customer preference for more energy efficient properties and growing stakeholder expectations.

Impact on strategy

Business disruption; infrastructure damage; communication network damage; increased insurance costs; reputational damage; increased wear and tear on buildings; cost of investment adaptation measures.

Decreased asset value; asset impairment or early retirement of existing assets.

Key mitigants

- Our Business Continuity Programme is overseen by our Crisis Management team and regularly tested.
- We work closely with Government bodies and are members of leading industry bodies who help us to understand emerging energy developments.
- Due diligence of assets includes physical risks such as flood/ subsidence and transition risks.
- We carry out portfolio modelling as part of our acquisition and disposals strategy which is informed by our ESG ambitions.
- We are a responsible business with a strong commitment to minimising our negative environmental impacts and achieving net zero carbon for the operation of our buildings by 2030.
- We have a detailed climate change and sustainability strategy and roadmap, to support us to achieve net zero carbon targets and the requirements of TCFD.

In accordance with the 2018 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provision. In doing so, the Board conducted the review considering the Group's financial position, business strategy and the potential impact of our principal risks and future prospects.

The strategic plan is reviewed and approved by the Board each year, with year one forming the budget for the next financial year. This plan provides a basis for settling all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance and the Remuneration Committee to set targets for the annual incentive.

The Board has reviewed its strategic and financial plans in detail and believes that a viability assessment period to September 2025 is appropriate, given this covers the period of the detailed strategy review and incorporates both the timescales for investments and returns currently considered as being secured.

The Group's business model has proven to be strong and resilient throughout the different economic cycles even with higher levels of gearing and over the long term, with consistent demonstration through its ability to sell assets and let vacant properties to provide stable income returns and cash generation, even during challenging market conditions. Currently the Group directly owns £2.9bn of residential property assets of a relatively granular nature which are relatively liquid, as proven throughout previous property cycles.

The Group would remain viable even in the event of severe and sustained house price deflation as it would be able to accelerate the natural conversion of our assets to cash including the sale of tenanted assets and reduce or suspend development and acquisition activity. Only an unprecedented and continued long-term decline in residential property valuations, significant reduction in rental income and lack of liquidity in UK residential property markets is a scenario that could conceivably cause a material threat to the Group. In this situation, the Group has the option to continue to let assets to generate income and protect overall asset value.

The financing risks of the Group are also considered to have an impact on the Group's financial viability. The two principal financing risks for the Group are the Group's ability to replace expiring debt facilities and adverse movements in interest rates. The Group has been successful in securing longer-term funding to deliver the secured PRS pipeline and has prepared the strategic plan on this basis. In addition, the Group continues to manage its hedge exposure with interest rate swaps, caps and fixed rate facilities matching almost 100% of its debt liability and maturity.

The viability assessment was made with the Group strategy forming the base case and then recognising the principal risks that could have an impact on the future performance of the Company. These risks consider changes to the macro-economic environment including the impact of the Covid-19 pandemic. The planning process incorporates severe scenario planning, with the amalgamation of multiple risks which may result from political and economic uncertainty, including sensitivities to rental level, asset valuations, financing and costs, to assess impact and longer-term viability of the Company.

The sensitivity analysis involved modelling a number of scenarios. The most extreme downturn scenario, reflecting a severe economic downturn and extended Covid-19 pandemic, incorporated the following assumptions:

- Reducing property valuations by 20%.
- Reducing rental levels with lower PRS occupancy (-15%) and lower growth (-20%).
- Cost inflation for construction and operating costs of 15%.
- Interest rates increase by 3% for the duration of the review period and a downgrade in our credit rating is assumed.

Throughout this downside scenario, the Group had sufficient resources to remain in operation and compliant with its banking covenants. This scenario testing, together with the Group's strong financial position, current rent collection and lettings evidence, and mitigating actions available including selling assets and deferring non-committed capital expenditure, supports the Group's ability to continue to meet its liabilities as they fall due.

Based on the Board's assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the four-year period to September 2025.

Our 2021 Strategic Report from pages 1 to 52, has been reviewed and approved by the Board of Directors on 17 November 2021.

Rob Hudson
Chief Financial Officer

> The Board promotes the long-term sustainable success of the Company by leading by example, promoting the culture of the business and ensuring effective engagement with, and considering the interests of our stakeholders.

MARK CLARE,
CHAIRMAN

GOVERNANCE

A **strong governance framework** ensures we lead the business effectively, whilst considering the **interests of all our stakeholders**

HIGHLIGHTS

- Oversight and leadership of the response to the continuing challenges presented to the business by Covid-19 and Brexit.
- Full compliance with the Corporate Governance Code during the year.
- Oversight and approval of successful equity raise to fund capital investment.
- Board review of strategy.
- Appointment of new Non-Executive Director focusing on ESG and establishing a new Responsible Business Committee.
- The Board visited our assets and met our team.
- Appointment of new CFO and Director of Operations.
- Focus on the wellbeing of staff and customers.

IN THIS REPORT

Leadership and purpose

The Board's primary function is to promote the long-term sustainable success of the Company. It does this by leading by example, promoting the culture of the business and ensuring effective engagement with, and considering the interests of stakeholders. More information can be found on pages 56 to 65.

Division of responsibility

The Board ensures that the Company has the correct balance of Executive and Non-Executive Directors in order to lead the Company effectively, with clear definition of the respective responsibilities of the Board and the executive leadership of the Company. Please see pages 66 and 67 for more details.

Composition, succession and evaluation

The Board maintains an appropriate balance of skills, experience and knowledge to ensure that it can effectively lead and govern the Company. Effective evaluation of Board performance and succession planning are crucial in this. To find out more please see pages 68 to 71.

Audit, risk and control

The Board sets the Company's strategy, taking account of the need to balance risk and reward. With the oversight of the Board, the Audit Committee has established formal and transparent processes to oversee the independence and effectiveness of internal and external audit functions. Pages 72 to 77 provide details of these activities.

Remuneration

Our Remuneration Policy aims to ensure that the Executive team is appropriately and fairly incentivised, and aligned with long-term, sustainable strategic execution. We also monitor wider colleague remuneration across the business. More information is available at pages 78 to 98.

Dear Shareholders,

The Directors and I are committed to applying effective corporate governance and promoting the highest standards of behaviour and values throughout the Company.

I am therefore pleased to introduce this year's corporate governance report, in which we describe our governance arrangements, the operation of the Board and its committees, and how the Board discharged its responsibilities.

The disruption caused by the Covid-19 pandemic has continued throughout the period of this report. The Company's priorities for this period have been the wellbeing of our customers and employees whilst protecting the interests for our Shareholders.

The Board continued to operate as normal. We used technology to meet remotely and safely, and later in the year met in person when permitted to do so, to maintain close oversight of the business and its operations. As a result, we were able to provide strong support to the management team based on robust scenario planning whilst considering the needs of all the Company's stakeholders. This year and next will see substantial changes to the composition of the Board. Rob Hudson, our new CFO, joined the Company at the end of August and I have already been impressed by his drive and enthusiasm for the business. Andrew Carr-Locke will retire from the Company at the 2022 AGM, after completing nearly seven years' service. I want to formally thank Andrew for his substantial contribution to the Board during this period.

We also welcomed Carol Hui to the Board in October. Carol will oversee the establishment of the Company's Responsible Business Committee and become chair of it. This Committee will provide Board-level oversight of the delivery of the Company's ESG strategy including its 2030 'net zero in operations' commitment and its diversity and inclusion plans.

This year, many of our customers have spent significant periods in their homes and this has increased their expectations. Meeting these expectations is a challenge that has been embraced by both our 'front-line' and home or office-based employees.

Colleagues have utilised new technologies and shared best practice, fostering an environment of mutual encouragement and support across the business. The Board will continue to encourage such behaviour and monitor employee and customer surveys for tangible evidence of progress in these areas. The Board conducted an assessment of the Company's strategy in June of this year. We looked at the potential to accelerate our growth strategy, how we can enhance our customer service proposition, the ideal mix of funding to finance our growth and how we can develop and enhance our ESG activities.

Good governance also means ensuring we have rigorous risk management and controls in place and we have reviewed and strengthened our approach in this area, particularly via an enhancement of our Internal Audit function. The application of the skills and experience of the Directors, coupled with the wide-ranging work of the Audit Committee, provides strong governance for the benefit of all our stakeholders. To learn more about our Board activity in 2021, please see page 59.

Mark Clare
Chairman

17 November 2021

> Grainger continues to increase the scale of its PRS business and deliver operational excellence through its culture, people and investment in technology.

E	Executive Committee
A	Audit Committee
R	Remuneration Committee
N	Nominations Committee
	Committee Chairman

1. Mark Clare

Non-Executive Chairman

N R

Appointment: Appointed Chairman in February 2017

Skills, competence and experience: Mark has wide-ranging experience in a number of sectors and extensive knowledge of the residential property market. He has substantial plc-level experience and is senior independent director of United Utilities Group plc, senior independent director of Wickes Group plc and a non-executive director of Premier Marinas Holdings Limited. Mark was previously chief executive of Barratt Developments plc from 2006 to 2015, and is a former trustee of the Building Research Establishment and the UK Green Building Council. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles within both Centrica plc and British Gas. Mark has also been a non-executive director of Ladbrokes Coral Group plc and BAA plc, the airports operator.

Tenure: 4 years and 7 months

2. Helen Gordon

Chief Executive

E

Appointment: Appointed to the Board in November 2015

Skills, competence and experience: Helen is a highly experienced, proven and well regarded real estate investor. She has significant experience working across a wide range of real estate asset classes, including residential property. This is combined with an extensive knowledge of the City. Helen is the senior independent non-executive director of Derwent London plc, vice chairman of EPRA and a board member of the British Property Federation, of which she is the former President, having stepped down in 2020 at the end of her term. She is a chartered surveyor and before joining Grainger was global head of Real Estate Asset Management of Royal Bank of Scotland plc. She previously held senior property positions at Legal & General Investment Management, Railtrack and John Laing Developments.

Tenure: 5 years and 10 months

3. Robert Hudson

Chief Financial Officer

E

Appointment: Appointed to the Board in August 2021

Skills, competence and experience: Rob has over 25 years' experience in finance. Rob was previously the chief finance and operations officer and interim chief executive of St Modwen plc, where he worked from 2015 to 2021. Prior to that, Rob was the group financial controller at British Land plc from 2011 to 2015. Rob joined PriceWaterhouseCoopers on graduation, then moved to Experian plc in 2000 where he held a number of senior financial roles, including global finance director of its Decision Analytics business and UK finance director. Rob is a qualified chartered accountant.

Tenure: 1 month

4. Justin Read

Non-Executive Director

A N R

Appointment: Appointed to the Board in February 2017

Skills, competence and experience: Justin has substantial experience in real estate and corporate finance. Justin is a non-executive director of Ibstock plc, Affinity Water Limited and Marshall of Cambridge (Holdings) Limited, chairing the audit committee of all three companies, and the remuneration committee of Marshall. Justin is an independent member of the Investment Committee of the Logistics pan-European real estate fund and was group finance director of SEGRO plc from August 2011 to December 2016. Between 2008 and 2011, Justin was group finance director at Speedy Hire plc. Prior to this, he spent 13 years in a variety of roles at Hanson plc, including deputy finance director, managing director of Hanson Continental Europe, head of corporate development, head of risk management and group treasurer.

Tenure: 4 years and 7 months

5. Andrew Carr-Locke

Non-Executive Director

A N R

Appointment: Appointed to the Board in March 2015 and appointed as Senior Independent Director in February 2018

Skills, competence and experience: Andrew has substantial experience in senior finance positions in listed companies, particularly in the residential property sector. He also has wide-ranging experience as a non-executive director of public companies. Andrew is a Fellow of the Chartered Institute of Management Accountants and was group finance director at George Wimpey plc between 2001 and 2007. He has previously held senior finance roles at Courtaulds Textiles plc, Diageo plc, Bowater-Scott and Kodak. Andrew was executive chairman of Countryside Properties, where he led the refocus of the company's strategy. He has previously held non-executive directorships at Dairy Crest plc, Royal Mail Holdings, Venture Production and AWG.

Tenure: 6 years and 6 months

6. Rob Wilkinson

Non-Executive Director

A N R

Appointment: Appointed to the Board in October 2015

Skills, competence and experience: Rob has substantial experience in real estate and corporate finance.

He is a chartered accountant and the chief executive of AEW Europe, a leading European real estate investment manager. Rob is also a management board member of INREV and chairman of its Fund Manager Advisory Council. He is chairman of the Green Rating Alliance. Prior to joining AEW Europe in 2009, Rob was a managing director with the Goodman Group and also held investment banking positions at UBS and Eurohypo.

Tenure: 5 years and 11 months

7. Janette Bell

Non-Executive Director

A N R

Appointment: Appointed to the Board in February 2019

Skills, competence and experience: Janette is the Non-Executive Director responsible for employee engagement. Janette is the managing director of FirstBus, part of FirstGroup plc. Janette held the position of chief executive officer at P&O Ferries from January 2018 to September 2020. Janette is an experienced board director, with a breadth of operational experience in customer centric organisations. She was sales & marketing director for Hammerson plc and has also worked in senior customer strategy and marketing positions at PwC, Tesco and Centrica, where she was sales and marketing director of British Gas Services.

Tenure: 2 years and 9 months

8. Carol Hui

Non-Executive Director

A N R

Appointment: Appointed to the Board in October 2021

Skills, competence and experience: Carol is a non-executive director of Breedon Group plc, where she is the designated non-executive director for sustainability. Carol is also a non-executive director of the British Tourist Authority, where she chairs the audit and risk committees. Carol was the non-executive chair of Robert Walters plc until 2020. In an executive capacity, Carol's most recent role was as chief of staff and general counsel at Heathrow Airport Holdings Limited from which she stepped down in Summer 2021 and has previously served in senior positions in oil and gas, logistics and infrastructure companies. She was also a corporate finance lawyer at Slaughter and May.

Tenure: newly appointed

Purpose

Grainger's purpose is to enrich lives by providing high-quality rental homes and great customer service.

The Board keeps this purpose in mind when considering all decisions it takes.

Culture

The Board believes that the culture of a business, in conjunction with its values, is vitally important to its successful long-term performance and is integral to all that we do, including governance. How the Board members, particularly the Executive team, conduct themselves sets the culture within the Company.

The Board assesses and monitors the culture of the business to ensure that policy, practices and behaviour throughout are aligned with the Company's purpose, values and strategy. In November 2020, the Board received a detailed presentation from the HR Director on culture and engagement and how it supports our strategy. The Board was informed of our employee engagement survey results, highlighting what we do well and the areas where the Company and its senior management can improve.

We provide further details on our culture and employee engagement on page 61. During the year, the Board and I have also spent time with our people from across the business and took these opportunities to gauge their views on the business, the strategy and its implementation.

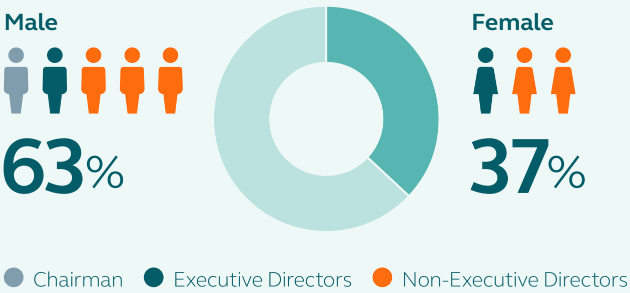
We firmly believe that the culture of the Company is strong and has enabled us to perform well in these very challenging market conditions. Our people understand and support the strategic direction of the business and are focused on delivering it.

Stakeholder engagement

The Board believes that good engagement with stakeholders and investors is key to understanding their views. We are also supportive of the emphasis the Code puts on the wider stakeholder group, particularly the Board's duty under Section 172 of the Companies Act 2006. In order to achieve our aim of being the UK's leading residential landlord, we keep in contact with our people, customers, suppliers and investors to ensure that we harness their views and communicate the Company's progress. Please see page 44 for our Section 172 Statement and page 61 for examples of our work with our stakeholder groups.

Specifically, regarding our investors, Helen Gordon, Rob Hudson and the previous CFO and interim Group Finance Director had over 250 meetings with the Company's Shareholders and analysts throughout the year. In particular, during 2021, the equity raise entailed a substantial degree of engagement with our investors as is appropriate for a material transaction of that nature. We have also been in regular communication with our investors regarding the impact of Covid-19 on the Company.

Balance of Directors (as at the date of this report)



Compliance with the 2018 Corporate Governance Code

The governance rules applying to all UK companies on the Official List of the UK Listing Authority are set out in the Code, published by the Financial Reporting Council ('FRC'). You can obtain copies of the Code from www.frc.org.uk. The Board fully supports the principles set out in the Code and confirms we have complied with all its provisions throughout the financial year ended 30 September 2021.

This report sets out Grainger's governance policies and practices and includes details of how the Company applies the principles and complies with the provisions of the Code.

As required by the Code, this report describes our activities and key achievements during the year, giving Shareholders and stakeholders the necessary information to evaluate how the Code's Principles have been applied.

Information flow

The Chairman and the Company Secretary ensure the Directors receive clear, timely information on all relevant matters. Board papers are circulated well in advance of meetings to ensure there is adequate time for them to be read and to facilitate robust and informed discussion.

The papers contain the CEO's review, Finance review, reports on each business area, key figures and papers on specific topics of interest to the Board. Minutes of the Executive Committee meetings and detailed financial and other supporting information are also provided. The Board received presentations throughout the year from various departments across the business and from external advisers on subjects including financing, regulatory issues for listed companies, business valuation, ESG and customer feedback. The papers also contain information on how stakeholder interests have been taken into account when considering decisions taken by the Company.

Effectiveness

The standard Board schedule sets six formal meetings throughout the year, one of which was a two day off-site session specifically focused on a review of the Company's longer-term strategy. This year, there was an additional meeting in December to review business issues, including the succession of the CFO and additional meetings in July and August to review and authorise the equity raise completed in September.

The Board has a list of matters reserved to it, and a rolling annual plan of items for discussion, agreed between the Chairman and the CEO. They review the list of reserved matters and annual plan regularly, to ensure they are properly covered, together with other key issues as required. At each Board meeting, the CEO provides a review of the business, setting out how it has been progressing against strategic objectives and details of any issues arising. In addition, items that require formal Board approval are circulated in advance with all supporting paperwork to aid appropriate decisions.

As soon as it was able to the Board spent time visiting our new Gatehouse Apartments building in Southampton this year and the September Board Meeting was held at our Millet Place development. The Board met staff at both sites.

The table on the following page shows examples of the subjects and matters the Board debated and considered throughout the year.

Attendance table to 30 September 2021

Executive Directors	Meetings attended	Meetings eligible to attend
Helen Gordon	9	9
Vanessa Simms	4	4
Rob Hudson	1	1

Non-Executive Directors	Meetings attended	Meetings eligible to attend
Mark Clare	9	9
Andrew Carr-Locke	9	9
Rob Wilkinson	9	9
Justin Read	9	9
Janette Bell	9	9

Board meetings 2020/21

Month	Board meeting	Site visit
October		
November	✓	
December	✓	
January		
February	✓	
March	✓	
April		
May	✓	
June	✓	✓
July	✓	
August	✓	
September	✓	✓

BOARD ACTIVITY: How the Board spent its time

Strategic 25%

- Carried out an in-depth review of Grainger's strategy . It considered further opportunities for growth in the current PRS market, the development business and operational and financial strategy.
- Received market update reports and presentations from JPMC regarding performance in relation to the market and peer group companies.
- Considered competitor activity in the PRS sector.
- Monitored the economic, legislative and geo-political landscape, received and considered papers on the developing impact of Covid-19 and the UK's departure from the EU and the end of the transition period.
- Considered the ESG strategy for the business, including our 'path to net zero carbon', which is now an integral part of our business, and reviewed progress reports throughout the year.
- Reviewed and signed off the community engagement plan.

People and culture 15%

- Received reports on the activities to increase the diversity of the business including the activities of the Employee Diversity & Inclusion Network.
- Reviewed the culture of the business and employee engagement. This included the HR Director presenting the results of the annual employee engagement survey to the Board.
- Oversaw the process for the appointments of the new CFO, Director of Operations and Non-Executive Director.
- Reviewed reports and updates on the health, safety and wellbeing of our people and customers, particularly during the Covid-19 lockdowns.
- Reviewed and discussed the requirement of the Code in relation to the employee voice being 'heard' in the boardroom and the received updates from Janette Bell as the Non-Executive Director responsible for this.

Financial 20%

- Received reports on the continuing impact of Covid-19 on the Company, particularly around arrears and void levels.
- Reviewed the Group's debt and capital structure, including the equity raise in September 2021.
- Considered the Group's financial performance throughout the year.
- Agreed the continued application of the dividend policy.
- Compared corporate and operating overheads to the business plan.
- Monitored performance of the agreed KPIs for the business.
- Received reports on interaction with the credit ratings agencies and insurance providers.

Governance 10%

- Undertook and considered an internal evaluation of the Board's effectiveness.
- Received briefings on regulatory and governance issues.
- Considered Shareholder relations, in particular the feedback from investors and analysts in connection with the 2020 full year results and the 2021 interim results.
- Received three reports on development of the ESG strategy and our activities in this area.
- Received reports from the Nominations, Audit and Remuneration Committees.

Transactions 15%

- Reviewed reports on the progress of our development schemes proceeding in partnership with TfL.
- Considered material transactions and business opportunities including, among others, our PRS schemes in Cardiff, Bristol, Newcastle and London.
- Received reports on the progression of our existing development projects in the UK.
- Considered the ESG impact of prospective transactions.

Operations 15%

- Considered health and safety matters including a presentation from the Health and Safety Director.
- Closely monitored and inputted into the progress of our technology change project, CONNECT.
- Received reports on strategy and developments from the Company's affordable housing arm, Grainger Trust.
- Considered management of our suppliers, alternative supplier arrangements.
- Received reports from consultants on our customer service performance and other operational KPIs.
- Oversaw a plan to put our ESG strategy into action.

How the Board understands and **responds to the needs** of our stakeholders

The Board takes the interests of stakeholders into account when making decisions. The relevance of each stakeholder group may increase or decrease by reference to the issue in question, so the Board seeks to understand the needs and priorities of each group during its deliberations. This, together with the combination of the consideration of long-term consequences of decisions and the maintenance of our reputation for high standards of business conduct, is integral to the way the Board operates.

We have continued to embed stakeholder interests into the culture and operating model of our business. Papers presented to decision making committees include a section on stakeholders' interests.

A key focus for the Board over the last year has been our ESG activities. The Board received presentations and held discussions in relation to our strategies in this area. The Board considered the actions necessary to take the strategy forward in the coming year. The two key areas which impacted on stakeholders were our net zero carbon and our social value priorities.

For net zero carbon they key focus was on our customers and how we can measure and reduce emissions from our residents' use of energy in our properties.

For the social value priorities the Board considered the expectations of all stakeholders and was heavily involved in shaping the priorities. For more information on this please see page 41.

Customers

- Considered how we can assist our customers in dealing with the continuing impacts of Covid-19.
- Reviewed and fed back on plans to improve customer service.
- More detail on how Grainger delivered for its customers is included on page 62.

Shareholders

- Reviewed and considered reports of meetings with investors.
- Considered questions and comments from analysts.
- Facilitated the opportunity to ask questions at the 'virtual' AGM.
- More detail on Grainger's engagement with Shareholders is included on page 64.

Local communities

- Reviewed reports on Grainger's engagement with local communities including the new partnership with North Tyneside YMCA.
- Considered schemes in which Grainger participated at development sites.

Grainger plc Board

Suppliers

- Considered reports on key supplier relationships and performance and alternative supplier plans.
- Reviewed the results of audits of key supplier compliance with anti-bribery and modern slavery policies.
- More detail on Grainger's engagement with suppliers is included on page 63.

Government

- Considered reports on Grainger's contributions to Government matters.
- Oversaw Grainger's relationships with key local authority partners.
- Reviewed reports on meetings with Government, shadow government and party officials.

Employees

- Monitored employee engagement survey results.
- Received presentations from the HR Director on skills and resources for meeting our strategic objectives.
- Considered the gender pay gap for the business and means to address it.
- Engagement with employees at office and site visits.
- Received reports on the activity of the Employee Diversity & Inclusion Network.
- More detail on Grainger's engagement with employee is included on page 63.

How the business understands and **responds to the needs** of our stakeholders

	Customers	Shareholders	Local communities
Stakeholder expectations	**For Grainger to provide safe, high-quality homes and good service, whilst responding to their needs promptly.**	**For Grainger to generate long-term, sustainable attractive total returns and to meet Environmental, Social and Governance ('ESG') expectations.**	**For Grainger to act responsibly and make a positive impact to the local area while listening to and taking on board local views, preferences and concerns.**
How we engage	We offer a wide range of customer communication channels. Each resident has a dedicated point of contact and we encourage our team members to build long-lasting relationships with them. Additionally, customer touch points include a customer care line and a transparent complaints procedure. We regularly survey our BTR customers to understand how we can improve our service and run customer focus groups to tailor the design of our buildings to our customers' needs. We have created a customer Service Desk call centre to act a single point of contact for our customers to simplify and enhance their engagements with the Company.	We run a comprehensive investor relations programme. Activities include investor roadshows, conferences, trading updates and property tours. Key engagement events are reported on page 64. We ensure that we are available and accessible to the investment community, We respond annually to a range of ESG benchmarks, as reported on page 22.	Extensive local engagement and consultation concerning assets and developments via events, residents' meetings, direct communications and newsletters. We support local businesses and charities, sponsor local sports and cultural activities and engage with local authorities. We encourage communities to develop within and around our buildings, through organising residents' events and building relationships with the local community. All of our people have access to our community engagement blueprint guidance and relevant training.
Outcomes and examples	• The average length of stay for PRS customers was 28 months. • Reduction of 27% in customer complaints received. • 4 in 5 customers surveyed "really like" their Grainger home (FY20: 4 in 5). • Introduced new dedicated Service Desk to be primary point of contact for residents. • Invested in further training for Resident Services Managers including customer service, management and mental health first aid training.	• During the year in review, we had 205 investor meetings (including group meetings). • Over 60 pieces of analyst coverage. • 12 investor conferences/events attended. • Hosted three investor roadshows. • Increased geographic outreach and continued to diversify the geographic representation among Shareholders (see page 65). • Further broadened our Shareholder base. • Conducted shareholder visits to our new sites.	• Piloted development of bespoke community engagement plans for Grainger assets to implement our Community Engagement Blueprint. • Founding partner of the LandAid First Step Appeal to provide emergency accommodation for young people facing homelessness. • Delivered three pro bono projects for charities. • Over 550 residents and community events held throughout the year.

Employees

For work to be fulfilling and rewarding. To be fairly treated, recognised and remunerated. To operate in a safe and comfortable environment, with learning and development opportunities.

Regular two-way engagement includes biannual employee engagement surveys, monthly cascade meetings from senior management, monthly all-staff update calls with the CEO, and our intranet platform.

We have a Non-Executive Director responsible for employee engagement. Feedback is also gathered following specific activities such as training and through a biannual performance review process.

We organise a range of employee events, including campaigns from our employee-led Diversity & Inclusion Network and charity fundraising events.

- Continued not to furlough any employees, and to implement Covid-19 employee engagement strategy focused on communication, innovation and improvement.
- Completed first cohort of Grainger's future leaders programme.
- Behaviour based Health & Safety training roll out underway and completed by 87% of employees as at FY21.
- Invested in recruiting new diverse talent into the industry, sponsoring a university bursary scheme and schools engagement programme.

Suppliers

For us to act with integrity and professionalism, pay promptly and ensure that we are protecting the rights of all those employed through our supply chain.

Regular supply chain reviews and customer satisfaction surveys to ensure regulatory compliance and service levels, including matters related to data protection, health and safety, and modern slavery.

Strategic partnership board with our largest repairs and maintenance partner, which meets quarterly.

Set standards for suppliers on framework agreements, requiring registration with Constructionline.

- Introduced new facilities management and purchase to pay systems.
- Contractor management reviews undertaken for all major contractors.
- Focused on prompt payment during Covid-19, reducing average days to make payment to 18 days.
- Commenced new partnerships with AO for appliances and PodPoint for electric vehicle charging infrastructure.
- Enhanced supplier Health & Safety audits, with 12 audits undertaken in the year.
- Zero RIDDOR reportable incidents.

Government

For Grainger to act responsibly as an employer and as a housing provider. To support Government in delivering its objectives such as increasing provision of high-quality homes and meeting its net zero carbon ambitions.

Regular contributions to Government consultations and regular feedback on Government policies. Numerous meetings with Government and shadow government ministers, and officials.

City engagement strategy designed to engage with key stakeholders and map local issues in areas targeted for investment.

Partnerships with local authorities in our targeted investment locations and local authority outreach in collaboration with industry bodies.

- Extensive engagement through private meetings, correspondence and property tours with Government ministers and officials and via British Property Federation. We engaged on the Residential Property Developers Tax, the Building Safety Levy, the Renters Reform Bill and other proposed legislation.
- Engagement with Mayor of London and the Greater London Authority, directly and indirectly via London First.
- Hosted the Housing Minister at the Forge, Newcastle.
- Gave the leader of Southampton City Council and his team a tour of Gatehouse Apartments.

Key Shareholder events 2020/21

An on-going dialogue with our Shareholders is fundamental to ensuring that there is an understanding of the strategy and governance of the business, and that the Board is aware of the issues and concerns of our investors. In this section of the report we highlight the key activities of our Shareholder engagement programme throughout the year.

NOVEMBER/ DECEMBER 2020

- Virtual Full Year Results Presentation and live webcast.
- Virtual Full Year Results Investor Roadshow – London and internationally.

JANUARY/ FEBRUARY 2021

- Virtual AGM.
- Virtual Barclays European Real Estate Conference.

MARCH/ APRIL 2021

- Virtual Kempen New York Conference.
- Virtual Citi Conference UK.
- Virtual Berenberg Corporate Conference.
- Virtual Bank of America Real Estate Conference.

MAY/JUNE 2021

- Virtual Half Year Results Presentation.
- Virtual Half Year Results Roadshow London and Internationally.
- Virtual Kempen Investor Conference.
- Virtual Morgan Stanley European Real Estate Conference.
- Virtual EPRA Asia Week Conference.

JULY/ AUGUST 2021

- Investor Property Tours at Windlass Apartments and Apex Gardens.

SEPTEMBER 2021

- Virtual meetings with investors regarding the equity placing.
- Virtual Bank of America 2021 Global Real Estate Conference.
- Virtual EPRA Investor Conference.

Substantial shareholdings

At 30 September 2021 and 29 October 2021 (being the latest practicable date prior to the date of this report), the Company is aware of the following interests amounting to 3% or more in the Company's shares.

	30 September 2021		29 October 2021	
	Holding million	Holding %	Holding million	Holding %
BlackRock Inc	59.7	8.1	59.5	8.0
The Vanguard Group Inc	37.1	5.0	37.0	5.0
Norges Bank Investment Management	29.0	3.9	29.1	3.9
FMR LLC	23.1	3.1	23.4	3.2
Cohen & Steers inc.	18.7	2.5	23.1	3.1
Abrdn plc	24.9	3.4	22.9	3.1

Relations with Shareholders

The Group's website includes a comprehensive investor relations section, containing all Regulatory News Service ('RNS') announcements, share price information, annual documents available for download and similar materials.

We send out the Notice of Meeting and Annual Report and Accounts at least 20 working days before the meeting. We hold separate votes for each proposed resolution. A proxy count is given in each case. Grainger includes, as standard, a 'vote withheld' category, in line with best practice. Shareholders can also lodge their votes through the CREST system.

The Board believes that understanding the views of its Shareholders is a fundamental principle of good corporate governance. Strong engagement with stakeholders and investors is key to achieving this.

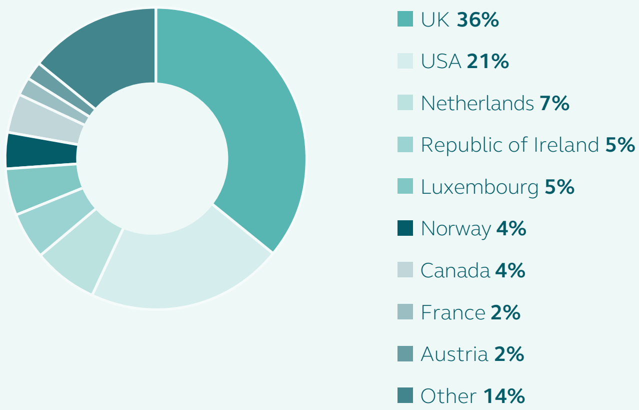
Investor relations are based on the financial reporting calendar, with additional engagement when considered beneficial to the Company. We have held more than 250 meetings with Shareholders, analysts and potential investors in the year. Helen Gordon, Rob Hudson, the interim Group Finance Director, the previous CFO and other senior staff members held the vast majority of these meetings and manage the Group's investor relations programme with the Director of Corporate Affairs. We always seek feedback at these meetings and present it to the Board. In addition, the Company Secretary engaged with a combination of fund managers and corporate governance officers of the Company's major Shareholders before the 2021 AGM. We anticipate a similar pre-AGM engagement process will take place in 2022.

Over **250** investor meetings

Attendance at investor meetings

Chief Executive	92%
Chief Financial Officer/Interim Group Finance Director	90%
Senior executive	99%

Shareholders by region



This Summer we hosted a number of our key investors at tours of our new **Windlass Apartments** and **Apex Gardens** sites in London, highlighting our market leading, customer-service focused rental offerings. We received positive feedback, particularly around the amenity spaces available to customers.

Governance **framework**

Grainger plc Board

Responsible to the Company's Shareholders for the long-term success of the Group, its strategy, its values and its governance. Provides leadership of the Group and, either directly or by the operation of Board committees and delegated authority, applies independent judgement on matters of strategy, performance, resources (including key appointments), the overall approach to risk management and internal control, culture and standards of behaviour.

Audit Committee

Responsible for overseeing the Company's financial statements and reporting. Reviews the work of internal and external auditors and matters of significant judgement by management. It reviews the risk management framework and the integrity of the risk management and internal control systems.

Remuneration Committee

Responsible for determining Remuneration Policy and level of reward for the Executive Directors and senior managers to align their interests with those of the Shareholders.

Nominations Committee

Reviews the structure, size and composition of the Board and its committees. Oversees succession planning for Directors and Executive Committee members. It leads the process for appointing Board Directors.

Executive Committee

This Committee operates under the direction and authority of the Chief Executive. It makes key decisions on matters to ensure achievement of strategic plans, reviews strategic initiatives, ratifies executive decisions and considers the key business risks. It is supported by sub-committees, each focusing on an area of the business.

Management Committee

Responsible for the day-to-day management of the business and ensuring all senior leaders are briefed on business activity and priorities.

Investment Committee

Reviews and approves material transactions, allocates investment capital and proposes investment hurdle rates for Board approval.

Finance Committee

Responsible for financial matters across the Group, which include accounting, financial reporting, tax, treasury, corporate and commercial finance, and financial support for the business.

Operations Board

Responsible for executing operations strategy, performance management, risk management and governance across the operating business.

Development Board

Responsible for the strategy implementation, performance management, risk management and governance in relation to the development business.

Health and Safety Committee

Responsible for overseeing and executing health and safety compliance activities across the business.

ROLES AND RESPONSIBILITIES OF DIRECTORS

Role	Responsibilities

Chairman

Responsible for running the Board and ensuring its effectiveness. The Chief Executive reports to the Chairman, as does the Company Secretary, on matters of corporate governance. The Chairman is the guardian of the Board's decision-making process and is responsible for ensuring a constructive relationship between Executive and Non-Executive Directors and for fostering open debate with an appropriate balance of challenge and support. In accordance with the Code, the posts of Chairman and Chief Executive are separate, with their roles and responsibilities clearly established, set out in writing and agreed by the Board.

Chief Executive

Responsible for running the business and implementing the Board's decisions. She recommends the strategy to the Board and is responsible for implementing it. She chairs a regular meeting with the Chief Financial Officer and the additional members of the Executive Committee.

Chief Financial Officer

Responsible for the financial stewardship of the Group's resources through compliance and good judgement. He provides financial leadership in the implementation of the strategic business plan and alignment with financial objectives.

Non-Executive Directors




Responsible for bringing independent and objective judgement and scrutiny to all matters before the Board and its committees, using their substantial and wide-ranging skills, competence and experience. The key responsibilities of Non-Executive Directors are set out in their letters of appointment and include requirements to:

- challenge and contribute to the development of the Company's strategy;
- scrutinise the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance;
- satisfy themselves that financial information is accurate, and that financial controls and systems of risk management are rigorous and secure; and
- oversee the Company's ESG, non-financial KPIs and employee voice programmes via the Responsible Business Committee.

A copy of the standard letter of appointment for a Non-Executive Director is available from the Company Secretary. During the year, the Non-Executive Directors meet periodically without the Executive Directors present and also without the Chairman.

Senior Independent Director

Acts as a sounding board for the Chairman and serves as an intermediary for the other Directors where necessary. The Senior Independent Director will meet Shareholders if they have concerns, and where contact through the normal channels has not resolved the issue or is inappropriate. The Senior Independent Director leads the annual performance review of the Chairman.

“The Nominations Committee currently comprises the Chairman of the Board and five independent Non-Executive Directors.”

MARK CLARE,
CHAIRMAN OF THE NOMINATIONS COMMITTEE

Attendance table

Non-Executive Directors	Member since	Meetings attended
Mark Clare (Committee Chairman)	February 2017	4
Andrew Carr-Locke	March 2015	4
Rob Wilkinson	May 2017	4
Justin Read	March 2017	4
Janette Bell	February 2019	4

Dear Shareholders,

I am pleased to present the Nominations Committee report for 2021 which details the main activities we undertook during the year. This was a particularly busy year for the Committee with appointment of Rob Hudson as CFO and Carol Hui as Non-Executive Director.

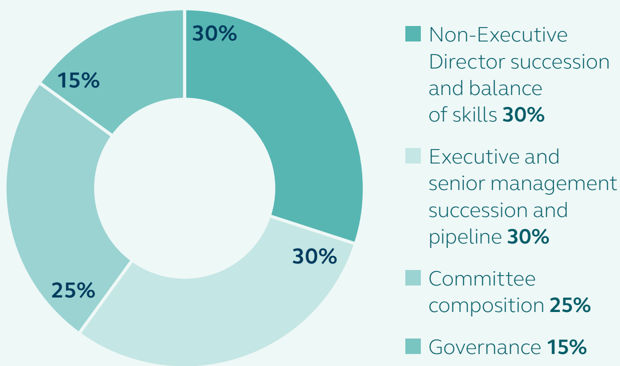
The Nominations Committee plays a fundamental role in ensuring we select and recommend strong candidates for appointment to the Board. The Committee monitors the balance of skills, experience, independence and knowledge of the Board and its committees, with any changes recommended to the Board for its review and decision. The Committee is also responsible for succession planning, and monitors talent development at senior management level.

Key responsibilities

The key responsibilities of the Committee are to:

- review the size, balance and constitution of the Board, including the diversity and balance of skills, knowledge and experience of the Non-Executive Directors, considering length of service of the Board as a whole and looking for membership to be regularly refreshed;
- maintain an effective succession plan for Board and senior management;
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies, and ensure that appointments to the Board are subject to a formal, rigorous and transparent procedure;
- ensure that both appointments and succession plans are based on merit and objective criteria and promote diversity of gender, social and ethnic backgrounds and cognitive and personal strengths;
- review annually the time commitment required of Non-Executive Directors;
- make recommendations to the Board, in consultation with the respective Committee Chairmen, regarding membership of the three Board Committees; and
- conduct an annual evaluation of the Board, considering its composition, diversity and how effectively members work together to achieve objectives and whether each Director continues to contribute effectively.

How the Committee spent its time



Process for Board appointments

Before making an appointment, the Nominations Committee will evaluate the balance of skills, knowledge and experience currently on the Board. Following this, a specification of the personal attributes, experience and capabilities required to perform the relevant appointment is produced. In circumstances where external recruitment or benchmarking of an internal candidate is appropriate, an independent external search consultancy will be engaged to support the process. A recommendation is then made to the Board concerning the appointment of any Director. The Committee also supports the Board in the appointment of the Company Secretary when required.

Vanessa Simms gave notice to the Company in October 2020 of her resignation as CFO to the Board. It was agreed with Vanessa that she would continue to work at Grainger and serve on the Board until April 2021. Consequent to this, the Committee led a thorough external search to identify an appropriate successor to Vanessa, and following unanimous recommendation by the Committee to the Board, Rob Hudson was selected as the Company's CFO and his appointment was finalised and announced in February 2021. Rob took up his role in late August 2021.

Andrew Carr-Locke will retire from the Board at the AGM in February 2022, by which time he will have completed seven years' service. Consequently, Andrew will also be relinquishing his position as Senior Independent Director, Chairmanship of the Audit Committee and membership of the Nominations and Remuneration Committees at that time.

The Committee led a thorough external search to identify an appropriate new Non-Executive Director. One of the key attributes sought was experience of, and enthusiasm for, ESG, especially diversity and inclusion. Following unanimous recommendation by the Committee to the Board, Carol Hui was selected and took up her role on 1 October 2021.

Search consultants

The Committee engaged the Russell Reynolds, an independent executive search consultancy, for the recruitment of both Rob Hudson and Carol Hui. The Board confirms that Russell Reynolds is not connected with the Company in any other way.

Board composition and independence

In accordance with the Code, all current Directors, with the exception of Andrew Carr-Locke, will stand for election or re-election at the 2022 Annual General Meeting ('AGM').

Main activities of the Committee during the year

The Committee met formally on four occasions during the year to 30 September 2021, supplemented by other discussions to support the work of the Committee. At the formal meetings the Committee considered a number of standing agenda items relating to its key responsibilities detailed above. In applying those responsibilities, the Committee made decisions on a range of matters during the year, the most significant of which are referenced in this report.

Invitations to attend Committee meetings extend to the CEO, HR Director and others as necessary and appropriate. Details of the Directors are set out on pages 56 and 57 together with a summary of their experience and skills.

The Board reviews Non-Executive Director independence annually, and takes into account each individual's professional characteristics, their behaviour at Board meetings, and their contribution to unbiased and independent debate. The Board agreed that I was independent on my appointment as Chairman and this remains the case. The Board considers all the Non-Executive Directors to be independent.

Board performance evaluation

This year, an external review having been undertaken last year, the evaluation of Board effectiveness was carried out internally. The review concluded that the Board and its committees were operating effectively. A selection of the key findings and recommendations are set out below.

External Board evaluation cycle

Year 1 2021 Internal	**Year 2** 2022 Internal	**Year 3** 2023 External	**Year 4** 2024 Internal

A selection of the key findings from the 2021 internal Board evaluation:

Findings

- The Board has performed well during a difficult time and adapted well to remote working. Key business priorities were identified and there was a good level of contribution from members.
- The Board is well organised. The size of Board papers has been improved following previous feedback.
- Health and Safety has been given appropriately increased prominence.
- The strategy day was well constructed and organised.
- The Chair was effective, particularly in bringing Shareholder views into consideration in taking critical decisions.
- Succession has been a key focus.

Principal recommendations

- More presentations should be given at, and guests invited to attend, Board meetings.
- More detail in Board papers in relation to employee recruitment and turnover. Further analysis in that regard would be beneficial.
- ESG should be given greater prominence and have more Board involvement in the coming year.
- Succession decisions should include greater consideration of internal promotions.

Induction and professional development

Rob Hudson and Carol Hui were appointed to the Board this calendar year. They both undertook a comprehensive induction programme of meetings with senior Grainger team members, key contacts from our brokers, bankers, valuers, consultants and auditors.

The Board is updated on a range of matters throughout the year. Subjects include the business of the Group, legal and regulatory responsibilities of the Company (including updates to the legislative landscape) and changes to accounting requirements. This takes the form of presentations by Grainger senior management and external advisers, and Board papers and briefing materials.

We also expect individual Directors to identify their own training needs, and to ensure they are adequately informed about the Group and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Non-Executive Directors

Janette Bell is designated Non-Executive Director to lead employee engagement and represent the voice of the employee in the boardroom.

There is significant engagement between the Board and employees, via the Executive Directors, including regular all-staff calls, new starter breakfasts, all-staff conferences and the ability to ask the CEO questions via the Company intranet. The Board also receives regular briefings from the HR Director on the results of staff surveys.

As part of her role, Janette reviewed the engagement surveys in detail with the HR Director, attended a number of meetings of the Employee Diversity & Inclusion Network and a number of the regular all-staff calls. Janette also met staff on site visits to Bristol and Berewood.

In future our activities in this area will be overseen by the Company's Responsible Business Committee.

Committee Changes

In light of the forthcoming retirement of Andrew Carr-Locke, a review of the membership of the Committees was undertaken. It is our policy to have all Non-Executive Directors as members of all of the Board Committees, as we have a small Board and we consider that this arrangement gives good visibility across the Company's activities. In line with this policy Carol Hui has been appointed as a member of the Nomination, Remuneration and Audit Committees.

When Andrew retires, Justin Read will assume his responsibilities as the Senior Independent Director and Chairman of the Audit Committee. Justin has been a Director of Grainger for nearly five years and is an experienced audit committee chair, fulfilling the role at three other companies currently.

Having been a member of the Remuneration Committee for over two years, and in light of the experience and familiarity with the Company's approach in this area provided by this, Janette Bell will take over from Justin as Chairman of the Remuneration Committee.

Carol Hui will oversee the establishment of the Company's Responsible Business Committee and become Chair of it. This Committee will provide Board-level oversight of the delivery of the Company's ESG strategy including its 2030 'net zero in operations' commitment, its employee engagement and voice in the boardroom commitments and its diversity and inclusion plans. To read more about our activities and plans in this area, please see page 40.

Diversity

The Directors are committed to having a diverse group of employees. This starts with having a balanced Board which includes diversity of perspectives, skills, knowledge and background. For gender diversity specifically, the Board continues to support the aspiration of the Hampton-Alexander Review to promote greater female representation on listed company boards.

We have instructed our recruitment agents to provide us with a diverse range of candidates. We make all appointments to the Grainger Board on merit, and within this context the Directors will continue to follow best practice on the issue of diversity as it develops further. At the date of this report, female representation at Board level was at 38%. The current level exceeds the 33% level recommended by the Hampton-Alexander Review. The objective for the Board and the Committee is to consistently have at least one-third of the Board being female Directors.

Page 40 contains further details of diversity matters across Grainger.

The Board is also mindful of the Parker Review regarding ethnic diversity on UK boards that was published in 2017. The Review recommends that each FTSE 250 board should have at least one director of colour by 2024. Following the appointment of Carol Hui, the Board meets the recommendation of the Parker Review, three years in advance of this requirement.

Grainger launched its Employee Diversity & Inclusion Network in May 2020, and it has gone from strength to strength in the last year. Activities over the past year have included external and internal presentations and educational activities around Black History Month, International Women's Day and Pride Month. Grainger is a member of Real Estate Balance. Grainger has joined the Company of Chartered Surveyors' social mobility scheme, which provides support to students to start a career in real estate. We are funding a bursary for a young person from a disadvantaged background to attend university through the Worshipful Company of Chartered Surveyors. More details on the activities of this employee led network can be found at page 40.

Succession planning

The Committee received a detailed presentation from the HR Director in relation to our succession plans for key people in the business and related retention strategies for them. Specifically with regard to succession planning of senior executives, a number of senior appointments were made during the year, including John Blanshard as Director of Operations reflecting our on-going investment in and commitment to enhancing customer service, in line with our strategy.

The Committee also received a presentation from the HR Director in relation to the Company's talent management initiative, which seeks to identify and prepare future leaders of the business.

Time commitment

The Board, supported by the Nominations Committee, carefully considered the external commitments of the Chairman and each of the Non-Executive Directors. The Board is satisfied that each Director committed enough time to be able to fulfil their duties and has capacity to continue doing so.

Re-election of Directors

We continue to adopt the recommendations of the Code that all Directors offer themselves for re-election annually, even though the Company's Articles of Association only require this every three years. Therefore, all current Directors, except for Andrew Carr-Locke, will stand for election or re-election at the 2022 AGM.

In light of the performance evaluation, the Board recommends that all Directors proposed are so elected or re-elected.

Access to independent advice

All Directors have access to the advice and services of the Company Secretary, who ensures we follow Board processes and maintain high corporate governance standards. Any Director who considers it appropriate may take independent, professional advice at the Company's expense. None of the Directors did so in the current year.

Balance of knowledge, skills and experience

The Directors have wide-ranging experience as senior business people. The Board has particular expertise in finance, property and the listed company environment. Carol Hui adds expertise in the fields of sustainability, legal, governance and diversity and inclusion.

Mark Clare
Chairman of the Nominations Committee

17 November 2021

> The Audit Committee comprised four independent Non-Executive Directors, chaired by the Senior Independent Director.

ANDREW CARR-LOCKE,
CHAIRMAN OF THE AUDIT COMMITTEE

Attendance table

Non-Executive Directors	Member since	Meetings attended
Andrew Carr-Locke	March 2015	3
Rob Wilkinson	February 2016	3
Justin Read	March 2017	3
Janette Bell	February 2019	3

Dear Shareholders,

I am pleased to present the Audit Committee report for the year ended 30 September 2021, which will be my final report before I retire from the Board.

The challenges presented by Covid-19 during the year, have continued to make the Committee's role within the Company's governance framework, including supporting the Board in risk management, internal control and financial reporting of significant importance.

The Company has continued to strengthen its risk and control environment throughout this period. We have dedicated significant time and resource over the past year to embed PricewaterhouseCoopers as our Internal Auditors and develop and enhance our Internal Audit approach. The new model is a co-sourced model where we use PwC and internal resource. The Grainger employed internal auditor undertakes audits, including on-site audits and report to PwC and use their Internal Audit methodology. The Committee examined a number of options and concluded that this approach offered us the best combination of access to PwC's expertise with the direct knowledge and involvement of an employee.

This report provides an overview of the significant issues the Committee considered, and its assessment of the Annual Report and Accounts as a whole, including how we have reviewed the narrative reporting to ensure it is an accurate reflection of the financial statements.

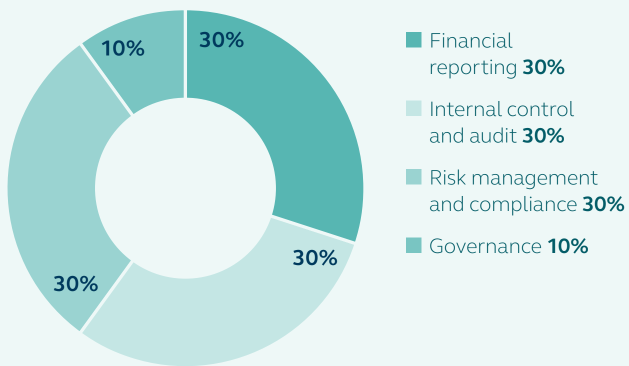
Governance

As a matter of course, the Committee considers its terms of reference each year, taking into account changes to Grainger and to external governance requirements. In this regard, we have during the course of the year been mindful of the requirements of the new Code, which applied to the Company for the first time this financial year. We were also mindful of the BEIS consultation on proposals for restoring trust in audit and corporate governance and the likely changes arising from this.

Risk and controls

A key responsibility of the Committee is ensuring that the Company operates an effective risk assessment and management process and has an appropriately robust control framework in place. We were helped by the newly appointed Internal Audit team at PwC, which reported directly to us, and which worked to an agreed plan to ensure controls were effective.

How the Committee spent its time



The Covid-19 pandemic has continued to affect the Company this year, monitoring the effects of this has been a key issue for the Committee.

The Committee has also supported the Board in considering the principal risks and appetite of the Company. We undertook a thorough review of the control environment during this period and it remained robust. We provide details of the risk management framework, principal risks and key mitigants on pages 46 to 51.

Technology

Grainger is continuing to invest in technology to facilitate its strategy as the market leader in the PRS. CONNECT, our leading operating platform, seeks to put automation and risk management at its heart, and it is this integration and increase of preventative controls which gives further assurance to us as an Audit Committee that the robust framework will continue to be enhanced as the CONNECT programme is fully realised.

Financial statements

One of the Committee's other key responsibilities which we carried out during the year is ensuring the Group's published financial statements show a true and fair view and are consistent with accounting and governance requirements. We also considered the viability statement closely, having regard to the continued progress of the implementation of our rental market strategy and the overall strategic horizon. This included interrogating the financial models and related sensitivity analysis of various economic scenarios and amalgamations of these scenarios. In addition, we have concentrated on the fair, balanced and understandable requirements for the Annual Report.

In this regard, we are helped by receiving a number of appropriate papers from the Chief Financial Officer, the Interim Group Finance Director and their teams, and by the independent work of our internal and external auditors.

As well as our planned work programme, we respond to key matters as they arise. A prime example of this during the year was the liquidity issues which could have arisen from the effects of Covid-19 and the response to it, and stress testing of this.

Auditors

The standard of auditing is of crucial importance to Grainger and the Committee has received briefings and carefully considered the further developments in this area in the last 12 months.

The Committee is cognisant of the Department for Business, Energy and Industrial Strategy's policy paper on restoring trust in audit and corporate governance. The Committee is broadly supportive of the direction and goals of audit practice reform and will continue to monitor evolution in this area of practice. We are making early preparations to keep the Company in line with best practice.

I believe the regular constructive challenge and engagement with management, the external auditor and the Internal Audit team, together with the timely receipt of high-quality reports and information from them, has enabled the Committee to discharge its duties and responsibilities effectively, during what has been another exceptional year.

Significant matters relating to the Group's 2021 financial statements

The most significant matters considered by the Committee and discussed with the external auditor in relation to the Group's 2021 financial statements were as follows:

1 Property valuations

Property valuation continues to be the most significant matter for consideration. In this respect, we received reports and presentations directly from the valuers and management on the assumptions utilised in valuing the Group's property assets, the suggested discount rates for reversionary assets and the valuations. We considered the prevailing valuation methodology and process.

We were content, after close scrutiny and debate, with the assumptions and judgements applied to the valuations. We also considered that the external valuers were sufficiently independent and capable and presented directly to the Committee. KPMG also independently reviews the valuation process and results. The results of the valuations form the basis of management's assessment to support the carrying value of investments in subsidiary companies by the parent company.

2 Recoverability of inventories

Management utilise the valuation information referred to above to perform an assessment of recoverability of inventories. The valuations include references to comparable market evidence of similar transactions along with the Group's own evidence and experience in sales of similar assets. Along with our assessment of property valuations, we have considered management's assessment of recoverability of inventories and are satisfied that the approach adopted, and results, are appropriate.

3 Intangible assets – development costs of Software as a Service (SaaS)

During the year, the Group revised its accounting policy in relation to intangible assets as a result of the IFRIC agenda decision regarding configuration and customisation costs incurred in implementing (SaaS). This resulted in a prior year restatement with costs expensed to the consolidated income statement that had previously been capitalised as outlined in Note 38 to the Financial Statements. The change in the accounting policy and treatment of expenditure has been reviewed by both management and KPMG and presented to the Committee. The Committee are satisfied with the approach adopted and consider this to be an adjusting item to be excluded from the Group's adjusted earnings on the basis that configuration and customisation costs of SaaS products at the current level will not form part of the normal ongoing cost base of the business.

As mentioned above, this will be my final year as Chairman of the Committee, as I will be retiring at the 2022 AGM. I have very much enjoyed my role and believe that we have significantly strengthened Grainger's risk and control processes during this period. I would like to recognise the input of the other members of the Committee and Grainger's Finance and Legal teams for their high standard of support and our internal and external auditors for their thorough approach.

Andrew Carr-Locke
Chairman of the Audit Committee

17 November 2021

Invitations to attend meetings

There is a standing invitation to the Chairman of the Board and the Executive Directors, who in turn attended all of the Committee's meetings during the year. The Director of Group Finance and representatives of the internal and external auditors also attended meetings of the Committee, and both sets of auditors met privately with the Committee during the year. Our valuers attend Committee meetings to explain their methodology, processes and conclusions directly.

Role, responsibilities and experience

The Committee's role and responsibilities are concerned with financial reporting, narrative reporting, whistleblowing and fraud, internal control and risk management systems, internal audit and external audit.

Andrew Carr-Locke, Rob Wilkinson and Justin Read have recent and relevant financial experience as required by the Code. The Committee as a whole has the competence relevant to the sector in which it operates. Please refer to pages 56 and 57 for skills and experience of the Directors and page 68 for the Nominations Committee report.

Terms of reference

The Committee's terms of reference are approved by the Board. We updated them in readiness for the new Code coming into force and confirmed during the year that they continued to be appropriate. We propose to continue our annual review of the terms of reference going forward. The Committee's terms of reference comply with the Code and they can be found on the Group's website.

Objectives

The Board has delegated authority to the Committee to oversee and review the:

- Group's financial reporting process;
- system of internal control and management of business risks;
- internal audit process;
- external audit process and relationship with the external auditor; and
- Company's process for monitoring compliance with applicable laws and external regulations.

Final responsibility for financial reporting, compliance with laws and regulations and risk management rests with the Board, to which the Committee reports regularly.

Meetings

The Committee's main work follows a structured programme of activity agreed at the start of the year. As well as its main work, the Committee undertakes additional work in response to the evolving audit landscape. Page 76 shows a non-exhaustive list highlighting the Committee's work during the year under review.

Fair, balanced and understandable

The Committee has undertaken a detailed review in assessing whether the 2021 Annual Report and Accounts is fair, balanced and understandable, and whether it provides the necessary information to Shareholders to assess the Group's performance, business model and strategy. The Committee reviewed and made suggestions about the processes put in place by management to provide the necessary assurance that they have made the appropriate disclosures. The Committee considered management's assessment of items included in the financial statements and the prominence given to those items. This review also included receiving a final draft of the Annual Report in advance of the November 2021 Committee meeting. This was accompanied by a reminder of the areas the Committee should focus on having regard to the Audit Committee Institute guidance, and how it can be applied to the draft Annual Report. The Committee, and subsequently the Board, were satisfied that, taken as a whole, the 2021 Annual Report and Accounts is fair, balanced and understandable.

Going concern and financial viability

The Committee reviewed the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the requirements of the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they were managed, the availability of finance and covenant compliance, together with a discussion as to the appropriate period for assessment and consideration of the financial impact of Covid-19 in future. The Group's viability statement is on page 52.

External auditor objectivity and independence

The objectivity and independence of the external auditor are critical to the integrity of the Group's audit. During the year, the Committee reviewed the external auditor's own policies and procedures for safeguarding its objectivity and independence. There are no contractual restrictions on the Group appointing an external auditor. On three occasions during the year the audit engagement partner made representations to the Committee as to the external auditor's independence. This also confirmed that KPMG's reward and remuneration structure includes no incentives for the audit partner to cross-sell non-audit services to audit clients. KPMG duly applies the requirement to rotate audit partners every five years. The current partner has been in position for two years.

The Committee appraised KPMG's performance by assessing its audit plan, the quality and consistency of its team and reports received and discussions held with the Committee. The Committee considered the FRC's guidance and noted the steps taken by KPMG in this regard which include having a separate Audit Board. In addition, we received feedback from the finance team. We also considered the tone of KPMG's relationship with the Executive, which we assessed as constructive and professional yet independent and robust.

In respect of KPMG's independence, the Committee applies its policy for the use of external auditors for non-audit services. This policy substantially restricts the types of non-audit services that can be rendered and specifies the limited circumstances in which an engagement can be made.

Services the external auditor is prohibited from providing to the Group include, amongst others:

- bookkeeping and preparing financial information;
- the design, supply or implementation of financial information systems;
- appraisal or valuation services;
- internal audit services; and
- actuarial services.

Regarding potentially permitted non-audit services, key criteria that must be evidenced to the Committee's satisfaction is that the external auditor is best suited to undertake the relevant services and that the engagement will not jeopardise external auditor independence.

The engagement of KPMG for the provision of non-audit services requires prior approval from the Audit Committee Chairman.

The non-audit services provided by KPMG, set out in the table below, related primarily to the reporting accountant work required for the issue of the corporate bond and was approved by the Committee in 2021. In making their decision, the Committee was duly satisfied that the:

- key criteria noted above had been satisfied;
- non-audit services policy had been applied; and
- appointments were in the best interests of the Company and its stakeholders.

The Committee considered the FRC Revised Ethical Standard 2019 and noted that this activity is permitted. The Committee was also satisfied that the overall levels of audit related and non-audit fees were not of a material level relative to the income of the external auditor firm as a whole.

External auditor tenure

The Company confirms that it has complied with the Competition and Markets Authority's Order for the year. KPMG have been the Company's auditors for six years and as such the Committee was satisfied that it was not optimal to tender external audit services in the current year. The Committee noted that a competitive tender for the external auditor must be held no later than 2025.

The Committee monitors the performance of the external auditor, providing an in-depth evaluation of its performance following the external audit, and then makes a recommendation to the Board. When considering the appropriateness of the re-appointment of KPMG, we considered in our review, the ratio of audit to non-audit fees and the effectiveness of the audit process, together with other relevant review processes. We were satisfied that we should recommend the re-appointment of KPMG.

Internal controls

The Board, assisted by the Audit Committee, is responsible for reviewing the operation and effectiveness of the Group's internal controls. This internal control system is designed to manage risks as far as possible, acknowledging that no system can eliminate the risk of failure to achieve business objectives entirely. The Board did not identify any significant failings or weaknesses in the year.

The Board is also responsible for ensuring that appropriate systems are in place to enable it to identify, assess and manage key risks. The preparation of financial statements and the wider financial reporting process and control system are monitored by the adoption of an internal control framework to address principal financial reporting risks. The Code requires us to carry out a robust assessment of emerging risks as well as principal risks, explain in the Annual Report what procedures are in place to identify emerging risks and explain how these risks are being managed or mitigated. Please see pages 46 to 51 for details of how we addressed the requirements.

The effectiveness of the controls is evaluated by a combination of review by all of the Grainger management committees and boards, and the internal and external auditors.

The performance of the Committee is reviewed as part of the Board effectiveness review, more information on which can be found at page 69.

The on-going implementation of our PRS focused strategy has involved the recruitment of on-site Resident Services Managers ('RSMs'). Following our work last year on reviewing the tasks that RSMs would be expected to undertake routinely as part of their job role, this year we have begun to conduct on-site audits to ensure that our market-leading operating platform is working as envisaged. As more sites are launched it is important that staff are trained and apply processes consistently and that the Committee have assurances that this is the case.

Schedule of fees paid to KPMG	**Year ended 30 September 2021 £**
Statutory audit of Grainger Group	**475,000**
Total audit fees	**475,000**
Half year review	**37,000**
Non-statutory certificate on Berewood Development site	**10,000**
Total non-audit fees	**47,000**

Internal Audit

PwC is appointed by the Company as Internal Auditor. Internal Audit focuses on the areas of greatest risk to the Company. Audits are considered during an annual audit planning cycle. This is informed by the results of current and previous audit testing, the Company's strategy, performance and the risk management process. Additional audits may be identified during the year in response to changing priorities and requirements.

The Committee approves the plan and monitors progress accordingly. All Internal Audit findings are graded, appropriate remedial actions agreed, and progress monitored and reported to the Committee.

Internal Audit has a direct reporting line to the Chairman of the Audit Committee. We assess the effectiveness of Internal Audit by reviewing its reports, feedback from the Chief Financial Officer, and through meetings with the Audit Committee without management being present.

Internal Audit has a direct reporting line to the Chairman of the Audit Committee. We assess the effectiveness of Internal Audit by reviewing its reports, feedback from the Chief Financial Officer, and through meetings with the Chairman of the Audit Committee without management being present.

The Internal Audit programme for 2021 included reviews of:

- Development and refurbishment;
- Lettings and on-boarding customers;
- Revenue and collections;
- IT operations;
- Tax and payroll functions;
- Cyber penetration testing;
- Data protection
- Governance of CONNECT; and
- RACM spot checks.

The Internal Audit plan for 2022 has a particular focus on the BEIS white paper proposals and preparations for a UK Sarbanes-Oxley regime.

KEY ACTIVITIES:

NOVEMBER 2020

- Received a presentation from the independent external valuers of Grainger's reversionary and market rented assets.
- Considered and received matters relating to the 2020 full year, including:
  - management's summary of the accounting positions;
  - KPMG's year end audit report;
  - going concern review of the business; and
  - the draft Annual Report and Accounts.
- Considered KPMG's independence and recommended to the Board KPMG's re-appointment.

FEBRUARY 2021

- Received an audit plan update and Internal Audit reports on:
  - residential services;
  - RACM and process review; and
  - UK internal controls.
- In respect of risk, considered:
  - a compliance update; and
  - interconnectivity of risks.
- Reviewed the Company's Modern Slavery Statement.
- Considered KPMG's plan for its review of the 2021 half year results.
- Reviewed and approved the Committee's terms of reference.
- Conducted a post-completion review of the Brook Place development scheme.
- Carried out a detailed evaluation of the performance of the external auditors. Considered them to be effective and also identified certain areas for future improvement.
- Reviewed and approved the tax policy.
- Reviewed the production of the 2020 Annual Report and Accounts.

MAY 2021

- Considered issues regarding the 2020 half year results, including:
  - the draft half year financial statements and announcement;
  - management's judgements and assessment;
  - KPMG's half year review report; and
  - feedback from the valuer half year reports.
- Received Internal Audit reports on:
  - health and safety;
  - sustainability
  - RACM reviews
  - site audit reports; and
  - Considered a report on the BEIS White Paper on Governance and Audit reform.

SEPTEMBER 2021

- Considered the 2021 draft viability statement and related analysis.
- Considered KPMG's audit strategy memorandum and engagement regarding the audit for the full year 2021.
- Considered and approved the forward Internal Audit plan.
- Reviewed the timetable for production of the Annual Report and Accounts.
- Received Internal Audit reports on:
  - block management;
  - renewals;
  - site audits;
  - penetration testing;
  - RACM 'spot checks'; and
  - progress of completing actions from previous internal audits.
- Reviewed reports on:
  - principal and emerging risks;
  - whistleblowing;
  - internal control framework; and
  - legal and regulatory compliance.

"Our focus this year has been on ensuring pay is appropriately aligned with the Company's performance."

JUSTIN READ,
CHAIRMAN OF THE REMUNERATION COMMITTEE

CONTENTS

Dear Shareholders,

I am pleased to present on behalf of the Board the Directors' Remuneration report for the year ended 30 September 2021.

As in previous years, the report has been divided into the following three sections:

- This Annual Statement, which summarises the remuneration outcomes in the year to 30 September 2021, the key decisions taken by the Remuneration Committee during the year and how the Directors' Remuneration Policy ('Policy') will be operated in the current financial year (being the final year of the three-year policy);
- A summary of the Policy, which sets out the remuneration policy for Executive and Non-Executive Directors, which was approved by Shareholders at the 2020 AGM; and
- The Annual Report on Remuneration, which discloses how the Policy was implemented in the year to 30 September 2021 and how the Policy will be operated in the year to 30 September 2022.

2021 performance and reward

Grainger has delivered a robust financial performance and has continued to successfully execute on its well-established growth strategy, despite economic disruption and a challenging market due to Covid-19. The Company demonstrated resilience throughout the pandemic, maintaining strong rental collection rates and driving occupancy levels back up towards normalised levels by the year end as lockdown restrictions were eased. The Company also capitalised on the strong sales market by increasing its rate of asset recycling to support new investment. This, together with another successful equity raise of £209m gross proceeds, has allowed the business to step up investment with a number of additional acquisitions added to its growing pipeline.

The 2021 annual bonus was subject to a combination of PRS net rental income (35%), adjusted earnings (35%), and strategic targets (30%). These measures, consistent with those used in the prior year, were combined to ensure there remained a continued focus on improving profit and rental income growth and focusing on key non-financial deliverables which underpin our strategy. This includes strategic objectives relating to ESG. Focus on these measures will continue to be a key element of the Executive's objectives.

In respect of performance, we achieved PRS net rental Income ('NRI') of £51.9m and adjusted earnings of £83.5m.

The performance against PRS NRI was above threshold but below target and adjusted earnings was above target but below the maximum. When combined with the performance against the strategic targets, annual bonus was calculated at 66.6% of the maximum available. Full disclosure of the actual targets set, and performance against those targets, is on pages 88 and 89. For Rob Hudson, who joined the Company on 31 August 2021, a pro rata bonus is payable to reflect the final month of the financial year he was in situ.

The 2018 LTIP award will vest on 12 December 2021 based on three-year performance, with 50% measured against absolute Total Property Return ('TPR') and 50% measured against relative Total Shareholder Return ('TSR'). The annual average growth in TPR was 6.0% p.a. which is above the threshold of 5% p.a. but below the maximum of 9% p.a. This will result in 43.0% vesting of this part of the award. The TSR performance period will end on 12 December 2021 after this report has been signed off.

Based on performance to 29 October 2021, the Company is ranking just above the median against the real estate TSR peer group and this level of performance would result in 42.9% vesting for this part of the award. Therefore, based on interim testing prior to the end of the performance period, around 43.0% of the 2018 LTIP award is expected to vest.

The Committee believes these outcomes are appropriate and reflect the performance of the business over the relevant performance periods. Therefore, no discretion has been applied to the formulaic outcomes. The Committee also took into account the continuation of the dividend and that the Company did not take any Government support during the financial year or make any pandemic related redundancies.

Board changes

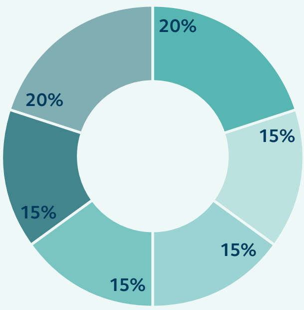
Change of Chief Financial Officer

Following Vanessa Simms' resignation from the Board in October 2020, the Nominations Committee led a thorough external search to identify an appropriate successor to Vanessa and, following unanimous recommendation by the Committee, the Board announced the appointment of Rob Hudson on 18 February 2021.

As discussed at the time of his appointment, Rob's salary was set at £410,000. While the Committee is conscious that this is higher than his predecessor's salary (£348,750), the Committee believes that the salary positioning is appropriate for the following reasons:

- Real Estate experience: A key objective of the Board was to appoint an individual of high calibre with direct real estate experience. Rob joined Grainger from a FTSE 250 Real Estate sector company (St Modwen plc) and as such, has considerable experience of being CFO of a listed Real Estate company.
- Broad experience: Rob is a seasoned board director and with over 26 years' experience in finance and real estate. At his previous employer, Rob served as CFO from 2015 to 2020, stepping into the role of interim chief executive between April and November 2020, and, immediately prior to joining Grainger, holding the position of chief finance and operations officer.
- Market alignment: In order to meet our requirements, and for Rob to join Grainger, it was essential to offer a market aligned joining salary reflecting the current size and complexity of Grainger. The market assessment was confirmed during the recruitment process.
- Previous remuneration: Rob joined from a smaller FTSE 250 business and his starting salary is c.9% higher than his previous one which was effective from January 2020, c.14 months before we announced his joining. A modest increase to his previous salary was required to recruit him, which also considered the lower bonus opportunity on offer at Grainger.
- Vanessa's salary had been initially established at a time (February 2016) when Grainger's market capitalisation was less than half of its current market cap. Vanessa's annual salary increases never exceeded those of the wider workforce.

How the Committee spent its time



- Governance and reporting **20%**
- Investor communication **15%**
- Executive share plans **15%**
- Performance monitoring and review **15%**
- Senior management remuneration and retention **15%**
- Implementation of the Remuneration Policy **20%**

Committee considerations

Consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code, when determining Executive Director Remuneration Policy and practices, the Committee has continued to address the following:

- Clarity – the Policy is well understood by our Directors and has been clearly articulated to Shareholders and proxy voting agencies.
- Simplicity – the current market standard remuneration structure is simple and well understood. We have purposefully avoided any complex structures which have the potential to deliver unintended outcomes.
- Risk – our Policy and approach to target setting seek to discourage inappropriate risk-taking. Measures are a blend of Shareholder return; financial and non-financial objectives and the targets are appropriately stretching. Malus and clawback provisions apply.
- Predictability – executives' incentive arrangements are subject to individual participation caps. An indication of the range of values in packages is provided in the reward scenario charts on page 79.
- Proportionality – there is a clear link between individual awards, delivery of strategy and our long-term performance.
- Alignment to culture – pay and policies cascade down the organisation and are fully aligned to Grainger's culture.

Rob forfeited remuneration upon leaving his previous employment and in line with our Policy, he has been compensated for this on a like-for-like basis.

Full details of the buyout arrangement, and Vanessa Simms' leaving arrangements, are set out in the Annual Report on Remuneration.

Applying the Policy in 2021/22

2022 is the final year of our three-year Policy. The Committee will apply the Policy as follows in the current financial year.

Base salaries

For 2021/22, Executive Director base salaries will be increased by 2% with effect from 1 January 2022, in line with the majority employee population. This is lower than the average salary increase of 2.5% which will be awarded to junior employees.

Although the Committee noted that the CFO was appointed on 31 August 2021, his salary increase (effective January 2022) reflects that he accepted the offer in February 2021 (as per the 18 February 2021 announcement) and Grainger's salary review policy, whereby individuals commencing employment prior to 15 September are eligible for a salary review at the following 1 January review date.

Pension provision

The current Policy includes a pension contribution for Executive Directors of 15% of salary with any new appointments receiving a contribution in line with the workforce rate of 10% of salary.

The Committee is aware of calls from investors for alignment for incumbent directors and as such, the CEO has agreed to reduce her pension to 10% of salary from 1 January 2023. The CFO's pension contribution was aligned to the workforce contribution rate of 10% of salary from appointment.

Annual bonus

Annual bonus will continue to be capped at 140% of salary for the CEO and 120% of salary for the CFO with performance metrics continuing to be based on PRS net rental income (35%), adjusted earnings (35%) and strategic objectives (30%). One quarter of any bonus earned will continue to be subject to deferral into the Company's shares for the period of three years.

Long Term Incentive Plan

The 2021/22 LTIP grant for the CEO and CFO will be over shares with a face value of 200% and 175% of salary respectively. Rather than the performance targets being skewed towards relative TSR as in the previous two years, an equal weighting will apply to the three performance metrics. Accordingly, one third will be based on each of relative TSR, PRS Secured Investment and Total Property Return.

We introduced PRS Secured Investment as an LTIP metric in 2019/20 to incentivise delivery of the future PRS investment pipeline; it is about building scale and improving the consistency of returns in the medium term and the measure has worked well in getting executives to deliver against this goal. We are upweighting this measure from 25% to 33.3% in order to increase further management focus on this area. To guard against concerns that this may lead to a diminution of investment returns, we are applying a similar increase in the TPR target weighting.

The Committee appreciates that relative returns remain important for investors and thus the TSR target is retained, albeit at 33.3%. Whilst we will also retain the requirement for upper quintile TSR performance to achieve maximum pay-out for this element of the LTIP, the Committee notes that the Grainger business model, which aims to deliver steady and sustainable returns for shareholders, can put management at a disadvantage relative to other real estate peer group sub-sectors whose performance and share prices are more volatile.

The proposed change reflects the Committee's view that the performance metrics are of equal importance in respect of incentivising and rewarding long-term performance.

Other share schemes

The Remuneration Committee believes in broader share participation and ownership across the employee population and is exploring extending LTIP participation to other senior employees.

In addition, Grainger continues to operate the SAYE and SIP share schemes in line with the principle of broad employee share ownership and regularly encourages employees to become owners in the Company, by providing frequent awareness sessions, annual presentations, Q&A sessions and assistance in joining available share schemes. A total of 67,117 ordinary shares were purchased at a price of 301.6p per share on 28 September 2021 ('Free Shares'). The Free Shares were allocated to all employees participating in the SIP as Free Shares and registered in the name of Link Asset Services Trustees Ltd.

We look forward to your support on the resolution relating to remuneration at the AGM on 9 February 2022.

Justin Read
Chairman of the Remuneration Committee

17 November 2021

This part of the Directors' Remuneration report sets out a summary of the Directors' Remuneration Policy (the 'Policy') which was approved by Shareholders at the 2020 Annual General Meeting and shall be in place for three years. The Policy approved by Shareholders can be found in the 2019 Annual Report and Accounts.

The following table summarises the main elements of the Executive Directors' Remuneration Policy, the key features of each element, their purpose and linkage to our strategy. Details of the remuneration arrangements for the Non-Executive Directors are set out on page 86.

Base salary	
Purpose and link to strategy	To enable the recruitment and retention of individuals of the necessary calibre to execute the Company's business strategy.
Operation	Reviewed annually and typically effective from 1 January. Changes to salary levels will take into account the: – role, experience, responsibilities and personal performance; – average change in total workforce salary; – total organisational salary budgets; and – Company performance and other economic or market conditions. Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.
Opportunity	Salaries will be eligible for increases during the three-year period that the Remuneration Policy operates. During this time, salaries may be increased each year (in percentage of salary terms) in line with increases granted to the wider workforce. Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Company. Where new joiners or recent promotions have been placed on a below market rate of pay initially, a series of increases above those granted to the wider workforce (in percentage of salary terms) may be given over the following few years' subject to individual performance and development in the role.
Framework to assess performance	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy.

Benefits	
Purpose and link to strategy	To aid recruitment and retention of high-quality executives.
Operation	Executive Directors may receive a benefit package which includes a car allowance, private medical insurance, life assurance, ill health income protection, travel insurance and health check-up. Other ancillary benefits (including relocation expenses) may be offered, as required.
Opportunity	There is no maximum as the value of benefits may vary from year to year depending on the cost to the Company from third-party providers.
Framework to assess performance	N/A

Pension	
Purpose and link to strategy	To aid recruitment and retention of high-quality executives and enable long-term savings through pension provision.
Operation	The Company may contribute directly into an occupational pension scheme (an Executive Director's personal pension) or pay a salary supplement in lieu of pension. If appropriate, a salary sacrifice arrangement can apply.
Opportunity	The pension contribution or allowance is based on 15% of basic salary for the current Directors. For any new Executive Director appointments to the Board, the Committee will align pension provision (in percentage of salary terms) to the majority workforce level.
Framework to assess performance	N/A

Annual bonus	
Purpose and link to strategy	To reward and incentivise the achievement of annual targets linked to the delivery of the Company's strategic priorities for the year.
Operation	Bonus measures and targets are reviewed annually and any payout is determined by the Committee after the end of the financial year, based on performance against targets set for the financial period. Up to 75% of any bonus that becomes payable is paid in cash with the remainder deferred into shares for three years. Deferred bonus share awards typically vest subject to continued employment. Individuals may be able to receive a dividend equivalent payment on deferred bonus shares at the time of vesting equal to the value of dividends which would have accrued during the vesting period. The dividend equivalent payment may assume the reinvestment of dividends on a cumulative basis.
Opportunity	Maximum bonus potential is capped at: – 140% of salary for the Chief Executive; and – 120% of salary for other Executive Directors.
Framework to assess performance	Bonus performance measures are set annually and will be predominantly based on challenging financial targets set in line with the Group's strategic priorities and tailored to each individual role as appropriate, for example, targets relating to adjusted earnings. For a minority of the bonus, strategic or operational objectives may operate. The Committee has the discretion to vary the performance measures used from year to year depending on the economic conditions and strategic priorities at the start of each year. Details of the performance measures used for the current year and targets set for the year under review and performance against them will be provided in the Annual Report on Remuneration. For financial targets, and where practicable in respect of operational or strategic targets, bonus starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for stretch performance. The Committee may adjust bonus outcomes, based on the application of the bonus formula set at the start of the relevant year, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the year. For the avoidance of doubt this can be to zero and bonuses may not exceed the maximum levels detailed above. Any use of such discretion would be detailed in the Annual Report on Remuneration. In the event that there was (i) a misstatement of the Company's results; (ii) a miscalculation or an assessment of any performance conditions that was based on incorrect information; (iii) misconduct on behalf of an individual, (iv) the occurrence of an insolvency or administration event; (v) reputational damage; or (vi) serious health and safety events; malus and/or clawback provisions may apply (to the extent to which the Committee considers that the relevant individual was involved (directly or through oversight) in such events) for three years from the date of payment of any bonus or the grant of any deferred bonus share award (which may be extended by the Remuneration Committee for a further two years to allow an investigation to take place).

Long Term Incentive Plan ('LTIP')	
Purpose and link to strategy	To incentivise and reward the delivery of strategic priorities and sustained performance over the longer term. To provide greater alignment with Shareholders' interests.
Operation	The LTIP provides for awards of free shares (i.e. either conditional shares or nil-cost options) normally on an annual basis which are eligible to vest after three years subject to continued service and the achievement of challenging performance conditions. Vested awards are subject to a two-year post-vesting holding period. In exceptional circumstances such as due to regulatory or legal reasons, vested awards may also be settled in cash. Dividend equivalent payments may be made on vested LTIP awards and may assume the reinvestment of dividends, on a cumulative basis.
Opportunity	Following the approval of this Policy, awards in any financial year are capped at: – 200% of salary for the Chief Executive; and – 175% of basic salary for other Executive Directors.
Framework to assess performance	The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial). The choice of measures and their weightings will be determined prior to each grant. 25% of awards will vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets. No awards vest for performance below threshold. A graduated vesting scale operates between threshold and maximum performance levels. The Committee may adjust LTIP vesting outcomes, based on the result of testing the performance condition, if it considers the quantum to be inconsistent with the performance of the Company, business or individual during the three-year performance period. For the avoidance of doubt this can be to zero. Any use of such discretion would be detailed in the Annual Report on Remuneration. In the event that there was (i) a misstatement of the Company's results; (ii) a miscalculation or an assessment of any performance conditions based on incorrect information; (iii) misconduct on behalf of an individual, (iv) the occurrence of an insolvency or administration event, (v) reputational damage, or (vi) serious health and safety events, malus and/or clawback provisions may apply (to the extent to which the Committee considers that the relevant individual was involved (directly or through oversight) in such events) for three years from an award becoming eligible to vest (which may be extended by the Remuneration Committee for a further two years to allow an investigation to take place).

Savings related share schemes	
Purpose and link to strategy	To encourage employees to make a long-term investment in the Company's shares.
Operation	All employees, including the Executive Directors, are eligible to participate on the same terms in the Company's Save As You Earn ('SAYE') scheme and Share Incentive Plan ('SIP'), both of which are approved by HMRC and subject to the limits prescribed.
Opportunity	SAYE: Participants may invest up to £500 per month (or such other amount as may be permitted by HMRC from time to time) for three or five-year periods in order to purchase shares at the end of the contractual period at a discount of up to 20% to the market price of the shares at the commencement of the saving period. SIP: Participants can invest up to £150 per month (or such other amount as may be permitted by HMRC from time to time) in shares in the Company, and the Company may then, subject to certain limits, double that investment. The Company may also allocate free shares annually on a percentage of basic pay, subject to a maximum of £3,600 (or such other amount as may be permitted by HMRC from time to time). Dividend payments on SIP shares are reinvested and must be held in trust for three years.
Framework to assess performance	N/A

Shareholding guidelines

Under the Shareholding Guidelines, Executive Directors are expected to build up over time a shareholding equivalent to 200% of their base salary. Executive Directors are required to retain all the after-tax number of vested LTIP and deferred bonus awards to satisfy the guideline. In addition, the Committee's general expectation is that the guideline will be met within five years of its introduction, although the Committee reserves the right to take into account vesting levels and personal circumstances when assessing progress against the guideline.

A post cessation shareholding guideline operates. From the 2020 AGM, Executive Directors are expected to retain the lower of actual shares held and shares equal to 200% of salary for two years post cessation in respect of shares which vest from grants of deferred bonus and LTIP awards since the approval of this Policy. Buyout awards and own shares purchased are excluded from this.

Notes to the future Policy for Executive Directors

Choice of performance measures and approach to target setting

The annual bonus measures are selected to provide direct alignment with the short-term operational targets of the Company. Care is taken to ensure that the short-term performance measures are always supportive of the long-term objectives. This is especially important in a business which has a long-term investment horizon. The LTIP performance measures are selected to ensure that the Executives are encouraged in, and appropriately rewarded for, delivering against the Company's key long-term strategic goals so as to ensure a clear and transparent alignment of interests between Executives and Shareholders and the generation of long-term sustainable returns. The performance metrics that are used for annual bonus and long-term incentive plans are normally a sub-set of the Group's KPIs.

Discretion

The Committee operates the annual bonus plan, LTIP and all-employee plans according to their respective rules and in accordance with the relevant Listing Rules and HMRC rules consistent with market practice. The Committee retains discretion, within the confines and opportunity detailed above, in a number of respects with the operation and administration of these plans. These include:

- the individual(s) participating in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or payment;
- the determination of vesting;
- dealing with a change of control (e.g. the timing of testing performance targets) or restructuring;
- determination of a 'good/bad leaver' for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- the annual review of performance conditions for the annual bonus plan and LTIP; and
- the ability to adjust incentive outcomes, based on the result of testing the performance condition, if it considers the quantum to be inconsistent with the performance of the Company, business or individual.

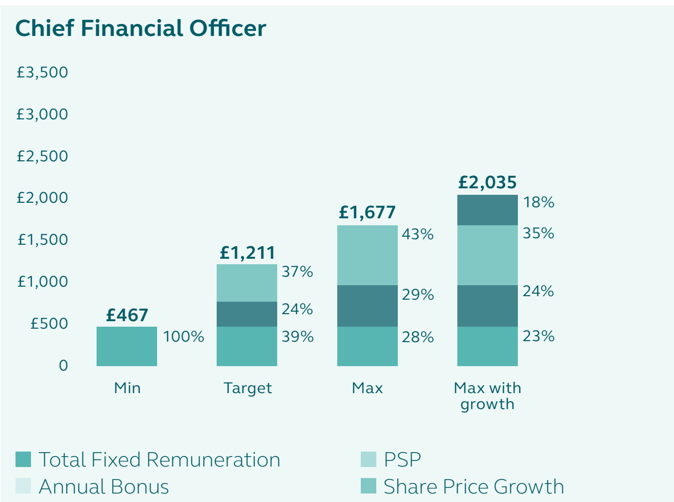
The Committee also retains the ability to adjust the targets, and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the LTIP if events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

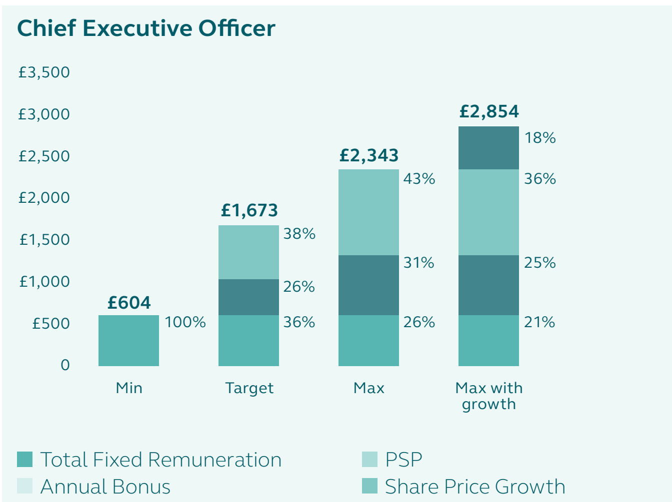
Reward scenarios for Executive Directors

The Company's Remuneration Policy results in a significant proportion of remuneration received by Executive Directors being dependent on Company performance. The composition and total value of the Executive Directors' remuneration package for the financial year 2021/22 at minimum, on-target, maximum performance and maximum with share price growth scenarios are set out in the charts below.

Assumptions used in determining the level of payout under given scenarios are as follows:

- Minimum = base salary at 1 January 2022, estimated 2021/22 benefits and pension contribution of 15% of salary for the CEO and 10% of salary for the CFO (fixed pay).
- On-target = 60% payable of the 2022 annual bonus and 62.5% vesting of the 2022 LTIP awards.
- Maximum = 100% payable of the 2022 annual bonus and 100% vesting of the 2022 LTIP awards (based on a face value of 200% of salary for the CEO and 175% of salary for the CFO).
- Maximum with share price growth = as per maximum but with a 50% share price growth assumed on LTIP awards.





How the Executive Directors' Remuneration Policy relates to the wider Group

The Remuneration Policy provides an overview of the structure that operates for the Company's Executive Directors and senior executive population. However, it is highlighted that there are differences in quantum within this determined by the size and scope of individual positions.

The Committee is made aware of pay structures across the Group when setting the Remuneration Policy for Executive Directors. The key difference is that, overall, the Remuneration Policy for Executive Directors is more heavily weighted towards variable pay than for other employees.

Base salaries are operated under the same Policy as detailed in the Remuneration Policy table with any comparator groups used as a reference point. The Committee considers the general basic salary increase for the broader Company (if any) when determining the annual salary review for the Executive Directors.

The LTIP is operated at the most senior tiers of Executives, as this arrangement is reserved for those anticipated as having the greatest potential to influence Company level performance.

However, the Committee believes in wider employee share ownership and promotes this through the operation of the HMRC tax approved all-employee share schemes which are open to all UK employees.

How the views of employees are taken into account

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors. For example, consideration is given to the overall salary increase budget and the incentive structures that operate across the Company.

The Chief Executive Officer holds 'all employee' conference calls to give our people an overview of Company strategy and provide our people with the opportunity to ask any questions. In addition, the CEO and Board members regularly visit offices and meet with our people to gauge overall opinions.

The CEO has regular meetings with our people including breakfast meetings with new employees. Annual employee engagement surveys and half year interim annual pulse surveys are carried out, the results of which are presented to the Board by the HR Director. A session was also held to discuss how the executive pay aligned with the wider company pay policy.

In addition, as noted on page 70 Janette Bell has been designated as the Non-Executive Director for employee engagement and consultation.

How the views of Shareholders are taken into account

The Remuneration Committee considers Shareholder feedback received in relation to the AGM each year and guidance from Shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings held with Shareholders from time to time, is then considered as part of the Committee's on-going review of Remuneration Policy (as has been the case in relation to the proposed Policy changes). In respect of the 2020 AGM, feedback received was positive and is reflected in the voting outcome.

Carol Hui was appointed to the Board on 1 October 2021. As well as joining the Remuneration Committee, Carol will oversee the establishment of the Company's Responsible Business Committee and become chair of it. This Committee will provide Board-level oversight of the delivery of the company's ESG strategy including its 2030 'net zero in operations' commitment and its diversity and inclusion plans.

During 2021, the Remuneration Committee considered feedback from certain investors on pension alignment for Executive Directors and has agreed with the CEO that the CEO's pension will reduce to the workforce rate from 1 January 2023.

Approach to recruitment remuneration

When setting the remuneration package for a new Executive Director, the Committee will apply the same principles and implement the Policy as set out in the Remuneration Policy table.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. In certain cases, this may include setting a salary below the market rate but with an agreement on future increases up to the market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate. Pension provision, in percentage of salary terms, will be aligned to the general workforce level.

The maximum level of variable remuneration which may be granted (excluding buyout awards as referred to below) is an annual bonus of 140% of salary and LTIP award of 200% of salary (as per the limits in the Policy table).

In relation to external appointments, the Committee may offer compensation that it considers appropriate to take account of awards and benefits that will or may be forfeited on resignation from a previous position. Such compensation would reflect the performance requirements, timing and such other specific matters as the Committee considers relevant. This may take the form of cash and/or share awards. The Policy is that the maximum payment under any such arrangements (which may be in addition to the normal variable remuneration) should be no more than the Committee considers is required to provide reasonable compensation to the incoming Executive Director. If the Executive Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee.

In the case of an employee who is promoted to the position of Executive Director, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to existing incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the on-going remuneration of the employee. These would be disclosed to Shareholders in the following year's Annual Report on Remuneration.

Non-Executive Director appointments will be through letters of appointment. Non-Executive Directors' base fees, including those of the Chairman, will be set at a competitive market level, reflecting experience, responsibility and time commitment. Additional fees are payable for the chairmanship of the Audit and Remuneration Committees and for the additional responsibilities of the Senior Independent Director.

Directors' service contracts and provision on payment for loss of office

Executive Directors' service contracts are terminable by the Company on up to one year's notice and by the Director on at least six months' notice.

If an Executive Director's employment is to be terminated, the Committee's policy in respect of the contract of employment, in the absence of a breach of the service agreement by the Executive Director, is to agree a termination payment based on the value of base salary and contractual pension amounts and benefits that would have accrued to the Executive Director during the contractual notice period. The policy is that, as is considered appropriate at the time, the departing Executive Director may work, or be placed on garden leave, for all or part of their notice period, or receive a payment in lieu of notice in accordance with the service agreement. The Committee will also seek to apply the principle of mitigation where possible so as to reduce any termination payment to a leaving Executive Director, having had regard to the circumstances.

In addition, the Committee may also make payments in relation to any statutory entitlements, to settle any claim against the Company (e.g. in relation to breach of statutory employment rights or wrongful dismissal) or make a modest provision in respect of legal costs or outplacement fees.

The Company has an enhanced redundancy policy allowing redundancy amounts to be calculated by reference to actual basic weekly salary and the policy may be extended to Executive Directors where relevant.

With regard to annual bonus for a departing Executive Director, if employment ends by reason of redundancy, retirement with the agreement of the Company, ill health or disability or death, or any other reason as determined by the Committee (i.e. the individual is a 'good leaver'), the Executive Director may be considered for a bonus payment. If the termination is for any other reason, any entitlement to bonus would normally lapse. Under any circumstance, it is the Committee's policy to ensure that any bonus payment reflects the departing Executive Director's performance and behaviour towards the Company.

Any bonus payment will normally be delayed until the performance conditions have been determined for the relevant period and be subject to a pro rata reduction for the portion of the relevant bonus year that the individual was employed.

The treatment for share-based incentives granted to an Executive Director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. In relation to awards granted under the Company's long term incentive plans, in certain prescribed circumstances, such as death, injury or disability, redundancy, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time), 'good leaver' status may be applied.

If treated as a good leaver, awards will be eligible to vest subject to performance conditions, which will be measured over the original performance period (unless the Committee elected to test performance to the date of cessation of employment), and be subject to a pro rata reduction (unless the Committee considered it inappropriate to do so) to reflect the proportion of the vesting period actually served. Where awards vest within two years of cessation, the post vesting holding period will continue to apply until the second anniversary of cessation. There will be no holding period for awards vesting more than two years after cessation.

Any LTIP awards which vest pre-cessation but which are still subject to the two-year holding period will need to be retained by the individual (either on a post-tax basis or as unexercised awards) post cessation, until the relevant two-year holding period has expired.

With regard to the deferral of annual bonus, deferred share bonus awards will normally lapse on cessation of employment other than where an Executive Director is a 'good leaver' (as detailed above) with awards then vesting on the normal vesting date.

It is the Company's policy to honour pre-existing award commitments in accordance with their terms.

Where the Executive Director participates in one or more of the Company's HMRC approved share plans, awards may vest or be exercisable on or following termination of employment in certain good leaver circumstances, where permissible, in accordance with the rules of the plan and relevant legislation.

External appointments

Executive Directors are permitted to accept external non-executive appointments with the prior approval of the Board. It is normal practice for Executive Directors to retain fees provided for non-executive appointments.

Non-Executive Directors' letters of appointment

The Chairman and Non-Executive Directors have letters of appointment for an initial fixed term of three years subject to earlier termination by either party on written notice. In each case, this term can be extended by mutual agreement. Non-Executive Directors have no entitlement to contractual termination payments. The dates of the initial appointments of the Non-Executive Directors are set out in the Annual Report on Remuneration.

Non-Executive Directors' fees

The policy on Non-Executive Directors' fees is set out below:

Non-Executive Directors	
Purpose and link to strategy	To provide a competitive fee which will attract those high-calibre individuals who, through their experience, can further the interests of the Group through their stewardship and contribution to strategic development.
Operation	The fees for Non-Executive Directors (including the Chairman) are typically reviewed every second year or more frequently if required. Fee levels are set by reference to the expected time commitment and responsibility and are periodically benchmarked against relevant market comparators as appropriate reflecting the size and nature of the role. The Chairman and Non-Executive Directors are paid an annual fee which is paid at least monthly in cash and do not participate in any of the Company's incentive arrangements or receive any pension provision. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairmanship of the Company's key Committees and for performing the Senior Independent Director role. All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties. The Committee recommends the remuneration of the Chairman to the Board. The Chairman's fee is determined by the Committee (during which the Chairman has no part in discussions) and recommended by it to the Board. The Non-Executive Directors' fees are determined by the Chairman and the Executive Directors.
Opportunity	Fee levels will be eligible for increases during the period that the Remuneration Policy operates to ensure that they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity.
Framework to assess performance	N/A

This Annual Report on Remuneration sets out details of how the Company's Remuneration Policy for Directors was implemented during the financial year ended 30 September 2021. This report has been prepared in accordance with the provisions of the Companies Act 2006 and related Regulations. An advisory resolution to approve this report (and the Annual Statement) will be put to Shareholders at the AGM on 9 February 2022.

3. Single total figure of remuneration for each Director

The remuneration of Directors showing the breakdown between components with comparative figures for 2020 is shown below.

This table and the details set out in Notes 3 to 9 on pages 87 to 93 of this report have been audited by KPMG LLP.

2021	Salary and fees[1] £'000	Taxable benefits[2] £'000	Share incentive Plan £'000	Annual bonus[3] £'000	LTIP awards[4] £'000	Pension benefits £'000	Other[8]	Total £'000	Total Fixed Remuneration[6] £'000	Total Variable Remuneration[7] £'000
Executive Directors										
Helen Gordon	499	16	3	467	520	75	–	1,580	593	987
Rob Hudson	36	1	–	27	–	4	389	457	41	416
Vanessa Simms	197	9	–	–	–	30	–	236	236	–
	732	26	3	494	520	109	389	2,273	870	1,403
Non-Executive Directors[5]										
Mark Clare	168	–	–	–	–	–	–	168	168	–
Andrew Carr-Locke	66	–	–	–	–	–	–	66	66	–
Justin Read	58	–	–	–	–	–	–	58	58	–
Janette Bell	53	–	–	–	–	–	–	53	53	–
Rob Wilkinson	48	–	–	–	–	–	–	48	48	–
	393	–	–	–	–	–	–	393	393	–
Totals	1,125	26	3	494	520	109	389	2,666	1,263	1,403

1 The CEO's and former CFO's salaries during the year under review increased by 1.5% in line with the wider employee population from 1 January 2021. At 1 January 2021, Helen Gordon's base salary was £501,329 and Vanessa Simms' base salary was £348,750. Rob Hudson's salary upon joining Grainger on 31 August 2021 was set at £410,000.

2 Taxable benefits comprise of a car allowance and private medical insurance.

3 In line with the Remuneration Policy, 25% of the bonus is deferred into shares for three years. No bonus was payable to Vanessa Simms for part of the year she was in employment due to her resignation in October 2020.

4 Please see Note 5 on page 90 for information in relation to the LTIP awards that are due to vest in December 2021. The TSR performance period ends in December 2021 and the performance outcome for this part of the award is based on performance to 29 October 2021 and is therefore indicative. The value of the LTIP awards has been estimated based on the three-month average share price to 30 September 2021. The amount also includes the value of dividend accrued being £22,227 for Helen Gordon. £146,182 of Helen Gordon's LTIP value is attributable to share price appreciation. No discretion will be applied to the vesting outcomes as a result of changes in share price movements.

5 The fees for Non-Executive Directors reflect payments in relation to any chairmanship roles (as applicable during the year under review or the preceding year) and in some cases pro rata adjustments are made to reflect the changes in respect of such roles being taken part way through the relevant year. Carol Hui joined the Board as a Non-Executive Director following the year end and has not therefore been included in the 2021 single figure table.

6 Comprises the aggregate of total salary and fees, taxable benefits, share incentive plan awards and pension benefits.

7 Comprises total annual bonus and LTIP awards.

8 Rob Hudson will receive cash payments of £369,668 and £19,724 to compensate for forfeited 2021 bonus and sharesave awards in respect of his previous employment. Further details are shown on page 91. These amounts will be paid in December 2021 and the net of tax proceeds from the share save element will be used to purchase shares in Grainger.

2020	Salary and fees[1] £'000	Taxable benefits[2] £'000	Share incentive Plan £'000	Annual bonus[3] £'000	LTIP awards[4] £'000	Pension benefits £'000	Total £'000	Total Fixed Remuneration[6] £'000	Total Variable Remuneration[7] £'000
Executive Directors									
Helen Gordon	491	16	2	484	621	74	1,688	583	1,105
Vanessa Simms	342	16	2	–	321	51	732	411	321
	833	32	4	484	942	125	2,420	994	1,426
Non-Executive Directors[5]									
Mark Clare	168	–	–	–	–	–	168	168	–
Andrew Carr-Locke	66	–	–	–	–	–	66	66	–
Justin Read	58	–	–	–	–	–	58	58	–
Janette Bell	53	–	–	–	–	–	53	53	–
Rob Wilkinson	48	–	–	–	–	–	48	48	–
	393	–	–	–	–	–	393	393	–
Totals	1,226	32	4	484	942	125	2,813	1,387	1,426

1 Executive Directors' salaries during the year increased by 2.5% in line with the wider employee population from 1 January 2020. At 1 January 2020, Helen Gordon's base salary was £493,920 and Vanessa Simms' base salary was £343,596.

2 Taxable benefits comprised of a car allowance and private medical insurance.

3 In line with the Remuneration Policy, 25% of the bonus was deferred into shares for three years. No bonus was payable to Vanessa Simms due to her resignation in October 2020.

4 The vesting value of the LTIP awards in last year's report were estimated. These values have been updated to reflect the share price on the date of vesting of £2.772.

5 The fees for Non-Executive Directors reflect payments in relation to any chairmanship roles (as applicable during the year under review or the preceding year) and in some cases pro rata adjustments are made to reflect the changes in respect of such roles being taken part way through the relevant year.

6 Comprises total salary and fees, taxable benefits, share incentive plan and pension benefits.

7 Comprises total annual bonus and LTIP awards.

4. Annual bonus awards – performance assessment for 2021

In determining the bonus outcomes for 2021, the Committee took into account the Company's financial performance and achievements against key short-term objectives established at the beginning of the year. 70% of the bonus was based on adjusted earnings and PRS NRI performance (with equal weightings) with the remainder based on achievement against non-financial, operational objectives. The targets applying to each financial measure and performance against the targets for 2021 are set out in the table below.

Financial performance (70% of the 2021 annual bonus opportunity)

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2021 performance	Out-turn (% of max element)
						Bonus
Adjusted earnings	35%	£70.7m	£78.5m	£86.4m	**£83.5m**	**85.5%**

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2021 performance	Out-turn (% of max element)
						Bonus
PRS NRI	35%	£50.7m	£53.4m	£56.1m	**£52.6m**	**41.8%**

Payouts for performance between threshold and target and between target and maximum is determined on a straight-line basis.

The performance for PRS NRI includes £51.9m NRI, along with £0.7m liquidated and ascertained damages ('LADs') recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts in accordance with the treatment agreed at the time the targets were set. For statutory reporting purposes, these are included within fees and other income.

As a result of performance against the financial objectives, a bonus of 44.6% out of 70% became payable.

Non-financial performance (30% of the 2021 annual bonus opportunity)

In respect of the personal performance targets set for the Chief Executive, these were set against a range of operational objectives at the start of the year. The targets set were aligned to Grainger's corporate objectives. On joining the business, the Chief Financial Officer also assumed the same objectives in order to align with the Chief Executive.

Chief Executive and Chief Financial Officer

Objective	Measure	Performance assessment
1. Customer Service	Design and establish a central resident services call centre	Achieved in full (2%) with the customer Service Desk being established in February 2021
	Achieve material increase in NPS, Google reviews and feedback response rate from customers	Partially achieved (4% out of 6%) with NPS improving materially and level of customer responses increasing over five times the prior year
	Design and implement new customer management system for those PRS blocks where there is no on-site Grainger management	Achieved in part (1% out of 2%) with customer service fully designed and partially launched by the financial year end
2. ESG	Demonstrable progress of requisite workstreams in order to comply with TCFD requirements	Achieved in full (1%) with progress specified on page 45
	Complete all EPC data compilation across portfolio and analysis/planning pursuant to such data	Achieved in part (1% out of 2%) with EPC ratings undertaken and analysis/planning ongoing
	Revise design brief and produce sustainability guide for all our developments	Achieved in full (1%) with the updated brief issued in the year
	Clear evidence of community engagement activities from Grainger staff	Achieved in full (1%) with detailed case studies specified on page 27 and over 200 events undertaken during the year, particularly around wellbeing
3. Technology/CONNECT	Launch/completion of next phase of technological constituents of the project in accordance with programme	Achieved in full (7%) including launch of digital lead to lease, customer payment system, supplier purchase to pay system and use of data analytics
4. People	New operational leadership in place with supporting structure	Achieved in full (2%) with new leadership team in place including Director of Operations, Director of Onboarding and Director of Leasing
	Increase employee engagement and satisfaction to "One to Watch" level target	Engagement score increased materially on prior year but short of stretch target (0% our of 2%)
	Commence workforce diversity analysis and implementation of diversity strategy for all recruitment	Achieved in relation senior appointments made during the year, with application to all workforce to be fully completed (0% of out of 1%)
5. Quality Control	Design and implement Resident Services team quality control and assurance testing	Achieved in full (2%) with internal auditor appointed to carry out reviews, assurance scheme designed and audit of 5 PRS sites carried out

Pursuant to the above assessment, totalling the above percentage outcomes, the Committee determined that 22% of the maximum 30% of this part of the bonus would be payable and was appropriate in the circumstances.

It is the Committee's approach to view the performance in the round at the end of the year. The Committee believes a total bonus of 66.6% of the maximum bonus opportunity is representative of performance during the year.

	Bonus opportunity	2021 bonus payable (out of 100% maximum)	Bonus earned – payable in cash	Bonus earned – deferred in shares for three years[1]
Helen Gordon	140% of salary	**66.6%**	**£350,340**	**£116,780**
Rob Hudson	120% of salary (pro rated to reflect joining date of 31 August 2021)	**66.6%**	**£20,465**	**£6,822**

1 The deferred bonus share awards will be granted after the announcement of annual results.

5. LTIP awards – performance assessment for 2021

LTIP awards vesting in December 2021

The awards made to Executive Directors in December 2018, and which are due to vest on 12 December 2021, are based on a 50% relative TSR condition and 50% TPR condition measured over a three-year period. Performance against the vesting schedule can be summarised as follows:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Out-turn (% of max element)
					LTIP
Relative TSR versus the constituents of the FTSE 350 Real Estate Supersector	50%	Median ranking	Upper quartile ranking or better	TSR of 29.8% currently places Grainger between median and upper quartile	42.9% (estimated)
TPR (annual average growth)	50%	5% p.a.	9% p.a.	6.0% p.a.	43.0%

At the time of signing off this report, the TSR performance period has not concluded. Based on performance to 29 October 2021, Grainger is ranked between median and upper quartile. This gives an indicative vesting of 42.9% for this part of the award. Actual vesting will be based on performance to third anniversary of grant (12 December 2021) and the actual performance and vesting outcome will be shown in next year's report. Under the TPR measure, annual average growth of 6.0% p.a. over the three-year period resulted in 43.0% of this part of the award vesting. In aggregate, 43.0% of the December 2018 LTIP award is on track to vest in December 2021.

The value of these awards shown in the single figure table are based on the average three-month share price to 30 September 2021 of 309.6p. These values include dividend equivalent to the value of £22,227 for Helen Gordon. These awards are subject to a two-year holding period.

LTIP awards vested in December 2020

The awards made to Executive Directors in December 2017, and which vested on 11 December 2020, were based 50% on relative TSR and 50% on TPR.

Grainger ranked within the upper quartile of the TSR peer group which resulted in 100% of this part of the award vesting. Annual growth in TPR of 5.5% p.a. over the three-year period resulted in 33.7% of this part of the award vesting. In aggregate, 66.9% of the December 2017 LTIP award vested in December 2020. The value of these awards shown in the revised 2020 single figure table included in this Annual Report and Accounts is based on the share price at the date of vesting (11 December 2020) and also includes the dividend equivalent payment on the vested awards.

6. Share scheme interests awarded during the year

	LTIP share awards (10 December 2020)		DBSP share awards (10 December 2020)	
	Number	**Face value £'000**	Number	Face value £'000
Helen Gordon	**350,496**	**988**	43,397	121

The face value of LTIP share awards for Helen Gordon (200% of salary) is based on a price of 281.84p, being the average share price for the five business days immediately preceding the award being made on 10 December 2020.

The awards will be eligible to vest three years after grant, dependent upon continued employment and satisfying performance criteria. Half of the award is subject to a relative TSR condition (measured against a group of real estate companies), 25% subject to a TPR condition and the remaining 25% subject to a Secured PRS investment condition.

The relative TSR performance condition requires Grainger's three-year relative TSR performance versus the comparator group to be at least at median for 25% of this part of the award to vest, with vesting then increasing on a straight-line basis to 100% for upper quintile relative TSR performance. The TPR performance condition requires annual three-year growth in TPR to be above 5% p.a. for 25% of this part of the award to vest, with vesting then increasing on a straight-line basis to 100% for 8% p.a. growth or better. Following vesting, a two-year holding period is applied on vested shares.

The Secured PRS Investment condition is based on a sliding scale of targets based on aggregate three-year investment with 25% vesting for achieving threshold and vesting increasing on a straight line basis until a maximum stretch target is achieved. In relation to the Secured PRS Investment measure, performance after one year into the three-year performance period is on track for threshold vesting, assuming further PRS investments are secured during the remainder of the period.

The face value of the deferred bonus share plan ('DBSP') awards for Helen Gordon relates to a 25% deferral of the 2020 annual bonus into Company shares, is based on a price of 279.07p, being the average share price for the three business days immediately preceding the award being made on 10 December 2020. The awards will be eligible to vest in three years subject to continued employment.

7. Payments for loss of office and to past Directors

Vanessa Simms gave the Board notice of her intention to leave Grainger on 28 October 2020 and she stepped off the Board and ceased employment on 23 April 2021. Vanessa forfeited her 2020 and 2021 annual bonuses and her outstanding and unvested LTIP and DBSP share awards upon cessation (see Note 6 above for details of vested awards during the year).

Vanessa was paid her salary and received pension and benefits until her date of departure and no payment in lieu of notice was paid.

8. Appointment of Rob Hudson

Rob Hudson joined Grainger's Board as CFO on 31 August 2021. The Committee determined Rob's base salary taking into account the external recruitment market for CFOs with direct real estate experience, the experience, expertise and calibre of the executive and typical salaries in the FTSE 250. The other elements of Rob's package are in line with our Directors' Remuneration Policy and include a workforce aligned pension contribution rate.

In compensation for remuneration forfeited upon Rob's resignation from his previous employer, the following awards were granted. These awards will vest no earlier than the original vesting dates of those forfeited and the exchange has been based on the relevant share prices on the date of the announcement of appointment (18 February 2021).

	Date of grant	**Number of Grainger awards granted**	Vesting date	Face value of award (based on Grainger share price on 18 February 2021)
2019 LTIP award[1]	**11 October 2021**	**93,380**	20 February 2022	£246,334
2020 LTIP award[2]	**11 October 2021**	**184,537**	11 March 2023	£486,808
2021 LTIP award[3]	**11 October 2021**	**271,987**	1 February 2024	£717,500

1 The performance measurement for these awards were undertaken and the number of awards being granted reflects the performance outcome at Rob's previous employer (50% vesting). These awards will vest subject to continued employment only.

2 These awards vest subject to the performance conditions attached to the Grainger LTIP awards made in February 2020 (50% on relative TSR, 25% on Total Property Return and 25% on Secured PRS Investment).

3 These awards replace a 2021 LTIP grant that Rob Hudson would have received had he remained in employment with his previous employer. These awards vest subject to the performance conditions attached to the Grainger LTIP awards made in December 2020 (50% on relative TSR, 25% on Total Property Return and 25% on Secured PRS Investment).

The above awards will be subject to a two-year holding period post vesting and dividends equivalents may accrue from the date of grant to the earlier of the exercise date and the expiry of the relevant two-year post-vesting holding period.

In addition, Rob Hudson will receive cash payments of £369,668 and £19,724 to compensate for forfeited 2021 bonus and sharesave awards. These amounts will be paid in the December 2021 payroll and the net of tax sharesave element will be used to purchase shares in Grainger. These amounts have been included in the single figure table for 2021.

9. Directors' shareholdings and share interests

Performance share awards

		Awards[1] granted	Maximum award Number	Awards vested Number	Awards lapsed Number	**Maximum outstanding awards at 30 Sep 2021 Number**	Market price at date of vesting (p)	Vesting date
Helen Gordon	LTIP shares[1]	09-Feb-17	364,254	130,403	233,851	**–**	310.0	09-Feb-20
	LTIP shares[2]	11-Dec-17	316,297	211,500	104,797	**–**	277.2	11-Dec-20
	LTIP shares	12-Dec-18	374,640	–	–	**374,640**	–	12-Dec-21
	LTIP shares[3]	06-Feb-20	330,116	–	–	**330,116**	–	06-Feb-23
	LTIP shares[3]	10-Dec-20	350,496	–	–	**350,496**	–	10-Dec-23
	DBSP[2]	11-Dec-17	37,681	37,681	–	**–**	277.2	11-Dec-20
	DBSP	12-Dec-18	55,256	–	–	**55,256**	–	12-Dec-21
	DBSP	10-Dec-19	16,429	–	–	**16,429**	–	10-Dec-22
	DBSP	10-Dec-20	43,397	–	–	**43,397**	–	10-Dec-20
Rob Hudson	LTIP shares	11-Oct-21	93,380	–	–	**93,380**	–	20-Feb-22
	LTIP shares	11-Oct-21	184,537	–	–	**184,537**	–	11-Mar-23
	LTIP shares	11-Oct-21	271,987	–	–	**271,987**	–	01-Feb-24
Vanessa Simms	LTIP shares[1]	09-Feb-17	188,235	67,388	120,847	**–**	310.0	09-Feb-20
	LTIP shares	11-Dec-17	163,453	109,297	54,156	**–**	277.2	11-Dec-20
	LTIP shares	12-Dec-18	193,602	–	193,602	**–**	–	–
	LTIP shares	06-Feb-20	200,940	–	200,940	**–**	–	–
	DBSP	11-Dec-17	23,210	23,210	–	**–**	277.2	11-Dec-20
	DBSP	12-Dec-18	33,863	–	33,863	**–**	–	–
	DBSP	10-Dec-19	9,796	–	9,796	**–**	–	–

1 LTIP shares vested on 9 February 2020 and exercised during the year under review.
2 LTIP shares vested in December 2020 but are unexercised at the date of this report. These will remain capable of exercise in accordance with the scheme rules.
3 In relation to the Secured PRS Investment measure, performance after one year (in relation to 10 December 2020 award) and two years (in relation to 6 February 2020 award) into the three-year performance period is on track for threshold vesting, assuming further PRS investments are secured during the remainder of the period.

All employee share options under SAYE

			Granted in year		Lapsed during year								
		Share options at 1 Oct 2020	Number	Grant price (p)	Number	Number	Exercise price (p)	Market price on exercise (p)	Gains on exercise of share options (£)	**Share options at 30 Sep 2021**	Exercise price (p)	Earliest exercise date	Latest exercise date
Helen Gordon	SAYE	9,326	–	–	–	–	–	–	–	**9,326**	193.00	01-Sep-22	01-Mar-23
Vanessa Simms	SAYE	7,346	–	–	(7,346)	–	–	–	–	**–**	–	–	–

The closing trade share price on 30 September 2021 was 305p. The highest trade share price during the year was 335p and the lowest was 259.6p.

All-employee share awards under the SIP

	Ordinary shares of 5p each	
	1 Oct 2020 shares	**30 Sept 2021[1] shares**
Executive Directors		
Helen Gordon	5,917	**7,642**
Vanessa Simms	5,571	**5,887**

1 Since 30 September 2021, Helen Gordon acquired shares in the Company through the Grainger Employee Share Incentive Scheme (1,725 ordinary 5p shares).

Shareholding at 30 September 2021

Directors share interests and shareholding requirements are set out below. In order that their interests are aligned with those of Shareholders, Executive Directors are expected to build up and maintain a personal shareholding equal to 200% of basic salary in the Company. The table below sets out the Directors' interests in shares.

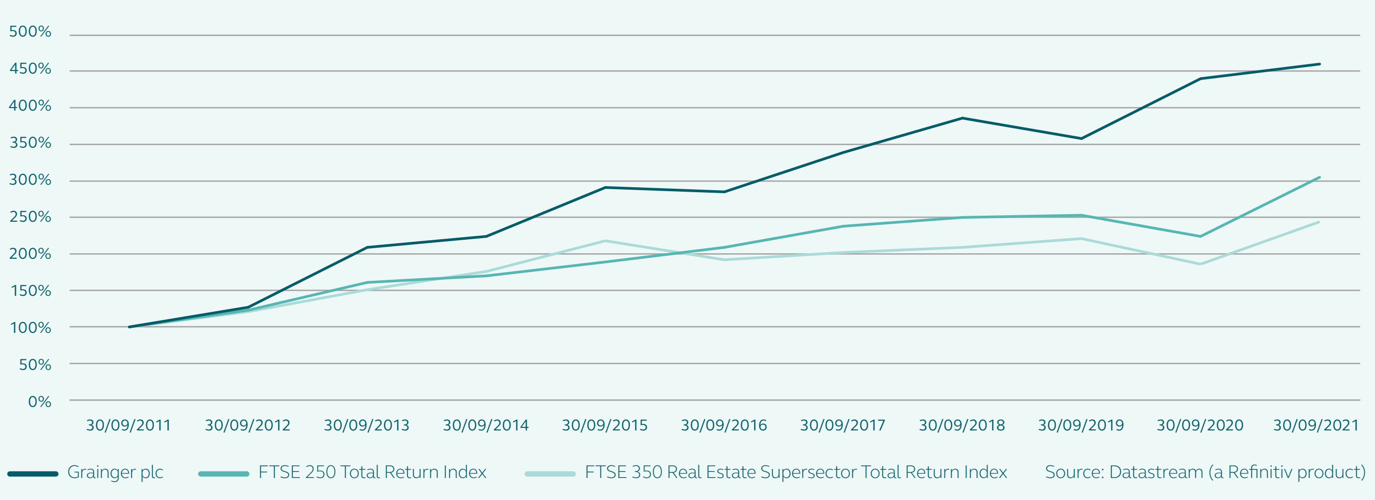
In thousands ('000)	**Beneficially owned shares at 30 Sep 2021[1]**	Vested but unexercised share awards	Unvested share awards	**Total interests held at 30 Sep 2021[2]**	Total interests held at 30 Sep 2020	Shareholding as % of basic salary[3]
Executive Directors						
Helen Gordon	**318**	249	1,180	**1,747**	1,521	274
Rob Hudson	**113**	–	550	**663**	–	84
Non-Executive Directors						
Andrew Carr-Locke	**15**	–	–	**–**	15	N/A
Rob Wilkinson	**21**	–	–	**–**	21	N/A
Mark Clare	**161**	–	–	**–**	161	N/A
Justin Read	**21**	–	–	**–**	21	N/A
Janette Bell	**2**	–	–	**–**	2	N/A

1 Rob Hudson purchased 112,900 ordinary 5p shares on joining Grainger.
2 The total interests include beneficially owned shares, shares held in the SIP trust, vested but unexercised shares and unvested share awards.
3 The value of shares held (calculated as at 30 September 2021 when the share price was 305p) includes shares owned beneficially, vested but unexercised share awards (on a post-tax basis) and those purchased under the SIP. If unvested DBSP awards (which vest subject to continued employment only) and the December 2018 LTIP awards (due to vest in December 2021 for which performance has already been tested and estimated in respect of the TSR condition) were to be included, the value of shares held (on a post-tax basis) would rise to 363% of basic salary in the case of Helen Gordon. If non-performance buyout awards were to be included, the value of shares held (on a post-tax basis) would rise to 121% of basic salary in the case of Rob Hudson.

10. Performance graph

Total Shareholder return

This graph shows the percentage change by 30 September 2021 of £100 invested in Grainger plc on 30 September 2011 compared with the value of £100 invested separately in both the FTSE 250 Index and the FTSE 350 Real Estate Supersector Index.



11. Chief Executive single figure

		Chief Executive single figure of total remuneration £'000	Annual variable element award rates against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2021	Helen Gordon	1,580	67	43
2020[1]	Helen Gordon	1,688	70	67
2019	Helen Gordon	1,185	27	36
2018	Helen Gordon	1,174	72	8
2017	Helen Gordon	985	61	N/A
2016[2]	Helen Gordon (from 4 January 2016)	882	73	N/A
2016	Andrew Cunningham (to 4 January 2016)	376	–	–
2015	Andrew Cunningham	2,185	–	98
2014	Andrew Cunningham	2,477	64	100
2013	Andrew Cunningham	2,519	63	100
2012	Andrew Cunningham	733	19	–

1 The total remuneration has been restated following the update to the 2020 single figure table.

2 Helen Gordon's single figure of total remuneration includes a period when she was Chief Executive designate, during which Andrew Cunningham was Chief Executive. Accordingly, there is an element of double counting in her single figure of total remuneration for 2016.

12. Percentage change in remuneration of Chief Executive and employees

The percentage change in remuneration between 2020 and 2021, excluding LTIP and pension contributions, for the Chief Executive, Chief Financial Officer, Non-Executive Directors and for the average of all other employees in the Group was as follows:

	Percentage change 2019-2020			Percentage change 2020-21		
Executive Directors	Base salary	Taxable Benefits	Annual bonus	Base salary	Taxable Benefits	Annual bonus
Helen Gordon	2.5%	0.1%	162.3%	1.5%	(0.2)%	(3.6)%
Vanessa Simms[1]	2.5%	0.1%	(100.0)%	1.5%	(43.1)%	–
Rob Hudson	–	–	–	–	–	–

1 No bonus is payable to Vanessa Simms due to her resignation in October 2020.

Non-Executive Directors						
Mark Clare	2.5%	N/A	N/A	1.5%	N/A	N/A
Andrew Carr-Locke	2.5%	N/A	N/A	1.5%	N/A	N/A
Justin Read	2.5%	N/A	N/A	1.5%	N/A	N/A
Janette Bell	2.5%	N/A	N/A	1.5%	N/A	N/A
Rob Wilkinson	2.5%	N/A	N/A	1.5%	N/A	N/A
Employee population	2.8%	0.8%	13.7%	2%	(0.7)%	33.3%

13. Chief Executive Pay Ratio

The table below compares the 2021 single total figure of remuneration for the CEO as shown in Note 3 on page 87 with the Group's employees paid at the 25th, 50th and 75th percentiles:

Financial Year	Method	25th percentile	50th percentile (median)	75th percentile
2021	A	48:1 Total pay and benefits £32,711 Salary £25,000	33:1 Total pay and benefits £48,540 Salary £42,923	20:1 Total pay and benefits £80,586 Salary £64,720
2020	A	58:1 Total pay and benefits £29,968 Salary £27,708	39:1 Total pay and benefits £44,748 Salary £37,898	23:1 Total pay and benefits £76,196 Salary £63,338

Our calculations were made on 11 November 2021 using Option A as the most statistically accurate method. This is the second year we have published our pay ratios.

In undertaking our calculations, no adjustments were made to the figures other than determining the FTE remuneration for all employees within the Group over the financial year. No non-salary employee remuneration components have been omitted. Joiners, leavers, employees on a period of statutory leave (such as maternity, paternity and shared parental leave) and long-term absences during the financial year were excluded.

Total FTE remuneration was calculated on the same basis as the CEO single figure table and includes annual base salary, taxable benefits (private medical insurance, car allowance), matching shares under our Share Incentive Plan, annual bonus for performance delivered in the financial year and paid in December 2021, employer pension contributions, and taxable share plans.

The Committee considers that the median CEO pay ratio is consistent with the pay, reward and progression policies available to our employees. We operate an in-house service model, directly employing colleagues for on-site roles in our growing portfolio of developments and our employee population at this level will continue to increase as we resource appropriately. It is therefore difficult to compare our ratios with those in the property industry who do not operate under a similar model.

14. Relative importance of spend on pay

The difference in actual expenditure between 2020 and 2021 on remuneration for all employees, in comparison to profit before tax and distributions to Shareholders by way of dividend, is set out in the charts below. Profit before tax is considered to be an appropriate financial metric as it is not impacted by changes in tax rates which are outside of the direct control of the Company.

Profit before tax
(£m)
+£53.0m
+53.5%
2021: £152.1m
(2020(restated):£99.1m)

Dividend
(£m)
+£0.1m
+0.3%
2021: £36.9m
(2020: £36.8m)

Total employee pay
(£m)
+£1.7m
+8.3%
2021: £22.2m
(2020: £20.5m)

15. Statement of implementation of Remuneration Policy for 2022

Base salary

For 2021/22, Executive Director base salaries will be increased by 2% with effect from 1 January 2022, in line with the typical increase given to the majority employee population. In addition, a significant proportion of employees below the senior management level will receive a 2.5% increase in their base salaries. In respect of Rob Hudson, his increase takes into account the 11 months between the announcement of his arrival and the 1 January 2022 salary increase date.

Annual bonus

The structure and metrics to operate for the 2022 annual bonus are as follows:

- Chief Executive: 140% of salary
- Chief Financial Officer: 120% of salary

The table below sets out the performance measures and their respective weightings for 2022:

Metric	Weighting	Rationale and description
PRS NRI	35%	Rental income from PRS after property operating expenses incentivises management to focus on growing income and reducing cost.
Adjusted earnings	35%	Incentivises operational success in achieving rental growth, income from sales and reduction in operational and finance costs relative to a challenging budget.
Strategic objectives	30%	Each of the headline metrics is underpinned by defined measurable milestones or a range of targets set with reference to budgeted objectives. These are consistent with the strategy and targeted objectives for the year agreed by the Board. There will be a continued focus on ESG matters as well as operational objectives. Due to matters of commercial sensitivity it would not be in the interests of the Company to disclose the precise operational targets for the annual bonus at the date of production of this report. Details of the objectives and the performance achieved will be disclosed retrospectively in the 2022 Annual Report.

In line with our Policy, 25% of any bonus earned will be delivered as a deferred bonus share award which will vest after three years.

LTIP

It is expected that the LTIP awards to be made to the Executive Directors in the year ending 30 September 2022 will be at the levels detailed below and subject to a two-year holding period:

- Chief Executive: 200% of salary
- Chief Financial Officer: 175% of salary

The performance measures to apply for the 2022 LTIP will be the same as last year but the weightings have been changed. The revised weightings for 2022 reflects the Committee's view that the performance metrics are of equal importance in respect of incentivising and rewarding long-term performance:

Metric	Weighting	Targets		
Relative TSR (versus a bespoke group of real estate peers)	33.3%	Performance level	Ranking	Vesting
		Below threshold	Below median	0%
		Threshold	Median	25%
		Maximum	Upper quintile	100%
TPR	33.3%	Performance level	TPR	Vesting
		Below threshold	<5% p.a.	0%
		Threshold	5% p.a.	25%
		Maximum	8% p.a.	100%
Secured PRS Investment[1]	33.3%	The actual targets are considered to be commercially sensitive at this time, but a qualitative assessment of progress will be provided in the 2022 and 2023 remuneration reports and full retrospective disclosure of the targets and achievement will be set out in the 2024 report.		

1 Secured PRS Investment (effectively the Company's pipeline of future development opportunities) provides management with a clear focus on driving growth in long-term PRS Rental Income and on achieving greater scale and operating efficiency. The Committee will evaluate the quality of investments when determining the PRS Investment vesting outcome. Firstly, the Committee will consider the extent to which there was any material unapproved variation from the basis upon which any individual scheme was initially approved. Secondly, a post investment review will be undertaken to ensure that investments remain of sufficient quality in light of then current market conditions. If the Committee has concerns on either front, it may take appropriate corrective action, which could include disregarding any particular investment for the purposes of the overall target.

The Committee is satisfied that the LTIP targets are appropriately stretching. The TSR measure requires upper quintile performance for full vesting. The TPR range is challenging in light of current market conditions and the PRS Secured Investment measure will require exceptional performance in a more competitive market.

The Committee will retain the right to reduce overall pay outcomes if it considers the variable pay result does not reflect broader Company performance over the relevant performance periods.

Non-Executive Directors' fees

The Non-Executive Directors' ('NED') fee levels will increase in line with the typical increase given to the wider employee population, i.e. 2% with effect from 1 January 2022. Current fee levels are as follows:

	1 January 2022	1 January 2021
Basic Non-Executive Director fee	**£49,876**	£48,898
Additional fee for chairing Board committee	**£10,082**	£9,884
Additional fee for Senior Independent Director duties	**£8,489**	£8,323
Additional fee for Voice of Employee in the Boardroom	**£5,306**	£5,202
Chairman's fee	**£175,095**	£171,662

16. Directors' service agreements and letters of appointment

Executive Directors	Contract commencement date	Notice period
Helen Gordon	November 2015	12 months
Rob Hudson	31 August 2021	6 months

Non-Executive Directors	Date of initial appointment
Mark Clare	February 2017
Andrew Carr-Locke	March 2015
Rob Wilkinson	October 2015
Justin Read	February 2017
Janette Bell	February 2019

17. Details of the Remuneration Committee, advisers to the Committee and their fees

The Remuneration Committee currently comprises five independent Non-Executive Directors including the Company Chairman. Details of the Directors who were members of the Committee during the year are as follows:

Committee member	Member since	**Meetings attended**	Meetings eligible to attend
Justin Read (Committee Chairman since February 2018)	May 2017	**4**	4
Mark Clare	May 2017	**4**	4
Janette Bell	May 2019	**4**	4
Andrew Carr-Locke	April 2015	**4**	4
Rob Wilkinson	May 2017	**4**	4

The Company Secretary, the HR Director and other members of the senior management team may be invited to attend Committee meetings as appropriate. No Directors are involved in deciding their own remuneration. The Committee also met outside the meetings to discuss the new Remuneration Policy.

FIT Remuneration Consultants LLP were appointed by the Remuneration Committee to provide advice on executive remuneration matters. Total fees paid or payable (as applicable) to FIT for services to the Committee during the 2021 financial year were £65,412.50 (2020: £62,000). FIT are signatories to the Remuneration Consultants' Group Code of Conduct and any advice provided is governed by that Code. The Committee reviews the adviser relationship periodically and remains satisfied that the advice it receives from its advisers is independent and objective.

18. Statement of voting at general meeting

At the AGMs held on 10 February 2021 and 5 February 2020, the Directors' Remuneration report and Policy received the following votes from Shareholders.

	Directors' Remuneration report (2021)		Remuneration Policy (2020)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	496,051,659	92.5	442,988,159	91.14
Against	40,229,166	7.5	43,071,700	8.86
Total votes cast (for and against)	536,280,825	100	486,059,859	100
Votes withheld	2,653,615		2,394,110	

In accordance with the UK Financial Conduct Authority's Listing Rules ('LR'), the information to be included in the Annual Report and Accounts, where applicable under LR 9.8.4, is set out in Note 15 to the financial statements on page 131 in relation to the dividend waiver arrangements.

Information incorporated by reference

The Corporate Governance Statement on pages 54 to 98 forms part of this Directors' report and is incorporated into this Directors' report by reference.

Directors' interests in significant contracts

No Directors were materially interested in any contract of significance.

Directors' conflicts of interest

A possible conflict of interest has arisen pursuant to Rob Wilkinson's position as chief executive officer of AEW, being a real estate investment fund, which was recently mandated by a client to invest in build-to-rent opportunities in the UK. Rob notified Mark Clare of the possible conflict in June of this year. The Board has the desire for Rob to continue as a Non-Executive Director of Grainger due to the substantial contribution he makes to the Company bringing expertise, skills and experience in areas including real estate, investment, finance and business leadership. To ensure compliance with the Companies Act, the Grainger Articles of Association and the Code, at the June Board meeting, the Board formally resolved to grant the authorisation of Rob Wilkinson's potential conflict of interest subject to conditions including Rob not being provided with Board papers which directly or indirectly address BTR opportunities and removing himself from Board discussions and votes on these. This framework is to be reviewed in not more than six months intervals to assess its effectiveness and whether improvements can be made to it.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent 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 Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

Financial risk management

Details are included in Note 27 to the financial statements.

Directors' indemnities and insurance

The Company has in place contractual entitlements for the Directors of the Company and its subsidiaries to claim indemnification by the Company for certain liabilities they might incur in the course of their duties. We have established these arrangements, which constitute qualifying third-party indemnity provision and qualifying pension scheme indemnity provision, in compliance with the relevant provisions of the Companies Act 2006. They include provision for the Company to fund the costs incurred by Directors in defending certain claims against them in relation to their duties. The Company also maintains an appropriate level of Directors' and officers' liability insurance.

Sustainability

Comprehensive disclosure on the Company's Environmental, Social and Governance performance is available on our website at www.graingerplc.co.uk/responsibility.

Streamlined Energy and Carbon Reporting Disclosure

Scope 1 and 2 Global GHG emissions data for period 1 October 2020 to 30 September 2021:

	Tonnes of CO_2e					
Emissions from	2020 location-based	**2021 location-based**	Trend location-based	2020 market-based	**2021 market-based**	Trend market-based
Scope 1 (Fuel combustion in vehicles and buildings)	989	**1,014**	2%	989	**1,014**	2%
Scope 2 (Electricity)	863	**838**	-3%	230	**212**	-8%
Total footprint	1,853	**1,851**	-0.1%	1,220	**1,226**	1%

Company's chosen intensity measurement:						
Emissions reported above per £m value of assets under management[1]	0.696	**0.618**	-11%	0.457	**0.409**	-10%
Emissions reported above per owned unit[2]	0.219	**0.199**	-9%	0.144	**0.132**	-8%
Emissions reported above per employee[3]	6.094	**5.749**	-6%	4.004	**3.807**	-5%

Scope 3 Global GHG emissions data for period 1 October 2020 to 30 September 2021:

Emissions (tonnes of CO_2e) from	2020	**2021**	Trend
Fuel and energy-related activities[4]	268	**239**	-11%
Business travel (air, rail and vehicles)	33	**22**	-32%
Estimated tenant energy use (tCO_2)[5]	23,767	**21,101**	-11%
Grainger office occupation (landlord-obtained)[6]	24	**31**	26%

1 Value of assets under management ('AUM') on the last day of the financial year, expressed in £m.
2 Number of owned units on the last day of the financial year within the scope of data collection, including units owned in Joint Ventures that are within Grainger's operational control.
3 Total number of employees of Grainger plc on the last day of the financial year.
4 Includes WTT emissions from fuels and electricity transmission and distribution losses.
5 This has been estimated based on a sample of Energy Performance Certificates ('EPCs') and reported in CO_2 only. This figure includes homes in Tribe Apartments, which are supplied energy via centralised biomass boilers, the emissions from which are already included in Scope 1.
6 Includes landlord-obtained emissions for London Bridge office only.

Underlying global energy use data for period 1 October 2020 to 30 September 2021:

Energy use (kWh)	2020	**2021**	Trend
Electricity	3,811,147	**4,046,542**	6%
Natural gas	5,439,960	**5,588,538**	3%
District heating[1]	17,070	**25,979**	52%
Biomass[1]	1,037,437	**951,877**	-8%
Transport fuel	281,275	**265,185**	-6%
Total energy use	10,586,888	**10,878,122**	3%

1 For the current and previous (recalculated) years footprints, biomass and district heating have been included which was not the case in previous years.

Summary

As a quoted company incorporated in the UK, Grainger complies with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Grainger reports all material GHG emissions using 'tonnes of CO_2 equivalent' ('tCO_2e') as the unit of measurement and reports energy use in kWh. Our reporting period is 1 October 2020 to 30 September 2021 and we report energy use and emissions for the previous year to show trends.

We report on all energy use and GHG emissions for the operations within the boundaries of our financial statements. Energy use and emissions for Residential – mortgages ('CHARM') are not within Grainger's operational control and are excluded. All energy use and emissions data relates to emissions in the UK and offshore area.

In 2021 we increased the scope of our energy use and GHG reporting to include consumption and emissions from recent acquisitions and newly completed developments. A small number of recently developed properties are excluded from our reporting because data is not yet available, and we will gather data in 2022 and include them in our future reporting.

Between 2020 and 2021, energy consumption from our property portfolio has increased by 6%. Grainger's total location-based GHG emissions have decreased by 0.1%, and market-based emissions have increased by 1%.

Trends

The increase in energy consumption can be attributed to the impacts of Covid-19 and an increase in the number of residents working from home.

Our Scope 1 emissions have increased by 2%, this is driven by an increase in natural gas consumption across the portfolio, likely linked to increased home heating during winter 2020/21 due to lockdowns. The decrease in market-based electricity-related emissions can be credited to the greater coverage of REGO backed supplies.

In addition, emissions relating to Grainger's business travel have decreased due to a reduction in air miles travelled.

Methodology

Grainger uses the GHG Protocol Corporate Standard (revised edition), Government Environmental Reporting Guidelines 2019 and ISO14064: Part 1 standard for its reporting, using the operational control approach.

We have used the UK Government Conversion Factors for Company Reporting 2021 for emissions calculations, including location-based Scope 2 reporting. For our market-based emissions we have used contractual instruments where there is data readily available and if unavailable, the Association of Issuing Bodies European Residual Mixes 2020 for market-based reporting for 2021. We used emissions factors from the same sources in 2020. We have reported on all energy use and emissions sources required under the regulations.

We purchase 100% renewable electricity tariffs for 84% of our portfolio properties, which has resulted in lower Scope 2 emissions using the market-based approach compared to the location-based approach. Where no contractual data is available, we use residual mix emissions factors.

Scope 1 data

This includes landlord-obtained gas and biomass heating consumed in common areas and by tenants on an unmetered basis, gas consumed in Grainger's offices, as well as fuel consumption in vehicles owned or leased by Grainger. Fugitive emissions are not included as they have been assessed to be immaterial.

Scope 2 data

This includes landlord-obtained electricity and district heating consumed in common areas and by tenants on an unmetered basis as well as electricity consumed by Grainger in its offices.

Scope 3 data

This includes estimated emissions from electricity used by Grainger's tenants in its buildings based on EPC analysis and extrapolation. Well-to-tank emissions from fuels and emissions from the transmission and distribution of Grainger's electricity are included. We also report emissions from business travel and landlord obtained electricity recharged to Grainger for one occupied office (London Bridge).

Energy use data

This includes purchased electricity, natural gas and transport fuels (petrol and diesel, which have been converted to kWh from mileage records using the UK Government conversion factors). Grainger has solar photovoltaic panels generating electricity on a number of properties, but the energy generated is exported to the grid and is unable to be reported.

Restatements and estimation

We have recalculated emissions for 2020 as we have been able to obtain more accurate and complete data for Scope 1 and Scope 2 emissions from energy consumption in our property portfolios.

Where Grainger-obtained utility consumption data is partially unavailable or unreliable for an asset, estimation has been undertaken by extrapolating, first using data from the current reporting period and if unavailable, data from the previous reporting period. For 2021 26% of energy from fuels for Scope 1 emissions and 18% of electricity for Scope 2 emissions data has been estimated.

Intensity metrics

We have used three intensity metrics: emissions by market value of AUM (tCO_2e/£m value of AUM), emissions per the number of owned units (tCO_2e/owned unit) and emissions per number of employees (tCO_2e/employee) to align with our financial reporting.

The value of AUM has increased between 2020 and 2021. This, coupled with only a minor increase in combined Scope 1 and Scope 2 market-based emissions, has caused a decrease in the emissions by market value of AUM by 10%. Due to the completion of several new developments, there has been an increase in the number of units owned by Grainger, and our asset recycling programme is focused on divesting older, less efficient properties. As a result, we have continued to decrease emissions per owned unit. Thirdly, there has been an increase in the number of employees, which coupled with the reduction in emissions has resulted in a 5% decrease in the emissions per employee.

Energy efficiency measures

As part of our long-term asset management activities, we undertake comprehensive refurbishments to the common parts of our buildings and have a programme of rolling refurbishments for units. These refurbishments include a number of energy efficiency measures. For common parts a typical refurbishment includes a lighting upgrade with installation of lighting controls, and fabric upgrades where required. We have undertaken major refurbishments to the common parts of three assets this year, and three in the previous year and have identified significant reductions in energy consumption at all six of these buildings in the year-on-year figures.

Refurbishments undertaken to individual units include many energy efficiency improvements including window replacements, installation of more efficient heating systems and insulation.

The resulting reductions in energy consumption are experienced by our customers in their directly-purchased energy usage, and are reflected in our estimated tenant energy use. We have estimated emissions from tenant energy use using two methodologies, carbon emissions reported on EPCs and Government energy consumption data, which both result in similar estimated emissions.

Third-party review

EcoAct, an Atos Company has reviewed and analysed the data provided by Grainger (note: this does not represent formal assurance) and has carried out calculations in-line with best practice (see Methodology section).

A more detailed breakdown of our energy consumption and carbon footprint for our property portfolios and the methodology used is available in our EPRA Sustainability Performance Measures Report, available on our website at www.graingerplc.co.uk/responsibility.

Health and safety

Grainger has a well-developed health and safety management system for the internal and external control of health and safety risks, managed by the Health and Safety Director. This includes using online risk management systems for identifying, mitigating and reporting real-time health and safety management information. The Health and Safety Committee is responsible for overseeing health and safety management. It consists of members of staff from across the organisation. The Committee continues to monitor legal compliance in health and safety through audit and implementation of improvements, to enable the Group to become 'best in class'. Further oversight is also carried out by the Operations Board. In addition, a health and safety report is provided to each meeting of the Board of Directors, and the Health and Safety Director gives a presentation to the Board at least once a year.

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 their employment within the Company continues, and that we arrange appropriate training where necessary. It is Company policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee engagement

The Group places considerable value on the engagement of its employees and has continued its practice of keeping them informed on and involved in business and strategic matters, for example through team meetings, presentations by senior management and regular all-staff conference calls hosted by the Executives. Janette Bell has been appointed as the designated Non-Executive Director to represent the employee voice in the boardroom. For more information on our people, see page 40.

Independent auditor and disclosure of information to auditor

As far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each Director has taken the steps they ought to have taken as Directors, to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

Political donations

In accordance with the Company's policy, we made no political donations in 2021 (2020: £nil).

Takeover directive

On a change of control, the main bank facility (included in Note 26 to the financial statements) will become repayable should alternative terms for continuing the facilities not be agreed with the lenders within 45 days. In addition, the corporate bond (also referred to in Note 26) may become repayable following a change of control. There are no other material matters relating to a change of control of the Company following a takeover bid.

The Directors have confirmed approval of the Directors' report.

By order of the Board.

Adam McGhin
Company Secretary

17 November 2021

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAINGER PLC

1. Our opinion is unmodified

We have audited the financial statements of Grainger plc ("the Company") for the year ended 30 September 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 6 February 2015. The period of total uninterrupted engagement is for the seven financial years ended 30 September 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality:		
Group financial statements as a whole	£30.0m (2020 :£28.0m) 0.9% (2020: 0.9%) of total assets	
Coverage	100% (2020:100%) of Group total asset	
Key audit matters		**vs 2020**
Recurring risks	Valuation of properties	◀▶
	Recoverability of parent company's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of properties Investment properties: (£2,179.2 million; 2020: £1,778.9m) Trading properties at EPRA market value (APM) £1,130.7 million; 2020: £1,190.8 million) Refer to page 73 (Audit Committee Report), page 117-120 (accounting policies) and pages 124-125 and 132 (financial disclosures).	**Subjective valuation:** The valuation approach adopted by the Directors varies between portfolios: • For properties let into the private rental market, and the majority of affordable housing properties, valuation is derived by applying a gross initial yield to the estimated rental value of the property. Yield is based on market evidence and is an inherently judgemental input. There is a risk that applying an inappropriate yield could lead to a difference in valuation material. For properties under construction which are to be let into the private rental market a consistent valuation methodology is adopted. Additional adjustments are then made for capital expenditure not yet incurred and development and stabilisation risk. There is an additional risk that these adjustments could be inappropriate and result in a material difference in valuation. • For individual properties, valuation is determined by estimating vacant possession ("VP") value and applying a discount to reflect the fact that the property is tenanted. The VP value and the discount applied are estimated with reference to comparable evidence, which in some cases may be limited. This means the valuation is inherently subjective and susceptible to misstatement. • Residential trading property is carried in the statement of financial position at the lower of cost and net realisable value. The Group does, however, in its principal non-GAAP net asset value measures, include trading property at market value, derived using the same valuation methods as set out above. • For the Tricomm portfolio and shared ownership affordable housing valuation is based on a discounted cash flow model produced by an external valuer. There is a risk that the house price inflation ("HPI") and discount rate assumptions could be inappropriate which could lead to a material misstatement in valuation. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of investment properties has a high degree of estimation uncertainty, with a potential range of outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements Note 2 disclose the sensitivity estimated by the Group.	Our procedures in respect of all property types identified included: • **Methodologies:** with the assistance of our own property valuation specialists, challenging the methodologies used for the specific portfolios with reference to market practice. • **Sensitivity analysis:** performing sensitivity analyses over the assumptions and considering the outcomes with reference to benchmarks to identify the key assumptions affecting the valuation. • **Assessing valuers' credentials:** assessing the objectivity, professional qualifications and experience of the external valuers engaged by the Group, through discussion with them and by reading their valuation reports. • **Attendance at Group valuation meetings:** attending the Group's meetings with their external valuer and challenging the market evidence presented by the valuer with the help of our own property valuation specialists. • **Historical comparisons:** comparing the 2020 year end valuation with the sales price achieved for property sales in the year. • **Assessing transparency:** assessing whether the Group's disclosure about the sensitivity of fair value changes in key assumptions reflected the uncertainties inherent in the property valuations. Our additional procedures in respect of private rental sector properties, and the majority of affordable housing properties included: • **Yield rates:** with the assistance of our property valuation specialists, challenging the yield rates applied using our understanding of the nature of the assets and comparing to available market data. Our additional procedures in respect of properties under construction which are to be let into the private rental market, included: • **Test of details:** for a sample of properties, agreeing the adjustments made for capital expenditure not yet incurred to the latest supplier funding assessment. • **Our valuation expertise:** using our property valuation specialists, critically assessing the adjustments made for development and stabilisation risk with reference to sector practice. Our additional procedures in respect of individual properties included: • **Comparing valuations:** challenging the inputs used in valuations and comparing valuations to recent comparable transactions. Our additional procedures in respect of the Tricomm portfolio and the shared ownership affordable housing properties included: • Benchmarking assumptions: comparing the HPI assumption included in the discounted cash flow model to market indices and discount rates to market information including gilts and benchmarked risk premiums. We performed the tests above rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our Results** We found the resulting valuation of properties to be acceptable.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (£1,226.8 million; 2020: £1,178.1m) Refer to page 159 (accounting policy) and page 160 (financial disclosures).	**Low risk, high value** The carrying amount of the parent company's investment in subsidiaries represents 56% (2020: 60%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: • **Test of details:** comparing the carrying amount of 100% of investments with the relevant subsidiaries financial statements and current year draft balance sheets to identify whether their net assets, being an approximation of their recoverable amount, were in excess of their carrying amount. • **Assessing transparency:** Assessing the adequacy of the parent company's disclosures in respect of the investment in subsidiaries. **Our results** We found the Group's assessment of the recoverability of investment in subsidiaries to be acceptable.

We continue to perform procedures over the recoverability of inventories. However, given the continuing large reversionary surplus on the Group's Trading Properties and the continuing change in the composition of the Group's balance sheet towards Investment Properties, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

We continue to perform procedures over Going concern. However given the significant headroom available and share issue in the year we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £30.0m (2020: £28.0m), determined with a reference to a benchmark of total assets (of which it represents 0.9% (2020: 0.9%)).

In addition, we applied a materiality of £3.5m (2020: £3.5m) and performance materiality of £2.6m (2020: £2.6m) to specific income statement accounts, namely gross rental income, profit on disposal of trading properties, administrative expenses, fees and other income, other expenses, income from financial interest in property assets, finance costs, finance income, share of profit of associates and share of profit of joint ventures for which we believe misstatement of a lesser amount than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members' assessment of the financial performance of the Group.

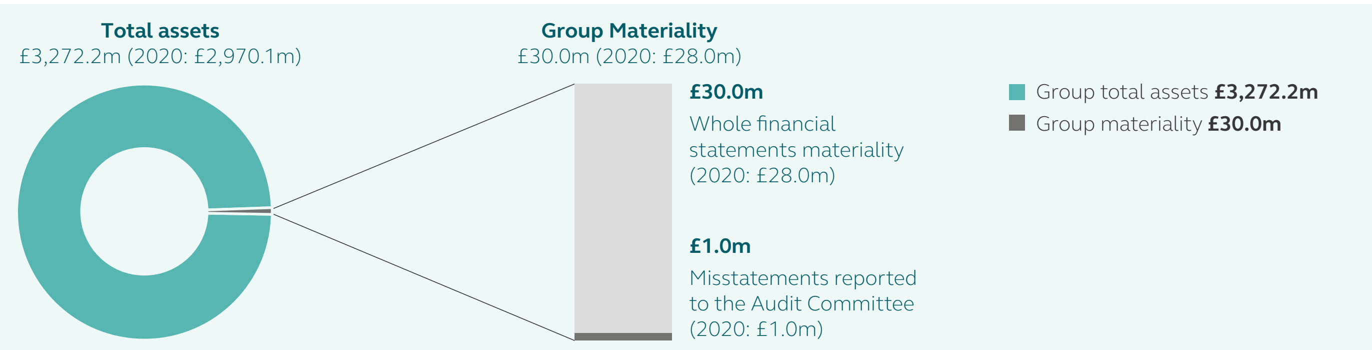
Materiality for the parent company financial statements as a whole was set at £17.0m (2020: £17.0m) determined with a reference to a benchmark of company net assets of which it represented 1.3% (2020: 1.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020 : 75%) of materiality for the financial statements as a whole, which equates to £22.5m (2020 : £21m) for the group and £12.75m (2020 : £12.75m) for the parent company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.0m (2020: £1.0m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it were a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of Group revenue, Group profit before tax and Group total assets (2020: 100% of Group revenue, Group profit before tax and Group total assets).



4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group'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 their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was the impact of the COVID-19 pandemic on both demand in the private rental sector and the valuation of property assets.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts. We also assessed the completeness of the going concern disclosure.

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 Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 52 is materially consistent with the financial statements and our audit knowledge.

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 Group or the Company will continue in operation.

5. 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 and the audit committee, as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit Committee minutes.
- Considering remuneration incentive schemes and performance targets for directors.

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 of fraudulent revenue recognition, in particular the risk that disposals of trading property are recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

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.
- Assessing significant accounting estimates for bias.

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, through discussion with the directors and other management (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 Group is subject to laws and regulations that directly affect the financial statements including financial 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.

Secondly, the Group 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, landlord regulation 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.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on page 52 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 52 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review, and to report to you if a corporate governance statement has not been prepared by the company. We have nothing to report in these respects.

Based solely on our work on the other information described above:

- with respect to the Corporate Governance Statement disclosures about internal control and risk management systems in relation to financial reporting processes and about share capital structures:
- we have not identified material misstatements therein; and the information therein is consistent with the financial statements; and
- in our opinion, the Corporate Governance Statement has been prepared in accordance with relevant rules of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

7. We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 99, the directors are responsible for: the preparation of the financial statements including 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 Group and parent 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 Group or the parent 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 other irregularities (see below), 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, other irregularities 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/auditors responsibilities.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Kelly (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf
London E14 5GL

17 November 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2021 £m	2020 (restated)[1] £m
Group revenue	5	**248.9**	214.0
Net rental income	6	**70.6**	73.6
Profit on disposal of trading property	7	**68.6**	61.6
Profit on disposal of investment property	8	**1.5**	2.3
Income from financial interest in property assets	20	**7.2**	5.2
Fees and other income	9	**5.1**	7.5
Administrative expenses		**(38.5)**	(40.4)
Other expenses		**(0.6)**	(2.4)
Impairment of inventories to net realisable value	22	**(0.1)**	(0.7)
Operating profit		**113.8**	106.7
Net valuation gains on investment property	16	**76.8**	29.8
Change in fair value of derivatives		**(3.8)**	(1.4)
Finance costs	12	**(35.4)**	(34.9)
Finance income	12	**0.2**	0.4
Share of profit of associates after tax	18	**0.8**	0.1
Share of loss of joint ventures after tax	19	**(0.3)**	(1.6)
Profit before tax	11	**152.1**	99.1
Tax charge	13	**(42.6)**	(16.3)
Profit for the year attributable to the owners of the Company		**109.5**	82.8
Basic earnings per share	15	**16.2p**	12.8p
Diluted earnings per share	15	**16.1p**	12.7p

Footnote for Consolidated Financial Statements

1 See Note 38 for an explanation of the prior year restatement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2021 £m	2020 (restated)[1] £m
Profit for the year	3	**109.5**	82.8
Items that will not be transferred to the consolidated income statement:			
Actuarial gain/(loss) on BPT Limited defined benefit pension scheme	28	**5.3**	(1.2)
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**16.1**	(3.3)
Other comprehensive income and expense for the year before tax		**21.4**	(4.5)
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	13	**(1.0)**	0.3
Tax relating to items that may be or are reclassified to the consolidated income statement	13	**(2.8)**	1.0
Total tax relating to components of other comprehensive income		**(3.8)**	1.3
Other comprehensive income and expense for the year after tax		**17.6**	(3.2)
Total comprehensive income and expense for the year attributable to the owners of the Company		**127.1**	79.6

1 See Note 38 for an explanation of the prior year restatement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER

	Notes	30 September 2021 £m	30 September 2020 (restated)[1] £m	1 October 2019 (restated)[1] £m
ASSETS				
Non-current assets				
Investment property	16	**2,179.2**	1,778.9	1,574.6
Property, plant and equipment	17	**1.4**	2.0	0.3
Investment in associates	18	**15.5**	14.7	11.7
Investment in joint ventures	19	**29.4**	27.3	21.6
Financial interest in property assets	20	**71.7**	73.3	76.4
Retirement benefits	28	**3.5**	–	–
Deferred tax assets	13	**3.7**	8.9	5.6
Intangible assets	21	**0.5**	0.8	1.2
		2,304.9	1,905.9	1,691.4
Current assets				
Inventories – trading property	22	**595.2**	657.4	700.0
Trade and other receivables	23	**38.5**	31.3	40.5
Current tax assets		**16.0**	6.4	–
Cash and cash equivalents	27	**317.6**	369.1	189.3
		967.3	1,064.2	929.8
Total assets		**3,272.2**	2,970.1	2,621.2
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	26	**1,347.5**	1,391.9	1,176.8
Trade and other payables	25	**0.6**	1.3	–
Retirement benefits	28	**–**	2.4	1.7
Provisions for other liabilities and charges	24	**1.1**	1.2	1.2
Deferred tax liabilities	13	**69.5**	36.1	32.7
		1,418.7	1,432.9	1,212.4
Current liabilities				
Interest-bearing loans and borrowings		**–**	–	100.0
Trade and other payables	25	**109.8**	73.3	73.6
Provisions for other liabilities and charges	24	**0.2**	0.3	0.4
Current tax liabilities		**–**	–	4.0
Derivative financial instruments	27	**4.5**	20.6	17.3
		114.5	94.2	195.3
Total liabilities		**1,533.2**	1,527.1	1,407.7
NET ASSETS		**1,739.0**	1,443.0	1,213.5
EQUITY				
Issued share capital	29	**37.1**	33.8	30.7
Share premium account		**817.3**	616.3	436.5
Merger reserve	31	**20.1**	20.1	20.1
Capital redemption reserve		**0.3**	0.3	0.3
Cash flow hedge reserve	31	**(3.3)**	(16.6)	(14.3)
Retained earnings	32	**867.5**	789.1	740.2
TOTAL EQUITY		**1,739.0**	1,443.0	1,213.5

1 See Note 38 for an explanation of the prior year restatement.

The financial statements on pages 110 to 156 were approved by the Board of Directors on 17 November 2021 and were signed on their behalf by:

Helen Gordon
Director

Rob Hudson
Director

Company registration number: 125575

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 2019, as previously reported		30.7	436.5	20.1	0.3	(14.3)	750.2	1,223.5
Impact of change in accounting policy	38	–	–	–	–	–	(10.0)	(10.0)
Restated balance at 1 October 2019		30.7	436.5	20.1	0.3	(14.3)	740.2	1,213.5
Profit for the year as restated	3, 38	–	–	–	–	–	82.8	82.8
Other comprehensive loss for the year		–	–	–	–	(2.3)	(0.9)	(3.2)
Total comprehensive income		–	–	–	–	(2.3)	81.9	79.6
Issue of share capital	29	3.1	179.4	–	–	–	–	182.5
Award of SAYE shares	29	–	0.4	–	–	–	–	0.4
Purchase of own shares	29	–	–	–	–	–	(0.1)	(0.1)
Share-based payments charge	30	–	–	–	–	–	1.1	1.1
Dividends paid	14	–	–	–	–	–	(33.5)	(33.5)
IFRS 16 transition adjustment	3	–	–	–	–	–	(0.5)	(0.5)
Total transactions with owners recorded directly in equity		3.1	179.8	–	–	–	(33.0)	149.9
Balance as at 30 September 2020 as restated		**33.8**	**616.3**	**20.1**	**0.3**	**(16.6)**	**789.1**	**1,443.0**
Profit for the year	**3**	**–**	**–**	**–**	**–**	**–**	**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	**29**	**3.3**	**200.8**	**–**	**–**	**–**	**–**	**204.1**
Award of SAYE shares	**29**	**–**	**0.2**	**–**	**–**	**–**	**–**	**0.2**
Purchase of own shares	**29**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Share-based payments charge	**30**	**–**	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Dividends paid	**14**	**–**	**–**	**–**	**–**	**–**	**(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**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	Notes	2021 £m	2020 (restated)[1] £m
Cash flow from operating activities			
Profit for the year		**109.5**	82.8
Depreciation and amortisation	11	**1.2**	1.2
Net valuation gains on investment property	16	**(76.8)**	(29.8)
Net finance costs	12	**35.2**	34.5
Share of (profit)/loss of associates and joint ventures	18, 19	**(0.5)**	1.5
Profit on disposal of investment property	8	**(1.5)**	(2.3)
Share-based payments charge	30	**1.7**	1.1
Change in fair value of derivatives		**3.8**	1.4
Income from financial interest in property assets	20	**(7.2)**	(5.2)
Tax	13	**42.6**	16.3
Cash generated from operating activities before changes in working capital		**108.0**	101.5
(Increase)/decrease in trade and other receivables		**(6.9)**	9.7
Increase in trade and other payables		**48.0**	3.8
Decrease in provisions for liabilities and charges		**(0.2)**	(0.1)
Decrease in inventories		**62.2**	29.5
Cash generated from operating activities		**211.1**	144.4
Interest paid		**(45.6)**	(37.4)
Tax paid		**(16.9)**	(25.4)
Payments to defined benefit pension scheme	28	**(0.6)**	(0.5)
Net cash inflow from operating activities		**148.0**	81.1
Cash flow from investing activities			
Proceeds from sale of investment property	8	**40.3**	36.2
Proceeds from financial interest in property assets	20	**8.8**	8.3
Investment in joint ventures	19	**(0.8)**	(5.5)
Loans advanced to associates and joint ventures	18, 19	**(1.6)**	(4.7)
Acquisition of investment property	16	**(362.3)**	(195.3)
Acquisition of property, plant and equipment and intangible assets		**(0.3)**	(0.3)
Net cash outflow from investing activities		**(315.9)**	(161.3)
Cash flow from financing activities			
Net proceeds from issue of share capital	29	**204.1**	182.5
Award of SAYE shares	29	**0.2**	0.4
Purchase of own shares	29	**(0.3)**	(0.1)
Proceeds from new borrowings		**30.0**	697.0
Payment of loan costs		**–**	(4.9)
Settlement of derivative contracts		**(3.8)**	(1.4)
Repayment of borrowings		**(77.0)**	(580.0)
Dividends paid	14	**(36.8)**	(33.5)
Net cash inflow from financing activities		**116.4**	260.0
Net (decrease)/increase in cash and cash equivalents		**(51.5)**	179.8
Cash and cash equivalents at the beginning of the year	27	**369.1**	189.3
Cash and cash equivalents at the end of the year	27	**317.6**	369.1

1 See Note 38 for an explanation of the prior year restatement.

1. Accounting policies

Accounting policies applicable throughout the financial statements are shown below. Accounting policies that are specific to a component of the financial statements have been incorporated in the relevant note.

(a) Basis of preparation

Grainger plc is a company incorporated and domiciled in the UK. It is a public limited liability company listed on the London Stock Exchange. The Group financial statements consolidate those of the Company and its subsidiaries, together referred to as the 'Group', and equity account the Group's interest in joint ventures and associates. The parent company financial statements present information about the Company and not the Group.

The Group financial statements 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 Group financial statements for the year ended 30 September 2021 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS'), IFRIC interpretations and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company has prepared its company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), which are presented on pages 157 to 163.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements except for Impact of IFRIC: Configuration or Customisation Costs in Cloud Computing Arrangements (IAS 38 Intangible Assets).

The Group and Company financial statements are presented in millions of Pounds Sterling (£m) because that is the currency of the principal economic environment in which the Group operates.

Going concern

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 the significant impact of Covid-19 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 2021.

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 making the going concern assessment, the Directors have considered the Group's principal risks (see pages 48 to 51) 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.

The going concern assessment is based on the Group's viability model to the end of March 2023, which exceeds the required period of assessment of at least 12 months, and considers a severe downside scenario including a potential extreme longer-term impact of Covid-19, reflecting the following key assumptions:

- Reducing PRS occupancy to 80% by 31 March 2023
- Contraction in rental levels of 5% p.a.
- Reducing property valuations by 5% p.a., driven by either yield expansion or house price deflation
- 15% development cost inflation
- Operating cost inflation of 15% p.a.
- An increase in finance costs of between 1.25% and 3.0% from 1 October 2021

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 51% (facility maximum covenant ranges between 70% - 75%) and interest cover above 2.22x (facility minimum covenant ranges between 1.35x - 1.75x) for the period to March 2023, which covers the required period of at least 12 months from the date of authorisation 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 2021.

1. Accounting policies continued

(b) Basis of consolidation

i) Subsidiaries – Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to`, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Joint ventures and associates – Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where the Group owns less than 50% of the voting rights but acts as property and/or asset manager an assessment is made as to whether or not the Group has de facto control over an investee. This includes a review of the Group's rights relative to those of another investor or investors and the ability the Group has to direct the investees' relevant activities (further details are provided in Note 18 and Note 19).

Investments in joint ventures and associates are accounted for by the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after the date of acquisition. The joint venture and associate results for the 12 months to 30 September 2021 and the financial position as at that date have been equity accounted in these financial statements.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. Where the Group's interest has been reduced to £nil, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in joint ventures and associates. The accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii) Business combinations – At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities are acquired in addition to the property. Consideration is also given to the concentration test permitted under IFRS 3 Business Combinations.

When the acquisition of a subsidiary does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired based on their fair values, and no goodwill or deferred tax is recognised.

A business combination may also require the recognition of identifiable intangible assets by the Group. An intangible asset is deemed to be identifiable if it is able to be separated or divided from the other assets acquired in the business combination and sold, licensed or exchanged for something else of value, even if the intention to do so is not present on behalf of the Group. Where an intangible asset is not individually separable, it may still meet the separability criterion if it is separable in combination with a related contract, identifiable asset or liability.

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the fair value of the assets given and equity instruments issued. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, including intangible assets, of the acquired entity at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs attributable to an acquisition of a business are expensed in the consolidated income statement under the heading 'Other expenses'.

Goodwill on acquisition of subsidiaries is included within this caption in the consolidated statement of financial position. Goodwill on acquisition of joint ventures and associates is included in investments in joint ventures and associates.

Goodwill is allocated to cash generating units for the purpose of impairment testing and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(c) Adoption of new and revised International Financial Reporting Standards and interpretations

The following new standards, amendments to standards and interpretations were issued in the year. The most significant of these, and the impact on the Group's accounting, are set out below:

i) IFRIC: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

In April 2021, the IFRS Interpretations Committee published accounting guidance for configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service ('SaaS'). The guidance recognises differences in accounting treatment for SaaS expenditure between functionality that is broadly available to the software supplier's general customer base and functionality that is restricted to a specific user. The Committee has clarified the position that expenditure can only be capitalised to the extent a SaaS customer has the power to obtain the future economic benefits by restricting others access to those benefits, otherwise expenditure in relation to developing SaaS for use should be expensed.

Following the interpretation being published, the Group has reviewed and revised its accounting policy in relation to intangible assets (Note 21) which includes accounting for computer software. This has resulted in reclassifying relevant expenditure that was previously capitalised as an intangible asset and expensing this to the income statement as administrative expenses. Comparatives have been restated as relevant, with the impact of the restatement set out in Note 38.

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.

2. Critical accounting estimates and judgements

The Group's significant accounting policies are stated in the relevant notes to the Group financial statements. The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below.

Estimates

1) 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. 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 4. 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.

The results and the basis of each valuation and their impact on both the statutory financial statements and market value for the Group's non-GAAP net asset value measures are set out below. This includes details of key estimates and assumptions, along with which independent professional adviser has been utilised to determine valuations for each asset category. In all cases, forming these valuations inherently includes elements of judgement and subjectivity with regard to the selection of unobservable inputs.

The methodology for the year end valuation process for capitalised yield-based valuations is consistent with the prior year. This is considered to be the most appropriate method for valuing assets that are likely to be held as long-term investments and represents 59% of our property assets relating primarily to PRS blocks, including new build PRS assets.

The remaining 41% of property assets are based on current house prices, reflecting the prevailing market conditions as at the reporting date.

2. Critical accounting estimates and judgements continued

	Notes	PRS £m	Reversionary £m	Other £m	Total £m	Valuer	% of properties for which external valuer provides valuation
Trading property		118.1	451.9	25.2	595.2		
Investment property		2,156.2	23.0	–	2,179.2		
Financial asset (CHARM)		–	71.7	–	71.7		
Total statutory book value		2,274.3	546.6	25.2	2,846.1		
Trading property							
Residential	(i)	205.4	872.9	–	1,078.3	Allsop LLP	78%
Developments	(ii)	–	–	52.4	52.4	CBRE Limited	85%
Total trading property		205.4	872.9	52.4	1,130.7		
Investment property							
Residential	(i)	730.6	23.0	–	753.6	Allsop LLP/ CBRE Limited	100%
Developments	(ii)	93.7	–	–	93.7	CBRE Limited	100%
New build PRS	(iii)	1,026.2	–	–	1,026.2	CBRE Limited	97%
Affordable housing	(iv)	170.4	–	–	170.4	Allsop LLP	100%
Tricomm Housing	(v)	135.3	–	–	135.3	Allsop LLP	100%
Total investment property		2,156.2	23.0	–	2,179.2		
Financial asset (CHARM)[1]	(vi)	–	71.7	–	71.7	Allsop LLP	100%
Total assets at market value		2,361.6	967.6	52.4	3,381.6		
Statutory book value		2,274.3	546.6	25.2	2,846.1		
Market value adjustment[2]		87.3	421.0	27.2	535.5		
Total assets at market value		2,361.6	967.6	52.4	3,381.6		
Net revaluation gain recognised in the income statement for wholly-owned properties		76.8	–	–	76.8		
Net revaluation gain relating to joint ventures and associates[3]	(vii)	0.9	–	–	0.9		
Net revaluation gain recognised in the year[3]		77.7	–	–	77.7		

1 Allsop provide vacant possession values used by the Directors to value the financial asset in accordance with the accounting policy set out in Note 20.
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 4 for market value net asset measures.
3 Includes the Group's share of joint ventures and associates revaluation gain after tax.

i) Residential

Trading property: The Group's own in-house qualified team provided a vacant possession value for the majority of the Group's residential properties as at 30 September 2021. A structured sample of these in-house valuations was reviewed by Allsop LLP, an external independent valuer. Valuing the large number of properties in this portfolio is a significant task. For this reason it is undertaken on an external inspection basis only. Invariably, when the in-house valuations are compared with those of the external valuer, around 73% of the valuations are within a small acceptable tolerance. Where the difference is more significant, this is discussed with the valuer to determine the reasons for the difference. Typically, the reasons vary, but it could be, for example, that further or better information about internal condition is available or that respective valuers have placed a different interpretation on comparable sales. Once such reasons have been identified, the Group and the valuer agree the appropriate valuation that should be adopted as the Directors' Valuation.

Allsop LLP has provided the Directors with the following opinion on the Directors' Valuation:

Property held in the residential portfolio was valued as at 30 September 2021 by Grainger's in-house surveyors. These valuations were reviewed and approved by the Directors. Allsop LLP has undertaken a comprehensive review of the Directors' Valuation and they are satisfied with the process by which the in-house valuations were conducted. Allsop LLP valued approximately 80% of the residential portfolio, independently of the Group. Based on the results of that review, Allsop LLP has concluded that they have a high degree of confidence in those Directors' Valuations.

Allsop LLP also recommends a discount to apply to the vacant possession valuations to establish the market value of each property, with the discounts ranging from 15% to 19%. The discounts are established by tenancy type and region and are based on evidence gathered by Allsop LLP from recent transactional market evidence. The Directors have adopted the discounts recommended by Allsop LLP.

Investment property: PRS blocks are valued on an income capitalisation basis, having regard to prevailing market conditions and evidence, and with close regard to the relativity between the market value and the aggregate vacant possession value. The valuation has been prepared in accordance with RICS Professional Valuation Standards where fair value is the same as market value. CBRE Limited valued 70% of residential investment property, with Allsop LLP valuing 13% on this basis. Gross yields adopted in the valuations broadly range from 4.2% to 7.0%.

The remaining 17% of residential property is valued in line with the trading property approach, with older properties and groups of individual units valued by Allsop LLP on a discount to vacant possession value basis on the assumption these assets would be sold individually. Residential reversionary assets discounts adopted ranged from 15% to 19%, whilst the residential PRS discount to vacant possession value was 95%.

ii) Developments

Trading property: Development trading property of £52.4m relates to the Group's legacy strategic land assets. The current market value has been assessed by CBRE Limited. Their valuation, representing 85% of total value, is on the basis of fair value as defined in the RICS Professional Valuation Standards where fair value is the same as market value. The remaining 15% of the portfolio is a Directors' Valuation.

Investment property: CBRE Limited assessed the fair value of the direct development schemes in the course of construction. These schemes are valued on an income capitalisation basis, with gross yields adopted in the valuations ranging from 5.1% to 6.5%. As the assets are under construction, the valuation takes into account estimated costs required to reach completion.

iii) New build PRS – CBRE Limited assessed the fair value of the completed assets and assets in the course of construction.

The principal approach was to value the properties on an income capitalisation basis, having regard to prevailing market conditions and evidence, and with close regard to the relativity between the market value and the aggregate vacant possession value.

Where applicable, estimated costs required to complete construction have been taken into account. The valuation has been prepared in accordance with RICS Professional Valuation Standards where fair value is the same as market value.

The primary unobservable input within the valuation relate to assumptions for gross yields adopted with respect to comparable market evidence, with gross yields ranging from 4.6% to 6.0% across the portfolio. For assets under construction, a discount to market value to reflect stabilisation and construction risk in the remaining build process is applied on an asset by asset basis depending on stage of completion.

iv) Affordable housing – For properties let on affordable rents, social rents or sold on shared ownership leases, Allsop LLP valued the assets on the basis of Existing Use Value for Social Housing ('EUV-SH') in line with RICS Global Standards. Properties subject to intermediate rents have been valued at market value as these assets are not restricted as social housing in perpetuity.

The primary unobservable input within the valuation relates to assumptions for the income capitalisation rate of net rent, which is determined on a tenure basis. The gross yields adopted for 30 September 2021 valuations range from 4.3% to 4.8%.

v) Tricomm Housing – Allsop LLP provided an investment valuation as at 30 September 2021 for the property assets owned by the Group and let under a long-term lease arrangement with the Secretary of State for Defence under a PFI project agreement. The investment valuation is in accordance with RICS Professional Valuation Standards, and is based on a discounted cash flow model.

Significant unobservable inputs within the valuation relate to assumptions for house price inflation and the discount rates to apply to the cash flows. The assumptions adopted for house price inflation are: 2.00% in 2022, 2.50% in 2023, and 2.75% thereafter. The discount rates applied to the cash flows range between 2.95% (core income) and 6.80% (on reversion).

vi) Financial asset (CHARM) – The valuation methodology adopted for the CHARM asset is set out in Note 20 to the financial statements. CHARM is valued using projected cash flows and applies key unobservable inputs being house price inflation and discount rates.

As such it is classified as a level 3 asset (Note 27). The assumptions used to value the asset reflect an increase in house prices of between 3.27% and 6.91% p.a. A discount rate of 3.5% has been applied to the interest income and a rate of 6.5% has been applied to the projected proceeds from sales of the underlying properties, reflecting the risk profile of each individual income stream.

Credit risk arises from the credit exposure relating to cash receipts from the financial instrument. All of the cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

vii) Joint ventures and associates – For Vesta LP, Avison Young (UK) Limited valued the asset on the same basis described for completed new build PRS assets. Property assets in other joint ventures including the Connected Living London Group and Lewisham Grainger Holdings LLP are held at cost reflecting the current early stages of each development.

The Directors consider the valuations provided by external valuers to be representative of fair value.

As required by RICS Professional Valuation Standards, the external valuers in the UK mentioned above have made full disclosure of the extent and duration of their work for, and fees earned by them from, the Group, which in all cases are less than 5% of their total fees.

2. Critical accounting estimates and judgements continued

2) Net realisable value of trading property

The Group's residential trading properties are carried in the consolidated statement of financial position at the lower of cost and net realisable value.

Net realisable value is the net sales proceeds which the Group expects on sale of a property with vacant possession, with vacant possession being determined in line with the approach detailed in Note 2.1i). The Group has a net realisable value provision of £6.5m as at 30 September 2021 (2020: £7.2m). The provision includes specific properties which are vacant and properties expected to become vacant in the future on the assumption of an average annual vacancy rate of c.8% over the next ten years. Consideration has been given in respect of house price inflation, being the primary assumption relevant to this calculation, with the provision for properties expected to become vacant in future assuming nil inflation over the next ten years.

Sensitivity analysis

Changes to key assumptions could impact both the income and financial position of the Group. The impact of changes to key assumptions is considered for the valuation of property assets and the net realisable value of trading property using a range of reasonable changes and have been applied to asset categories where sensitivities could have the largest impact. The Group measures its market risk exposure internally by running various sensitivity analyses. The Directors consider that the range of potential movements set out in the table below represent reasonably possible changes.

The table below sets out potential impacts that may result from changes to certain assumptions:

		Increase		Decrease	
		Income statement impact £m	**Statement of financial position impact £m**	Income statement impact £m	Statement of financial position impact £m
Residential (trading property)	5.0% change in house prices (NRV provision impact)	**1.9**	**1.9**	2.4	2.4
Residential (investment property)	0.10% change in gross yield	**(12.1)**	**(12.1)**	12.5	12.5
Developments (investment property)	0.10% change in gross yield	**(2.0)**	**(2.0)**	2.0	2.0
New build PRS	0.10% change in gross yield	**(22.4)**	**(22.4)**	23.3	23.3
Affordable housing	0.10% change in gross yield	**(4.2)**	**(4.2)**	4.4	4.4
Tricomm Housing	5.0% change in house prices	**6.4**	**6.4**	(6.4)	(6.4)
Tricomm Housing	0.25% change in discount rate	**(1.8)**	**(1.8)**	1.8	1.8
Financial asset (CHARM)	5.0% change in house prices	**2.9**	**2.9**	(2.9)	(2.9)
Financial asset (CHARM)	0.25% change in discount rate	**(1.2)**	**(1.2)**	1.2	1.2

Judgements

1) 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.

2) Asset acquisition

In line with the Group's accounting policy on business combinations the Group has considered whether the acquisition of MREF III Forth Banks Property Sarl and its subsidiary MREF III Newcastle Operations Limited (collectively referred to as 'The Forge') constituted a business combination or an asset acquisition. The Group concluded the acquisition constituted an asset acquisition in line with the optional concentration test permitted under IFRS 3, Business Combinations.

3. 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 on-going revenue or costs of the business and, either individually or in aggregate, are material to the reported Group results.

£m	2021				2020 (restated)[1]			
	Statutory	Valuation	Other adjustments	Adjusted earnings	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**248.9**	**–**	**–**	**248.9**	214.0	–	(4.0)	210.0
Net rental income	**70.6**	**–**	**–**	**70.6**	73.6	–	–	73.6
Profit on disposal of trading property	**68.6**	**(0.8)**	**–**	**67.8**	61.6	(0.3)	–	61.3
Profit on disposal of investment property	**1.5**	**–**	**–**	**1.5**	2.3	–	–	2.3
Income from financial interest in property assets	**7.2**	**(2.3)**	**–**	**4.9**	5.2	(0.1)	–	5.1
Fees and other income	**5.1**	**–**	**–**	**5.1**	7.5	–	(4.0)	3.5
Administrative expenses	**(38.5)**	**–**	**8.3**	**(30.2)**	(40.4)	–	11.7	(28.7)
Other expenses	**(0.6)**	**–**	**–**	**(0.6)**	(2.4)	–	1.8	(0.6)
Impairment of inventories to net realisable value	**(0.1)**	**0.1**	**–**	**–**	(0.7)	0.7	–	–
Operating profit	**113.8**	**(3.0)**	**8.3**	**119.1**	106.7	0.3	9.5	116.5
Net valuation gains on investment property	**76.8**	**(76.8)**	**–**	**–**	29.8	(29.8)	–	–
Change in fair value of derivatives	**(3.8)**	**–**	**3.8**	**–**	(1.4)	–	1.4	–
Finance costs	**(35.4)**	**–**	**–**	**(35.4)**	(34.9)	–	0.5	(34.4)
Finance income	**0.2**	**–**	**–**	**0.2**	0.4	–	–	0.4
Share of profit of associates after tax	**0.8**	**(0.9)**	**–**	**(0.1)**	0.1	(0.2)	–	(0.1)
Share of loss of joint ventures after tax	**(0.3)**	**–**	**–**	**(0.3)**	(1.6)	–	1.0	(0.6)
Profit before tax	**152.1**	**(80.7)**	**12.1**	**83.5**	99.1	(29.7)	12.4	81.8
Tax charge	**(42.6)**				(16.3)			
Profit for the year attributable to the owners of the Company	**109.5**				82.8			
Diluted adjusted earnings per share				**9.9p**				10.2p

1 See Note 38 for an explanation of the prior year restatement.

Profit before tax in the adjusted columns above of £83.5m (2020: £81.8m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £15.9m (2020: £15.5m) in line with the standard rate of UK Corporation Tax of 19.0% (2020: 19.0%), divided by the weighted average number of shares as shown in Note 15. The Group's IFRS statutory earnings per share is also detailed in Note 15.

The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval prior to issuing the financial statements. The £12.1m cost within other adjustments in 2021 comprises £8.3m software development costs following the change in accounting policy and £3.8m refinancing costs. In 2020, the net £12.4m cost within other adjustments comprised £2.7m income relating to historic non-core business, offset by £11.7m reclassification of software development costs following the change in accounting policy (Note 1(c)), £2.4m costs related to refinancing activity and £1.0m restructuring costs. These transactions do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

4. Segmental information

Accounting policy

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. A full description and reconciliation of these measures is included in the EPRA performance measure section on pages 164 to 167 of this report.

Information relating to the Group's operating segments is set out in the tables below. The tables distinguish between adjusted earnings on a segmental basis. Valuation and other adjustments are not reviewed by the CODM on a segmental basis and should be read in conjunction with Note 3.

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 loss 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, with further details shown in the EPRA performance measures on page 164:

£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**

2020 Income statement (restated)[1]

£m	PRS	Reversionary	Other	Total
Group revenue	77.9	128.4	3.7	210.0
Segment revenue – external				
Net rental income	53.8	19.6	0.2	73.6
Profit on disposal of trading property	(0.1)	57.2	4.2	61.3
Profit on disposal of investment property	2.0	0.3	–	2.3
Income from financial interest in property assets	–	5.1	–	5.1
Fees and other income	2.9	–	0.6	3.5
Administrative expenses	–	–	(28.7)	(28.7)
Other expenses	(0.6)	–	–	(0.6)
Net finance costs	(21.9)	(11.4)	(0.7)	(34.0)
Share of trading loss of joint ventures and associates after tax	(0.5)	–	(0.2)	(0.7)
Adjusted earnings	35.6	70.8	(24.6)	81.8
Valuation movements				29.7
Other adjustments				(12.4)
Profit before tax				99.1

1 See Note 38 for an explanation of the prior year restatement.

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

£m	PRS	Reversionary	Other	Total
Adjusted earnings	35.6	70.8	(24.6)	81.8
Profit on disposal of investment property	(2.0)	(0.3)	–	(2.3)
Previously recognised profit through EPRA market value measures	–	(53.4)	–	(53.4)
Adjusted EPRA earnings	33.6	17.1	(24.6)	26.1

Segmental assets

The 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.

Total Accounting Return (NTA basis) of 5.5% is calculated from the closing EPRA NTA of 297p per share plus the dividend of 5.15p per share for the year, divided by the opening EPRA NTA of 286p per share, which has been adjusted for the September 2021 equity raise.

These measures are set out below by segment along with a reconciliation to the summarised statutory statement of financial position. Additional EPRA disclosures are included on pages 164 to 167.

4. Segmental information continued

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

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

In order to provide further analysis, the following table sets out EPRA NTA by segment:

£m	PRS	Reversionary	Other	Total
EPRA NTA				
Investment property	2,156.2	23.0	–	2,179.2
Investment in joint ventures and associates	26.9	–	18.0	44.9
Financial interest in property assets	–	71.7	–	71.7
Inventories – trading property	205.4	872.9	52.4	1,130.7
Cash and cash equivalents	212.5	89.7	15.4	317.6
Other assets	6.0	9.5	52.5	68.0
Total segment EPRA NTA assets	2,607.0	1,066.8	138.3	3,812.1
Interest-bearing loans and borrowings	(901.8)	(380.4)	(65.3)	(1,347.5)
Deferred and contingent tax liabilities	(28.9)	(106.0)	(10.2)	(145.1)
Other liabilities	(67.8)	(8.6)	(35.3)	(111.7)
Total segment EPRA NTA liabilities	(998.5)	(495.0)	(110.8)	(1,604.3)
Net EPRA NTA assets	1,608.5	571.8	27.5	2,207.8

2020 Segment net assets (restated)[1]

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	1,169.6	252.0	21.4	1,443.0	214
Total segment net assets (EPRA NRV)	1,291.2	696.1	45.5	2,032.8	301
Total segment net assets (EPRA NTA)	1,266.8	611.4	44.6	1,922.8	285
Total segment net assets (EPRA NDV)	1,242.3	611.4	(11.2)	1,842.5	273

1 See Note 38 for an explanation of the prior year restatement.

2020 Reconciliation of EPRA NAV measures (restated)[1]

£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	1,778.9	–	1,778.9	–	1,778.9	–	1,778.9
Investment in joint ventures and associates	42.0	–	42.0	–	42.0	–	42.0
Financial interest in property assets	73.3	–	73.3	–	73.3	–	73.3
Inventories – trading property	657.4	533.4	1,190.8	–	1,190.8	–	1,190.8
Cash and cash equivalents	369.1	–	369.1	–	369.1	–	369.1
Other assets	49.4	3.5	52.9	(0.8)	52.1	13.5	65.6
Total assets	2,970.1	536.9	3,507.0	(0.8)	3,506.2	13.5	3,519.7
Interest-bearing loans and borrowings	(1,391.9)	–	(1,391.9)	–	(1,391.9)	(48.7)	(1,440.6)
Deferred and contingent tax liabilities	(36.1)	32.3	(3.8)	(109.2)	(113.0)	(24.5)	(137.5)
Other liabilities	(99.1)	20.6	(78.5)	–	(78.5)	(20.6)	(99.1)
Total liabilities	(1,527.1)	52.9	(1,474.2)	(109.2)	(1,583.4)	(93.8)	(1,677.2)
Net assets	1,443.0	589.8	2,032.8	(110.0)	1,922.8	(80.3)	1,842.5

1 See Note 38 for an explanation of the prior year restatement.

In order to provide further analysis, the following table sets out restated EPRA NTA by segment:

£m	PRS	Reversionary	Other	Total
EPRA NTA				
Investment property	1,755.9	23.0	–	1,778.9
Investment in joint ventures and associates	25.0	–	17.0	42.0
Financial interest in property assets	–	73.3	–	73.3
Inventories – trading property	201.9	944.3	44.6	1,190.8
Cash and cash equivalents	237.3	124.2	7.6	369.1
Other assets	1.6	7.0	43.5	52.1
Total segment EPRA NTA assets	2,221.7	1,171.8	112.7	3,506.2
Interest-bearing loans and borrowings	(895.1)	(468.3)	(28.5)	(1,391.9)
Deferred and contingent tax liabilities	(24.5)	(84.7)	(3.8)	(113.0)
Other liabilities	(35.3)	(7.4)	(35.8)	(78.5)
Total segment EPRA NTA liabilities	(954.9)	(560.4)	(68.1)	(1,583.4)
Net EPRA NTA assets	1,266.8	611.4	44.6	1,922.8

5. Group revenue

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and is stated net of sales taxes and value added taxes. Gross proceeds from disposal of trading property and fees and other income are recognised in accordance with IFRS 15. Gross rental income is recognised in accordance with IFRS 16.

	2021 £m	2020 £m
Gross rental income (Note 6)	**97.4**	99.3
Gross proceeds from disposal of trading property (Note 7)	**146.4**	107.2
Fees and other income (Note 9)	**5.1**	7.5
	248.9	214.0

6. Net rental income

Accounting policy

Gross rental income is recognised on a straight-line basis over the lease term on an accruals basis. Directly attributable property management, repair and maintenance costs are deducted from gross rental income to determine net rental income.

	2021 £m	2020 £m
Gross rental income	**97.4**	99.3
Property operating expenses	**(26.8)**	(25.7)
	70.6	73.6

7. Profit on disposal of trading property

Accounting policy

Property is regarded as sold when performance obligations have been met and control has been transferred to the buyer. This is generally deemed to be on legal completion as at this point the buyer is able to determine the use of the property and has rights to any cash inflows or outflows in respect of the property. Profits or losses are calculated by reference to the carrying value of the property sold. For a development property, this is assessed through the use of a gross margin for the site as a whole or such other basis that provides an appropriate allocation of costs.

Contract revenue and expenses are recognised over time in the consolidated income statement, with performance obligations satisfied continually across the period in which the asset is created or enhanced. Control of the asset is transferred to the customer across the construction period rather than upon completion of the asset in its entirety as, per the contract in place, this is when the customer gains their residual interest. The input method used to measure progress is the value of work completed, denoted by the costs incurred to date, and revenue is subsequently recognised at the margin stipulated in the contract. This is also when the Group become entitled to the consideration arising from the contract. Revenues are recognised as contract assets in trade and other receivables (Note 23) and are recovered on completion of the development.

	2021 £m	2020 £m
Gross proceeds from disposal of trading property	**146.4**	107.2
Selling costs	**(3.1)**	(2.3)
Net proceeds from disposal of trading property	**143.3**	104.9
Carrying value of trading property sold (Note 22)	**(74.7)**	(43.3)
	68.6	61.6

8. Profit on disposal of investment property

Accounting policy

Investment property is regarded as sold when the recipient obtains control of the property, which is generally deemed to be on legal completion. Profits or losses are calculated by reference to the carrying value of the property sold.

	2021 £m	2020 £m
Gross proceeds from disposal of investment property	**41.5**	36.9
Selling costs	**(1.2)**	(0.7)
Net proceeds from disposal of investment property	**40.3**	36.2
Carrying value of investment property sold (Note 16)	**(38.8)**	(33.9)
	1.5	2.3

9. Fees and other income

	2021 £m	2020 £m
Property and asset management fee income	**2.6**	2.2
Other sundry income	**2.5**	5.3
	5.1	7.5

Included within other sundry income in the current year is £1.6m (2020: £1.3m) liquidated and ascertained damages ('LADs') recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts. Included within other sundry income in the prior year is £1.6m recorded in relation to the settlement of historic legal matters with respect to the Group's interest in the Czech Republic and £2.4m following the resolution of a legal claim related to a previous corporate transaction.

10. Employees

	2021 £m	2020 £m
Wages and salaries	**17.5**	16.5
Social security costs	**1.8**	1.8
Other pension costs – defined contribution scheme (Note 28)	**1.2**	1.1
Share-based payments (Note 30)	**1.7**	1.1
	22.2	20.5

The average monthly number of Group employees during the year (including Executive Directors) was:

	2021 Number	2020 Number
Operations	**197**	177
Shared services	**86**	86
Group	**11**	12
	294	275

Details of Directors' remuneration, including pension costs, share options and interests in the LTIP, are provided in the audited section of the Remuneration Committee report on pages 77 to 98.

Information about benefits of Directors

The following amounts are disclosed in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	2021 £'000	2020 £'000
Aggregate Directors' remuneration	**2,146**	1,871
Aggregate amount of gains on exercise of share options	**–**	12
Aggregate amount of money or assets received or receivable under scheme interests	**942**	651
	3,088	2,534

None of the Directors (2020: none) were members of the Group defined benefit scheme or the defined contribution scheme.

Key management compensation

	2021 £m	2020 £m
Short-term employee benefits	**6.5**	5.7
Post-employment benefits	**0.4**	0.4
Share-based payments	**1.3**	1.0
	8.2	7.1

Key management figures shown above include Executive and Non-Executive Directors and all internal Directors of specific functions.

11. Profit before tax

	2021 £m	2020 (restated)[1] £m
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	**0.9**	0.8
Amortisation of intangible assets	**0.3**	0.4
Bad debt expense	**0.7**	1.4
Operating lease payments	**0.2**	0.2
Auditor's remuneration (see below)	**0.5**	0.5

1 See Note 38 for an explanation of the prior year restatement.

The remuneration paid to KPMG LLP, the Group's auditor, is disclosed below:

Auditor's remuneration

	2021 £'000	2020 £'000
Services as auditor to the Company	**190**	160
Services as auditor to Group subsidiaries	**285**	240
Group audit fees	**475**	400
Audit related assurance services	**37**	36
Services related to corporate finance transactions	**–**	50
Other assurance services	**10**	8
Non-audit fees	**47**	94
Total fees	**522**	494

The relevant proportion of amounts paid to the auditor for the audit of the financial statements of joint ventures is £16,830 (2020: £15,300).

12. Finance costs and income

	2021 £m	2020 £m
Finance costs		
Bank loans and mortgages	**17.0**	23.3
Non-bank financial institution	**2.1**	2.1
Corporate bond	**22.5**	14.6
Interest capitalised under IAS 23	**(10.0)**	(8.4)
Other finance costs	**3.8**	3.3
	35.4	34.9
Finance income		
Other interest receivable	**(0.2)**	(0.4)
	(0.2)	(0.4)
Net finance costs	**35.2**	34.5

13. Tax

Accounting policy

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the income statement and 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 consolidated 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 is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The tax charge for the year of £42.6m (2020 (restated): £16.3m) recognised in the consolidated income statement comprises:

	2021 £m	2020 (restated)[1] £m
Current tax		
Corporation tax on profit	**11.4**	20.3
Adjustments relating to prior years	**(3.7)**	(5.3)
	7.7	15.0
Deferred tax		
Origination and reversal of temporary differences	**33.4**	(0.3)
Adjustments relating to prior years	**1.5**	1.6
	34.9	1.3
Total tax charge for the year	**42.6**	16.3

1 See Note 38 for an explanation of the prior year restatement.

The 2021 current tax adjustments relating to prior years reflect adjustments which have been included in submitted tax returns, while deferred tax adjustments relate primarily to adjustments to investment properties and capital allowances.

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

The Group's results for this year are taxed at an effective rate of 19.0% (2020: 19.0%).

13. Tax continued

The tax charge for the year is higher (2020: lower) than the charge for the year derived by applying the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%) to the profit before tax. The differences are explained below:

	2021 £m	2020 (restated)[1] £m
Profit before tax	**152.1**	99.1
Income tax at a rate of 19.0% (2020: 19.0%)	**28.9**	18.8
Expenses not deductible for tax purposes	**(0.1)**	0.3
Share of joint ventures/associates after tax	**(0.1)**	0.1
Difference between tax and accounting profit on disposal of fixed assets and investments	**–**	(3.2)
Impact of changes in tax rates	**16.1**	3.5
Other temporary differences	**–**	0.5
Adjustment in respect of prior periods	**(2.2)**	(3.7)
Amounts recognised in the income statement	**42.6**	16.3

1 See Note 38 for an explanation of the prior year restatement.

In addition to the above, a deferred tax charge of £3.8m (2020: credit of £1.3m) was recognised within other comprehensive income comprising:

	2021 £m	2020 £m
Actuarial gain/(loss) on BPT Limited pension scheme	**1.0**	(0.3)
Fair value movement in cash flow hedges	**2.8**	(1.0)
Amounts recognised in other comprehensive income	**3.8**	(1.3)

Deferred tax balances comprise temporary differences attributable to:

	2021 £m	2020 (restated)[1] £m
Deferred tax assets		
Short-term temporary differences	**2.1**	2.2
Losses carried forward	**0.2**	1.5
Actuarial deficit on BPT Limited pension scheme	**0.2**	1.2
Fair value movement in derivative financial instruments	**1.2**	4.0
	3.7	8.9
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(7.8)**	(7.9)
Investment property revaluation	**(55.7)**	(25.0)
Short-term temporary differences	**(4.6)**	(2.0)
Fair value movement in financial interest in property assets	**(1.4)**	(1.2)
	(69.5)	(36.1)
Total deferred tax	**(65.8)**	(27.2)

1 See Note 38 for an explanation of the prior year restatement.

Deferred tax has been calculated at a rate of 25.0% (2020: 19.0%) 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 statement of financial position and their market value, has not been recognised by the Group. This contingent tax amounts to £133.9m, calculated at 25.0% (2020: £101.3m, calculated at 19.0%), and will be realised as the properties are sold.

It is not possible for the Group to identify the timing of movements in deferred tax between those expected within one year and those expected in a period greater than one year. This is because movements in the main balances, both assets and liabilities, will be determined by factors outside the control of the Group, namely the vacation date of properties and interest yield curve movements. However, given the long-term nature of our property ownership, we anticipate that the balance will predominantly be crystallised in a period greater than one year.

14. Dividends

Accounting policy

Dividends are recognised through equity when approved by the Company's Shareholders or on payment, whichever is earlier.

Dividends paid in the year are shown below:

	2021 £m	2020 £m
Ordinary dividends on equity shares:		
Final dividend for the year ended 30 September 2019 – 3.46p per share	–	21.2
Interim dividend for the year ended 30 September 2020 – 1.83p per share	–	12.3
Final dividend for the year ended 30 September 2020 – 3.64p per share	24.5	–
Interim dividend for the year ended 30 September 2021 – 1.83p per share	12.3	–
	36.8	33.5

Subject to approval at the AGM, the final dividend of 3.32p per share (gross) amounting to £24.6m will be paid on 14 February 2022 to Shareholders on the register at the close of business on 31 December 2021. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2022. An interim dividend of 1.83p per share amounting to a total of £12.3m was paid to Shareholders on 2 July 2021.

15. Earnings per share

Accounting policy

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 2021 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 2021			30 September 2020 (restated)[1]		
	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	109.5	677.7	16.2	82.8	649.1	12.8
Effect of potentially dilutive securities						
Share options and contingent shares	–	2.7	(0.1)	–	2.6	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	109.5	680.4	16.1	82.8	651.7	12.7

1 See Note 38 for an explanation of the prior year restatement.

16. Investment property

Accounting policy

Property that is held for long-term rental yields or for capital appreciation, or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Investment property falls within Level 3 of the fair value hierarchy as defined by IFRS 13. Further details are given in Note 27.

Subsequent expenditure is included in the carrying amount of the property when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Gains or losses arising from changes in the fair value of the Group's investment properties are included in the consolidated income statement of the period in which they arise.

When the Group begins to redevelop an existing trading property for continued future use as an investment property, the property is transferred to investment property and held as a non-current asset. The property is remeasured to fair value as at the date of the transfer with any gain or loss being taken to the income statement.

Where specific investment properties are expected to sell within the next 12 months their fair value is shown under assets classified as held-for-sale within current assets. Any loss on the reclassification of these assets from investment properties to assets held-for- sale is charged to the consolidated income statement of the period in which this occurs.

	2021 £m	2020 £m
Opening balance	**1,778.9**	1,574.6
Acquisitions	**78.0**	37.7
Capital expenditure – completed assets	**22.8**	11.4
Capital expenditure – assets under construction	**261.5**	146.2
Total additions	**362.3**	195.3
Transfer from inventories	**–**	13.1
Disposals (Note 8)	**(38.8)**	(33.9)
Net valuation gains	**76.8**	29.8
Closing balance	**2,179.2**	1,778.9

Information relating to the basis of valuation of investment property, the use of external independent valuers, and the judgements and assumptions adopted by management is set out in Note 2 'Critical accounting estimates and judgements'.

The historical cost of the Group's investment property as at 30 September 2021 is £1,943.4m (2020: £1,618.3m).

Direct property repair and maintenance costs arising from investment property that generated rental income during the year were £19.1m (2020: £14.7m).

17. Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at cost less residual value and depreciation and comprise fixtures, fittings and equipment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life ranging from 3–5 years.

18. Investment in associates

	2021 £m	2020 £m
Opening balance	**14.7**	11.7
Share of profit for the year	**0.8**	0.1
Loans advanced to associates	**–**	2.9
Closing balance	**15.5**	14.7

The closing balance comprises share of net assets of £0.9m (2020: £0.1m) and net loans due from associates of £14.6m (2020: £14.6m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

As at 30 September 2021, 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

In relation to the Group's investment in associates, the aggregated assets, liabilities, revenues and profit or loss of associates is shown below:

2021 Summarised income statement

£m	Vesta LP
Net rental income and other income	**–**
Administration and other expenses	**(0.5)**
Operating loss	**(0.5)**
Revaluation gains on investment property	**4.3**
Profit before tax	**3.8**
Tax	**–**
Profit after tax	**3.8**

2021 Summarised statement of financial position

£m	Vesta LP
Investment property	**75.1**
Current assets	**4.0**
Total assets	**79.1**
Current liabilities	**(74.2)**
Net assets	**4.9**

2020 Summarised income statement

£m	Vesta LP
Net rental income and other income	(0.4)
Administration and other expenses	(0.1)
Operating loss	(0.5)
Revaluation gains on investment property	1.2
Profit before tax	0.7
Tax	(0.2)
Profit after tax	0.5

2020 Summarised statement of financial position

£m	Vesta LP
Investment property	72.1
Current assets	2.7
Total assets	74.8
Current liabilities	(74.1)
Net assets	0.7

19. Investment in joint ventures

	2021 £m	2020 £m
Opening balance	**27.3**	21.6
Share of loss for the year	**(0.3)**	(1.6)
Further investment[1]	**0.8**	5.5
Loans advanced to joint ventures	**1.6**	1.8
Closing balance	**29.4**	27.3

1 Grainger invested £0.8m into Connected Living London (BTR) Limited in the year (2020: £5.5m).

The closing balance comprises share of net assets of £8.5m (2020: £8.0m) and net loans due from joint ventures of £20.9m (2020: £19.3m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

At 30 September 2021, 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
Helical Grainger (Holdings) Limited	50	UK	31 March
Lewisham Grainger Holdings LLP	50	UK	30 September

Helical Grainger (Holdings) Limited is in liquidation as at 30 September 2021.

19. Investment in joint ventures continued

In relation to the Group's investment in joint ventures, the aggregated assets, liabilities, revenues and profit or loss are shown below:

2021 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Helical Grainger (Holdings) Limited	Lewisham Grainger Holdings LLP	Total
Administration and other expenses	(0.3)	(0.1)	–	(0.1)	(0.5)
Loss before tax	(0.3)	(0.1)	–	(0.1)	(0.5)
Tax	–	–	–	–	–
Loss after tax	(0.3)	(0.1)	–	(0.1)	(0.5)

2021 Summarised statement of financial position

Investment property	17.6	–	–	3.7	21.3
Current assets	2.4	36.7	–	–	39.1
Total assets	20.0	36.7	–	3.7	60.4
Current liabilities	(3.1)	(36.7)	–	(3.9)	(43.7)
Net assets	16.9	–	–	(0.2)	16.7

2020 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Helical Grainger (Holdings) Limited	Lewisham Grainger Holdings LLP	CCZ a.s.[1]	Total
Administration and other expenses	(0.8)	(0.7)	–	–	–	(1.5)
Loss before tax	(0.8)	(0.7)	–	–	–	(1.5)
Tax	–	(1.8)	–	–	–	(1.8)
Loss after tax	(0.8)	(2.5)	–	–	–	(3.3)

2020 Summarised statement of financial position

Investment property	14.5	–	–	2.9	–	17.4
Current assets	3.7	36.5	–	–	–	40.2
Total assets	18.2	36.5	–	2.9	–	57.6
Current liabilities	(2.6)	(36.5)	–	(2.9)	–	(42.0)
Net assets	15.6	–	–	–	–	15.6

1 CCZ a.s., the Group's joint venture interest in the Czech Republic has been liquidated following resolution of outstanding matters.

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

Accounting policy

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 initially recognised at fair value and subsequently carried at fair value. Subsequent to initial recognition, the net change in value recorded is as follows: i) cash received from the instrument in the year is deducted from the carrying value of the assets; and ii) the carrying value of the assets is revised to the net present value of the updated projected cash flows arising from the instrument using the effective interest rate applicable at acquisition. The change in value arising from ii) above is recorded through the consolidated income statement and is shown on the line 'Income from financial interest in property assets'.

	2021 £m	2020 £m
Opening balance	73.3	76.4
Cash received from the instrument	(8.8)	(8.3)
Amounts taken to income statement	7.2	5.2
Closing balance	71.7	73.3

The CHARM portfolio is considered to be a Level 3 financial asset as defined by IFRS 13. The key assumptions used to value the asset are set out within Note 2 'Critical accounting estimates and judgements', and the financial asset is included within the fair value hierarchy within Note 27.

21. Intangible assets

Accounting policy

Intangible assets comprise computer software and goodwill.

Costs incurred in relation to computer software that the Group has exclusive right of use to are capitalised and amortised on a straight-line basis over the estimated useful lives of the assets from the date they are available for use. The effective life is assessed in accordance with the period that the Group expects benefits from its investment in technology to be consumed. Amortisation is charged to the consolidated income statement.

Costs incurred in relation to computer software that the Group does not have exclusive right of use to, including its Software as a Service ('SaaS') arrangements, are not accounted for as intangible assets. Configuration and customisation costs incurred prior to receiving services are prepaid and expensed to the Consolidated Income Statement once the service is in use. All other expenditure in relation to non-exclusive SaaS is expensed to the Consolidated Income Statement as incurred.

Goodwill is tested for impairment based on a value in use calculation at each reporting date.

	2021 £m	2020 (restated)[1] £m
Opening balance	**0.8**	1.2
Amortisation	**(0.3)**	(0.4)
Closing balance	**0.5**	0.8

1 See Note 38 for an explanation of the prior year restatement.

Following the IFRS Interpretations Committee publishing accounting guidance for configuration and customisation expenditure relating to Software as a Service arrangements, the Group has reviewed and revised its accounting policy in relation to intangible assets which includes accounting for computer software. This has resulted in reclassifying relevant expenditure that was previously capitalised as an intangible asset and expensing this to the income statement as administrative expenses.

The impact of this change is outlined in Note 38.

22. Inventories – trading property

Accounting policy

Tenanted residential properties held-for-sale in the normal course of business within the PRS and Reversionary segments are shown in the financial statements as a current asset at the lower of cost and net realisable value. Cost includes legal and surveying charges and introducer fees incurred during acquisition together with improvement costs.

Legacy land and development property held within the Other segment of the business are shown in the financial statements at the lower of cost and net realisable value.

Cost represents the acquisition price including legal and other professional costs associated with the acquisition together with subsequent development costs net of amounts transferred to costs of sale.

Net realisable value is the expected sales proceeds that the Group expects on sale of a property or current market value net of associated selling costs.

	2021 £m	2020 £m
Opening balance	**657.4**	700.0
Additions	**12.6**	14.5
Transfer to investment property	**–**	(13.1)
Disposals (Note 7)	**(74.7)**	(43.3)
Impairment of inventories to net realisable value	**(0.1)**	(0.7)
Closing balance	**595.2**	657.4

The closing balance above reflects the lower of historical cost and net realisable value of inventory owned by the Group rather than the current market value. Market value is considered to be a more relevant reflection of the value of inventory owned by the Group. The segmental allocation of PRS, Reversionary and Development inventory, as well as additional information including their market value is detailed in Note 4.

Information relating to the judgements and assumptions adopted by management in relation to inventories is set out in Note 2 'Critical accounting estimates and judgements'. It is not possible for the Group to identify which properties will be sold within the next 12 months. The size of the Group's property portfolio does result in a relatively predictable vacancy rate. However, it is not possible to predict in advance the specific properties that will become vacant. Trading property is shown as a current asset in the consolidated statement of financial position.

The Group has an obligation, under an agreement for sale in relation to its land at West Waterlooville, to pay further consideration should the site value exceed certain pre-agreed amounts. It also has an obligation under a profit sharing agreement to share profits above an agreed threshold. It is not possible to determine the amount or timing of any such future payments due to the long-term nature of the site's development and the associated uncertainties. However, our current best estimate is that the earliest payment under these arrangements is unlikely to be within the 12 months subsequent to the balance sheet date and any payments are likely to be spread over a number of years.

Amounts relating to inventories that have been recognised as an expense in the consolidated income statement are as follows:

	2021 £m	2020 £m
Carrying value of trading property sold (Note 7)	**74.7**	43.3
Impairment of inventories to net realisable value	**0.1**	0.7

23. Trade and other receivables

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment in trade receivables is established when there is an expectation of cash shortfalls over the expected life of the amounts due. The movement in the provision is recognised in the consolidated income statement.

	2021 £m	2020 £m
Rent and other tenant receivables	**5.7**	4.8
Deduct: Provision for impairment	**(2.3)**	(2.4)
Rent and other tenant receivables – net	**3.4**	2.4
Contract assets	**2.6**	3.3
Other receivables	**29.8**	23.0
Prepayments	**2.7**	2.6
Closing balance	**38.5**	31.3

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 £5.7m (2020: £4.8m). 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.

Other receivables include £10.4m (2020: £9.3m) due from land sales, which is receivable no later than September 2022.

The fair values of trade and other receivables are considered to be equal to their carrying amounts. The credit quality of financial assets that are neither past due nor impaired is discussed in Note 27 'Financial risk management and derivative financial instruments'.

24. Provisions for other liabilities and charges

Accounting policy

Provisions are recognised when: i) the Group has a present obligation as a result of a past event; ii) it is probable that an outflow of resources will be required to settle the obligation; and iii) a reliable estimate can be made of the amount of the obligation.

25. Trade and other payables

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Refer to Note 35 for accounting policy in relation to lease liabilities.

	2021 £m	2020 £m
Current liabilities		
Deposits received	**9.1**	7.2
Trade payables	**16.3**	16.4
Lease liabilities (Note 35)	**0.7**	0.9
Tax and social security costs	**4.9**	0.5
Accruals	**72.6**	44.2
Deferred income	**6.2**	4.1
	109.8	73.3
Non-current liabilities		
Lease liabilities (Note 35)	**0.6**	1.3
	0.6	1.3
Total trade and other payables	**110.4**	74.6

Within accruals, £43.7m comprises accrued expenditure in respect of ongoing construction activities (2020: £28.4m).

26. Interest-bearing loans and borrowings

Accounting policy

Borrowings are initially recognised at the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the consolidated statement of financial position date.

	2021 £m	2020 £m
Non-current liabilities		
Bank loans – Pounds Sterling	**306.5**	352.2
Bank loans – Euros	**0.9**	0.9
Non-bank financial institution	**346.6**	346.2
Corporate bonds	**693.5**	692.6
Closing balance	**1,347.5**	1,391.9

(a) Bank loans

Sterling bank loans include variable rate loans bearing interest at rates between 1.6% and 1.8% above LIBOR and Euro bank loans include variable rate loans bearing interest at a rate of 1.6% above EURIBOR.

The weighted average variable interest rate on bank loans as at 30 September 2021 was 1.7% (2020: 1.7%). Bank loans are secured by fixed and floating charges over specific property and other assets of the Group.

Unamortised costs in relation to bank loans of £3.5m (2020: £4.8m) will be amortised over the life of the loans to which they relate.

26. Interest-bearing loans and borrowings continued

(b) Non-bank financial institution

£350.0m is funded by fixed rates loans from Rothesay Life PLC across three tranches: £75.0m maturing July 2026, £75.0m maturing October 2027 and £200.0m maturing July 2029.

The weighted average interest rate on non-bank loans as at 30 September 2021 was 2.4% (2020: 2.4%). Unamortised costs in relation to these fixed rate loans of £3.3m (2020: £3.8m) will be amortised over the life of the loans to which they relate.

(c) Corporate bonds

In 2020, the Group issued a new ten-year £350.0m corporate bond at 3.0% due July 2030. In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028.

As at 30 September 2021 unamortised costs in relation to the corporate bonds stood at £3.9m (2020: £4.5m), and the outstanding discount was £2.6m (2020: £2.9m).

(d) Other loans and borrowings information

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bonds. As at 30 September 2021, unamortised costs totalled £10.7m (2020: £13.1m) and the outstanding discount was £2.6m (2020: £2.9m).

In accordance with IAS 7 Statement of Cash Flows, the Group is required to detail any changes in liabilities that arise from financing activities throughout the year. These changes are detailed below.

	2021				2020			
			Derivatives used for hedging the liabilities from financing activities				Derivatives used for hedging the liabilities from financing activities	
£m	**Loans and borrowings**	**Interest payable**	**Assets**	**Liabilities**	Loans and borrowings	Interest payable	Assets	Liabilities
Opening balance	**1,391.9**	**8.7**	**–**	**20.6**	1,276.8	6.4	–	17.3
Changes from financing cash flows								
Proceeds from loans and borrowings	**30.0**	**–**	**–**	**–**	697.0	–	–	–
Repayment of borrowings	**(77.0)**	**–**	**–**	**–**	(580.0)	–	–	–
Transaction costs related to loans and borrowings	**–**	**–**	**–**	**–**	(3.1)	–	–	–
Total changes from financing cash flows	**(47.0)**	**–**	**–**	**–**	113.9	–	–	–
Other changes								
Gross interest accrued	**–**	**45.7**	**–**	**–**	–	39.7	–	–
Gross interest paid	**–**	**(45.6)**	**–**	**–**	–	(37.4)	–	–
Amortisation of borrowing costs net of premiums	**2.6**	**–**	**–**	**–**	1.2	–	–	–
Changes to fair value of derivatives through profit and loss	**–**	**–**	**–**	**–**	–	–	–	–
Changes in fair value of derivatives through hedging reserve	**–**	**–**	**–**	**(16.1)**	–	–	–	3.3
Total other changes	**2.6**	**0.1**	**–**	**(16.1)**	1.2	2.3	–	3.3
Closing balance	**1,347.5**	**8.8**	**–**	**4.5**	1,391.9	8.7	–	20.6

27. Financial risk management and derivative financial instruments

Accounting policy

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial instruments

The Group uses derivative instruments to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes. Derivatives are classified as current assets and current liabilities.

The derivatives are recognised initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognised immediately in the consolidated income statement, unless the derivatives qualify for cash flow hedge accounting, and have been designated as such, in which case any gain or loss is taken to equity in a cash flow hedge reserve via other comprehensive income.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is immediately transferred to the consolidated income statement.

Fair value estimation

The fair values of interest rate derivatives are based on a discounted cash flow model using market information.

Derecognition of financial assets and liabilities

Derecognition is the point at which the Group removes an asset or liability from its consolidated statement of financial position. The Group's policy is to derecognise financial assets only when the contractual right to the cash flows from the financial asset expires. The Group also derecognises financial assets that it transfers to another party provided that the transfer of the asset also transfers the right to receive cash flows from the financial asset. When the transfer does not result in the Group transferring the right to receive cash flows from the financial asset but it does result in the Group assuming a corresponding obligation to pay cash flows to another recipient, the financial asset is derecognised.

The Group derecognises financial liabilities only when its obligation is discharged, is cancelled or expires.

Financial assets classified as fair value through profit and loss (previously available-for-sale) are the financial interest in property assets.

Derivative financial instruments not in hedge accounting relationships are classified as fair value through profit and loss.

Categories of financial instruments

A summary of the classifications of the financial assets and liabilities held by the Group is set out in the following table:

£m	Loans and receivables/ cash and cash equivalents	Assets at fair value through profit and loss	Derivatives used for hedging	Other financial assets	Total book value	Fair value adjustment	Fair value
	2021						
Non-current assets							
Financial interest in property assets	–	71.7	–	–	71.7	–	71.7
Current assets							
Trade and other receivables excluding prepayments	35.8	–	–	–	35.8	–	35.8
Cash and cash equivalents	317.6	–	–	–	317.6	–	317.6
Total financial assets	353.4	71.7	–	–	425.1	–	425.1

£m	Loans and receivables/ cash and cash equivalents	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total book value	Fair value adjustment	Fair value
Non-current liabilities							
Trade and other payables	–	–	–	0.6	0.6	–	0.6
Interest-bearing loans and borrowings	–	–	–	1,347.5	1,347.5	46.7	1,394.2
Current liabilities							
Trade and other payables	–	–	–	109.8	109.8	–	109.8
Derivative financial instruments	–	–	4.5	–	4.5	–	4.5
Total financial liabilities	–	–	4.5	1,457.9	1,462.4	46.7	1,509.1
Net financial assets/(liabilities)	353.4	71.7	(4.5)	(1,457.9)	(1,037.3)	(46.7)	(1,084.0)

£m	Loans and receivables/ cash and cash equivalents	Assets at fair value through profit and loss	Derivatives used for hedging	Other financial assets	Total book value	Fair value adjustment	Fair value
	2020						
Non-current assets							
Financial interest in property assets	–	73.3	–	–	73.3	–	73.3
Current assets							
Trade and other receivables excluding prepayments	28.7	–	–	–	28.7	–	28.7
Cash and cash equivalents	369.1	–	–	–	369.1	–	369.1
Total financial assets	397.8	73.3	–	–	471.1	–	471.1

£m	Loans and receivables/ cash and cash equivalents	Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total book value	Fair value adjustment	Fair value
Non-current liabilities							
Trade and other payables	–	–	–	1.3	1.3	–	1.3
Interest-bearing loans and borrowings	–	–	–	1,391.9	1,391.9	48.7	1,440.6
Current liabilities							
Trade and other payables	–	–	–	73.3	73.3	–	73.3
Derivative financial instruments	–	–	20.6	–	20.6	–	20.6
Total financial liabilities	–	–	20.6	1,466.5	1,487.1	48.7	1,535.8
Net financial assets/(liabilities)	397.8	73.3	(20.6)	(1,466.5)	(1,016.0)	(48.7)	(1,064.7)

27. Financial risk management and derivative financial instruments continued

The fair value difference relates to the Group's corporate bonds and the non-bank loans, which are stated at amortised cost in the consolidated statement of financial position. The fair value of the bonds is calculated as £740.0m (2020: £737.7m) based on quoted prices in traded markets. The fair value of the non-bank loans is calculated as £356.7m (2020: £361.0m) and is calculated by independent financial advisers (Centrus Group) by reference to quoted iBoxx index rates. There is no requirement under IFRS 9 to revalue these loans to fair value in the consolidated statement of financial position.

Included in cash above is £11.2m (2020: £9.1m) relating to cash held on behalf of tenants, leaseholders and clients comprising service charge amounts, sinking fund balances, tenant deposits and cash held on behalf of joint ventures. These cash amounts are held by the Group in client bank accounts and are excluded from net debt. In addition, £43.9m (2020: £41.5m) of the cash balance is restricted in use by underlying financing arrangements comprising either reserve fund amounts or amounts where the release of cash is contingent upon proof of qualifying expenditure or quarterly cash waterfalls.

Financial risk management

The Group's objectives for managing financial risk are to minimise the risk of adverse effects on performance and to ensure the ability of the Group to continue as a going concern while securing access to cost effective finance and maintaining flexibility to respond quickly to opportunities that arise.

The Group's policies on financial risk management are approved by the Board of Directors and implemented by Group treasury. Written policies and procedures cover interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and investment of excess liquidity. Group treasury reports to the Audit Committee.

The Group uses derivative financial instruments to hedge its exposure to financial risk but does not take positions for speculative purposes.

The sources of financial risk and the policies and activities used to mitigate each are discussed below and include credit risk, liquidity risk and market risk, which includes interest rate risk, credit availability risk, house price risk in relation to the Tricomm Housing portfolio and our financial interest in property assets, and capital risk.

Financial risk factors

1) Credit risk

Credit risk is the risk of financial loss due to a counterparty's failure to honour its obligations. The Group's principal financial assets include its financial interest in property assets, bank balances and cash, trade and other receivables. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Group's financial interest in property assets (CHARM) relates to a financial interest in equity mortgages held by the Church of England Pensions Board. The Group's cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

The Group sometimes enters into land sales contracts under which a proportion of the consideration is deferred and recognised within other receivables (Note 23). Each purchaser is subject to financial due diligence prior to sale. At 30 September 2021, £10.4m (2020: £9.3m) was outstanding.

The Group also has credit risk relating to trade receivables. Under IFRS 9, the Group is required to provide for any expected credit losses arising from trade receivables. For all assured shorthold tenancies, credit checks are performed prior to acceptance of the tenant. Regulated tenants are incentivised through the benefit of their tenancy agreement to avoid default on their rent. Lifetime tenancies are generally at low or zero rent and hence suffer minimal credit risk. Rent deposits and personal guarantees are held in respect of some leases. Taking these factors into account, the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low, as is borne out by the low level of trade receivables written off both in this year and in prior years.

Tenant deposits of £6.9m (2020: £5.7m) are held that provide some security against rental arrears and property dilapidations caused by the tenant. The Group does not hold any other collateral as security. Of the net trade receivables balance of £3.4m, we consider £nil to be not due and not impaired. All of the £29.8m other receivables balance and all of the £2.6m contract assets are considered not due and not impaired.

As at 30 September 2021, tenant arrears of £2.3m within trade receivables were impaired and fully provided for (2020: £2.4m). The impaired receivables are based on a review of expected credit losses, which is detailed in Note 23. Impaired receivables and receivables not considered to be impaired are not material to the financial statements and, therefore, no further analysis is provided.

The credit risk on liquid funds and derivative financial instruments is managed through the Group's policies of monitoring counterparty exposure, monitoring the concentration of credit risk through the use of multiple counterparties and the use of counterparties of good financial standing. At 30 September 2021, the fair value of all interest rate derivatives that had a positive value was £nil (2020: £nil).

At 30 September 2021, the combined credit exposure arising from cash held at banks, money market deposits and interest rate swaps was £317.6m (2020: £369.1m), which represents 9.7% (2020: 12.4%) of total assets. Deposits were placed with financial institutions with A- or better credit ratings.

The Group has the following cash and cash equivalents:

	2021 £m	2020 £m
Pounds Sterling	**316.4**	367.6
Euros	**1.2**	1.5
	317.6	369.1

At the year end, £240.5m was placed on deposit (2020: £173.3m) at effective interest rates between 0.0% and 0.4% (2020: 0.0% and 0.2%). Remaining cash and cash equivalents are held as cash at bank or in hand. The Group has an overdraft facility of £1.0m as at 30 September 2021 (2020: £1.0m).

2) Liquidity risk

The Group ensures that it maintains continuity and flexibility through a spread of maturities.

Although the Group's core funding is subject to covenants requiring certain levels of LTV with respect to the entities in the Group of obligors, and to maintaining a certain level of interest cover at the Group level, the loans are not secured directly against any property allowing operational flexibility.

The Group ensures that it maintains sufficient cash for operational requirements at all times. The Group also ensures that it has sufficient undrawn committed borrowing facilities from a diverse range of banks and other sources to allow for operational flexibility and to meet committed expenditure. The business is highly cash generative from its sales of vacant properties, gross rents and management fees. In adverse trading conditions, tenanted and other sales can be increased and new acquisitions can be stopped. Consequently, the Group is able to reduce gearing ('LTV') levels and improve liquidity quickly.

The Group's credit rating is currently provided by Fitch and S&P. Fitch and S&P's most recent assessments on the Group were issued on 18 December 2020 and 27 January 2021 respectively during the on-going Covid-19 pandemic. Fitch assigned the Group a long-term issuer default rating of 'BBB-' and the Group's Corporate Bonds' senior secured issue ratings of 'BBB'. S&P affirmed the Group's long-term issuer default rating of 'BB+' and the Group's Corporate Bonds' senior secured issue ratings of 'BBB-'. Both Fitch & S&P assigned the Group's credit outlook as 'Stable'. The Group's stable credit outlook suggests there is currently very little risk of a credit rating downgrade to the Group. The Group monitors rating agency metrics to ensure we maintain or improve upon the Group's current credit ratings. The Group's stable credit outlook suggests there is currently very little risk of a credit rating downgrade to the Group.

In the event of a credit rating downgrade, there may be an increase in the coupon payable on the Group's Corporate Bonds should the senior secured issue rating fall below BBB-. However, the coupon would revert to the original coupon payable should the credit rating recover to BBB- or higher. This could result in an increase in the Group's annual interest charge of £8.7m. This increase in interest costs would also affect the Group's interest cover financial covenant. However there is significant headroom on our facility financial covenants and the Group has determined that we would remain compliant and retain significant covenant headroom despite this increase in interest costs. No other debt facilities or financial covenants of the Group would be affected by a credit rating downgrade.

The Group's fixed rate borrowings are stated at amortised cost in the financial statements and there is currently no requirement under IFRS 9 to revalue these borrowings in the financial statements of the Group. Therefore, there would be no impact to the Group's measurement of borrowings in the event of a credit rating downgrade.

In accordance with IFRS 13, the Group measures derivatives at fair value including the effect of counterparty credit risk. Where derivatives have been designated in a cash flow hedge relationship, the Group carries out hedge effectiveness testing in accordance with IFRS 9. In the event of a credit rating downgrade, there may be an impact on the fair value of the Group's derivative contracts as the credit quality of the Group decreases which may give rise to a requirement to recognise some hedge ineffectiveness in the financial statements. However, in accordance with hedge effectiveness requirements under IFRS 9, credit valuation adjustments included in the measurement of derivative fair values would need to dominate movements in fair value before creating hedge ineffectiveness. The Group does not consider that a credit rating downgrade will impact derivative fair values and give rise to a material level of hedge ineffectiveness.

27. Financial risk management and derivative financial instruments continued

The following table analyses the Group's financial liabilities and net-settled derivative financial liabilities at the consolidated statement of financial position date into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows using yield curves as at 30 September 2021.

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
At 30 September 2021					
Interest-bearing loans and borrowings (Note 26)	**–**	**84.8**	**290.9**	**971.8**	**1,347.5**
Interest on borrowings	**38.4**	**39.3**	**97.0**	**81.1**	**255.8**
Interest on derivatives	**2.8**	**1.2**	**1.0**	**(0.1)**	**4.9**
Trade and other payables	**109.8**	**0.6**	**–**	**–**	**110.4**
At 30 September 2020					
Interest-bearing loans and borrowings (Note 26)	–	–	346.4	1,045.5	1,391.9
Interest on borrowings	37.8	38.1	105.0	111.6	292.5
Interest on derivatives	3.9	5.3	11.2	1.0	21.4
Trade and other payables	73.3	0.7	0.6	–	74.6

The Group's undrawn committed borrowing facilities are monitored against projected cash flows.

Maturity of committed undrawn borrowing facilities

	2021 £m	2020 £m
Expiring:		
Between one and two years	**–**	–
Between two and five years	**379.1**	332.1
Over five years	**–**	–
	379.1	332.1

3) 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 approach the Group takes to each of these risks is set out below. 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:

	2021		2020	
£m	Assets	Liabilities	Assets	Liabilities
Level 3				
CHARM	**71.7**	**–**	73.3	–
Investment property	**2,179.2**	**–**	1,778.9	–
	2,250.9	**–**	1,852.2	–
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**–**	**4.5**	–	20.6
	–	**4.5**	–	20.6

The significant unobservable inputs affecting the carrying value of the CHARM portfolio are house price inflation and discount rates. Assumptions used are detailed in Note 2 and reconciliation of movements and amounts recognised in the consolidated income statement are detailed in Note 20.

The investment valuations provided by Allsop LLP and CBRE Limited are based on the RICS Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions and are detailed in Note 2.

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 all fall within Level 2.

Interest rate swaps and caps are all classified as either current assets or current liabilities.

The notional principal amount of the outstanding interest rate swap and cap contracts as at 30 September 2021 was £306.3m (2020: £357.1m).

In accordance with IFRS 9, the Group has reviewed its interest rate hedges. In the absence of hedge accounting, movements in fair value are taken directly to the consolidated income statement. However, where cash flow hedges have been viewed as being effective, and have been designated as such, any gains or losses have been taken to the cash flow hedge reserve via other comprehensive income.

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

Assets – Level 3	**2021 £m**	2020 £m
Opening balance	**1,852.2**	1,651.0
Amounts taken to income statement	**84.0**	34.6
Other movements	**314.7**	166.6
Closing balance	**2,250.9**	1,852.2

The following assets and liabilities are excluded from the above table as fair value is not the accounting basis for the Group's financial statements, but is the basis for the Group's EPRA NRV, EPRA NTA and EPRA NDV measures:

			2021		2020	
£m	Accounting basis	Classification if fair valued	**Book value**	**Fair value**	Book value	Fair value
Inventories – trading property	Lower of cost and net realisable value	Level 3	**595.2**	**1,130.7**	657.4	1,190.8
Corporate bonds	Amortised cost	Level 1	**700.0**	**740.0**	700.0	737.7
Non-bank loans	Amortised cost	Level 3	**350.0**	**356.7**	350.0	361.0

(a) Interest rate risk – The Group's interest rate risk arises from the risk of fluctuations in interest charges on floating rate borrowings. The Group mitigates this risk through the use of variable to fixed interest rate swaps and caps. This subjects the Group to fair value risk as the value of the financial derivatives fluctuates in line with variations in interest rates. However, the Group seeks to cash flow hedge account where applicable. The Group is, however, driven by commercial considerations when hedging its interest rate risk and is not driven by the strict requirements of the hedge accounting rules under IFRS 9 if this is to the detriment of achieving the best commercial arrangement.

Hedging activities are carried out under the terms of the Group's hedging policies and are regularly reviewed by the Board to ensure compliance with this policy. The Board reviews its policy on interest rate exposure regularly with a view to establishing that it is still relevant in the prevailing and forecast economic environment. The current Group treasury policy is to maintain floating rate exposure of no greater than 30% of expected borrowing. As at 30 September 2021, 100% (2020: 100%) of the Group's net borrowings were economically hedged to fixed or capped rates.

Based on the Group's interest rate profile at the statement of financial position date, a 1% increase in interest rates would decrease annual profits by £nil (2020: £0.4m). Similarly, a 1% decrease would increase annual profits by £nil (2020: £0.4m).

Based on the Group's interest rate profile at the statement of financial position date, a 1% increase in interest rates would increase the Group's equity by £6.8m (2020: £12.5m). Similarly, a 1% decrease would decrease the Group's equity by £6.8m (2020: £12.5m).

Upward movements in medium and long-term interest rates, associated with higher interest rate expectation, increase the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the interest yield curve. Where the Group's swaps qualify as effective hedges under IFRS 9, these movements in fair value are recognised directly in other comprehensive income rather than the consolidated income statement.

As at 30 September 2021, the market value of derivatives designated as cash flow hedges under IFRS 9 is a net liability of £4.5m (2020: net liability of £20.6m). No amount is recognised within the income statement for ineffectiveness of cash flow hedges (2020: £nil). The fair value movement on derivatives not in hedge accounting relationships resulted in a charge of £nil (2020: £nil) in the consolidated income statement.

At 30 September 2021, the market value of derivatives not designated as cash flow hedges under IFRS 9 is £nil (2020: £nil). The cash flows occur and enter in the determination of profit and loss until the maturity of the hedged debt.

27. Financial risk management and derivative financial instruments continued

The table below summarises debt hedged:

Hedged debt

	2021 £m	2020 £m
Hedged debt maturing:		
Within one year	–	–
Between one and two years	–	–
Between two and five years	306.3	357.1
Over five years	–	–
	306.3	357.1

Interest rate profile – including the effect of derivatives and amortisation of issue costs:

	2021					2020				
	Weighted average interest rate %	Average maturity years[1]	Sterling £m	Euros £m	Gross debt total £m	Weighted average interest rate %	Average maturity years	Sterling £m	Euros £m	Gross debt total £m
Fixed rate	3.1	7.4	1,050.0	–	1,050.0	3.1	8.4	1,050.0	–	1,050.0
Hedged rate	3.4	2.7	306.3	–	306.3	3.1	3.7	357.1	–	357.1
Variable rate	2.0	2.7	3.7	0.9	4.6	1.4	3.7	–	0.8	0.8
	3.1	5.5	1,360.0	0.9	1,360.9	3.1	6.5	1,407.1	0.8	1,407.9

1 Average maturity years excluding extension options. Including extension options, average maturity years is 5.6 years (2020: 6.6 years).

At 30 September 2021, the fixed interest rates on the interest rate swap contracts vary from 0.69% to 1.68% (2020: 0.69% to 1.82%); the weighted average rates are shown in the table above.

(b) Credit availability risk – Credit availability risk relates to the Group's ability to refinance its borrowings at the end of their terms or to secure additional financing where necessary. The Group maintains relationships with a range of lenders and maintains sufficient headroom through cash and committed borrowings. On 30 September 2021, the Group had available headroom of £641.0m, with the next debt maturity not until November 2022.

(c) House price risk – The cash flows arising from the Group's financial interest in property assets (CHARM) and the Tricomm Housing portfolio are related to the movement in value of the underlying property assets and, therefore, are subject to movements in house prices. However, consistent with the Group's approach to house price risk across its portfolio of trading and investment properties, the Group does not seek to eliminate this risk as it is a fundamental part of the Group's business model.

(d) Capital risk management – The Board manages the Group's capital through the regular review of: cash flow projections; the ability of the Group to meet contractual commitments; covenant tests; dividend cover; and gearing ('LTV'). The current capital structure of the Group comprises a mix of debt and equity. Debt is typically both current and non-current interest-bearing loans and borrowings as set out in the consolidated statement of financial position. Equity comprises issued share capital, reserves and retained earnings as set out in the consolidated statement of changes in equity.

Group loans and borrowings have associated covenant requirements with respect to LTV and ICR. The covenants operate on a facility by facility basis, with maximum LTV ranges between 70% – 75% and minimum ICR cover of 1.35x – 1.75x. As at 30 September 2021, Group LTV was 30.4% (see page 33 for calculation) and Group ICR was 3.4x, with minimum headroom being a 25.6% increase in LTV and 0.4x reduction in ICR based on individual facilities. The Board regularly reviews all current and projected future levels to monitor anticipated compliance and available headroom against key thresholds. LTV is reviewed in the context of the Board's view of markets, the prospects of, and risks relating to, the portfolio and the recurring cash flows of the business. The Group deems a range of LTV of up to 45% to be appropriate in the medium term.

The Group monitors its cost of debt and Weighted Average Cost of Capital ('WACC') on a regular basis. At 30 September 2021, the weighted average cost of debt was 3.1% (2020: 3.1%). Investment and development opportunities are evaluated using a risk adjusted WACC in order to ensure long-term Shareholder value is created.

28. Pension costs

Accounting policy

i) Defined contribution pension scheme – Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement in the period to which they relate.

ii) Defined benefit pension scheme – The Group currently contributes to a defined benefit pension scheme that was closed to new members and future accrual of benefits in 2003. The full deficit in the scheme was recognised in the statement of financial position as at 1 October 2004.

An actuarial valuation of the scheme is carried out every three years. The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each consolidated statement of financial position date by a qualified actuary, also under the Projected Unit Credit Method, for the purpose of determining the amounts to be reflected in the Group's financial statements under IAS 19.

The defined benefit obligation is valued by projecting the best estimate of future benefit outgoings (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the consolidated statement of financial position date.

The pension scheme assets comprise investments in equities, bonds and cash, managed by Rathbones Investment Management Limited and insurance policies managed by Friends Life. These assets are measured at fair value in the statement of financial position.

The amount shown in the statement of financial position is the net of the present value of the defined benefit obligation and the fair value of the scheme assets. When there is a surplus the Group considers the requirements of IFRIC 14 and whether there is economic benefit available as a refund of this surplus, or through a reduction in future contributions. When an unconditional right to future economic benefit exists, there is no restriction on the amount of surplus recognised.

There are no current or past service costs as the scheme is closed to new members and future accrual. The net interest amount, calculated by applying the discount rate to the net defined benefit liability, is reflected in the income statement each year.

Actuarial gains and losses net of deferred income tax are reflected in other comprehensive income each year.

(a) Defined contribution scheme

The Group operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Group in independently administered funds. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Pension arrangements for Directors are disclosed in the report of the Remuneration Committee and the Directors' Remuneration report on pages 77 to 98. The pension cost charge in these financial statements represents contributions payable by the Group.

The charge of £1.2m (2020: £1.1m) is included within employee remuneration in Note 10.

(b) Defined benefit scheme

In addition to the above, the Group also operates a final salary defined benefit pension scheme, the BPT Retirement Benefits Scheme. The assets of the scheme are held separately in funds administered by Trustees and are invested with Rathbones Investment Management Limited, an independent investment manager. Pension benefits are linked to the members' final pensionable salaries and service at their retirement date (or date of leaving if earlier). The Trustees are responsible for running the scheme in accordance with the scheme's trust deed and rules, which sets out their powers. The Trustees of the scheme are required to act in the best interests of the beneficiaries of the scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Group. No benefits have accrued since 30 June 2003, although active members retain a final salary link.
- Deferred members: former employees of the Group.
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit payments (allowing for future salary increases for active members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the statement of financial position date. In the period up to retirement, benefits receive increases linked to Consumer Prices Index ('CPI') inflation (subject to a cap of no more than 5% p.a.). After retirement, benefits receive fixed increases of 5% p.a. The valuation method used is known as the Projected Unit Credit Method. The approximate overall duration of the scheme's defined benefit obligation as at 30 September 2021 was 18 years.

28. Pension costs continued

The IAS 19 calculations for disclosure purposes have been based upon the results of the actuarial valuation carried out as at 1 July 2019, updated to 30 September 2021, by a qualified independent actuary.

i) Principal actuarial assumptions under IAS 19 (p.a.)

	2021 %	2020 %
Discount rate	**2.10**	1.50
Retail Price Index ('RPI') inflation	**3.70**	3.05
Consumer Prices Index ('CPI') inflation	**2.90**	2.25
Salary increases	**4.20**	3.55
Rate of increase of pensions in payment	**5.00**	5.00
Rate of increase for deferred pensioners	**2.90**	2.25

ii) Demographic assumptions

	2021	2020
Mortality tables for pensioners	**S2PA base tables CMI 2020 mortality projections 1.25% p.a. long-term rate**	S2PA base tables CMI 2019 mortality projections 1.25% p.a. long-term rate
Mortality tables for non-pensioners	**As for pensioners**	As for pensioners

iii) Life expectancies

	30 September 2021		30 September 2020	
	Male	Female	Male	Female
Life expectancy for a current 60-year-old (years)	**86**	**88**	86	88
Life expectancy at age 60 for an individual aged 45 (years)	**87**	**89**	87	89

Risks

Through the scheme, the Group is exposed to a number of risks:

- Asset volatility: the scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, the scheme also invests in equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the scheme's defined benefit obligation; however, this would be partially offset by an increase in the value of the scheme's bond holdings.
- Inflation risk: some of the scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if scheme members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the scheme's defined benefit obligation.

The Trustees and Group manage risks in the scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.

Market value of scheme assets

The assets of the scheme are invested in a diversified portfolio as follows:

	30 September 2021		30 September 2020	
	Market value £m	**% of total scheme assets**	Market value £m	% of total scheme assets
Equities	**17.7**	**52**	14.8	47
Bonds	**12.7**	**38**	12.7	40
Cash	**0.5**	**1**	0.7	2
Insurance policies	**3.0**	**9**	3.3	11
Total value of assets	**33.9**	**100**	31.5	100
The actual return on assets over the year was:	**2.9**		0.4	

The assets of the scheme are held with Rathbones Investment Management Limited in a managed fund. All of the assets listed have a quoted market price in an active market with the exception of the insurance policy asset where its value has been set equal to the secured pensioner liability.

The change in the market value of the scheme assets over the year was as follows:

	2021 £m	2020 £m
Market value of scheme assets at the start of the year	**31.5**	32.8
Interest income	**0.5**	0.5
Employer contributions	**0.6**	0.5
Actuarial return on assets less interest	**2.4**	(0.1)
Benefits paid	**(1.1)**	(2.2)
Market value of scheme assets at the end of the year	**33.9**	31.5

The change in value of the defined benefit obligation over the year was as follows:

	2021 £m	2020 £m
Value of defined benefit obligation at the start of the year	**33.9**	34.5
Interest on pension scheme liabilities	**0.5**	0.5
Actuarial (gain)/loss on changes in financial assumptions	**(2.9)**	1.1
Benefits paid	**(1.1)**	(2.2)
Value of defined benefit obligation at the end of the year	**30.4**	33.9

Amounts recognised in the consolidated statement of comprehensive income:

	2021 £m	2020 £m
Actuarial return on assets less interest	**2.4**	(0.1)
Actuarial gain/(loss) on defined benefit obligation	**2.9**	(1.1)
	5.3	(1.2)

The gain shown in the above table of £5.3m (2020: loss of £1.2m) has been included in the consolidated statement of comprehensive income on page 111.

In line with paragraph 23 of IFRIC 14, no additional liability is recognised as the additional contributions under the funding plan will reduce the future contributions into the scheme.

28. Pension costs continued

Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the scheme was performed by the Actuary for the Trustees as at 1 July 2019. This valuation revealed a funding shortfall of £1.7m. As a result of this valuation, the Group agreed to extend the existing recovery plan with the Trustees to pay additional contributions to eliminate the deficit by 30 June 2022. Based on this plan, the Group expects to pay £0.6m p.a. to the scheme until 30 June 2022.

Sensitivity analysis

Set out below is an analysis of how the scheme deficit would vary with changes to the key actuarial assumptions:

Discount rate movement of 0.25% p.a.	Increase/(decrease) in deficit of £1.3m/(£1.4m)
Salary movement of 0.25% p.a.	Increase/(decrease) in deficit of £nil/(£nil)
Life expectancies movement of one year	Increase/(decrease) in deficit of £0.9m/(£0.9m)

29. Issued share capital

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Acquisition of and investment in own shares

The Group acquires its own shares to enable it to meet its obligations under the various share schemes in operation. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own shares. The acquisition cost of the shares is debited to an investment in own shares reserve within retained earnings.

Where the Group buys back its own shares as treasury shares it adopts the accounting as described above. Where it subsequently cancels them, issued share capital is reduced by the nominal value of the shares cancelled and this same amount is transferred to the capital redemption reserve.

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.

	2021 £m	2020 £m
Allotted, called-up and fully paid:		
742,776,681 (2020: 675,284,566) ordinary shares of 5p each	**37.1**	33.8

During the year, The Grainger Employee Benefit Trust has not acquired any shares (2020: none). The Group paid £0.3m (2020: £0.1m) to the Share Incentive Plan during the year for the purchase of matching shares and free shares in the scheme. The total cost of acquiring own shares of £0.3m (2020: £0.1m) has been deducted from retained earnings within Shareholders' equity.

As at 30 September 2021, share capital included 445,184 (2020: 976,381) shares held by The Grainger Employee Benefit Trust and 1,506,300 (2020: 1,506,300) shares held by Grainger plc as treasury shares. The total of these shares is 1,951,484 (2020: 2,482,681) with a nominal value of £97,574 (2020: £124,134) and a market value as at 30 September 2021 of £6.0m (2020: £7.4m).

Movements in issued share capital during the year and the previous year were as follows:

	Number	Nominal value £'000
At 30 September 2019	613,788,451	30,689
Issue of shares under the equity raise	61,200,000	3,060
Options exercised under the SAYE scheme (Note 30)	296,115	15
At 30 September 2020	**675,284,566**	**33,764**
Issue of shares under the equity raise	**67,379,369**	**3,369**
Options exercised under the SAYE scheme (Note 30)	**112,746**	**6**
At 30 September 2021	**742,776,681**	**37,139**

30. Share-based payments

Accounting policy

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. 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 original estimates, if any, in the consolidated income statement 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.

Share awards

	LTIP		DBSP	DBP	EDBP	SAYE	
Award date	10 December 2020 Market-based	10 December 2020 Non-market-based	10 December 2020	10 December 2020	10 December 2020	1 July 2021 3-year scheme	1 July 2021 5-year scheme
Number of shares on grant	–	–	–	–	–	–	–
Exercise price (£)	–	–	–	–	–	2.34	2.34
Vesting period from date of grant (years)	3	3	3	1-3	1-5	3	5
Exercise period after vesting (years)	7	7	3	3	3	–	–
Share price at grant (£)	2.76	2.76	2.76	2.76	2.76	2.85	2.85
Expected risk free rate (%)	(0.1)	(0.1)	N/A	N/A	N/A	0.2	0.4
Expected dividend yield (%)	N/A	N/A	1.9	1.9	1.9	1.9	1.9
Expected volatility (%)	26.8	26.8	N/A	N/A	N/A	22.4	23.4
Fair value (£)	1.43	2.76	2.76	2.76	2.76	0.60	0.67

The expected volatility figures used in the valuation were calculated based on the historic volatility over a period equal to the expected term from the date of grant.

The share-based payments charge recognised in the consolidated income statement is £1.7m (2020: £1.1m).

(a) LTIP scheme

For the 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.

For previous 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. The movement in LTIP awards during the year is as follows:

Awards	Opening balance	Awards granted	Awards vested	Awards lapsed	Closing balance
LTIP					
11 December 2017	560,789	–	(163,486)	(185,803)	211,500
12 December 2018	779,989	–	–	(193,602)	586,387
26 September 2018	66,598	–	–	–	66,598
6 February 2020	745,567	–	–	(200,940)	544,627
10 December 2020	–	578,250	–	–	578,250
Total	2,152,943	578,250	(163,486)	(580,345)	1,987,362

30. Share-based payments continued

(b) DBP scheme

Awards granted under the DBSP relate to the compulsory deferral of 25% of any bonus paid to Executive Directors as described in the Remuneration Committee report. Shares granted in this scheme have no further performance conditions other than continued employment. There is a three-year vesting period from the date of grant, after which time participants can choose to exercise their awards.

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.

The movement in DBP/EDBP awards during the year is as follows:

Awards	Opening balance	Awards granted	Awards exercised	Awards lapsed	Closing balance
DBSP					
1 December 2017	93,327	**–**	**(55,646)**	**–**	**37,681**
12 December 2018	112,439	**–**	**–**	**(33,863)**	**78,576**
1 December 2019	53,359	**–**	**–**	**(9,796)**	**43,563**
10 December 2020	–	**73,854**	**–**	**–**	**73,854**
DBP					
21 December 2017	33,140	**–**	**(33,140)**	**–**	**–**
17 December 2018	35,320	**–**	**–**	**–**	**35,320**
17 December 2019	26,058	**–**	**–**	**–**	**26,058**
10 December 2020	–	**34,298**	**–**	**–**	**34,298**
EDBP					
12 January 2016	40,736	**–**	**(34,585)**	**(6,151)**	**–**
11 January 2017	60,020	**–**	**–**	**–**	**60,020**
21 December 2017	36,826	**–**	**–**	**–**	**36,826**
17 December 2018	86,582	**–**	**(9,372)**	**–**	**77,210**
17 December 2019	82,184	**–**	**(9,751)**	**(15,261)**	**57,172**
10 December 2020	–	**98,534**	**(8,426)**	**(22,616)**	**67,492**
Total	659,991	**206,686**	**(150,920)**	**(87,687)**	**628,070**

(c) SAYE share option scheme

Awards under the SAYE scheme have been valued at fair value using a Black-Scholes valuation model. 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 and the movement during the year are given below:

	Exercise price (pence)[1]	Exercise period	Opening balance	**Awards granted**	**Awards exercised**	**Awards lapsed/ cancelled**	**Closing balance**
SAYE							
2015	156.6	2018-21	5,746	**–**	**(5,746)**	**–**	**–**
2016	150.7	2019-22	59,897	**–**	**(33,331)**	**(695)**	**25,871**
2017	189.9	2020-23	53,498	**–**	**(16,571)**	**(448)**	**36,479**
2018	228.6	2021-24	62,362	**–**	**(46,975)**	**(3,982)**	**11,405**
2019	193.0	2022-25	335,962	**–**	**(6,778)**	**(56,199)**	**272,985**
2020	245.0	2023-26	275,065	**–**	**(3,345)**	**(40,481)**	**231,239**
2021	234.0	2024-27	–	**128,812**	**–**	**–**	**128,812**
			792,530	**128,812**	**(112,746)**	**(101,805)**	**706,791**
Weighted average exercise price (pence per share)			210.2	**234.0**	**194.6**	**214.8**	**173.7**

1 Exercise prices have been adjusted to reflect the impact of the 2019 rights issue.

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).

(d) SIP scheme

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

31. Changes in equity

The consolidated statement of changes in equity is shown on page 113. Further information relating to reserves is provided below. Movements on the retained earnings reserve are set out in Note 32.

(a) Merger reserve

The merger reserve arose when the Company issued shares in partial consideration for the acquisition of City North Group plc in the year ended 30 September 2005. The issue satisfied the provisions of Section 612 of the Companies Act 2006 (formerly Section 131 of the Companies Act 1985) and the premium relating to the shares issued was credited to a merger reserve.

(b) Cash flow hedge reserve

The fair value movements on those derivative financial instruments qualifying for hedge accounting under IFRS 9 are taken to this reserve net of tax.

32. Movement in retained earnings

The retained earnings reserve comprises various elements, including:

Treasury shares bought back and cancelled

Included within retained earnings at 30 September 2021 is a balance of £7.8m (2020: £7.8m) relating to treasury shares bought back and cancelled.

Investment in own shares

Included within retained earnings at 30 September 2021 is a balance of £1.1.m (2020: £3.3m) relating to investments in own shares.

33. List of subsidiaries, joint ventures and associates

A full list of all subsidiaries, joint ventures, associates and other related undertakings as at 30 September 2021 is set out in the Notes to the parent company financial statements on pages 162 to 163.

34. Related party transactions

During the year ended 30 September 2021, the Group transacted with its associates and joint ventures (details of which are set out in Notes 18 and 19). 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 income statement and statement of financial position are as follows:

£'000	2021 Fees recognised	2021 Year end balance	2020 Fees recognised	2020 Year end balance
Connected Living London (BTR) Limited	**1,211**	**1,588**	736	557
Lewisham Grainger Holdings LLP	**319**	**930**	270	611
Vesta LP	**559**	**275**	184	139
	2,089	**2,793**	1,190	1,307

	2021			2020		
	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**	–	17.0	Nil
Lewisham Grainger Holdings LLP	**–**	**2.8**	**Nil**	–	2.3	Nil
Vesta LP	**–**	**14.6**	**Nil**	–	14.6	Nil
	–	**35.5**		–	33.9	

Details of the Group's other related parties are provided in Note 10 in relation to key management compensation and Note 28 in relation to the Group's retirement benefit pension scheme.

35. Leases

Accounting policy

i) Group as lessor – Rental income from operating leases is recognised on a straight-line basis over the lease term. The net present value of ground rents receivable is, in the opinion of the Directors, immaterial. Accordingly, ground rents receivable are taken to the consolidated income statement on a straight-line basis over the period of the lease. Properties leased out to tenants are included in the consolidated statement of financial position as either investment property or as trading property under inventories.

ii) Group as lessee – The Group occupies a number of its offices as a lessee. The net present value of the lease liabilities is recorded in the consolidated statement of financial position within trade and other payables. The leased office space is included in the consolidated statement of financial position as a right-of-use asset in property, plant and equipment and depreciated over the life of the lease.

35. Leases continued

(a) Group as lessor

The future aggregate minimum lease payments due to the Group under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Operating lease payments due:		
Not later than one year	**14.6**	14.5
Later than one year and not later than five years	**23.8**	28.1
Later than five years	**77.0**	78.0
	115.4	120.6

There are no contingent rents recognised within net rental income in 2021 or 2020 relating to properties where the Group acts as a lessor of assets under operating leases. The Group's non-cancellable operating leases include regulated tenancies under which tenants have the right to remain in a property for the remainder of their lives. It is therefore not possible to estimate the timing of future minimum lease payments in respect of these regulated tenancies and so these are excluded from the above analysis.

(b) Group as lessee

The future aggregate minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2021 £m	2020 £m
Operating lease payments due:		
Not later than one year	**0.7**	0.9
Later than one year and not later than five years	**0.6**	1.3
Later than five years	**–**	–
	1.3	2.2

Leases relating to office space used by the Group have initial terms of varying lengths, between one and ten years. Rent reviews generally take place every five years.

36. Contingent liabilities

Properties in certain subsidiary companies form a 'guarantee group' with a market value of £2,132.7m and provide the security for the Group's core debt facility and Corporate Bonds.

Barclays Bank PLC and Lloyds Bank PLC have provided guarantees under performance bonds. As at 30 September 2021, total guarantees amounted to £4.5m (2020: £5.2m).

37. Capital commitments

The Group has current commitments under a number of its PRS projects. The Group's commitments, including its relevant share of commitments to joint ventures and associates, are as follows:

	2021 £m	2020 £m
Wholly-owned Group subsidiaries	**869.8**	797.1
Associates:		
Vesta LP	**–**	0.2
	869.8	797.3

38. Prior year restatement

In April 2021, the IFRS Interpretations Committee published accounting guidance for configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service ('SaaS'). The guidance recognises differences in accounting treatment for SaaS expenditure between functionality that is broadly available to the software supplier's general customer base and functionality that is restricted to a specific user. The Committee has clarified the position that expenditure can only be capitalised to the extent a SaaS customer has the power to obtain the future economic benefits by restricting others access to those benefits, otherwise expenditure in relation to developing SaaS for use should be expensed.

Following the interpretation being published, the Group has reviewed and revised its accounting policy in relation to intangible assets which includes accounting for computer software. This has resulted in reclassifying relevant expenditure that was previously capitalised as an intangible asset and expensing this to the income statement as administrative expenses.

The impact of this change is outlined below:

	2020 (previously reported) £m	Restatement	2020 restated
Consolidated income statement impact			
Administrative expenses	(28.7)	(11.7)	(40.4)
Profit before tax	110.8	(11.7)	99.1
Tax charge	(18.0)	1.7	(16.3)
Profit for the period attributable to the owners of the Company	92.8	(10.0)	82.8
Basic Earnings per share	14.3p	-1.5p	12.8p
Diluted Earnings per share	14.2p	-1.5p	12.7p
Consolidated statement of financial position impact			
Expense SaaS configuration and customisation costs	–	(22.0)	(22.0)
Reversal of amortisation on SaaS configuration and customisation costs	–	0.3	0.3
Intangible assets	22.5	(21.7)	0.8
Deferred tax assets	7.8	1.1	8.9
Total non-current assets	1,926.5	(20.6)	1,905.9
Deferred tax liabilities	36.7	(0.6)	36.1
Total non-current liabilities	1,433.5	(0.6)	1,432.9
Net assets	1,463.0	(20.0)	1,443.0
Retained earnings	809.1	(20.0)	789.1
Total equity	1,463.0	(20.0)	1,443.0

FINANCIAL STATEMENTS
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER

	Notes	2021 £m	2020 £m
Fixed assets			
Investments	2	**1,226.8**	1,178.1
Current assets			
Trade and other receivables	3	**735.5**	587.8
Cash at bank and in hand		**240.7**	181.4
		976.2	769.2
Creditors: amounts falling due within one year	4	**(48.7)**	(8.8)
Net current assets		**927.5**	760.4
Total assets less current liabilities		**2,154.3**	1,938.5
Creditors: amounts falling due after more than one year			
Interest-bearing loans and borrowings	5	**(832.7)**	(831.6)
NET ASSETS		**1,321.6**	1,106.9
Capital and reserves			
Issued share capital	6	**37.1**	33.8
Share premium account		**817.3**	616.3
Capital redemption reserve		**0.3**	0.3
Retained earnings		**466.9**	456.5
TOTAL EQUITY		**1,321.6**	1,106.9

The financial statements on pages 157 to 163 were approved by the Board of Directors on 17 November 2021 and were signed on their behalf by:

Helen Gordon
Director

Rob Hudson
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Issued share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2019	30.7	436.5	0.3	234.4	701.9
Profit for the year	–	–	–	254.6	254.6
Issue of share capital	3.1	179.4	–	–	182.5
Award of SAYE shares	–	0.4	–	–	0.4
Purchase of own shares	–	–	–	(0.1)	(0.1)
Share-based payments charge	–	–	–	1.1	1.1
Dividends paid	–	–	–	(33.5)	(33.5)
Balance as at 30 September 2020	**33.8**	**616.3**	**0.3**	**456.5**	**1,106.9**
Profit for the year	**–**	**–**	**–**	**45.8**	**45.8**
Issue of share capital	**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	**–**	**–**	**–**	**1.7**	**1.7**
Dividends paid	**–**	**–**	**–**	**(36.8)**	**(36.8)**
Balance as at 30 September 2021	**37.1**	**817.3**	**0.3**	**466.9**	**1,321.6**

1. Company accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The exemptions that have been applied in the preparation of these financial statements are as follows:

- A cash flow statement and related notes have not been presented.
- Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective have not been provided.
- Disclosures in respect of transactions with wholly-owned subsidiaries have not been made.
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures have not been made.

The Company has taken the exemption allowed under Section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The profit for the year was £45.8m (2020: profit of £254.6m). These financial statements present information about the Company as an individual undertaking and not about its Group.

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

(b) Investments

Investments in subsidiaries are carried at historical cost less provision for impairment based upon an assessment of the net recoverable amount of each investment. The net recoverable amount is determined by the statutory net assets of the subsidiary, adjusted for fair value movements relating to trading property which is held at cost, as well as an associated deferred tax charge on the fair value adjustments. This approach provides the most relevant indication of the net recoverable amount of a subsidiary as it provides a fair value net asset position as at the date of assessment. To the extent that the assessment of the recoverable amount improves due to changes in economic conditions or estimates, impairment provisions are reversed, with all provision movements recognised in profit and loss.

(c) Tax

Corporation tax is provided on taxable profits or losses at the current rate.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the end of the reporting period, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is measured on a non-discounted basis.

(d) Own shares including treasury shares

Transactions of The Grainger Employee Benefit Trusts are included in the Company's financial statements. The purchase of shares in the Company by each trust and any treasury shares bought back by the Company are debited direct to equity.

(e) Share-based payments

Under the share-based compensation arrangements set out in Note 30 to the Group financial statements, employees of Grainger Employees Limited have been awarded options and conditional shares in the Company. These share-based arrangements have been treated as equity-settled in the consolidated financial statements. In the Company's financial statements, the share-based payment charge has been added to the cost of investment in subsidiaries with a corresponding adjustment to equity.

(f) Borrowings

Borrowings are initially recognised at the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2. Investments

Cost of investment	2021 £m	2020 £m
At 1 October	**1,250.0**	919.6
Additions	**52.3**	330.4
At 30 September	**1,302.3**	1,250.0

Impairment	2021 £m	2020 £m
At 1 October	**71.9**	257.8
Additional provisions	**3.8**	0.4
Reversal of impairment provisions	**(0.2)**	(186.3)
At 30 September	**75.5**	71.9
Net carrying value	**1,226.8**	1,178.1

The Directors believe that the carrying value of the investments is supported by their recoverable amount which reflects the fair value of the property portfolio. The recoverable amount is not regarded as a significant estimate in itself as it is based on the underlying valuation of the property portfolio. The impact of changes to key assumptions to the valuation of the property portfolio is shown in note 2 of the group financial statements.

After an assessment of recoverable amount a net impairment of £3.6m (2020: net impairment reversal of £185.9m) has been made, principally due to a reduction in the net assets of one of the Group's intermediary holding companies following distributions made in the year. The impairment reversal in the prior year reflected a change to the estimate used previously in relation to internal property restructuring activities. The overall impact on the Group's consolidated results is £nil.

A list of the subsidiaries of the Company is contained within Note 8 on pages 162 and 163.

3. Trade and other receivables

	2021 £m	2020 £m
Amounts owed by Group undertakings	**735.5**	587.8
	735.5	587.8

Amounts due in both 2021 and 2020 are all due within one year. At the balance sheet date, there is no expectation of any material credit losses on amounts owed by Group undertakings.

4. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to Group undertakings	**39.9**	–
Tax and social security costs	**0.4**	0.9
Accruals and deferred income	**8.4**	7.9
	48.7	8.8

Amounts owed to Group undertakings are unsecured, bear no interest, and are repayable on demand.

5. Interest-bearing loans and borrowings

	2021 £m	2020 £m
Variable rate – loans	**140.0**	140.0
Unamortised issue costs	**(0.8)**	(1.0)
	139.2	139.0
Corporate bonds	**700.0**	700.0
Unamortised issue costs	**(3.9)**	(4.5)
	696.1	695.5
Unamortised bond discount	**(2.6)**	(2.9)
Total interest-bearing loans and borrowings	**832.7**	831.6

The variable rate loans are secured by floating charges over the assets of the Group. The loans bear interest at rates between 1.6% and 1.8% (2020: Between 1.6% and 1.8%) over LIBOR.

In 2020, the Group issued a new ten-year £350.0m corporate bond at 3.0% due July 2030. In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028.

As at 30 September 2021 unamortised costs in relation to the corporate bonds stood at £3.9m (2020: £4.5m), and the outstanding discount was £2.6m (2020: £2.9m).

6. Issued share capital

	2021 £m	2020 £m
Allotted, called-up and fully paid:		
742,776,681 (2020: 675,284,566) ordinary shares of 5p each	**37.1**	33.8

Details of movements in issued share capital during the year and the previous year are provided in Note 29 to the Group financial statements on page 150.

Details of share options and awards granted by the Company are provided in Note 30 to the Group financial statements on pages 151 to 153 and discussed within the Remuneration Committee's report on pages 77 to 98.

7. Other information

Dividends

The Company's dividend policy is aligned to our strategy to grow rental income, with 50% of net rental income being distributed. Around one-third of the payment is made through the interim dividend based on half year results, with the balance paid through the final dividend, subject to approval at the AGM. The Company has distributable reserves of £394.5m to support this policy. Information on dividends paid and declared is given in Note 14 to the Group financial statements on page 131.

Subject to approval at the AGM, the final dividend of 3.32p per share (gross) amounting to £24.6m will be paid on 14 February 2022 to Shareholders on the register at the close of business on 31 December 2021. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2022. An interim dividend of 1.83p per share amounting to a total of £12.3m was paid to Shareholders on 2 July 2021.

Directors' share options and share awards

Details of the Directors' share options and of their share awards are set out in the Remuneration Committee's report.

8. List of subsidiaries, associates and joint ventures

A full list of the Group's subsidiaries as at 30 September 2021 is set out below:

Company	% effective holding	Direct/ Indirect
6, Rue Eugène Ruppert, L-2453, Luxembourg		
MREF III Forth Banks Property S.à r.l.	100%	Indirect
Broxden House, Lamberkine Drive, Perth, PH1 1RA		
Faside Estates Limited[3]	100%	Indirect
Langwood Properties Limited[3]	100%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
19 Ifield Road Management Limited[3]	100%	Indirect
36 Finborough Road Management Limited[3]	100%	Indirect
45 Ifield Road Management Limited[3]	67%	Indirect
Atlantic Metropolitan (U.K.) Limited	100%	Direct
BPT (Assured Homes) Limited	100%	Indirect
BPT (Bradford Property Trust) Limited	100%	Indirect
BPT (Residential Investments) Limited	100%	Indirect
BPT Limited	100%	Indirect
Berewood Estate Management Limited[1,3]	100%	Indirect
Brierley Green Management Company Limited[3]	100%	Indirect
Bromley No.1 Holdings Limited[3]	100%	Indirect
Bromley No 1 Limited[3]	100%	Indirect
Bromley Property Holdings Limited	100%	Direct
Bromley Property Investments Limited	100%	Indirect
Cambridge Place Management Company Limited[3]	100%	Indirect
Chrisdell Limited[3]	100%	Indirect
City North 5 Limited[3]	100%	Indirect
City North Group Limited[3]	100%	Direct
City North Properties Limited[3]	100%	Indirect
Connected Living London Limited	100%	Indirect
Crofton Estate Management Company Limited[3]	100%	Indirect
Crossco (No. 103) Limited	100%	Indirect
Derwent Developments (Curzon) Limited	100%	Indirect
Derwent Developments Limited	100%	Indirect
Derwent Nominees (No 2) Limited[3]	100%	Indirect
Frincon Holdings 1986 Limited[3]	100%	Indirect
Frincon Holdings Limited[3]	100%	Indirect
GIP Limited	100%	Indirect
Globe Brothers Estates Limited[3]	100%	Indirect
Grainger (Aldershot) Limited	100%	Direct
Grainger (Clapham) Limited	100%	Indirect
Grainger (Hadston) Limited	100%	Indirect
Grainger (Hallsville) Limited	100%	Indirect
Grainger (Hallsville Block D1) Limited	100%	Indirect
Grainger (Hornsey) Limited	100%	Indirect
Grainger (London) Limited[3]	100%	Direct
Grainger (Octavia Hill) Limited	100%	Indirect
Grainger (Peachey) Limited[3]	100%	Indirect
Grainger Asset Management Limited	100%	Direct
Grainger Bradley Limited	100%	Indirect
Grainger Development Management Limited	100%	Direct
Grainger Developments Limited	100%	Direct
Grainger Employees Limited	100%	Direct
Grainger Enfranchisement No. 1 (2012) Limited[3]	100%	Indirect
Grainger Enfranchisement No. 2 (2012) Limited[3]	100%	Indirect
Grainger Europe (No. 3) Limited	100%	Direct
Grainger Europe (No. 4) Limited	100%	Direct
Grainger European Ventures Limited Liability Partnership[3]	100%	Indirect

Company	% effective holding	Direct/ Indirect
Grainger Europe Limited	100%	Direct
Grainger Finance (Tricomm) Limited	100%	Indirect
Grainger Finance Company Limited	100%	Direct
Grainger Homes (Gateshead) Limited	100%	Indirect
Grainger Homes Limited	100%	Indirect
Grainger Housing & Developments Limited	100%	Indirect
Grainger Invest (No. 1 Holdco) Limited	100%	Indirect
Grainger Invest No.1 Limited Liability Partnership	100%	Indirect
Grainger Invest No.2 Limited Liability Partnership	100%	Indirect
Grainger K&C Lettings Limited[3]	100%	Indirect
Grainger Kensington & Chelsea Limited	100%	Direct
Grainger Land & Regeneration Limited	100%	Indirect
Grainger Maidenhead Limited	100%	Indirect
Grainger Newbury Limited	100%	Indirect
Grainger OCCC Limited	100%	Indirect
Grainger Pearl Holdings Limited	100%	Direct
Grainger Pearl Limited	100%	Indirect
Grainger Pearl (Salford) Limited	100%	Indirect
Grainger Pimlico Limited	100%	Direct
Grainger Properties Limited	100%	Direct
Grainger Property Services Limited[3]	100%	Indirect
Grainger PRS Limited[3]	100%	Indirect
Grainger RAMP Limited	100%	Direct
Grainger Real Estate Limited[3]	100%	Indirect
Grainger REIT 1 Limited[3]	100%	Indirect
Grainger REIT 2 Limited[3]	100%	Indirect
Grainger REIT 3 Limited[3]	100%	Indirect
Grainger Residential Limited	100%	Direct
Grainger Residential Management Limited	100%	Direct
Grainger Seven Sisters Limited	100%	Indirect
Grainger Southwark Limited	100%	Indirect
Grainger Treasury Property Investments Limited Partnership	100%	Indirect
Grainger Treasury Property (2006) Limited Liability Partnership	100%	Indirect
Grainger Tribe Limited	100%	Direct
Grainger Trust Limited	100%	Indirect
Grainger Unitholder No 1 Limited	100%	Direct
Greit Limited[3]	100%	Direct
GRIP REIT PLC	100%	Indirect
GRIP UK Holdings Limited	100%	Indirect
GRIP UK Property Developments Limited	100%	Indirect
GRIP UK Property Investments Limited	100%	Indirect
H I Tricomm Holdings Limited	100%	Indirect
Harborne Tenants Limited[3]	100%	Indirect
Hill Farm (Batheaston) Management Company Limited[1,3]	100%	Indirect
Infrastructure Investors Defence Housing (Bristol) Limited[3]	100%	Indirect
Ingleby Court Management Limited[3]	100%	Indirect
Jesmond Place Management Limited[3]	70%	Indirect
Kings Dock Mill (Liverpool) Management Company Limited[1,3]	100%	Indirect
Macaulay & Porteus Management Company Limited[1,3]	100%	Indirect

Company	% effective holding	Direct/ Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
Manor Court (Solihull) Management Limited[3]	100%	Indirect
Margrave Estates Limited	100%	Indirect
Mariners Park Estate North Management Company Limited[3]	100%	Indirect
MREF III Newcastle Operations Limited	100%	Indirect
N & D London Investments[3]	100%	Indirect
N & D London Limited[3]	100%	Indirect
N & D Properties (Midlands) Limited[3]	100%	Direct
Northumberland & Durham Property Trust Limited	100%	Indirect
Oakleigh House (Sale) Management Company Limited[3]	69%	Indirect
Park Developments (Liverpool) Limited[3]	100%	Indirect
Park Estates (Liverpool) Limited[3]	100%	Indirect
Park Estates Investments (Liverpool) Limited[3]	100%	Indirect
PHA Limited	100%	Indirect
Portland House Holdings Limited	100%	Indirect
Residential Leases Limited[3]	100%	Indirect
Residential Tenancies Limited[3]	100%	Indirect
Rotation Finance Limited[3]	100%	Direct
Suburban Homes Limited[3]	100%	Indirect
The Bradford Property Trust Limited[3]	100%	Indirect
The Owners of the Middlesbrough Estate Limited[3]	100%	Indirect
The Sandwarren Management Company Limited[3]	100%	Indirect
Tricomm Housing (Holdings) Limited	100%	Indirect
Tricomm Housing Limited	100%	Indirect
Victoria Court (Southport) Limited[3]	100%	Indirect
Wansbeck Lodge Management Limited[3]	100%	Indirect
Warren Court Limited	100%	Indirect
Warwick Square Management Company Limited[3]	100%	Indirect
West Waterlooville Developments Limited	100%	Indirect
Eschersheimer Landstraße 14, 60322 Frankfurt am Main		
Grainger FRM GmbH	100%	Indirect

A full list of the Group's associates as at 30 September 2021 is set out below:

Company	% effective holding	Direct/ Indirect
1a Dorchester Court, Greenlands Road, Staines, TW18 4LS		
Dorchester Court (Staines) Residents Association Limited	6%	Indirect
8 Five Acres, Kings Langley, Hertfordshire, WD4 9JU		
Trevor Square Garden Management Company Limited	10%	Indirect
31 Radipole Road, Parsons Green, Fulham, London, SW6 5DN		
Stagestar Limited[3]	25%	Indirect
33 Albert Square, London, SW8 1BZ		
33 Albert Square Management Company Limited	25%	Indirect
59 Granville Road, St Margarets Bay, Dover, CT15 6DT		
86 Holland Park Freehold Limited	33%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
Mariners Park Estate South Management Company Limited[3]	8%	Indirect
Sixty-Two Stanhope Gardens Limited[3]	20%	Indirect
Vesta (General Partner) Limited[3]	30%	Indirect
Vesta Limited Partnership	20%	Indirect
Portmill House, Portmill Lane, Hitchin, SG5 1DJ		
Redoubt Close Management Limited[3]	3%	Indirect

A full list of the Group's joint ventures as at 30 September 2021 is set out below:

Company	% effective holding	Direct/ Indirect
7a Howick Place, London, SW1P 1DZ		
Curzon Park Limited	50%	Indirect
16a Castlebar Road, London, W5 2DP		
16 Castlebar Road Management Company Limited[3]	50%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
1 Ifield Road Management Limited[3]	50%	Indirect
31-37 Disbrowe Road Freehold Company Limited[3]	50%	Indirect
174 Bishops Road Limited[1,3]	50%	Indirect
Besson Street Limited Liability Partnership	50%	Indirect
Besson Street Second Member Limited[3]	50%	Indirect
Connected Living London (BTR) Limited	51%	Indirect
Connected Living London (RP) Limited	51%	Indirect
Connected Living London (Limmo) Limited	51%	Indirect
Connected Living London (Southall) Limited	51%	Indirect
Connected Living London (OpCo) Limited[3]	51%	Indirect
Connected Living London (Nine Elms) Limited	51%	Indirect
Connected Living London (Woolwich) Limited	51%	Indirect
Connected Living London (Arnos Grove) Limited	51%	Indirect
Connected Living London (Cockfosters) Limited	51%	Indirect
Connected Living London (Montford Place) Limited	51%	Indirect
Lewisham Grainger Holdings Limited Liability Partnership[3]	50%	Indirect
Sandown (Whitley Bay) Management Limited[3]	51%	Indirect
Wellesley Residents Trust Limited[1,3]	50%	Indirect
Devonshire House, 60 Goswell Road, London, EC1M 7AD		
Helical Grainger (Holdings) Limited[2]	50%	Indirect
King Street Developments (Hammersmith) Limited[2]	50%	Indirect

All subsidiaries, associates and joint ventures are incorporated in the UK except where the registered office indicates otherwise.

1 Company limited by guarantee.
2 In liquidation.
3 Company is non-active.

1. Introduction

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 October 2019, have been adopted by the Group.

The EPRA performance measures and definitions are set out below:

Performance measure	Definition
1) **EPRA Earnings**	Recurring earnings from core operational activities. This is a key measure of a company's underlying operating results, providing an indication of the extent to which current dividend payments are supported by earnings.
2) **EPRA NRV**	Net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term property business model.
3) **EPRA NTA**	EPRA NRV adjusted to include deferred tax on assets that may be sold by the business and exclude intangible assets.
4) **EPRA NDV**	EPRA NRV adjusted to include the fair values of i) financial instruments, ii) debt and iii) deferred taxes. EPRA NDV excludes goodwill recognised on a company's statutory balance sheet.
5i) **EPRA Net Initial Yield ('NIY')**	Annualised rental income based on cash rents at the balance sheet date, less non-recoverable property expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
5ii) **EPRA 'topped-up' yield**	This measure incorporates an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).
6) **EPRA Vacancy Rate**	Estimated Market Rent Value ('ERV') of vacant space divided by ERV of the whole portfolio.
7) **EPRA Cost Ratios**	This measure includes all administrative and operating expenses including share of joint ventures' overheads and operating expenses, net of any service fees, all divided by gross rental income.

The Group continues to have a substantial trading portfolio and a significant portion of its cost base is related to trading activities. It is therefore not appropriate to eliminate profits on disposal of trading property as recognised on the consolidated income statement.

An adjustment to profits on disposal of trading property has been made with reference to trading property revaluation gains previously recognised in the EPRA NAV measures. This adjustment has been made to EPRA Earnings so that earnings are marked to market. This adjustment has also been applied to adjusted EPRA Cost Ratio to appropriately reflect the Group's cost base.

Summary

	2021	2020 (restated)[1]
Adjusted EPRA Earnings	**£26.0m**	£26.1m
Adjusted EPRA Earnings per share	**3.1p**	3.2p
EPRA NRV	**£2,350.0m**	£2,032.8m
EPRA NRV per share	**316p**	301p
EPRA NTA	**£2,207.8m**	£1,922.8m
EPRA NTA per share	**297p**	285p
EPRA NDV	**£2,111.1m**	£1,842.5m
EPRA NDV per share	**284p**	273p
EPRA Net Initial Yield ('NIY')	**2.8%**	2.9%
Adjusted EPRA NIY	**3.8%**	4.0%
EPRA Vacancy Rate	**5.3%**	4.0%
Adjusted EPRA Cost Ratio (including direct vacancy costs)	**31.1%**	29.1%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	**28.6%**	27.8%

1 See Note 38 for an explanation of the prior year restatement.

2. EPRA Earnings

	2021			2020 (restated)[1]		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**152.1**	**680.4**	**22.3**	99.1	651.7	15.2
Adjustments to calculate EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**(79.1)**	**–**	**(11.6)**	(29.9)	–	(4.6)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**(1.5)**	**–**	**(0.2)**	(2.3)	–	(0.4)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(56.7)**	**–**	**(8.3)**	(53.0)	–	(8.1)
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**	1.9	–	0.3
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)**	(0.2)	–	–
x) Non-controlling interests in respect of the above	**–**	**–**	**–**	–	–	–
xi) Other adjustments in respect of adjusted earnings	**8.3**	**–**	**1.2**	10.5	–	1.6
Adjusted EPRA Earnings/Earnings per share	**26.0**	**680.4**	**3.8**	26.1	651.7	4.0
Adjusted EPRA Earnings per share after tax			**3.1**			3.2

1 See Note 38 for an explanation of the prior year restatement.

Adjusted EPRA Earnings have been divided by the average number of shares shown in Note 15 to the Group financial statements to calculate earnings per share. Adjusted EPRA Earnings per share after tax is calculated using the standard rate of UK Corporation Tax of 19.0% (2020: 19.0%).

3. EPRA NRV, EPRA NTA and EPRA NDV

	2021			2020 (restated)[1]		
	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to Shareholders	**1,739.0**	**1,739.0**	**1,739.0**	1,443.0	1,443.0	1,443.0
Include/Exclude:						
i) Hybrid Instruments	–	–	–	–	–	–
Diluted NAV	**1,739.0**	**1,739.0**	**1,739.0**	1,443.0	1,443.0	1,443.0
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	**6.0**	**6.0**	**6.0**	7.4	7.4	7.4
iii) Revaluation of tenant leases held as finance leases	–	–	–	–	–	–
iv) Revaluation of trading properties	**543.3**	**401.6**	**401.6**	541.3	432.1	432.1
Diluted NAV at Fair Value	**2,288.3**	**2,146.6**	**2,146.6**	1,991.7	1,882.5	1,882.5
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**58.3**	**58.3**	–	24.4	24.4	–
vi) Fair value of financial instruments	**3.4**	**3.4**	–	16.7	16.7	–
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	–	–	–	–	(0.3)	–
Include:						
ix) Fair value of fixed interest rate debt	–	–	**(35.0)**	–	–	(39.5)
x) Revalue of intangibles to fair value	–	–	–	–	–	–
xi) Real estate transfer tax	–	–	–	–	–	–
NAV	**2,350.0**	**2,207.8**	**2,111.1**	2,032.8	1,922.8	1,842.5
Fully diluted number of shares	**742.8**	**742.8**	**742.8**	675.3	675.3	675.3
NAV pence per share	**316**	**297**	**284**	301	285	273

1 See Note 38 for an explanation of the prior year restatement.

4. EPRA NIY

		2021 £m	2020 £m
Investment property – wholly-owned		**2,179.2**	1,778.9
Investment property – share of JVs/Funds		**25.9**	23.3
Trading property (including share of JVs)		**1,130.7**	1,190.8
Less: developments		**(400.9)**	(490.4)
Completed property portfolio		**2,934.9**	2,502.6
Allowance for estimated purchasers' costs		**–**	–
Gross up completed property portfolio valuation	B	**2,934.9**	2,502.6
Annualised cash passing rental income		**124.6**	97.0
Property outgoings		**(43.7)**	(25.2)
Annualised net rents	A	**80.9**	71.8
EPRA NIY	A/B	**2.8%**	2.9%
Gross up completed property portfolio valuation		**2,934.9**	2,502.6
Adjustments to completed property portfolio in respect of regulated tenancies		**(910.9)**	(967.3)
Adjusted gross up completed property portfolio valuation	b	**2,024.0**	1,535.3
Annualised net rents		**80.9**	71.8
Adjustments to annualised cash passing rental income in respect of newly completed developments and refurbishment activity		**14.2**	11.7
Adjustments to property outgoings in respect of newly completed developments and refurbishment activity		**(4.1)**	(3.2)
Adjustments to annualised cash passing rental income in respect of regulated tenancies		**(21.5)**	(24.5)
Adjustments to property outgoings in respect of regulated tenancies		**4.6**	6.0
Adjusted annualised net rents	a	**74.1**	61.8
Adjusted EPRA NIY	a/b	**3.7%**	4.0%

5. EPRA Cost Ratio

		2021 £m	2020 £m
Administrative expenses		**30.2**	28.7
Property operating expenses		**26.8**	25.7
Share of joint ventures expenses		**0.3**	0.7
Management fees		**(5.1)**	(7.5)
Other operating income/recharges intended to cover overhead expenses		**–**	–
Exclude:			
Investment property depreciation		**–**	–
Ground rent costs		**(0.3)**	(0.3)
EPRA Costs (including direct vacancy costs)	A	**51.9**	47.3
Direct vacancy costs		**(4.1)**	(2.1)
EPRA Costs (excluding direct vacancy costs)	B	**47.8**	45.2
Gross rental income		**97.4**	99.3
Less: ground rent income		**(0.6)**	(0.6)
Add: share of joint ventures (gross rental income less ground rents)		**0.2**	–
Add: adjustment in respect of profits or losses on sales of properties		**70.1**	63.9
Gross Rental Income and Trading Profits	C	**167.1**	162.6
Adjusted EPRA Cost Ratio (including direct vacancy costs)	A/C	**31.1%**	29.1%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	B/C	**28.6%**	27.8%

FIVE YEAR RECORD
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2017 £m	2018 £m	2019 £m	2020 (restated)[1] £m	**2021 £m**
Group revenue	264.7	270.7	222.8	214.0	**248.9**
Gross proceeds from property sales	214.5	209.5	193.1	144.1	**187.9**
Gross rental income	54.6	59.2	85.9	99.3	**97.4**
Net rental income	40.4	43.8	63.5	73.6	**70.6**
Gross fee income	5.1	6.5	3.8	2.2	**2.6**
Adjusted earnings	74.4	94.0	82.5	81.8	**83.5**
Operating profit	98.5	116.5	112.6	116.5	**119.1**
Profit before tax	86.3	100.7	131.3	99.1	**152.1**
Profit after tax	73.5	87.4	114.9	82.8	**109.5**
Dividends paid	19.3	20.8	25.2	33.5	**36.8**

	Pence	Pence	Pence	Pence	**Pence**
Basic earnings per share	16.0	19.0	19.9	12.8	**16.2**
Dividends per share	4.4	4.8	5.2	5.5	**5.2**

	Pence	Pence	Pence	Pence	**Pence**
EPRA NRV per share	309.7	314.4	296.7	301.0	**316.4**
EPRA NTA per share	271.2	283.2	278.3	284.7	**297.2**
EPRA NDV per share	273.7	285.5	271.4	272.8	**284.2**
Share price at 30 September	242.4	271.1	246.0	297.2	**305.0**

	%	%	%	%	**%**
Return on Capital Employed ('ROCE')	5.2	5.3	3.8	4.1	**6.3**
Total Accounting Return – NDV basis ('ROSE')	7.3	6.1	4.4	3.4	**4.0**
Total Accounting Return – NTA basis	6.0	3.9	3.7	3.6	**5.5**
Total Property Return ('TPR')	6.7	6.0	5.0	5.4	**7.5**

1 The 2020 results in the table above have been restated in order to be comparable with 2021 results following the April 2021 IFRS Interpretations Committee publication of accounting guidance for configuration and customisation expenditure relating to Software as a Service arrangements . All other years are as previously reported and have not been restated.

OTHER INFORMATION
ALTERNATIVE PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Performance measure	Definition
Loan to Value ('LTV')	Ratio of net debt to the market value of properties and property related assets.

	2021 £m	2020 £m
Gross debt	**1,347.5**	1,391.9
Cash (excluding client cash) (Note 27)	**(305.7)**	(359.8)
Net debt	**1,041.8**	1,032.1
Market value of properties	**3,309.9**	2,969.7
Other property related assets	**121.1**	121.4
Total market value of properties and property related assets	**3,431.0**	3,091.1
LTV	**30.4%**	33.4%

Total Property Return ('TPR')	A performance measure which represents the change in gross asset value, net of capital expenditure incurred, plus property related net income, expressed as a percentage of opening gross asset value.

	2021 £m	2020 £m
Net rental income	**70.6**	73.6
Profit on disposal of trading property	**68.6**	61.6
Previously recognised profit through EPRA market value measures	**(56.0)**	(53.4)
Profit on disposal of investment property	**1.5**	2.3
Income from financial interest in property assets	**7.2**	5.2
Net valuation gains on investment property	**76.8**	29.8
Net valuation gains on trading property	**58.7**	37.3
Property return	**227.4**	156.4
Investment property – opening balance	**1,778.9**	1,574.6
Financial interest in property assets – opening balance	**73.3**	76.4
Inventories – trading property – opening balance	**1,190.8**	1,248.8
Total opening gross assets	**3,043.0**	2,899.8
TPR	**7.5%**	5.4%

Financial calendar

AGM	9 February 2022
Payment of 2021 final dividend	14 February 2022
Announcement of 2022 interim results	12 May 2022
Announcement of 2022 final results	17 November 2022

Share price

During the year ended 30 September 2021, the range of the closing mid-market prices of the Company's ordinary shares were:

Price at 30 September 2021	305.0p
Lowest price during the year	259.6p
Highest price during the year	335.0p

Daily information on the Company's share price can be obtained on our website www.graingerplc.co.uk or by telephone from FT Cityline on 09058 171 690. Please note that FT Cityline is a chargeable service.

Capital gains tax

The market value of the Company's shares for capital gains tax purposes at 31 March 1982 was 2.03p.

Website

Website address **www.graingerplc.co.uk**

Shareholders' enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the Company's registrar at:

Link Group
Central Square
10th Floor
29 Wellington Street
Leeds
LS1 4DL

Share dealing service

A share dealing service is available to existing Shareholders to buy or sell the Company's shares via Link Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact: **https://ww2.linkgroup.eu/share-deal/** – online dealing **+44 (0) 371 664 0445** (calls are charged at the standard geographical rate and will vary by provider. Calls outside the UK are charged at the applicable international rate. Lines are open Monday to Friday, 8am to 4:30pm) – telephone dealing.

Please note that the Directors of the Company are not seeking to encourage Shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Company secretary and registered office

Adam McGhin
Grainger plc
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Company registration number **125575**

Adjusted earnings
Profit before tax before valuation movements and other adjustments that are considered to be one-off in nature, which do not form part of the normal on-going revenue or costs of the business.

Cap
Financial instrument which, in return for a fee, guarantees an upper limit for the interest rate on a loan.

CHARM
The CHARM portfolio is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee.

Contingent tax
The amount of tax that would be payable should trading property be sold at the market value shown in the market value balance sheet.

Dividend cover
Earnings per share divided by dividends per share.

Earnings Per Share ('EPS')
Profit after tax attributable to Shareholders divided by the weighted average number of shares in issue in the year.

European Public Real Estate Association ('EPRA')
A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA published its latest Best Practices Recommendations in October 2019. Further information, including definitions and measures adopted by Grainger can be found on pages 164 to 167.

Estimated Rental Value ('ERV')
The market rental value of lettable space as determined by the Group's external valuers at the balance sheet date. For properties which have not yet reached practical completion, ERV is determined by management's assessment of market rents.

EU IFRS
International Financial Reporting Standards, as adopted by the EU, mandatory for UK-listed companies for accounting periods ending on or after 31 December 2005.

Goodwill
On acquisition of a company, the difference between the fair value of net assets acquired and the fair value of the purchase price paid.

Hedging
The use of financial instruments to protect against interest rate movements.

Interest cover ratio ('ICR')
Profit on ordinary activities before interest and tax divided by net interest payable.

Investment value or market value
Open market value of a property subject to relevant tenancy in place.

Like-for-like rental growth ('LFL')
The change in gross rental income in a period as a result of tenant renewals or a change in tenant. Applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and changes resulting from refurbishments.

Loan to Value ('LTV')
Ratio of net debt to the market value of properties and property related assets. This is the primary gearing metric for the Group.

Net Initial Yield ('NIY')
Annualised net passing rents as a percentage of the property's open market value.

Net Rental Income ('NRI')
Gross rental income less property operating expenses, ground rents paid and service charge expenditure.

Net Asset Value ('NAV')
Net assets divided by the number of ordinary shares in issue as at the balance sheet date.

Occupancy
The passing rent from PRS stabilised let units as a proportion of PRS stabilised PRI as at a specific point in time.

Passing rent
The annual rental income receivable on a property as at the balance sheet date.

Potential Rental Income ('PRI')
Passing rent from let units plus ERV on vacant units.

Private Rented Sector ('PRS')
Housing tenure classification that relates to residential units owned by the private sector to provide rental accommodation. This excludes units owned by Government authorities and housing associations.

Regulated tenancy
Tenancy regulated under the 1977 Rent Act. Rent (usually sub-market) is set by the rent officer and the tenant has security of tenure.

Return on Capital Employed ('ROCE')
Operating profit after net valuation movements on investment properties plus the share of results from joint ventures/associates plus the movement on the uplift of trading stock to market value as a percentage of opening gross capital defined as investment property, financial interest in property assets (CHARM), investment in joint venture/associates and trading stock at market value.

Stabilised
Classification of existing property, newly completed property or property acquired once it achieves 95% occupancy. Once an asset is designated as stabilised the classification is retained whilst it is held by the Group for future rental income.

Swap
Financial instrument to protect against interest rate movements.

Tenanted residential
Activity covering the acquisition, renting out and subsequent sale (usually on vacancy) of residential units subject to a tenancy agreement.

Total Accounting Return/Return on Shareholder Equity ('ROSE').
The growth in the net asset value of the Group plus dividends paid in the year, calculated as a percentage of the opening net asset value.

Total Property Return ('TPR')
A performance measure which represents the change in gross asset value, net of capital expenditure incurred, plus property related net income, expressed as a percentage of opening gross asset value.

Total Shareholder Return ('TSR')
Return attributable to Shareholders on the basis of share price growth with dividends reinvested.

Vacant Possession ('VP') value
Open market value of a property free from any tenancy.

Weighted Average Cost of Capital ('WACC')
The weighted average cost of funding the Group's activities through a combination of Shareholders' funds and debt.

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Designed and Produced by Radley Yeldar.
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