



grainger plc

Annual Report
and Accounts 2022

better
quality renting

Rent well Live well

In this report

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Mark Clare,
Chair

"I believe that these results are a testament to the hard work of the whole Grainger team."



Helen Gordon,
CEO

"Grainger is in a position of strength."



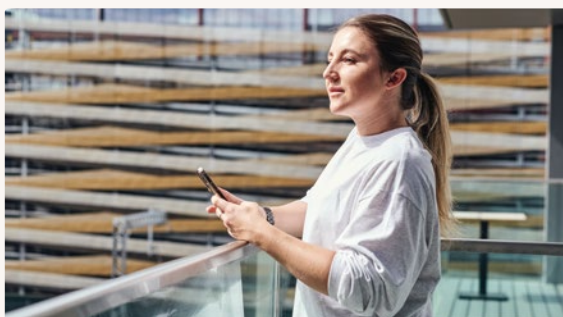
Robert Hudson,
Chief Financial Officer

"A year of excellent operational performance."

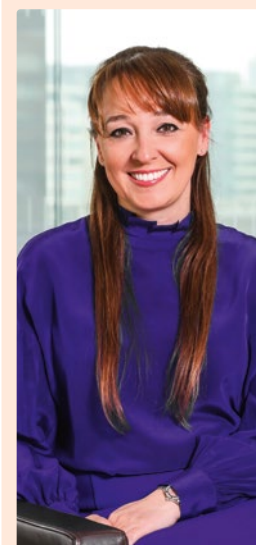
People want to rent a home from someone they trust, someone who cares for their wellbeing and does the right thing. We are the UK's leading provider of private rental homes with the aim of delivering a better quality of living for our customers.

Helping through tough times

→ See more on pages 10 and 11.



People at the heart



→ See more on pages 14 and 15.

Putting customers first

→ See more on pages 12 and 13.



Living a greener life

→ See more on pages 8 and 9.



Dear Shareholders,

I am pleased to report that, having demonstrated real resilience during the pandemic, Grainger has performed exceptionally well over the past year, driving a significant improvement in our key performance metrics.

Driven by record levels of occupancy, strong rental growth and portfolio growth, with 669 new homes added during the year, the business has delivered its strongest net rental income yet. Capital values also performed well, reflecting recovery in the market, the focus on high-quality assets and the Company's strict investment discipline. I believe that these results are a testament to the hard work of the whole Grainger team.

As the UK's leading residential landlord with a 110-year heritage, we are fully committed to our role as a responsible business. Acknowledging the importance of this, this year we established a Board-level Responsible Business Committee, chaired by Carol Hui, overseeing our growing and ambitious ESG programme which is focused on reducing carbon emissions, improving diversity and job satisfaction in our workforce and delivering great communities and service for our customers.

The health and safety of our colleagues and customers remained of the highest importance to us, as demonstrated by our refreshed and updated Live.Safe programme, and our fire safety enhancement projects.

During the year the Board visited a number of properties, meeting Grainger colleagues and customers and was encouraged by what it saw. We regularly received and considered Shareholder and other stakeholder feedback, all of which support the Board's desire to operate to very high standards of corporate governance.

The Board also looked closely at customer feedback and the delivery of the Company's Customer Experience Programme, supported by its investment in new technology. We are pleased with the progress made in delivering an industry leading customer experience, which will deliver better outcomes for our customers and greater value for our Shareholders.

The Board was very pleased to learn of the progress made to employee satisfaction scores, following the comprehensive action plan that was put in place at the beginning of the year. It is fully recognised that this progress is key to delivering further improvements in customer satisfaction over the longer term.

Given the strong financial performance of the Company, the proposed final dividend for the year is 3.89p per share, in line with our policy to distribute the equivalent of 50% of net rental income. This will take our total dividend for the year to 5.97p per share, an increase of 16% from last year.

Looking forward, whilst it is clear that there is some uncertainty ahead, given the strong performance this year, our strong balance sheet and disciplined approach to investment, the Company is well positioned for the future. The strength of its fully funded mid-term pipeline also provides confidence that the Company can continue to deliver its growth strategy.

The Board and I will continue to focus on ensuring that the Company's growth strategy remains intact while being mindful of the macro environment. The Board's priority will be to see that the business continues to build on its strong core purpose and values, maintains a robust and disciplined approach to investment, and builds on its heritage of being a great landlord and providing a great place to work.

Mark Clare
Chair

16 November 2022



Income

Like-for-like rental growth

4.7%

+372bps
(FY21: 1.0%)

Net rental income

£86.3m

+22%
(FY21: £70.6m)

Adjusted earnings

£93.5m

+12%
(FY21: £83.5m)

Profit before tax

£298.6m

+96%
(FY21: £152.1m)

Dividend per share

5.97p

+16%
(FY21: 5.15p)

Capital

EPRA NTA

317pps

+7%
(FY21: 297pps)

Loan to value

33.4%

+304bps
(FY21: 30.4%)

Total Property Return

7.5%

+2bps
(FY21: 7.5%)

IFRS net assets

265pps

+13%
(FY21: 234pps)

EPRA NDV

334pps

+18%
(FY21: 284pps)

Additional information and definitions for all KPIs are included on pages 27 and 28.

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

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

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

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

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



We delivered a record increase in income, occupancy, lease up of our new schemes and rental growth. In addition we have secured and de-risked our medium-term growth. All of this puts Grainger in a position of strength to take advantage of the increasing demand for renting homes in the UK.”

Helen Gordon
CEO

A year of strong performance

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

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

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

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

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

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

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

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

Disciplined capital allocation

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

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



Delivering a great customer experience

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

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

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

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

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

Other initiatives include:

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

Committed to our responsibility as a market leading landlord

We are proud of our 110-year heritage of being a responsible and market leading residential landlord.

Our purpose of 'Renting homes, Enriching lives' and our core values guide every one of our decisions.

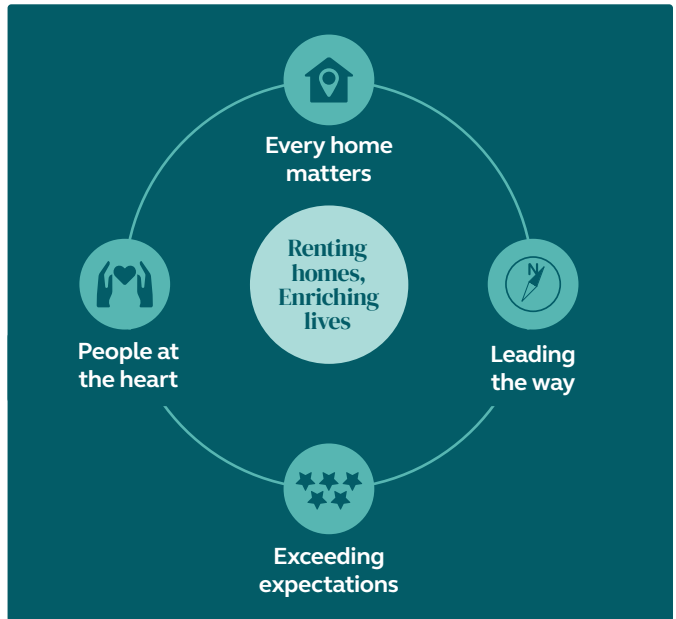
Our ambitious ESG programme reflects this, where we are proactively driving a significant reduction in carbon emissions across Scopes 1, 2 and 3, and making a positive, long-lasting impact locally. Reflecting our commitment, this year we established a new Board-level Responsible Business Committee, overseeing ESG and Employee Voice. For more information see pages 76 and 77. I am pleased that our new Non-Executive Director, Carol Hui, has taken Chairmanship of this committee.

Highlights during the year:

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

Health and safety

Health and safety is an absolute priority in our business of creating and providing homes to thousands of people across the country. Our exemplary Live.Safe programme ensures that we have in place the most robust health and safety regime possible. From the investment and development process through to ongoing operations and our Company safety culture, our Live.Safe programme supports our commitment to being a long-term responsible landlord, protecting our customers, our people and our reputation. This year the Building Safety Act came into force. At Grainger we contributed insights to the work of Dame Judith Hackitt and have gone beyond the requirements of the Act by employing additional resources to provide a greater depth of experience to our onsite teams in protecting the health and safety of our customers and employees.



Our people make the business

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

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

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

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

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

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



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

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

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

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

Concluding remarks and outlook

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

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

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

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

Helen Gordon
CEO

16 November 2022

→ See
our Stories
of the year overleaf.

Living a greener life



Our customer engagement campaign to help residents reduce their energy costs

A large proportion of our Scope 3 emissions relates to the energy that our customers use within their homes; and whilst we have no direct control over their energy usage as they contract directly with their energy suppliers, helping our residents live greener is a key focus for us, forming part of our wider ESG strategy and Net Zero Transition Plan, and helping our customers save on their energy bills.

How we are enabling greener living

This year we engaged the whole business – colleagues and customers – to come up with innovative ideas to help our customers live a greener life, and we have selected the best of those ideas and are taking them forward.

Greener buildings

Grainger buildings set the standard for sustainable buildings

- 87% EPC ratings C and above (for PRS properties)
- Updated design specification with more energy efficient components
- Exploring opportunities to reduce embodied carbon, including undertaking Whole Life Carbon assessments on our direct development projects
- Review of landscaping specification and introducing greater biodiversity initiatives
- Community gardens being introduced at eligible sites
- Roll-out of green enhancements to existing buildings such as replacing gas boilers with modern, energy efficient heating systems



87% of our PRS portfolio has an EPC rating of A, B or C, compared to less than half of the wider rental market, which can help customers save significantly on their energy bill every year.**

* JLL analysis on average annual energy bills by EPC band.

Engagement and awareness

Transparent knowledge - sharing and measuring of success

- Survey of residents to understand their priorities and preferred green initiatives
- Incorporated greener life content into residents' guides and communications
- Introduced Living a Greener Life events in our buildings



Waste and recycling

Grainger facilitates easy recycling

- Enhancing recycling facilities at our sites
- Providing recycling collections for additional waste streams
- Recycling themed communications, campaigns and events
- Organised charity collections and clothes drives at our buildings



Energy



Grainger helps residents to manage their energy consumption

- Energy saving campaigns and events
- Introduction of Green Leases to enable enhanced energy data capture and analysis
- Scope 3 customer emissions data gathering pilot begun
- Scope 3 customer emissions strategy devised for roll out in FY23

Supporting local

Grainger enables residents to buy local

- Aligned commercial leasing strategy on all commercial premises within our PRS schemes
- As an example, in Manchester, we are working with local independent businesses, including: Bee Orchid, Cult Coffee & Barbers, Inner West Coffee and Joule Craft Brew
- Partnerships and discounts with local businesses



Helping through *Tough* times

Our response to the rising cost of living

As household costs rise, Grainger has looked to help where it can, with both customers and colleagues. For our customers, that means we are reaffirming the many added value elements we include in the rent, sharing cost saving tips and guidance, and have a team on hand to provide support to those who need it. At the same time, we know our colleagues are also feeling the pinch, so we're looking after them too, including making a cost of living payment during the year.

What Grainger is doing to help



Added value for customers

75%

of Grainger's properties cost less than £1,500 per month to rent, affordable to a dual income household each earning a little over £25,000 a year.

Grainger's customers, on average, pay less than 30% of their income on rent, the accepted level of affordability in the UK.

With the rising cost of living a concern for many, renters can potentially save thousands of pounds each year by renting at Grainger. We use a range of support tools to help our customers, including:

Energy efficient homes

With 87% of our homes having an EPC rating of A-C, our residents can potentially save thousands of pounds each year when compared with renting a property with an EPC rating of F or G

Free superfast broadband internet

Our WiFi is fast and switched on from the day you move in. Importantly, it's also included within the rent, saving hundreds of pounds a year

Free gyms

Complete with the latest fitness equipment and often open 24/7, when you rent with Grainger you can cancel your gym membership, providing savings of hundreds of pounds a year

Co-working space

With co-working space available in all BTR sites, Grainger residents can choose to work in our spaces throughout the day and night, providing an alternative to a shared workspace, an office or their home

Local business discounts

We partner with local businesses to offer discounts and promotions to our customers, saving them money while providing the businesses with a platform

Re-use and recycling

As part of our communities we support our customers to share and re-use pre-loved items through our community corner, clothes recycling and swap shops

Financial support and guidance

Grainger colleagues are specially trained so that they are able to support customers who are struggling financially, knowing where to direct them to find help and advice. We look to work with our customers whose circumstances change or who need that little bit of extra support, potentially finding alternative accommodation or putting in place payment plans for them, for example.



Helping those in hardship



Keen to make a difference, our charitable efforts included:

- Donated six homes for free for a year to six Ukrainian refugee families, worth more than £150,000 (pictured)
- LandAid charity SleepOut event: a dozen colleagues slept outside on a cold March night, raising £8,000 to help end youth homelessness
- Part-funded the refurbishment of the YMCA North Tyneside shelter for young people at risk of homelessness



It's so encouraging in these unpredictable times to find such dedicated and genuine people that show empathy within this industry."

Mandy
A Grainger resident

Putting *customers* first

Grainger's multi-year Customer Experience Programme

Through extensive research, analysing our customer journey and mapping customer satisfaction insight across each key customer touchpoint, we identified key areas where we could improve our customers' rental experience. From this, we created our Customer Experience Programme, which takes the great homes that we provide, builds on brilliant basics, enhancing our service culture across the business and better communicates our strengths and personality to our customers.



I rate the app. The parcel service notifications are excellent, I enjoy that contact information is upfront and centre, and making service repairs will be much easier."

Jo
A Grainger resident

How we're focusing on customers

Our goal

To provide a customer experience that is best in class, that differentiates us from our competitors and delivers on our purpose, Renting Homes, Enriching Lives.

Focus areas this year

- A frictionless 5 star lettings process
- The Grainger service style enhances my everyday
- My home is maintained brilliantly
- Living a greener life
- Communications make me trust/want to live with Grainger
- Leading the way with technology: digitising the customer experience through CONNECT



"If I could give them ten stars I would!"

Amara
A Grainger resident



+16pt

increase in PRS customer Net Promoter Score to 34



Key actions

- Customer service style training for all colleagues, including the Executive Committee; and training our own in-house customer service style trainers through our Train the Trainer programme
- MyGrainger resident app rolled out across our entire PRS portfolio
- 'Back to the floor' days for Executive Committee members
- Resident events programme including the summer Grainger Festival
- Improved customer communications from leads to renewals
- Improved how we gather customer satisfaction insight at each key touchpoint
- Customer service enhancements through CONNECT



"We rented with Grainger for three years and always appreciated their diligence and quick replies. They went out of their way to assist us when there were issues and also set up events to ensure residents felt heard and seen."

Chelsea
A Grainger resident

People at the heart



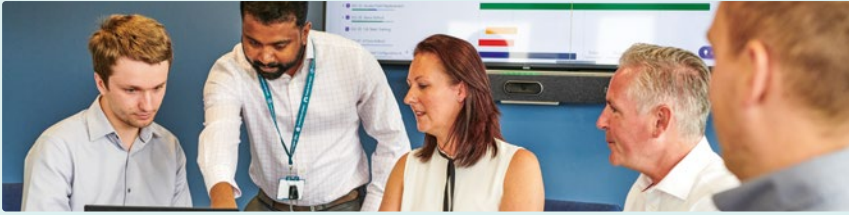
A property business, powered by people

Led by our CEO Helen Gordon and our Chief People Officer Michelle Boothroyd, our People Strategy focuses on providing our colleagues with the best work experience and engendering a strong Company culture. It is wide ranging, from the beginning of the colleague journey at recruitment and covers Diversity & Inclusion, Learning & Development, Engagement, Technology & Systems and Reward & Recognition.



How we provide the best place to work

Initiatives



Putting people at the heart

We have a comprehensive programme of activity and initiatives to support our colleagues. These include our Graduate Programme, Future Leaders Programme, Flexible Managers training programme, Executive Leadership Coaching, Grainger Mentorship Programme, and our new Grainger Diverse Talent Acceleration Programme.

We are proud to have achieved a 'Very Good' rating in the Best Companies Employee Survey, demonstrating high levels of engagement and achieving this milestone ahead of schedule.

We ensure that we are listening and acting on colleague feedback, including:

- Bi-annual employee engagement surveys with detailed follow up action plans, and numerous mini surveys throughout the year
- Employee conferences where we seek ideas and feedback from every colleague from across the business

and devise a detailed follow-up action plan for each idea put forward

- An improved Performance Review process encouraging two-way dialogue and a focus on professional development

This year we focused further on colleague wellbeing initiatives, including:

- Hybrid Working Policy for office-based colleagues
- Publicising available employee benefits more widely
- Wellbeing sessions and private consultations for colleagues by Harley Street nutritionist Kate Cook
- Events for Mental Health Awareness Week, including Blue Monday Blackout, where we gave every employee an extra hour off in the morning to take some time for themselves

Celebrating diversity and welcoming inclusion



Our commitment to being an organisation that welcomes colleagues and customers from all walks of life remains central in our minds. We ran our first Diversity questionnaire for all colleagues to complete, providing us with greater understanding and insight about the diversity of our colleagues. This will enable us to ensure we can align our D&I efforts to what matters to us most.

Our employee-led Diversity & Inclusion (D&I) Network, with Rob Hudson, CFO, as Executive Sponsor, was very active during the year.

Highlights included:

- World Cuisine Day, enjoying food from colleagues' home countries
- A week-long campaign to raise awareness and educate colleagues and customers about hearing loss, partnering with the Hearing Dogs for Deaf People charity
- A month-long series of events to celebrate Pride Month with colleagues and customers across our offices and properties
- Established our own internal Working Parents Network, for colleagues to get together to share experiences and swap tips and tricks
- Celebrated Black History Month with a number of events and activities, all delivered by our colleague-led working group



Helping young people into real estate careers

We are committed to providing opportunities to a diverse range of people, with initiatives including:

- Bursary Scheme, sponsoring a student from a disadvantaged background in their studies with the Worshipful Company of Chartered Surveyors
- School Engagement Programme in partnership with Transport for London

Very Good

rating by colleagues in our annual survey by Best Companies.



Cost of living payment for all colleagues

Grainger awarded all colleagues across the business, excluding the senior executive team, a special, one-off £1,000 cost of living payment during the summer, in addition to the normal pay and bonus review process at the end of each calendar year.

£1,000

The shape and strength of our business

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

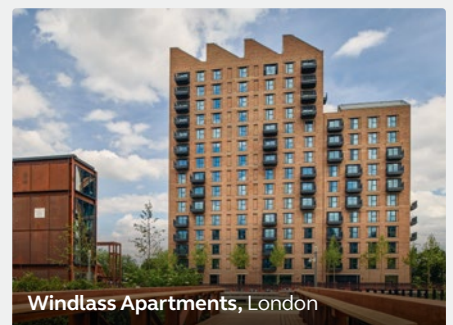
110
years in operation

20,000+
customers

9,669
operational homes

6,838
pipeline homes

Our newest BTR schemes



Private rental homes

We have over 7,500 private rental homes across the country, and a further c.7,000 in our pipeline.

Within our portfolio, we offer a broad mix of well-located homes from modern apartments to suburban houses, all leased at mid-market rents. 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 possible.

7,538
PRs homes

£2.3bn
portfolio valuation

98%
occupancy

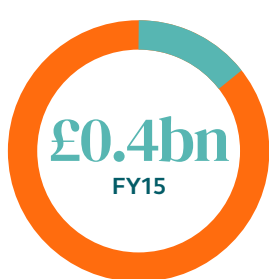
4.7%
like-for-like rental growth



Enigma Square, Milton Keynes

Our strategic transition toward PRS

■ Private rental homes ■ Regulated tenancy homes



Regulated tenancy homes

We own and manage 2,131 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.

£881m
portfolio value

15-17%
valuation uplift on vacancy

6.8%
properties sold on vacancy

3.9%
sales prices achieved above valuation



Solihull, Birmingham

Our strategy

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 we have continued to deliver high-quality homes, create more value and enrich our customers' lives.



The presentation highlighted the resilience and sophistication of Grainger's procedures, processes and operating platform, and how each element comes together seamlessly to inform investment and capital allocation decisions, improve the customer experience, drive valuations and increase operating margins."

Berenberg, commenting on Grainger's Capital Markets Day in Leeds in July



Success from a strong financial footing



We are on a strong financial footing, with a robust balance sheet including low leverage and a low cost of debt which is 97% hedged. In the severest of downside scenarios, our LTV target range of 40-45% is set for our LTV covenant of 70-75% to withstand a c.50% fall in values.

Funding is in place for our short to medium-term growth through our committed, fixed priced pipeline. In addition, we have the additional source of funding through our asset recycling programme giving us optionality on additional growth through our secured but not yet committed projects.

Key strengths

Historic strong cash generation through cycles

£663m
of healthy headroom

33.4%
LTV

Low cost of debt at 3.1%, and 97% fixed through hedging

Insulated from severe downturn scenarios; our LTV target range of 40-45% is set for our LTV covenant of 70-75% to withstand a c.50% fall in values

→ See our Financial Report on pages 32 to 37.

A disciplined approach to capital allocation

We aim to deliver superior Shareholder returns that are long term and resilient by investing in the UK private rented sector.

We are directly investing in high-quality, energy efficient assets in the best locations using in-house proprietary research and leveraging our leading operating platform delivering market outperformance.



Investment strategy – target cities

Our investment process begins with comprehensive research by our in-house research team to identify cities and locations with the greatest rental demand and greatest growth prospects. We target these locations and allocate our capital in a disciplined manner in line with our discerning investment criteria.



Mid-market positioning

Our properties are priced within the mid-market, enabling us to appeal to the widest pool of rental demand. Our rents are set at prices that represent good value within the market and that are accessible to local residents and local salaries.



Cluster strategy

When we identify a suitable location, we look to build scale through a cluster of schemes within relatively close proximity. This enables us to capitalise on the opportunity and high demand whilst also generating management efficiencies and enhancing the service offering.



Regional growth

Having established our regional strategy in 2017, we are unique in the sector for our national presence. In addition to providing a well-balanced portfolio, our regional growth provides us with first mover advantage in a number of locations. It also provides our customers with greater flexibility should they choose to relocate.



Multiple routes to market

We have multiple routes to market, providing greater flexibility than many of our competitors. Our proven track record as a reliable and trusted partner makes Grainger an attractive option for potential partners. Other routes include: Forward Funding, Direct Development, Strategic Land, Corporate/Portfolio, or a Tenanted Acquisition.



ESG integration

ESG criteria are integrated into our investment decision-making processes, and include physical and transition climate-related risks, such as flood risk, overheating risk, Energy Performance Certificate ratings and accessibility.

Creating the UK's leading rental portfolio

PRS portfolio

7,538

homes

PRS value

£2.3bn

Pipeline portfolio

6,838

homes

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

Pipeline value

£1.8bn

Geographic breakdown of our existing PRS portfolio by number of homes

Central London	16%
Outer London	14%
South East	18%
South West	7%
East & Midlands	4%
North West	25%
Other regions	16%

Regional PRS portfolio

Number of homes

Manchester & Liverpool

1,895

Newcastle

380

East Midlands

348 The Barnum, Nottingham

259 The Condor, Derby

Birmingham

168

375 Exchange Sq, Birmingham

West & Wales

514

307 Copper Works, Cardiff

231 Millwrights Place, Bristol

468 Redcliff Qtr, Bristol

South East

1,339

261 Enigma Square, Milton Keynes

150 West Way Sq, Oxford

232 Weavers Yard, Newbury

98 The Mint, Guildford

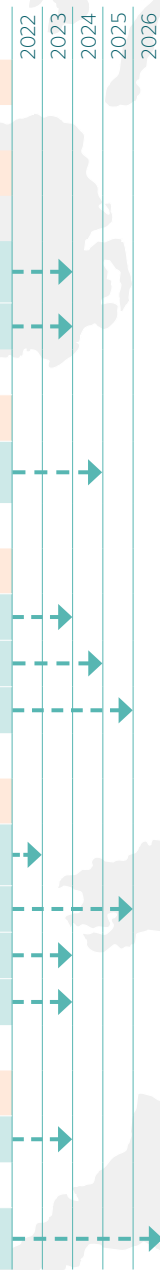
Leeds & Sheffield

811

284 Tilt Works, Sheffield

South West

230 Exmouth Junction, Exeter



Key

- Operational schemes
- Secured pipeline schemes
- Connected Living London schemes

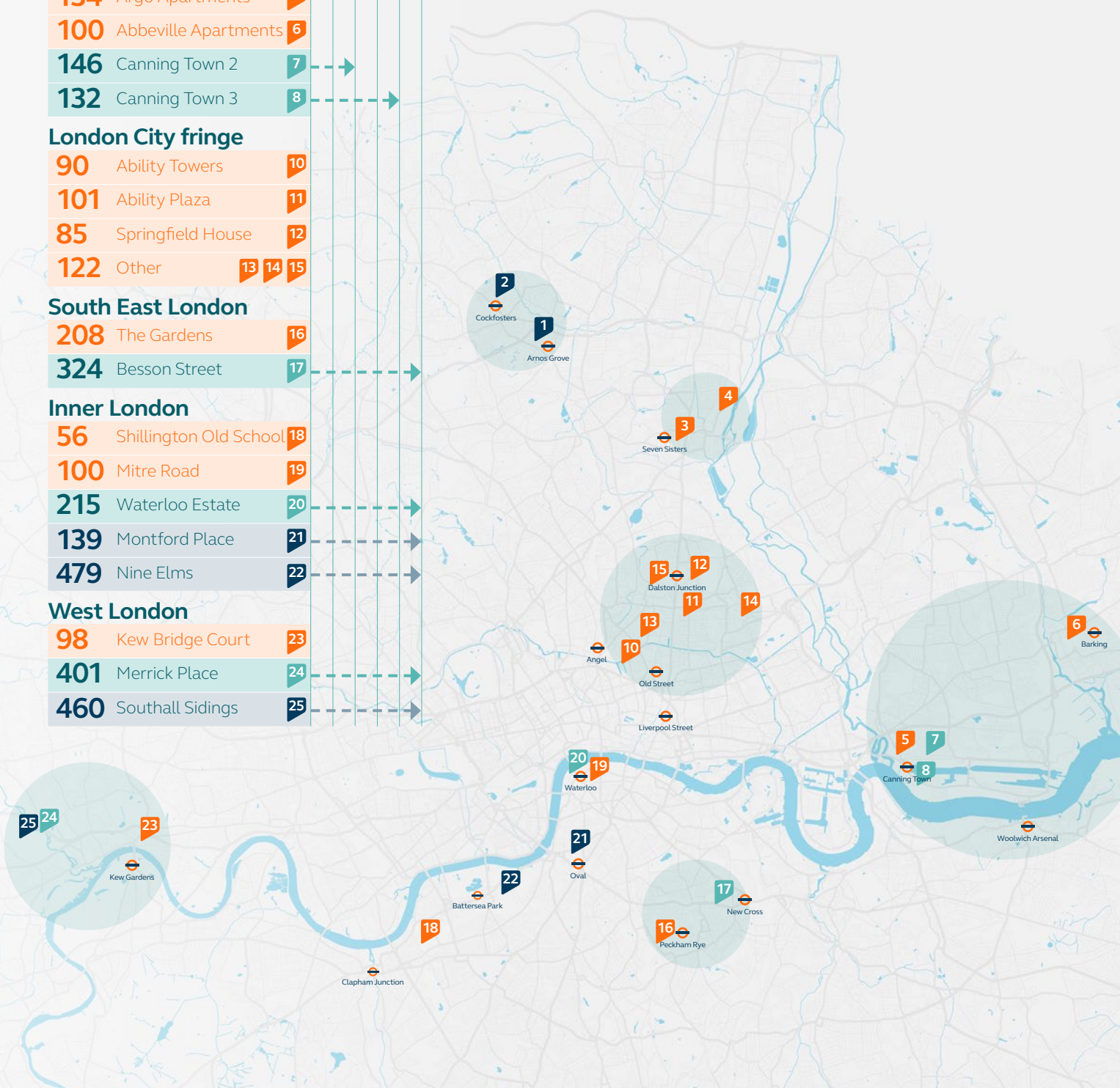


London portfolio

Number of homes

	2022	2023	2024	2025	2026
North London					
162 Arnos Grove	1				
351 Cockfosters	2				
North East London					
163 Apex Gardens	3				
108 Windlass Apartments	4				
East London					
134 Argo Apartments	5				
100 Abbeville Apartments	6				
146 Canning Town 2	7				
132 Canning Town 3	8				
London City fringe					
90 Ability Towers	10				
101 Ability Plaza	11				
85 Springfield House	12				
122 Other	13 14 15				
South East London					
208 The Gardens	16				
324 Besson Street	17				
Inner London					
56 Shillington Old School	18				
100 Mitre Road	19				
215 Waterloo Estate	20				
139 Montford Place	21				
479 Nine Elms	22				
West London					
98 Kew Bridge Court	23				
401 Merrick Place	24				
460 Southall Sidings	25				

Through our growing national presence, we have developed a series of well-balanced, operationally efficient clusters across the country.



Our market leading and scalable operating platform

Our business model and scalable in-house operating platform sets us apart from the competition. As we grow, we create more and more operational efficiencies across the portfolio. Through technology and CONNECT we are delivering effective and efficient internal processes, whilst also enhancing the overall experience for our customers.

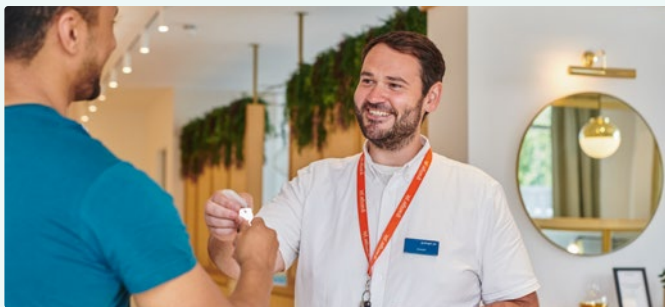
Our team deliver a level of personal service to customers that takes the hassle out of renting, adding huge value to the overall experience.



In-house operating model

When you rent with Grainger you deal directly with the Grainger team. From leasing to move-in, renewals right through to move-out, the Grainger team are there for our customers. By bringing the majority of our leasing in-house we are improving the overall customer experience, creating a positive first impression and a seamless transition from prospect to resident.

Our bespoke training programmes ensure a consistently high standard of delivery with research showing that our onsite teams are a real differentiator, positively impacting a resident's stay.



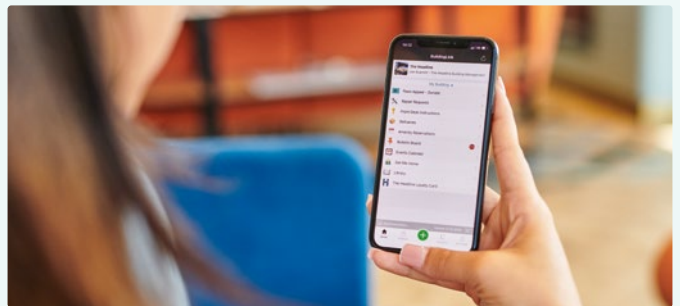
Customer Experience Programme

Our Customer Experience Programme builds on the brilliant basics we offer by creating a service culture that is embedded across the entire business and that puts our customers front and centre. This programme is informed by a wealth of customer data and insight across each key touch-point within our customer journey and aims to drive continual improvement.



Responsible management

As a responsible landlord, health and safety is our absolute priority. Through our Live.Safe programme, we are leading the way in health and safety, taking a proactive approach and continuously reviewing processes and enhancing safety elements within our buildings. Our colleagues are all regularly trained in health and safety matters and our health and safety team drive compliance and engagement in this area.



Leading through technology

Through our investment in CONNECT, we've created a digital solution that puts the entire rental process online and an app that enables customers to book appointments with our team, log a repair or maintenance request, book an amenity space, or find out more about the local area.

Behind the scenes, technology supports the efficient running of all business functions as we scale-up, linking everything from marketing to payment processing, giving more control and greater efficiency.



Knowledge and insight

With over 110 years' experience, we have developed a wealth of knowledge and expertise as a landlord. Our business is driven by data and analytics. This insight enables us to identify the best locations, to drive performance, and to have a deeper understanding of our customers, their wants and needs. We use this insight to continuously improve our offering, drive satisfaction and ultimately retention.

Being a responsible business

Grainger has always had a strong social purpose and being a responsible business is central to who we are, our strategy and our core product of mid-market rental homes.

Our ESG strategy sets out our ambitions to create desirable, healthy and energy efficient homes for our residents, to deliver positive outcomes for our people and our communities, and to secure a strong future for our business, our sector and the wider environment in which we operate.



➔ See our ESG Report on pages 38 and 39.



Community

We recognise the value of supporting the communities where we operate and providing our employees with the opportunity to give back. We undertake extensive community engagement and investment around our assets and development sites, partnering with local community organisations.

As part of our commitment to building vibrant new communities, our onsite teams work closely with local independent businesses, showcasing them to residents through our resident events and working with them to offer unique discounts to our residents, providing a benefit for all.



Sustainable design and net zero carbon

We are committed to meeting sustainability best practice in the design of our homes, and review our schemes against leading sustainability standards, with a pilot of the Home Quality Mark, a best practice sustainability certification for new homes, planned on some future developments.

Through our roadmap to net zero by 2030 we have increased our focus on Scope 3 emissions, running pilots to measure customer emissions and to understand opportunities to measure and reduce embodied carbon.



Living a greener life

Our 'Living a Greener Life' engagement strategy is helping our customers join us on our net zero journey.



Energy efficiency

Our PRS homes are highly energy efficient with 87% being EPC rated A-C, making them more affordable for our customers.



People

We are committed to being a great employer to our people, a great landlord to our customers, and a great support to the wider community.

Our market

The long-term structural drivers supporting the rental market remain strong

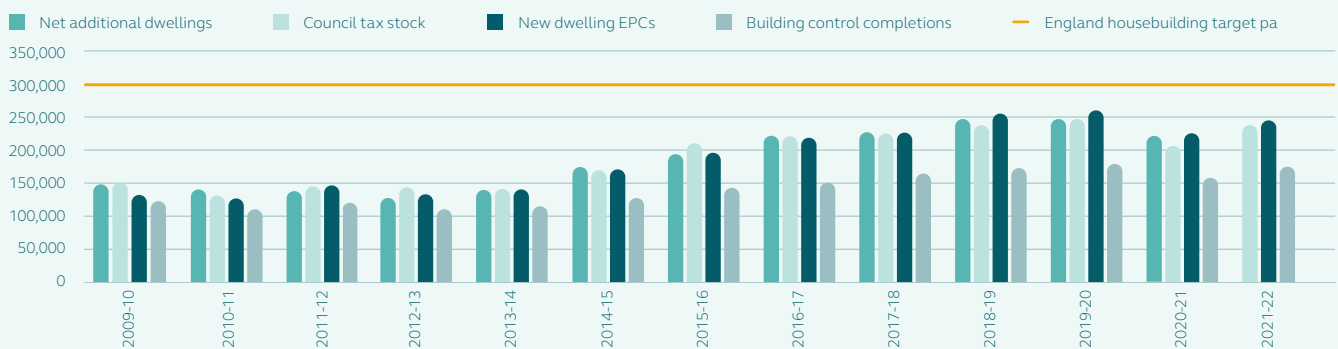
The rental market remains underpinned by strong long-term fundamentals, with an undersupply of homes, particularly good quality rental homes, whilst demand for

renting continues to accelerate as the trend of renting for longer continues.

The UK's population continues to grow significantly, whilst housing delivery numbers remain well behind, creating a backlog of demand.

As the chart below demonstrates, each and every measure of new housing supply is running below the recognised level of housebuilding supply required to meet demand.

Housing supply well below demand



Source: Department for Levelling Up, Housing and Communities

Structural shift from small, private landlords towards large-scale professional landlords

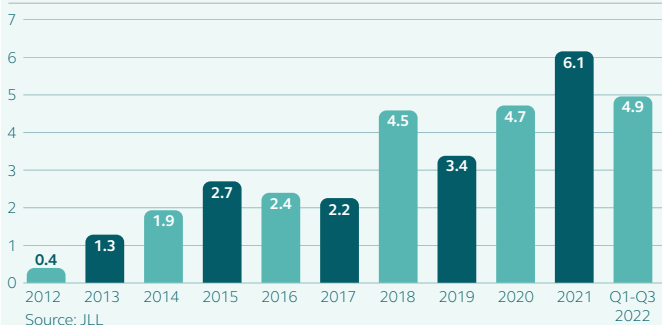
Despite the growth in the sector of late, build-to-rent landlords still only represent c.1.5% of the market, providing a significant structural opportunity as the market shifts away from small, private landlords to build-to-rent, large-scale professional landlords, such as Grainger.

This structural shift is not only supported by shifting consumer demand and growing service expectations but is also being accelerated by recent Government regulatory and tax changes which are disincentivising small landlords and leading to a continued reduction in their market share.

The attractiveness of the sector to institutional capital, however, continues to be illustrated by high levels of investment from major UK and overseas investors.

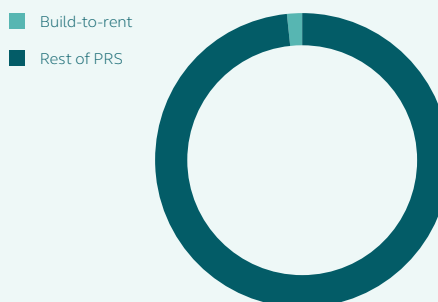


JLL annual build-to-rent investment volumes (£bn)



Source: JLL

BTR only 1.5% of homes in 5m UK private rented sector



Source: BPF/Savills

Attractive investment characteristics – an inflation hedge, with rents tracking wage inflation over the longer term

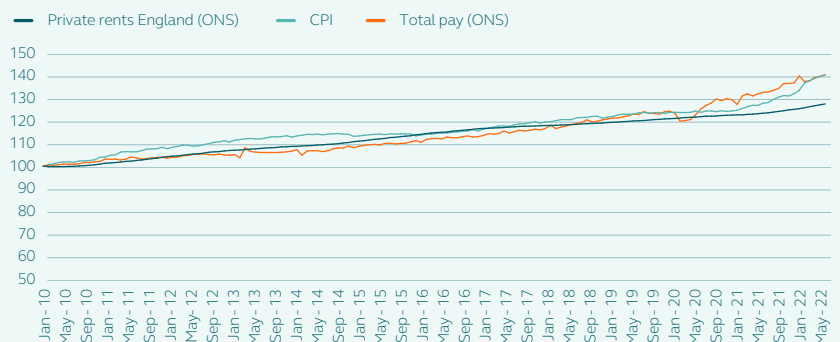
The supply-demand dynamics of the sector provide a strong foundation for pricing and values, but most importantly, private rents in the UK have historically tracked both wages and general prices in the long run. Recently, however, we have seen rents fall behind these measures, opening the door for future growth.



Rental market prospects are bright as multiple drivers support the ongoing structural shift towards build-to-rent, large-scale, professional landlords.”



Private rents vs inflation, index - Jan-2010 = 100



Source: ONS

Our market leading, fully integrated, scalable operating platform sets us apart from the competition

We have a fully integrated platform from origination and investment through development all the way to operations.

The inputs to our operating platform



Our people

People are at the heart of what we do. And we are all driven and committed to delivering great homes and great service to our residents.

[Read more on pages 40 and 41.](#)



Technology

Leading the way through CONNECT, our technology platform, supporting our sustainable growth and enhancing our customer experience.

[Read more on page 22.](#)



Data insight and knowledge

Driven by in-house research we have a wealth of data, expertise and knowledge, enabling us to maintain our market leading position.

[Read more on page 22.](#)



Our relationships

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

[Read more on pages 66 to 69.](#)



Our property portfolio and pipeline

With a portfolio of c.10,000 operational rental homes and a pipeline of c.7,000 rental homes in the strongest cities and towns, we have the UK's leading rental housing portfolio.

[Read more on pages 20 and 21.](#)



Financial capital

A strong balance sheet, robust capital structure and disciplined approach to investment, we are in a position of resilience to ensure sustainable returns.

[Read more on pages 32 to 37.](#)

Outputs

Shareholders

Dividend per share

5.97p

EPRA NTA

317pps

[Read more on pages 28 and 29.](#)

Other stakeholders

Customers

9/10

customers really like their Grainger home

Communities

570+

resident events

Employees

82%

response rate to our employee engagement survey

Employees

87%

of all employees are Shareholders

How we create value

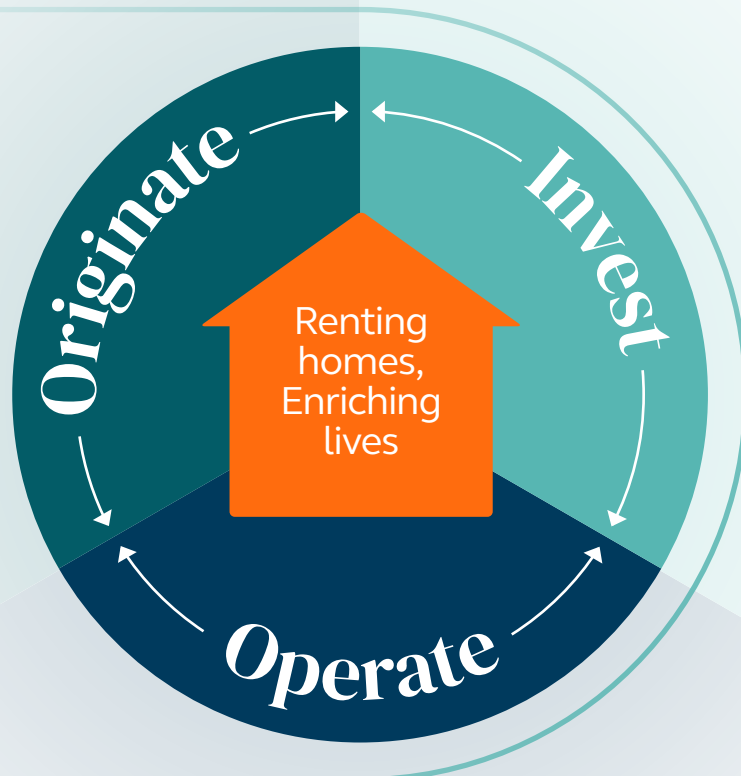
Our fully integrated business model and operating platform ensures we are investing in, designing and operating the best possible homes while providing great service. Great homes and great service means higher customer satisfaction, higher occupancy, better rental growth and better valuations, enabling us to deliver market leading, sustainable returns for our Shareholders, and a positive impact for all stakeholders.

Planning, design and delivery

Direct control over the delivery and quality of our pipeline of new homes

Research-backed investing

Selecting the strongest locations and the best assets



Scalable platform

Through technology, our market leading operating platform is scalable to support 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

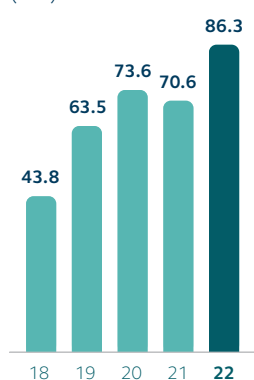


Simplify and focus



Build on our experience

Net rental income (£m)



KPI definition

Gross rental income after deducting property operating expenses.

Comment

Increase of 22% due to a combination of higher average occupancy (£3.9m), PRS investment (£12.0m) and rental growth (£2.8m) offset by disposals (-£3.0m).

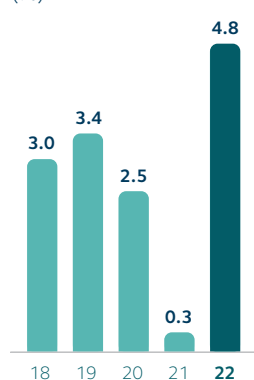
Link to strategy



Notes

See Note 6 to the financial statements.

PRS rental growth (%)



KPI definition

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

Comment

4.8% like-for-like growth in our PRS rental income, with strong growth in London and the regions.

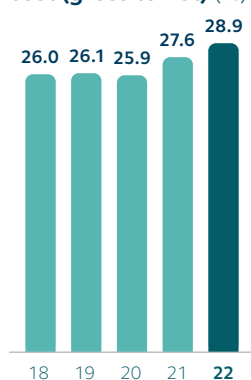
Link to strategy



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 level of new launches completed in the year, as we continue to stabilise new openings. Stabilised gross to net performance on existing assets is 25.5%, and in line with prior years.

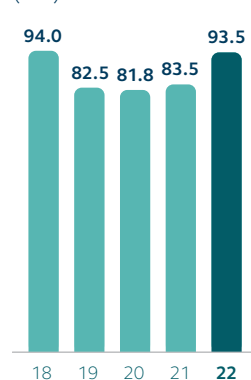
Link to strategy



Notes

See Note 6 to the financial statements.

Adjusted earnings (£m)



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 12% delivered due to growth in net rental income.

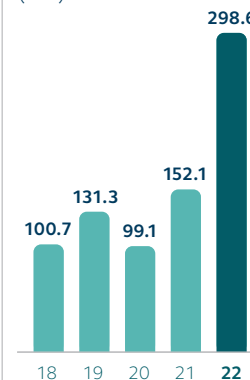
Link to strategy



Notes

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

Profit before tax (£m)



KPI definition

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

Comment

Increase of 96% driven by strong valuation gains, including property reclassifications and growth in net rental income.

Link to strategy

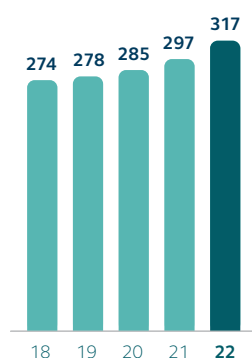


Notes

See consolidated Group income statement on page 115.

Delivering capital returns

EPRA NTA (pps)



KPI definition

EPRA NTA (Net Tangible Assets) is the market value of property assets after deducting deferred tax on trading assets, excluding intangible assets and derivatives.

Comment

20p growth in the year, primarily driven by valuation uplift.

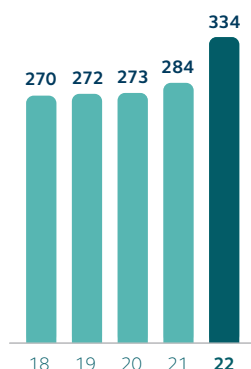
Link to strategy



Notes

See page 36 for further detail on EPRA NTA and page 164 for EPRA performance measures.

EPRA NDV (pps)



KPI definition

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.

Comment

50p growth in FY22 reflecting strong trading and valuation performance, as well as market movements in fixed rate debt and derivatives.

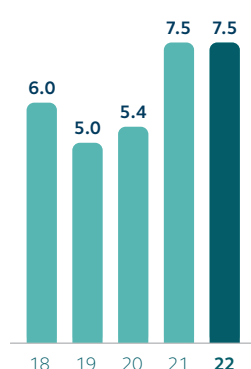
Link to strategy



Notes

See Note 4 to the financial statements for reconciliation to statutory measures and EPRA performance measures from page 164.

Total Property Return ('TPR') (%)



KPI definition

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.

Comment

Returns of 7.5% demonstrating strong overall returns from valuation growth in our property portfolio.

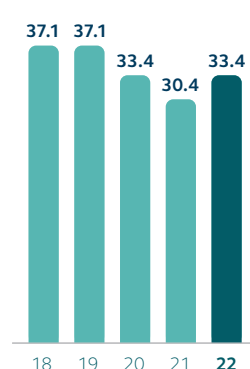
Link to strategy



Notes

See Alternative Performance Measures on page 169 for calculation.

Loan to value (‘LTV’) (%)



KPI definition

Ratio of net debt to the market value of properties on a consolidated Group basis.

Comment

LTV remains in a strong position with a modest increase reflecting reinvestment of disposal proceeds into our BTR pipeline.

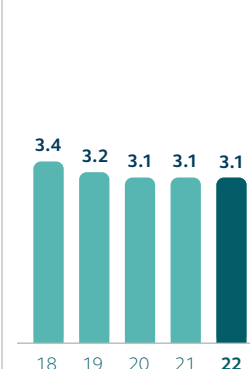
Link to strategy



Notes

See Alternative Performance Measures on page 169 for calculation.

Cost of debt (average) (%)



KPI definition

Average cost of debt for the year including costs and commitment fees.

Comment

Average cost of debt maintained at 3.1% as we lock into favourable rates for longer term with average debt maturity now at 6.5 years, including extension options.

Link to strategy



Notes

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 continue to invest in our customer experience programme and in training our teams to ensure a consistent service delivery and continuous enhancements to our service offering.

We are committed to creating thriving communities that help attract and retain customers and benefit those living and working in the areas close to our schemes.

30 months

average length of stay for PRS customers

86%

of all Google reviews by customers were 5 star

570+

resident and community events

[Link to strategy](#)



Our people

With people at the heart of our business, 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, and our independent employee engagement survey demonstrated high levels of employee engagement.

Very Good

rating by colleagues in our annual survey by Best Companies

82%

response rate to our employee engagement survey

87%

of eligible employees (12 months+ employment) are Shareholders

[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 decarbonising Grainger's business in alignment with the net zero transition. Our strategy to improve the energy efficiency of our properties to minimum EPC rating C is progressing well and supports our net zero carbon commitment.

1,058 tonnes of CO₂e

Scope 1 & 2 carbon emissions (market-based methodology)

-26%

reduction in Scope 1 & 2 market-based carbon emissions per £m AUM

87%

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

[Link to strategy](#)



Our purpose and values

Our values direct how we make choices, **perform at our best** and set Grainger apart for our customers, employees, investors and partners.



Every home matters

We are passionate about providing every customer with a great place to rent that they can make their genuine home. Because we know how much a good home matters to everyone's quality of life.



People at the heart

We want our customers to feel safe, secure and happy in their homes and to stay renting with us for as long as they wish. Which is why we put people at the centre of all our thinking – in how we create and operate Grainger homes.



Leading the way

We are ambitious about giving people the best renting experience and never stop finding smart and creative ways to help them enjoy renting with us. We know that leading the way in our sector helps our Company performance and our customers get more from their lives.



Exceeding expectations

We've been a professional landlord for over 110 years, so we know what we're doing and what our customers need to enjoy their homes fully. We take ownership of what we do and go beyond expectation, to deliver more to our customers, each other, our investors and partners.



Financial review

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

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

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

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

Financial highlights

	FY21	FY22	Change
Income return			
Rental growth (like-for-like)	1.0%	4.7%	+372 bps
Net rental income (Note 6)	£70.6m	£86.3m	+22%
Adjusted earnings (Note 3)	£83.5m	£93.5m	+12%
Profit before tax (Note 3)	£152.1m	£298.6m	+96%
Dividend per share (Note 14)	5.15p	5.97p	+16%
Capital return			
EPRA NTA per share (Note 4)	297p	317p	+7%
Total Property Return	7.5%	7.5%	+2 bps
Total Accounting Return (NTA basis) (Note 4)	5.5%	8.8%	+330 bps
Net debt	£1,042m	£1,262m	+21%
Group LTV	30.4%	33.4%	+304 bps
Cost of debt (average)	3.1%	3.1%	+1 bps



In a year that has seen excellent operational performance, Grainger's in-house operational model has ensured that we capitalised on strong rental demand whilst continuing to deliver operational efficiencies."

Rob Hudson
CFO

+22%

Net rental income

+4.7%

Rental growth (like-for-like)



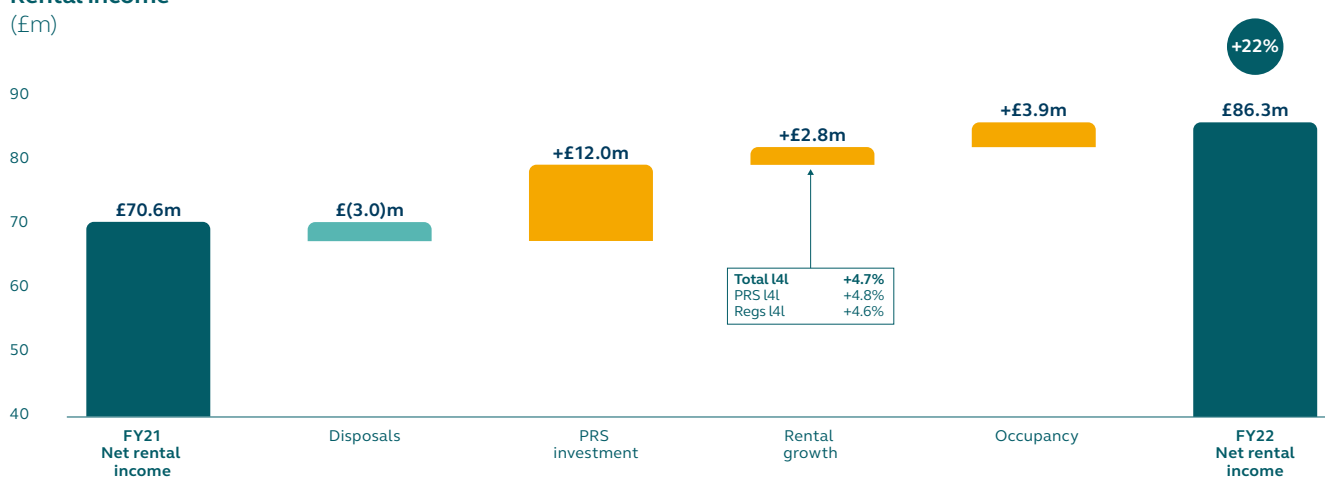
Income statement

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

Income statement (£m)	FY21	FY22	Change
Net rental income	70.6	86.3	+22%
Profit on sale of assets – residential	67.5	63.3	(6)%
Profit on sale of assets – development	1.8	2.0	+11%
CHARM income (Note 20)	4.9	4.8	(2)%
Management fees	5.1	4.4	(14)%
Overheads	(30.2)	(31.8)	+5%
Pre-contract costs	(0.6)	(0.8)	+33%
Joint ventures and associates	(0.4)	(1.4)	+250%
Net finance costs	(35.2)	(33.3)	(5)%
Adjusted earnings	83.5	93.5	+12%
Valuation movements	80.7	133.4	+65%
Other valuation movements ¹	–	81.2	
Other adjustments	(12.1)	(9.5)	(21)%
Profit before tax	152.1	298.6	+96%

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

Rental income



Rental income

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

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

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



Sales and development activity

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

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

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



Balance sheet

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

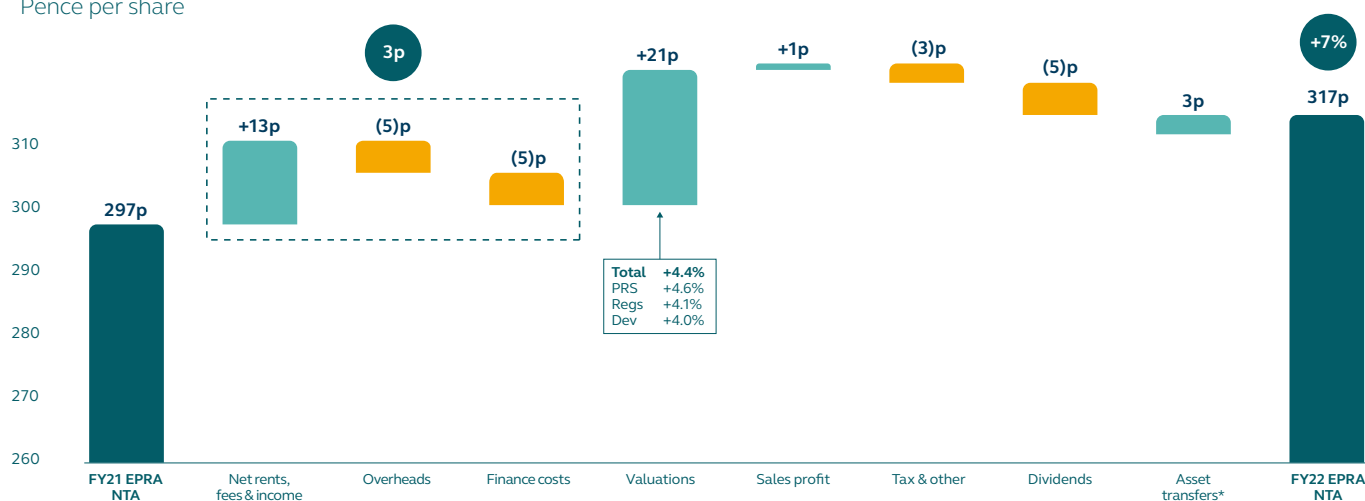
EPRA NTA increased by 7% during the year to 317p per share (FY21: 297p per share). Our valuation uplift of 21pps was the major driver of this growth with earnings adding 3pps, offset by dividend payments of 5pps.

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



EPRA net tangible assets (NTA)

Pence per share



* Transfer of properties from trading property to investment property generating £20.3m contingent tax reclassification (see Note 2, page 125).

Property portfolio performance

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

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

Our capital structure remains in a strong position with LTV at 33.4%, cash and available facilities of £663m and no significant refinancing requirements until 2027.”

Rob Hudson
CFO

Financing and capital structure

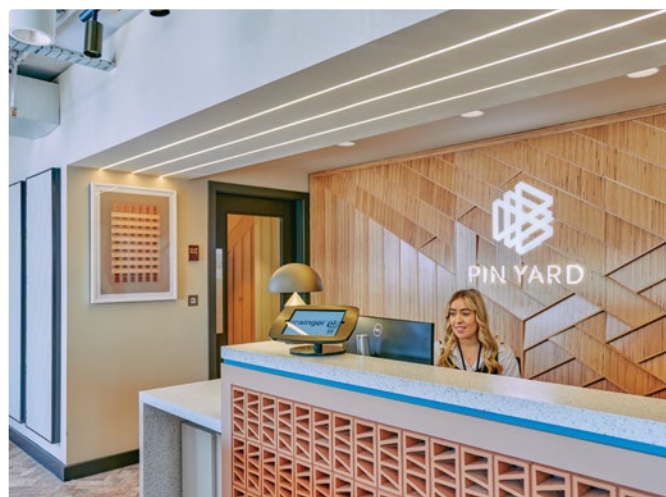
Our capital structure remains in a strong position with LTV at 33.4% (FY21: 30.4%), cash and available facilities of £663m (FY21: £641m) which more than covers our committed pipeline and no significant refinancing requirements until 2027. In August, we successfully refinanced our bank Revolving Credit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

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

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

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

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



3.1%

Average cost of debt

6 years

hedge maturity



Summary and outlook

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

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

Rob Hudson

Chief Financial Officer

16 November 2022



Grainger's approach to sustainability

Sustainability is fully integrated into the business's strategy and our operations, informing the initiatives we put in place to support our people, our approach to investment and asset management, and the processes we use to design and operate our buildings.

Our material issues

Our strategy is informed by the sustainability risks and opportunities identified as being most impactful to Grainger and our stakeholders through regular materiality reviews.

In 2022 we conducted stakeholder engagement with our residents and our employees to understand their sustainability priorities and inform the workstreams we focused on during the year. This included our 'Living a Greener Life' engagement campaign designed to support our residents to 'live greener' and reduce their environmental impacts and utility bills see page 9.

Energy and carbon remains a key focus for Grainger. We are committed to transitioning our business to net zero in alignment with the UK Government's net zero carbon target, and have made good progress on the implementation of our net zero carbon roadmap.

We are also driven by a strong social purpose and this year we undertook a pilot assessment of the social impact generated by a typical Grainger building, to further refine how we measure the benefits of Grainger homes to our residents and local community stakeholders.

Monitoring progress

Our sustainability strategic pillars are supported by Grainger's long-term ESG commitments and key performance indicators used to monitor our progress. Our newly established Responsible Business Committee reviewed progress against the business's long-term ESG commitments and key sustainability workstreams (see Responsible Business Committee report on pages 76 - 77).

Responses to key risks and opportunities were also reviewed at regular meetings of Grainger's internal Committees including Investment Committee, Operations Board and Development Board. These included:

- Investment Committee reviewed the green and social investment criteria included in Grainger's Sustainable Finance Framework and assessed potential acquisitions against specific ESG criteria
- Operations Board considered the strategy for measuring customer energy data and associated Scope 3 GHG emissions
- Development Board considered the business's approach to measuring and reducing embodied carbon

Our plans for 2023 include continuing our progress towards measuring actual Scope 3 emissions, by enhancing our understanding of the energy used by our customers in their homes, and developing our strategy to reduce embodied carbon from our development projects.

Progress against our long-term commitments

Sustainability strategy pillar	Long-term commitments	Headline achievements from 2022	Key workstreams for 2023	Material ESG risks and opportunities	Find out more
People – Treating people positively	<p>Measure and deliver positive social value contribution to our customers and local communities.</p> <p>Ensure Grainger's workforce is reflective of society.</p>	<p>We have assessed the social value delivered by a typical operational BTR asset to inform how we measure the social impact of our portfolio.</p> <p>Workforce diversity tracking has improved the accuracy and coverage of our workforce diversity data, to inform the development of our Diversity & Inclusion Strategy.</p> <p>We introduced a new mentoring scheme and Diverse Talent Acceleration Programme to support the growth of our colleagues.</p>	<p>Develop Grainger's social impact framework.</p> <p>Undertake a review of external Diversity & Inclusion benchmarks with a view to selecting and progressing with one.</p>	<p>Providing homes that are affordable to local people.</p> <p>Protecting the health, safety and wellbeing of colleagues and customers.</p>	<p>Social value pilot page 41.</p> <p>Diversity and inclusion page 77.</p>
Assets – Creating desirable, healthy homes	<p>Deliver enhanced investment decisions through incorporating ESG considerations including risks, costs and returns.</p>	<p>We defined our costed pathway to increasing energy efficiency standards across our portfolio to EPC band C by 2025, which we are underway in actioning with 87% of PRS properties currently rated EPC C or above.</p> <p>Climate scenario analysis was undertaken to assess the physical climate risks material to Grainger's portfolio and we produced Grainger's first full TCFD Report.</p> <p>Grainger's Sustainable Finance Framework was finalised and approved.</p>	<p>Create asset level sustainability action plans for Grainger's long-term hold assets.</p>	<p>Enhancing the energy efficiency and ESG performance of existing assets.</p> <p>Physical climate-related risks to our portfolio and potential investments from flooding, extreme weather events and chronic temperature change.</p>	<p>TCFD Report page 44.</p>
Environment – Securing our future	<p>Achieve net zero carbon for our operations by 2030.</p>	<p>We continued to implement our roadmap to net zero carbon by 2030. This year we increased our focus on Scope 3 emissions with pilots to measure customer emissions and to understand opportunities to measure and reduce embodied carbon on our developments.</p> <p>Our 'Living a Greener Life' engagement strategy was developed to help our customers join us on our net zero journey.</p>	<p>Define Grainger's strategy to measure and reduce embodied carbon.</p> <p>Plan Grainger's long-term roadmap to net zero Scope 3 emissions.</p> <p>Continue the implementation of our Living a Greener Life programme.</p>	<p>Transitioning Grainger's business to net zero carbon, including meeting increased energy and carbon building standards, eliminating fossil fuels and meeting market expectations.</p>	<p>Living a Greener Life page 9.</p> <p>Net zero carbon page 43.</p>



Listening and acting on feedback

We value the thoughts and views of our colleagues and provide multiple channels for them to share feedback, suggestions or ask a question.

This year, through our employee conferences, engagement surveys, All Company Calls, newsletter and intranet, we have gathered a great deal of insight and ideas from our colleagues. In each case, the feedback has been collated, recorded and turned into an action plan with a clear feedback loop back to our colleagues. As an example, with the business growing, we were advised that colleagues would benefit from a better understanding of what all teams and functions in the business do, so we created a platform for teams to introduce themselves and showcase what they do through our various internal communication channels.

Very Good

rating by colleagues in our annual survey by Best Companies.



In listening and responding to feedback from colleagues, we will enhance their overall experience working at Grainger with a positive knock on effect for the benefit of our customers.

Engendering an inclusive and welcoming working environment

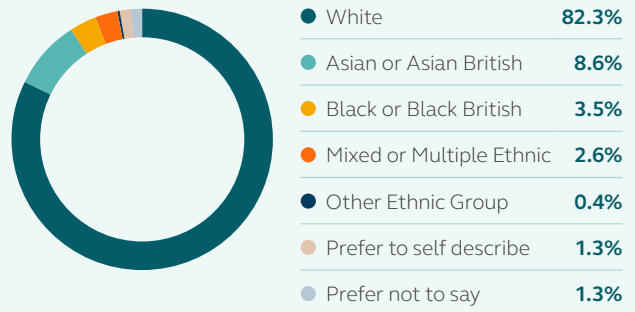
Our employee-led Diversity & Inclusion Network continues to undertake awareness-raising activities and campaigns for both colleagues and residents. Its membership has been bolstered by additional representation from our Resident Services Teams who ensure the campaigns are highlighted in Grainger's buildings.

We have completed our project to track the diversity of Grainger's workforce, with a high response rate of 71%. The findings have helped shape the focus areas for our Diversity & Inclusion approach, and include that 27% of our colleagues are primary carers for a child or children under 18. To support our colleagues:

- We are members of Carers UK which provides support, guidance and resources to colleagues via an external platform
- The D&I Network has launched a Working Parents Group
- We have a hybrid working policy with core office days and flexibility around days worked from home

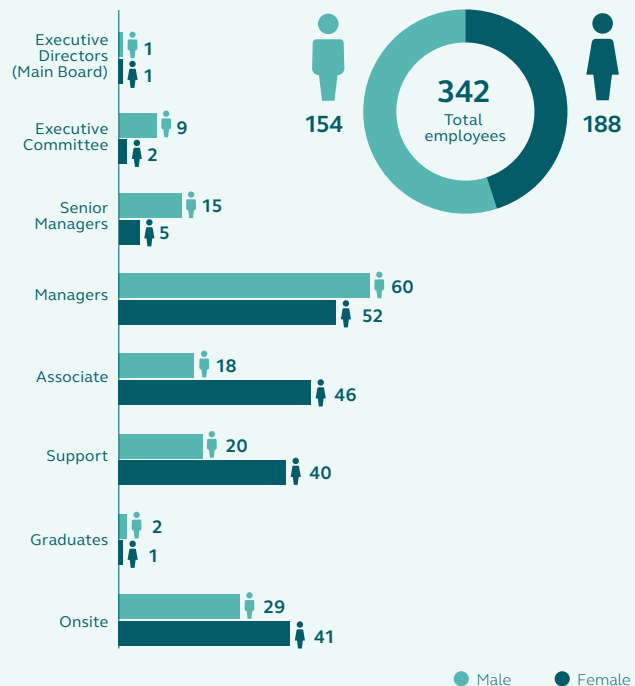
Our age profile indicates we have a multi-generational workforce.

Ethnicity



This data is for all employees who completed the Company's workforce diversity tracking questionnaire in July 2022, which had a response rate of 71%. Analysis of this data identified a significant difference in ethnic diversity between locations. In Grainger's Newcastle office, the workforce is reflective of the local population which is less ethnically diverse than other regions. There are much higher levels of ethnic diversity within Grainger's London workforce and amongst our customer-facing site-based teams.

Gender



The Executive Directors are members of the Executive Committee but not included in the above figures.

Supporting our colleagues to achieve their goals

Grainger's Diverse Talent Acceleration Programme is supporting participants with bespoke support and coaching to help them take the next steps in their careers. Our first cohort of Future Leaders has now completed its two-year development programme, with many achieving internal career progression over this period.

Grainger's Mentoring Programme – Our mentoring scheme has proven successful, with 20 colleagues involved as mentors and mentees. Prior to its launch, a training session was provided by an external consultancy to enable all participants to get the maximum benefit from the programme. The diverse group of participants included representation from all levels including our Executive Committee and feedback from colleagues has been positive.



Mentoring at Grainger is a two-way street - it provides an opportunity for mentors to share relevant knowledge and experience with their mentees; but we also learn from those we counsel - their aspirations, their challenges and immediate priorities.”

Paul
Grainger colleague

Employee conferences – This year we were pleased to be able to host in-person employee conferences, attended by our employees, which provided opportunities for colleagues to reconnect with each other and input to some of the business's key projects, including our Customer Experience Programme, 'Living a Greener Life' engagement campaign and Grainger's People Strategy.

Colleague wellbeing – We continued our focus on supporting colleague wellbeing, with a series of workshops from an external professional nutritionist, a campaign focused on helping colleagues get the most out of the Company's wellbeing benefits and regular lunch and learns covering topics from mental health to menopause.

Giving something back is part of Grainger's core values, and we were pleased to reintroduce in-person volunteering and charitable activities and to continue our involvement in the Education Engagement Partnership with Transport for London which in its first year has delivered 16 events, supporting 915 students. Grainger was also proud to donate homes for a year to six Ukrainian refugee families in Grainger Trust's Poppy Apartments, Millet Place, worth over £150,000.

➔ **Please also see 'People at the heart' on pages 14 to 15.**

Delivering positive social impact

Grainger's social value programme is designed to measure and communicate our contribution to the communities within and around our buildings. This year we undertook a pilot assessment to understand the typical social impact created by Grainger's build-to-rent homes, using Brook Place in Sheffield as an example.

Brook Place is home to 356 residents in 237 rental homes, and was the first development in the city designed specifically for renters. As with all Grainger's build-to-rent developments, Brook Place offers residents more than just an apartment, with amenity space including a 24-hour gym, co-working space, bookable dining room, residents lounge and three roof terraces. Brook Place also has a commercial tenant, R1SE yoga studio which provides complimentary online classes to Grainger's residents and employees across the UK.

Brook Place is positively perceived by the local community, with survey results suggesting people admire the design of the building, the area around it feels safe and more accessible, and the building has enhanced the mood of the area.

Grainger's onsite Resident Services Team are focused on creating a thriving community for our residents, with a range of events including charity coffee mornings, cooking competitions, Easter egg hunts, Halloween parties, online competitions, Valentines celebrations and even events for our pet population. The team have sought to build strong relationships with local charities and the local business community, and this is demonstrated in the spend Grainger's residents have contributed to the local area, with additional footfall contributing to an estimated additional annual spend of £338,000.

Most importantly, our residents continue to enjoy living at Brook Place with a Net Promoter Score of +44. Their feedback is taken on board to the building's design and operation, such as the recent introduction of a community garden.

Grainger has also acquired the site next door to Brook Place, which has potential for up to c.250 PRS homes, and we plan to use the learnings from this assessment to feed into the design of the new scheme.



22%

of increase in local business footfall attributable to Brook Place



6

Full Time Equivalent ("FTE") jobs created directly and indirectly by Brook Place



c.£490k

Gross Value Added ("GVA") created on an annual basis by Brook Place



Assets

Bringing a historic building back into use

Gilders Yard, Grainger's first build-to-rent development in Birmingham, delivers high-quality new homes whilst also preserving a listed building. Located in the city's Jewellery Quarter - on the former site of a renowned Birmingham jewellery maker - the site's history has been carefully considered throughout the building's design.

The scheme combines new and restored buildings, incorporating different architectures, with the new buildings specifically designed to blend in with the area's industrial heritage. The original factory has been preserved and forms the centrepiece of the new development, with elements of the original factory, such as exposed brick and metalwork featuring within several of the new homes and the development's name also being inspired by the technique of gilding that was used to apply fine gold powder to the trinkets produced on the site.

The building's amenity spaces, which include a gym, co-working space and residents lounge, also feature an internal display showcasing a collection of original enamelled cufflinks, tie clips and enamelled brooches from the archive of the former factory.

Protecting the Grade II listed building and refurbishing and reusing other building elements onsite was a fundamental part of the construction process. The embodied carbon of the development has been substantially reduced through the use of a timber frame for three of the four blocks, retention of a brick façade, refurbishment of a brick substation which was converted into an apartment, and the salvage and reuse of paving slabs in the courtyard.



The amenity space has been constructed using engineered oak wood panelling, locally manufactured Foresso worktops created from timber offcuts and wasted wood, terrazzo tiling created using 40% recycled materials and resource efficient flooring containing recycled content.

Whilst the building's design has protected its heritage, it also includes modern technologies to minimise its environmental impacts, with PV panels on the roof of the new buildings and rainwater recycling in place in the communal gardens.

Creating homes, designed to enable greener, better living

Pin Yard, Grainger's latest development in Leeds, has been designed to deliver positive environmental and social benefits to our residents.

Master switches by the door in each apartment enable residents to turn off all the lights when they leave their home, saving energy and costs. The energy for the communal areas in the building is partially supplied through PV panels located on the roof, and the building is fossil-fuel free with all-electric heating and hot water.

Our Community Corner provides a space for residents to share things that are important to them, for our Resident Services Team to share tips and benefits, and to signpost local businesses offering discounts to our residents. To help residents recycle their unwanted items to a good home, we have introduced a clothing bank collecting donations for textile recycling charity White Rose, which raises funds in support of the Aegis Trust. We recently held a successful swap shop event for residents to exchange pre-loved items.

The outdoor courtyard is ideal for residents with pets and provides a welcoming space for residents to spend time together. It is regularly used for events, such as The Pin Yard festival which helped residents get to know each other whilst enjoying music, refreshments and stalls from local businesses.





Environment

Progress towards our net zero carbon commitment

We are making good progress towards our commitment to achieve net zero carbon for our operations by 2030, by taking action in the following areas:

- Improving energy efficiency
- Transitioning away from fossil fuels
- Generating and purchasing renewable energy

We continue to focus on enhancing the energy efficiency of existing assets. We have now mapped and costed our pathway to achieving a minimum EPC rating of C for the remainder of our PRS portfolio (currently 87% rated C or above), leaving Grainger well placed to comply with potential future minimum energy efficiency standards and enabling us to plan improvement works into our long-term refurbishment programmes.

Grainger's refurbishment programme to upgrade the communal areas of our properties continues with major projects completed at five assets over the last two years to upgrade fabric, replace windows and install energy efficient lighting systems.

A full refurbishment of our head office in Newcastle has achieved a year-on-year reduction in energy consumption of 23%. The fit out implemented the recommendations made in an external energy audit, whilst providing a functional, stylish and collaborative space for our colleagues.



All new developments completed this year feature PV panels with the renewable energy generated supplying the communal areas of the buildings. We continue to increase the proportion of renewable energy purchased and agreed a new green gas contract during the year to supply our buildings with biomethane certified by the green gas certification scheme.

Tackling the challenge of measuring Scope 3 emissions

One of the most significant challenges impacting both Grainger's and the residential sector's ability to set science-based carbon reduction targets and measure progress to net zero is the challenge of accessing our customers' energy data whilst complying with data protection regulations. For many years we have been estimating carbon emissions from Grainger's customers' energy use in our buildings, and reporting these annually in our Streamlined Energy and Carbon Report (see page 104). However, being able to measure the actual energy used throughout the building would allow Grainger to identify where our emissions reduction activities are having the most impact.

This year we developed our strategy to measure customer emissions, and have already made progress with understanding energy use and carbon across our build-to-rent portfolio. Our analysis to date shows that Grainger's properties are operating more efficiently than they are predicted to be on their Energy Performance Certificates. Across our portfolio, data from Energy Performance Certificates suggests Grainger's homes use, on average, 65% less energy than a typical home and we are looking forward to continuing our journey towards measuring actual emissions generated across our portfolio.

We undertook a deep dive of embodied carbon to review best practice across the residential sector and measure the embodied carbon of Grainger's Direct Development projects. The opportunities identified to reduce embodied carbon will be considered in the next stage of design. Examples include the findings from a structural embodied carbon assessment of Grainger and Transport for London's Connected Living London Arnos Grove scheme, which identified potential to replace all building piles with a raft foundation, saving c.10 kgCO₂/m² GIA (equivalent to more than 2,000 tonnes of carbon).

TCFD summary

Introduction

Grainger is a TCFD supporter and is committed to assessing, managing and reporting climate-related risks.

This TCFD Report summarises Grainger's response to the TCFD recommendations. Climate-related information is also reported elsewhere in this Annual Report, and is signposted in the following table.

Grainger also responds annually to the CDP Climate Change Programme and our responses are publicly available at: <https://www.cdp.net/en/responses>

The climate-related impacts of Grainger's property portfolio are reported in the EPRA Sustainability Report published on Grainger's website at: <https://corporate.graingerplc.co.uk/responsibility>

TCFD recommendations	Description	Section
Governance		
Board oversight of climate-related risks and opportunities	Grainger's Board oversees progress against the Company's sustainability strategy, including climate-related risks and opportunities. Grainger's Audit Committee undertakes twice-yearly review of the Company's principal risks including climate change. Grainger's Responsible Business Committee oversees progress against the Company's climate-related objectives and workstreams.	Audit Committee report page 78.
Management's role in assessing and managing climate-related risks and opportunities	Ultimate responsibility for all sustainability matters including climate-related issues lies with Grainger's Chief Executive and the Executive team. To better understand inhibitors and opportunities to our strategy, we have conducted a detailed climate-related risk assessment involving the senior management team. Our forward-looking risk taxonomy drives a stronger focus on emerging risks including the transition to net zero. This supports our managers to prioritise risks that matter most and take sound and strategic business decisions.	Page 45.
Strategy		
Climate-related risks and opportunities over short, medium, and long term	Climate-related risks are reported within Principal risks. Material risks and opportunities affecting the business over the short term include increasing regulation and flood risk and over the medium to long-term include chronic temperature change and impacts on customer and investor demand.	Risk page 52.
The impact on the organisation's businesses, strategy, and financial planning	Climate-related risks are considered in property development, acquisition, refurbishment and recycling decisions. The business's transition to net zero is considered in strategic and financial planning with increased investment planned to improve Grainger's long-term hold portfolio.	Page 47.
Resilience of the organisation's strategy, based on different climate-related scenarios	Grainger has assessed the organisation's property portfolio against two climate-related scenarios over three timeframes. The strategic focus on developing net zero ready build-to-rent properties and upgrading the energy efficiency and quality of our long-term hold portfolio supports the Company's long-term resilience.	Page 47.
Risk management		
Processes for identifying, assessing, and managing climate-related risks and integration of those processes into the risk management framework	The detailed climate-related risk assessment identified a number of transitional and physical risks and opportunities. Those risks have been prioritised over the short, medium and long-term and appropriate actions put in place. Climate-related risks are reviewed quarterly at relevant management committees including the Investment Committee, Finance Committee, Development Board and Operations Board. Assurance on climate-related risks forms part of our internal audit plan.	Risk page 57.
Metrics and targets		
Metrics to manage climate-related risks and opportunities	The Key Performance Indicators used to manage climate-related risks and opportunities are reported on page 30.	KPIs page 30.
Disclosure of Scope 1, 2 and where appropriate Scope 3 and related risks	Grainger reports Scope 1, 2 and 3 GHG emissions in our Streamlined Energy and Carbon Report on page 104.	SECR Statement page 104.
Targets used by the organisation to manage climate-related risks and opportunities	Grainger has committed to achieving net zero carbon for Scope 1 and Scope 2 GHG emissions by 2030. Progress towards our target is reported on page 39. Grainger sets annual ESG objectives linked to Executive remuneration, and progress against these objectives is reported on page 94.	ESG page 39.

Governance

Board oversight of climate-related risks and opportunities

Climate-related risks and opportunities are scheduled agenda items at twice-yearly meetings of the Board Responsible Business and Audit Committees, both of which include all Board members. The Board Responsible Business Committee receives an update on ESG strategy and specific related action plans, reviews progress against climate-related targets and objectives and receives a standing update on the external environment, which includes current and potential legislation and findings from stakeholder engagement, including those related to climate matters.

The Audit Committee reviews the business's principal and emerging risks twice yearly, which includes climate-related risks.

The Board and members of the Executive team consider climate-related issues when setting objectives, in budget setting and through the Board's annual strategic review of the business. The Board monitors progress against the business's ESG objectives and key strategic climate-related workstreams, including progress towards Grainger's net zero carbon commitment see page 39 at all meetings of the Responsible Business Committee. Climate-related issues are also considered by the Board and Executive team in key investment and divestment decision-making and in allocating major capital expenditure.

Board competency in relation to ESG including climate-related matters is considered through the assessments of skills and experience undertaken upon each appointment to the Board and as part of the annual Nominations Committee review.

Management's role in assessing and managing climate-related risks and opportunities

The Board has assigned responsibility for management of climate-related issues to the Chief Executive and Executive team. Executive Committee members are allocated ownership for the business's ESG objectives, including climate-related objectives. An ESG update which includes climate-related issues is a standing agenda item at twice-yearly meetings of Grainger's Executive Committee and progress against the business's ESG objectives is reported at twice-monthly Executive Committee meetings.

Governance of climate-related risks and opportunities

Climate-related issues are considered within the Company's risk management framework which is overseen by the Executive Committee and Audit Committee. The Company's principal risks, which include climate change, are presented by the Risk Manager to the Audit Committee and to the Executive Committee twice yearly. They are also considered at meetings of various sub-committees which report into the Executive Committee, including the Investment Committee which considers climate-related risks related to property acquisitions and the Development Board which considers environmental risks and opportunities on development projects. The Chief Executive attends meetings of these sub-committees.

Examples of the key climate-related risks and opportunities discussed at these Committees during 2022 include:

- Investment Committee reviewed climate-related risks and opportunities for potential acquisitions, refurbishments and disposals
- The plans for the refurbishment of Grainger's Newcastle head office including reuse and recycling of furniture and energy efficient lighting were considered at various Committees
- Finance Committee reviewed and approved the business's Sustainable Finance Framework
- Executive Committee considered the strategy to roll-out green lease clauses and collect customer energy data to calculate customer emissions

The Director of Corporate Affairs holds day-to-day oversight of assessing and managing climate-related risks and opportunities and reports to the Chief Executive. The Head of Sustainability & CSR reports to the Director of Corporate Affairs. Their responsibilities include overseeing the Company's sustainability strategy and ensuring its implementation, and monitoring progress towards Grainger's net zero carbon commitment. The Head of Sustainability & CSR assesses and manages the opportunities and risks to Grainger arising from climate-related issues as well as broader sustainability issues on a day-to-day basis, and develops action plans to manage specific climate-related risks and opportunities, which are discussed and approved by the Responsible Business Committee and Executive Committee.

Board Responsible Business Committee

Material climate-related risks and opportunities and strategic implications discussed twice yearly

Board Audit Committee

Principal risks including climate change are discussed at Audit Committee meetings twice yearly

Grainger's Executive team

Chief Executive has overall responsibility for ESG matters
ESG updates presented at twice-yearly Executive Committee meetings
Principal risks presented at quarterly Executive Committee meetings

Director of Corporate Affairs

Reports into Chief Executive and provides regular ESG updates

Risk Manager

Reports into Executive Committee and provides regular risk updates

Head of Sustainability & CSR

Responsible for day-to-day identification and management of climate-related risks and opportunities

Strategy

Climate-related risks and opportunities Grainger has identified over the short, medium, and long term

Grainger applies its standard risk time horizons to all risks including climate-related risks. Operational risks are short-term, up to two-years; tactical risks are medium-term, up to five years and strategic risks are long-term, beyond five years. Grainger is a long-term investor in our assets and therefore we consider long-term risks over the full asset lifecycle, which can extend to 100 years or beyond.

The company's corporate risk framework is used to determine which risks have a material financial impact. The framework uses a scoring tool to consistently assess the impact of all risks including climate-related risks. It uses definitions for five different levels of risk assessed for impact and probability. Risks allocated to the top two categories ('major' and 'extreme') would have a substantial financial (£500k+) and/or strategic impact on the business. For more information on these assessments please refer to our CDP response at: <https://www.cdp.net/en/responses>

The potential climate-related risks and opportunities we have identified that could have a material financial impact on the organisation are:

Category	Risk / opportunity	Timeline	Business response
Transition	Costs and technology implications of meeting increased legislation such as Minimum Energy Efficiency Regulations and Future Homes Standard	Short-term	<ul style="list-style-type: none"> – Strategy developed to ensure compliance with future potential Minimum Energy Efficiency Regulations – Specification for new developments aligned to Future Homes Standard
	Increased revenues from development opportunities	Short-term	<ul style="list-style-type: none"> – Grainger's ESG approach including climate-related strategies is integrated into bid documentation for potential developments and in reporting to development partners
	Increased access to capital from responsible investors	Short-term	<ul style="list-style-type: none"> – Sustainable Finance Framework – Extensive ESG disclosure to investors
	Increasing energy costs	Short-term	<ul style="list-style-type: none"> – Energy broker partnership and central energy contracts for Grainger procured energy – Refurbishments programme to increase energy efficiency – Investing in energy efficient buildings and reducing our customers energy bills
	Impact on investor demand for non-compliant assets	Short-term	<ul style="list-style-type: none"> – Climate-related criteria integrated into asset investment and recycling strategies – EPC Plan C Strategy to enhance the energy efficiency of our assets and ensure compliance
	Impacts of heat stress and energy efficiency on customer demand	Long-term	<ul style="list-style-type: none"> – Due diligence of acquisitions and existing assets includes climate risks and energy efficiency – Refurbishments programme to increase energy efficiency – Customer awareness campaigns to influence behaviour
Physical	Increased risk of flooding	Short-term	<ul style="list-style-type: none"> – Due diligence of acquisitions and existing assets includes flood risk – Mitigation strategies including flood management plans in operation at assets with identified potential risk
	Increased severity and frequency of extreme weather events	Medium-term	<ul style="list-style-type: none"> – Comprehensive Business Continuity Programme in place – Due diligence of acquisitions and existing assets includes physical climate risks – Mitigation strategies in operation at assets with identified potential risk

Impact of climate-related risks and opportunities on Grainger's business, strategy, and financial planning

The impacts of climate-related risks and opportunities on Grainger's business include:

- **Products and services:** Increased wear and tear on buildings; increased asset values following refurbishments
- **Adaptation and mitigation activities:** Increased investment in adaptation measures for assets with potential climate-related risks; increased insurance costs
- **Investment in research and development:** Increased investment in piloting low carbon heating technologies
- **Operations and supply chain:** Business disruption; infrastructure damage; communication network damage; reputational damage
- **Acquisitions or divestments:** Increased investment in new developments; increased asset recycling
- **Access to capital:** Increased access to green finance from responsible investors and lenders

Potential climate-related risks and opportunities impact Grainger's business strategies around development, acquisitions, refurbishment and asset recycling. Climate-related issues are considered in the development and review of these strategies and as part of the annual strategic review of the business. Changes made to Grainger's strategies in response to potential climate-related risks and opportunities include enhanced asset due diligence pre-acquisition or pre-development, a bespoke specification for new developments, increased recycling of assets and investment in refurbishments to enhance the energy efficiency of assets.

The potential impacts on the Company's financial position and financial performance include:

- Increased costs related to insurance, energy procurement, investment adaptation measures and compliance with regulation
- Increased revenues from rental income and sales for assets that have undergone energy efficiency improvements
- Increased assets related to increased values of existing properties and increased investment in new developments
- Reduction in assets from business disruption and infrastructure damage associated with any potential extreme weather event
- Potential for decreased asset values or early retirement of assets due to physical climate-related risks or any potential non-compliance with climate regulation
- Increased access to capital from responsible lenders and investors

Grainger's long-term financial planning includes estimates of the costs required to improve assets up to our expectations of future requirements, for example to comply with future building regulations, to meet customer expectations and to mitigate any identified potential physical climate-related risks. The timeline for this is up to ten years to align with the Company's pipeline. The external valuations of Grainger's assets reflect climate-related considerations including the costs to improve buildings to future regulatory requirements.

Grainger has committed to achieving net zero carbon for Scope 1 and Scope 2 GHG emissions by 2030 and our net zero carbon roadmap sets out our approach to achieve this through:

- Be Lean – Reducing our energy consumption through energy efficiency refurbishments
- Be Clean – Supplying energy efficiently through replacing fossil fuel heating systems with low carbon alternatives
- Be Green – Procuring and generating renewable energy

Full details are published in our net zero carbon roadmap available on our website at www.graingerplc.co.uk/responsibility

Resilience of Grainger's strategy, taking into consideration different climate-related scenarios

Grainger is supportive of the UK Government's target to transition to a net zero carbon economy consistent with a 2°C or lower scenario by 2050 and is aligning our business strategies to this transition. As a long-term investor in real estate assets which could be vulnerable to physical climate-related risks, Grainger has also considered a scenario consistent with increased physical climate-related risks.

In 2022, Willis Towers Watson undertook a physical climate risk assessment of the Company's long-term hold portfolio, assessing asset exposure to a range of acute and chronic climate risks. The assessment used the following climate scenarios published by the Intergovernmental Panel for Climate Change:

- RCP 2.6 which aims to keep global warming at +1.5°C (below 2°C) above pre-industrial temperatures. This requires prompt and significant reduction of GHG emissions
- RCP 8.5 which assumes minimal abatement of GHG and associated global warming of 4°C over the longer term

These scenarios were considered over three timelines: the current position, short-term (2030s) and mid to long-term (2050s and beyond).

The assessment identified some acute risk exposure to flood and windstorm risks. Windstorm risk is typical for the UK and could affect all assets with moderate intensity. The Company's strategy to invest in urban locations results in some exposure to flood risk in locations such as Bristol, Leeds and London and one asset in Southampton is exposed to storm surge. Affected assets have appropriate mitigations incorporated into their design and operation.

Under a high emissions scenario from the 2050s, drought stress and heat stress increase and become a moderate risk which could impact water scarcity and customer wellbeing, however in the short term or under a low emissions scenario, these risks are relatively low. Subsidence conditions also increase beyond 2050 under both emissions scenarios. We will continue to assess potential risks in due diligence for future acquisitions and to make appropriate adaptations where required.

We have assessed the business's exposure to transition risks and believe the business's strategy to sell older, less efficient assets and invest in building highly efficient build-to-rent properties and upgrading our long-term hold PRS assets leaves us well-placed to meet the requirements of the net zero transition. Climate change has informed our asset management strategies and we have put policies and processes in place to align to future climate-related regulation and transition our portfolio away from fossil fuels, such as our strategy to achieve EPC on our PRS portfolio and our net zero carbon roadmap. We therefore consider the business's current strategy to be resilient under both climate scenarios.

Risk management

Processes for identifying, assessing and managing climate-related risks

Climate change is considered to be a principal risk affecting long-term decisions made by the Company such as decisions on investments and divestments. Therefore it is considered in a broad context within the business's corporate strategy and as part of our corporate risk management framework.

Grainger identifies climate-related risks and opportunities both from within the Company through direct staff experience and engagement, and from external sources, including through engagement with industry bodies that Grainger is a member of, our investors and partners, and through advice from our external sustainability consultants.

Corporate climate-related risks are identified and assessed through a number of channels including:

1. Periodic sustainability materiality reviews, which include engagement with investors, customers and other stakeholders to identify the most material sustainability-related risks and opportunities to the business
2. Sustainability target-setting, monitoring and reporting processes – through internal workshops and meetings of the Board Responsible Business Committee
3. Regular monitoring of current and emerging legislation
4. Ongoing monitoring of sustainability risks by business division managers through corporate risk registers and risk management reviews
5. Regular meetings of the business's Executive Committee and Management Committee, where business division managers feedback risks identified by their division that impact the Company or a specific business unit.



Portfolio and asset level climate-related risks and opportunities are identified and assessed through due diligence for new acquisitions and risk assessments for existing assets which cover specific climate-related risks such as energy efficiency ratings of properties and physical climate risks:

1. For new acquisitions - review of sustainability risks for new acquisitions is undertaken by the Investment Committee. Geographical location plays an important part in the identification of physical risks during the due diligence process through the use of things such as flood and overheating risk assessments, and transition risks are identified through additional research and evaluation, such as assessing the proximity of the asset to public transport links using WalkScore ratings, and reviewing its energy efficiency ratings. Where a risk is identified, the experienced acquisitions team would work closely with the local planning authority and the developer to agree appropriate mitigation strategies
2. For existing assets - risks are identified through compiling and analysing data on specific property attributes, such as flood risk, subsidence risk and energy efficiency ratings via data obtained from our insurance broker and recorded from property surveys. This data would typically be analysed annually and is used to inform asset management decision making and the business's asset recycling strategy.

Grainger's risk control framework applies a 'three lines of defence' model with clear divisions between each line. The Board of Directors approves the risk management framework and the Audit Committee supports the Board by monitoring and reviewing the control processes and mitigation for the identified risks.

The processes for managing climate-related risks depend on the specific risk identified but include:

1. Business continuity programme which protects the business against potential impacts from extreme weather events
2. Membership of industry bodies including the British Property Federation and UK Green Building Council who assist us with understanding and influencing emerging regulatory requirements
3. Implementation of specific mitigation and adaptation measures at assets identified as being exposed to climate-related risks
4. Comprehensive ESG strategy, commitments and reporting.

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 52.



Metrics and targets

Metrics used by Grainger to assess climate related risks and opportunities

Grainger assesses climate-related risks and opportunities through the following Key Performance Indicators:

Metric category	Metric	FY21	FY22
GHG emissions	GHG emissions (Scope 1 + 2)	1,398 tonnes Co2e	1,058 tonnes Co2e
GHG emissions	GHG emissions (Scope 3)	21,758 tonnes Co2e	20,093 tonnes Co2e
GHG emissions	GHG emissions per unit (based on emissions reported on EPC certificates)	2.2 tonnes Co2 per unit	2.1 tonnes Co2 per unit
Transition risks	% of build-to-rent properties with low carbon heating systems	61% of build-to-rent properties	68% of build-to-rent properties
Transition risks	Energy consumption	12,033 MWh	11,424 MWh
Transition risks	Renewable energy consumption	84% renewable energy purchased	88% renewable energy purchased
Climate-related opportunities	Renewable energy generation	39 MWh	120 MWh
Transition risks	EPC Ratings	85% of PRS properties rated EPC Band A-C	87% of PRS properties rated EPC Band A-C
Physical risks	Value of assets in locations with medium or high exposure to flooding	£452m	£532m
Physical risks	Value of assets in locations with high or very high baseline water stress ¹	£1,007m	£1,065m
Capital deployment	Investment in energy efficiency improvements	£7.6m	£10.5m
Climate-related opportunities	% revenues from 'low carbon' products (defined as PRS properties with EPC Rating B and above)	38.0%	48.6%

¹ Baseline water stress is assessed through the World Resources Institute's Aqueduct water risk atlas which measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. Water stress as defined by UK regulations and used by the Environment Agency is where 'current household demand for water is a high proportion of the current effective rainfall which is available to meet that demand. Or, the future household demand for water is likely to be a high proportion of the effective rainfall which is likely to be available to meet that demand'. The water stress methodology takes a long-term view of the availability and the demand for public water supply, rather than a snapshot of shorter or peak periods. It accounts for future population growth, climate change, environmental needs and increased resilience. It reflects and supports the commitments that water companies have made to reduce leakage and water consumption. In the latest assessment by the Environment Agency in 2021, 15 of the 23 areas in England were classed as 'seriously water stressed'.

Additional disclosures on the Company's environmental performance for its property portfolios is provided in the EPRA sustainability reports available on the website at: www.graingerplc.co.uk/responsibility



Scope 1, 2 and 3 GHG emissions and related risks

Grainger reports Scope 1, 2 and 3 GHG emissions in our Streamlined Energy and Carbon Report on page 104. Emissions have been calculated in line with the GHG Protocol Corporate Standard and include emissions for the preceding period and industry specific efficiency ratios to support trend analysis. Scope 1 and 2 GHG emissions are externally verified and the verification statements are published on the Company's website.

Grainger's customers purchase their own energy and data privacy laws make it challenging to obtain actual customer energy data to measure Scope 3 emissions. Grainger has used a consistent methodology to estimate Scope 3 emissions for many years, using the estimated household carbon emissions data reported on the Energy Performance Certificates ('EPCs') for the properties owned by Grainger. This data is reported in our Streamlined Energy and Carbon Report on page 104.

This year we developed a GDPR compliant strategy to obtain actual customer emissions data and plan to improve the accuracy of the estimated customer emissions we report in future by extrapolating actual customer energy data. The analysis of actual data gathered to date suggests that the typical emissions generated by Grainger's customers is lower than the estimated data reported on the EPCs. For more details on our customer emissions strategy and 'Living a Greener Life' campaign, see pages 8 and 9.

Targets used by Grainger to manage climate-related risks and opportunities

Grainger has committed to achieving net zero carbon for Scope 1 and 2 GHG emissions by 2030. Progress towards our target is reported on page 39. This is an absolute target measured against a 2019 baseline. Grainger's net zero carbon roadmap sets out our key objectives and actions towards achieving this target. Examples include:

- Improve energy efficiency - Ensure 100% of eligible PRS properties achieve EPC Rating C or above by 2025
- Supply energy efficiently - Eliminate communal fossil fuel heating systems in Grainger's buildings by 2030
- Renewable energy procurement - Achieve 100% renewable energy procurement by 2025

Grainger is committed to transitioning to net zero carbon in alignment with the UK Government's 2050 target and with the goals of the Paris Agreement. Although, we are currently unable to set a science-based Scope 3 emissions reduction target due to the challenges with obtaining actual customer data where we currently estimate it based on EPC data, we intend to set this target once our baseline emissions have been established.

Grainger sets annual ESG objectives aligned to the business's long-term ESG commitments. Performance against the ESG objectives, including climate-related objectives, informs the non-financial performance assessment for the bonus opportunity for the Chief Executive and Chief Financial Officer. This year the specific metrics linked to Executive remuneration included devising our strategy to measure customer emissions and compiling our costed pathway to achieving EPC C on our PRS portfolio. Refer to the Directors' Remuneration report on page 94.

Compliance statement

Grainger confirms that:

1. We believe our climate related financial disclosures for the year ended 30 September 2022 are consistent with the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations and Recommended Disclosures (as defined in Appendix 1 of the Financial Conduct Authority Listing Rules), noting that our Scope 3 emissions disclosure relating to tenant emissions is estimated based on EPC data due to the nature of the leases which do not historically provide access to tenant energy data for the landlord
2. Our annual disclosure is contained in the pages above, please also see the sustainability section on pages 38 and 39 and our website
3. We believe that the detail of these climate related financial disclosures is conveyed in a decision-useful format to the users of this report.

Section 172 Statement

Engagement with our stakeholders

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 66. 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 68 and 69.

Section 172 matter	Overview	FY22 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 26 and 27.
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.	Carol Hui has been designated as the Non-Executive Director responsible for employee engagement and consultation. This year a programme of workshops was held with colleagues from departments across the business to provide feedback. The business's updated People Strategy was presented to the Board at the annual strategic review.	→ 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 review of our approach to procurement. The Board received regular reports on the business's Customer Experience Programme.	→ Suppliers page 69.
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.	A new Board Responsible Business Committee was established to oversee community and environmental matters and biannual updates on progress against Grainger's long-term ESG commitments, its approach to net zero carbon and charity were provided.	→ Sustainability pages 38 and 39. → Responsible Business Committee report pages 76 and 77.
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 our values were a key feature in our Company-wide customer service style training programme.	→ Our values page 31. → Governance pages 59 to 106.
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 which included over 400 meetings, 13 conferences and a Capital Markets Day with over 50 investors in attendance.	→ Shareholder engagement page 66.

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 robust disaster recovery and business continuity procedures, which were tested during the lockdown measures arising from the Covid-19 pandemic.

Our forward-looking risk management ethos drives a stronger focus on emerging risks that are rapidly becoming a challenge to our business including the transition to net zero. Our approach 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 in the way we do business and by adopting a 'three lines of defence' model throughout the business (see diagram on page 53). As our PRS strategy progresses, it is fundamental that our risk management systems and controls are aligned and evolve accordingly.

Our mature risk management framework has shown its in-built flexibility which is capable of adapting to a swiftly changing environment ensuring we were well prepared for the economic challenges facing the UK throughout 2022. This included the combined impact of Covid-19, Brexit and Ukrainian war, leading to inflation, an economic slowdown, rising interest rates and cost of living challenges for our customers. A resilient customer base, high-quality homes, fixed debt and rental growth in line with wage growth providing a hedge against inflation has provided confidence in the outlook for our business.

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. This year we have conducted a detailed materiality assessment of climate-related risks and opportunities (see page 57).

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.

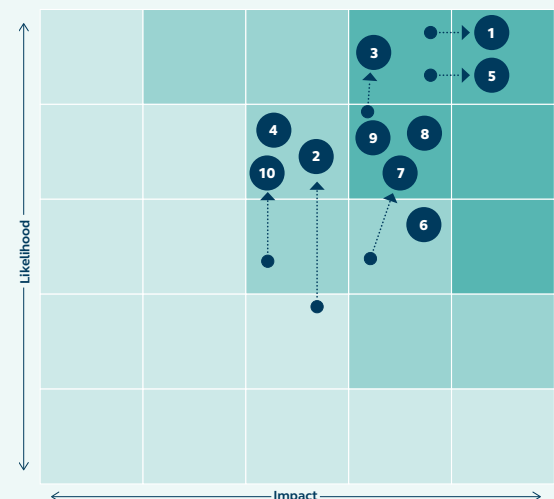
We use a risk-scoring matrix to ensure we take a consistent approach when assessing their overall impact. For risks in operational areas, we base their likelihood on how often they occur in a rolling 12-month period. We record their impact and likelihood scores in departmental risk registers. These risk 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 54 to 57). Two of the principal risks have increased in their impact assessment, whilst four have increased in their likelihood assessment and four remain unchanged. This prudent assessment has been reached after evaluating the inherent risks to the Company's business model created by the impact of rising energy costs and the increasing cost of living on demand in the private rental sector; the economic recession and its potential to cause a reduction in sales activity and a property market crash, negatively impacting the valuation of property assets; rising interest costs and the potential for reduced appetite from lenders and for new equity and significant cost inflation leading to increased costs on new developments and/or construction delays. The diagram below illustrates this assessment.

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 better understand inhibitors and opportunities to our strategy arising from climate-related risks, a risk deep dive was undertaken during 2022. Climate-related risks are inherently more complex and long-term in nature than most traditional business risks, and with the requirements set by the Taskforce on Climate related Financial Disclosures ('TCFD') moving up the agenda, we felt it was an opportune time to carry out a comprehensive climate-related risk review exercise. The results can be found on page 46. Climate change is also one of the Group's key principal risks (see page 57).

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. Throughout 2022 we have conducted a detailed assessment of risk appetite for our principal risks, validating a conscious recognition and acceptance of the risk/reward trade off in pursuit of our strategy. 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 78.**

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.

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 form part of 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.

Looking forward to 2023, we will continue to closely monitor the external environment and whilst the UK economy returned to its pre-pandemic size, new shocks have hit the global economy. 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.



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 58.

Principal risks, uncertainties and opportunities

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

UK outlook

2022 has seen sharp rises in inflation as economic supply capacity affected by the Covid-19 lockdowns, Brexit and the war in Ukraine, struggles to react to the demand arising from the lifting of restrictions. Disruption to global supply chains, shortages of workers and materials and a boom in demand after lockdown have led to the cost of living soaring around the world. In the UK, trade disruption has been added to by Brexit. An energy price shock, exacerbated by Russia's invasion of Ukraine and the resulting sanctions, has heightened risk and uncertainty.

In 2021 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 mitigants we have in place which has provided the preparedness and resilience we have needed. Our simple business model has proven resilient and allowed us to focus on decisions that are needed for the future such as our path towards net zero. Robust scenario models enable us to plan effectively for our future and manage risk.

Our preparedness for Brexit 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 those risks most likely to impact our business model and disrupt operations; the impact of rising energy costs and the increasing cost of living on demand in the private rental sector; the economic recession and its potential to cause a reduction in sales activity and a property market crash, negatively impacting the valuation of property assets; and significant cost inflation leading to increased costs on new developments and/or construction delays.

Market and transactional

Increased



Risk description

Rising inflation and interest rates highlights both the rising cost of living for households and surging cost pressures on businesses leading to a slowdown in the UK economic recovery following the pandemic.

Impact on strategy

The impact of rising energy costs and the rising cost of living on demand in the private rental sector.

The economic recession and reduction in availability of finance and increasing interest rates and its potential to cause a reduction in sales activity and a property market crash, negatively impacting the valuation of property assets.

Significant cost inflation leading to increased costs on new developments and/or delays. Reduced consumer and investor confidence. Tighter financial conditions set by banks including rising costs and more limited availability of finance. Insufficient time and resources to satisfy our growth strategy.



Key mitigants

- We have actively transitioned the business to reduce reliance on trading income and house price inflation
- Our regulated tenancies have provided a resilient nature of income and are appealing to investors due to the inherent discount to vacant possession and a higher level of certainty around rental growth
- The unmodernised nature of our regulated stock is always appealing to potential purchasers on individual asset sales
- 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 with the resilient nature of mid-market rents, potentially leverages greater customer flexibility and lower overall financial commitment compared with home ownership. Renting could be attractive for customers during uncertain economic periods, and rental growth has historically tracked wage growth, providing a hedge against inflation

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

Financial

Increased



Risk description

The inability to obtain sufficient finance, and rising interest rates, arising from the external macro-environment which impacts the ability to fund the delivery of the growth 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

- Occupancy and rental growth recovered quickly post-pandemic with strong rental collections and renewals
- 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 have a Funding Capacity Strategy and 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
- We refinanced our bank lending in 2022, locking in interest rates and increasing our weighted average debt maturity to 6.5 years. Our interest rates are very highly hedged giving protection against rising rates
- 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 to provide greater interest cover. We have optionality over multiple sources of funding with the ongoing disposals of our regulated tenancies in addition to debt and equity with the ability to flex between sources
- We have a policy of fully funding in advance our committed development pipeline, giving financial assurance

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 or uncertainty around rent controls, duration of tenancies and other tenant-friendly measures.

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

Impact on strategy

Creation of costly obligations affecting our ability to operate profitably; 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
- Our corporate governance structure ensures we have the framework and oversight to assess our obligations
- 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

People

Unchanged



Risk description

Failure to attract, retain, and develop an inclusive and diverse workforce to ensure we drive business transformation at a time of business growth.

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

- We have introduced remote working; we listened to colleagues' feedback throughout a trial hybrid working period and used the lessons we learned to formalise a hybrid working approach. To improve communication and collaboration we have introduced core Company days as part of this 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 leader's 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 for internal career progression
- We undertake regular reviews of our benefit structure against the external market to ensure we remain competitive
- We are committed to raising awareness and encouraging diversity amongst the workforce through a diversity network initiative
- We have a Board member with specific responsibilities on employee engagement
- We paid employees a £1,000 one-off cash award to help with the rising cost of living

Supplier

Increased



Risk description

Unprecedented pressures created by Covid-19, Brexit, and the latest military conflict in the Ukraine, destabilising the economic environment and impacting on logistics and supply chain activities leading to a significant failure within, or by, a key third-party supplier or contractor.

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

- Our procurement approach and policy 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 approach and policy sets our intent towards internal controls and management systems regarding contractors/suppliers, which include counterparty reviews, and covenant strength assessments are well developed
- The approach ensures that key relationships are highlighted and are managed to a high standard. We work closely with a number of legal specialists appointed on their experience of understanding our business and ability to provide appropriate advice
- Our finance team supports in understanding the financial due diligence of our supply chain through regular dialogue and reviews
- We work closely with our supply chains to understand any impacts caused by the economic uncertainty

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
- Our health and safety management system is supported by Live.Safe, our initiative to promote a positive health and safety culture. All staff undertake a Safety Climate survey annually
- Our improved technology platform, CONNECT, delivers efficient recording and reporting
- 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 have recruited a dedicated Head of Building Safety

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.

Reduction in value through economic climate.

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 and updating hurdle rates to reflect prevailing economic conditions
- 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
- We are working closely with our key supply chain partners to understand the complexities of any disruptions including labour shortages, Brexit trade barriers and global supply problems

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

Cyber and information security

Unchanged



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 delivery of our technology platform has heightened this risk on Cloud SaaS Solutions and complex API integrations, which broadens our attack surface.

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 have implemented an online Cyber Security training and awareness system for all colleagues
- We have implemented a Security Information Event Management system which delivers security analytics, alert detection and threat visibility
- We have a Cloud Security partner responsible for our security improvement programme and to ensure our technology platform is well understood, resilient and protected now and in the future
- We have implemented a new suite of Information Security and Data Protection policies to align to best practice standard ISO 27001

Customer satisfaction

Unchanged



Risk description

Our ability to successfully retain our customers caused by a failure to fulfil our customer proposition and our service standards, amidst a backdrop of cost of living rises.

Impact on strategy

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



Key mitigants

- The UK rental market continues to have a hugely attractive outlook that favours the professional, large-scale landlord
- The pandemic highlighted the importance of having a safe, high-quality home to live in, reinforced by a period of strong renewals
- We have 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
- Through our technology platform we have an improved lettings journey for all customers making it easier to lease and renew with us
- We continue to manage and support individual circumstances arising from the economic uncertainties
- We have a leading operating platform with substantial experience in managing a portfolio of approximately £3.2bn 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

Climate change

Increased



Risk description

The impacts of climate change on Grainger's business and operations; including: an extreme weather event; adaptation 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 and investor 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.

Additional capital expenditure to adapt buildings, increased disclosure requirements, tougher building standards.

Risk to Company brand and reputation and associated impact on securing and maintaining investment.



Key mitigants

- We are a responsible business with a strong commitment to minimising any negative environmental impacts and comprehensive disclosure on our performance in alignment with TCFD
- We have a detailed climate change and sustainability strategy and roadmap, to support us to achieve net zero carbon for the operation of our buildings by 2030
- 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 and building developments
- Due diligence of assets includes physical risks such as flood/ subsidence and transition risks such as energy performance
- We carry out portfolio modelling and our investment and recycling plans as part of our acquisition and disposals strategy which is informed by our ESG ambitions

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. The Board conducted the review considering the Group's financial position, business strategy, the current economic environment and the potential impact of our principal risks and future prospects. In doing so, the Board has 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 strategic plan is reviewed and approved by the Board each year, with year one forming the budget for the next financial year. This plan is regularly reviewed to ensure it remains reflective of current operating and macro-economic environments and provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to measure and 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 2026 is appropriate, given this covers the period of the detailed strategy review and incorporates both the timescales for the significant majority of investments and returns currently considered as being secured and committed.

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 £3.1bn of residential property assets, many of which are of a relatively granular nature which are attractive to investors, 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. The Group has recently completed refinance and extension of its core funding arrangements, increasing total facilities to £1.965m with an average maturity of 6.5 years including extension options. At 30 September 2022, £1.374m was drawn, demonstrating the significant headroom available. During the period of this review, £75m is due to mature in April 2025 (with extension options available), and a further £75m in July 2026. In addition, the Group continues to manage its hedge exposure with interest rate swaps and fixed rate facilities matching almost all of its debt liability and

maturity. The Group has put in place hedging facilities covering expected drawings to ensure it remains sufficiently hedged until beyond the period of this review.

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. The base case reflects the Groups assessment of the current operating environment and these risks consider further changes to the macro-economic environment. 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, incorporated the following assumptions:

- Reducing rental levels with lower PRS occupancy (-15%) and lower growth (-15%), impacting both income and property valuations;
- In addition to the valuation impact of reducing rental levels, further reductions to property valuations by 22%;
- Cost inflation for construction and operating costs of 20%; and
- Interest rates increase by 5% for the duration of the review period and a downgrade in our credit rating is assumed, causing the coupon rates of our two corporate bonds to each step up by 1.25%.

The amalgamation of these severe scenarios leads to an overall reduction in asset value of c.37% over the review period. Even at these levels and before any mitigating actions, LTV remains compliant with banking covenants through the period of this review.

Throughout this downside scenario, the Group had sufficient resources to remain in operation and compliant with its significant 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 2026.

Our 2022 Strategic Report from pages 1 to 58, has been reviewed and approved by the Board of Directors on 16 November 2022.

Rob Hudson
Chief Financial Officer



Governance

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

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 62 to 69.

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 70 and 71 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 72 to 75.

Responsible business

The Board provides oversight of the delivery of the Company's ESG strategy including its 2030 'net zero in operations' commitment and its diversity and inclusion plans. Please see pages 76 and 77 for more details of our actions in this arena.

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 78 to 82 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 83 to 102.

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.

While the disruption caused by the Covid-19 pandemic has receded throughout the period of this report, the environment of uncertainty has persisted, with the war in Ukraine and the rising cost of living presenting serious challenges to the wider economy. The Company's priorities for this period have been ensuring that we are well prepared to deal with these challenges while protecting the wellbeing of our customers and colleagues.

The lifting of the remaining Covid-19 restrictions in early 2022 allowed the Board to meet in person again and to resume our regular visits to the Company's assets and meet its staff. Consequently, we were able to provide strong, in-person support to the management team. We have considered and debated various challenging scenarios, taking into account the interests of all the Company's stakeholders. We believe that the Company is well placed to meet the challenges presented and will continue to demonstrate its fundamental resilience.

This year will see further changes to the composition of the Board. Rob Wilkinson will retire from the Company at the 2023 AGM, after completing over seven years' service. I want to formally thank Rob for his substantial contribution to the Board during this period.

We look forward to welcoming Michael Brodtman to the Board on 1 January 2023. Michael will bring significant experience in the property sector and I expect him to add significant value to our growth and development plans.

This year, we have focused heavily on our customer service offering, training all of our employees in 'The Grainger Service Style'. The wellbeing of our customers has also been at the centre of our activities this year as we refreshed our Live.Safe programme, created our 'Living a Greener Life' initiative and engaged with the requirements of the Building Safety Act. Our offering supports customers with the cost of living issues that they are experiencing, including by offering energy efficient lower carbon homes. We are also taking a responsible approach to rent reviews.



Our CONNECT operating platform has now transitioned to business as usual and we continue to optimise this to enhance the scalability of our operating platform. The Board is maintaining close oversight of how the investment made in this platform will be used in future to improve service, reduce cost and enhance customer experience.

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. The Board also considered the People Strategy for the year, following recruitment of the Chief People Officer. The Board has overseen the Company's efforts to support our colleagues in dealing with the cost of living issues, approving a payment to all staff below Executive Committee level.

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, bedding in the changes made to 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 2022, please see page 65.

Mark Clare
Chair

16 November 2022



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

Highlights

1. Oversight and leadership of the response to the continuing challenges presented to the business by Covid-19, the war in Ukraine and the rising cost of living.
2. Compliance with the Corporate Governance Code during the year.
3. Oversight of the Company's 'Living a Greener Life' and Customer Experience Programme.
4. Board review of strategy.
5. Replaced the Chairs of the Audit and Remuneration Committees.
6. Appointment of new Non-Executive Director with significant property investment experience.
8. The Board visited our assets and met our team.
9. Focus on the wellbeing of staff and customers.



1.



2.



3.

(E)	Executive Committee
(A)	Audit Committee
(R)	Remuneration Committee
(N)	Nominations Committee
(B)	Responsible Business Committee
(O)	Committee Chair

1. Mark Clare
Non-Executive Chair

(N) (R) (B)

Appointment
Appointed Chair 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 chair of Ricardo plc, senior independent director of Wickes Group plc and a non-executive director of Premier Marinas Holdings Limited. Mark was 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 United Utilities Group plc, Ladbrokes Coral Group plc and BAA plc, the airports operator.

Tenure
5 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, a non-executive director of Business LDN, vice chair 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
6 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 27 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 year and 1 month

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



58% Male



42% Female

- Chair
- Executive Directors
- Non-Executive Directors



4.

4. Justin Read Non-Executive Director

(A) (N) (R) (B)

Appointment

Appointed to the Board in February 2017 and appointed as Senior Independent Director in February 2022

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. Justin is an independent member of the Investment Committee of the Logistis 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

5 years and 7 months



6.

6. Janette Bell Non-Executive Director

(A) (N) (R) (B)

Appointment

Appointed to the Board in February 2019

Skills, competence and experience

Janette is the managing director of FirstBus, part of FirstGroup plc. She is a director of the Confederation of Passenger Transport. 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

3 years and 9 months



7.

7. Carol Hui Non-Executive Director

(A) (N) (R) (B)

Appointment

Appointed to the Board in October 2021

Skills, competence and experience

Carol has substantial non-executive experience in a wide range of sectors and has particular expertise in law, sustainability and infrastructure. Carol is a non-executive director of Breedon Group plc, where she is the chair of the sustainability committee. Carol is also a non-executive director of the British Tourist Authority, where she chairs the audit and risk committees, a non-executive director of the Lord Chamberlain's Committee in the Royal Household and a board trustee of Christian Aid. 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, stepping down in August 2021. Carol has served in senior positions in oil and gas, logistics and infrastructure companies. She was also a corporate finance lawyer at Slaughter and May.

Tenure

1 year



5.

5. Rob Wilkinson Non-Executive Director

(A) (N) (R) (B)

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 chair of its Fund Manager Advisory Council. He is chair 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

6 years and 11 months

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 2021, the Board received a detailed presentation from the Interim 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. The Board monitored activities to increase diversity and inclusion. The Responsible Business Committee provided details of our employee engagement plans to the Board.

We report further details on our culture and employee engagement on page 66. During the year, the Board and I have also spent time with our people from across the business, on site visits and took these opportunities to gauge their views on the business, the strategy and its implementation. The Board received the results of a review from the Chair of the Responsible Business Committee on employee engagement activities. We have assisted our employees in transitioning back from remote working, adopting a hybrid working policy, seeking to allow employees to experience the best of both methods of working.

The Board oversaw and received reports on the roll out of the Company's customer service style training programme, which was undertaken by all staff. This was part of our wider customer experience programme. As the Company grows, particularly in the number of its onsite employees, it is a central part of our People Strategy that we embed our values and culture across all of our locations. It is a key part of the role of our new Chief People Officer to ensure that we recruit the right personalities to ingrain our culture.

All members of our Executive Committee are participating in a 'back to the floor' programme to give them direct experience of front line staff and customer engagement.

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 51 for our Section 172 Statement and page 66 for examples of our work with our stakeholder groups.

Specifically, regarding our investors, Helen Gordon and Rob Hudson had over 400 meetings with the Company's Shareholders and analysts throughout the year.

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 2022, except for Code provision 38 for which non-compliance existed for the whole year in respect of the Executive pension equalisation issue referred to on page 100.

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 Chair 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 were two additional meetings; in March to review and authorise the buyout of the interest of our partner at our Berewood development site; and in August to approve the re-financing of the Company's core debt facilities.

The Board has a list of matters reserved to it, and a rolling annual plan of items for discussion, agreed between the Chair 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.

The Board spent time visiting our buildings, The Forge, in Newcastle and The Headline and Pin Yard in Leeds. The Board met staff at these sites.

The Board activity table below shows examples of the subjects and matters the Board debated and considered throughout the year.

Attendance table to 30 September 2022

Executive Directors	Meetings attended	Meetings eligible to attend
Helen Gordon	8	8
Rob Hudson	8	8

Non-Executive Directors	Meetings attended	Meetings eligible to attend
Mark Clare	8	8
Andrew Carr-Locke	2	2
Rob Wilkinson	7 ¹	8
Justin Read	8	8
Janette Bell	8	8
Carol Hui	8	8

¹ Rob Wilkinson was unable to attend the June Board meeting due to attending his daughter's graduation.

Board meetings 2021/22

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 the customer service proposition.
- 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 the rising cost of living and the war in Ukraine.
- 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.

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.
- Received reports on roundtables with employees.
- Reviewed the culture of the business and employee engagement. This included the Interim HR Director presenting the results of the annual employee engagement survey to the Board.
- Oversaw the process for the appointments of the new Chief People Officer and Non-Executive Director.
- Reviewed reports and updates on the health, safety and wellbeing of our people and customers.

Financial 20%

- Reviewed the Company's debt and capital structure.
- Reviewed the Company's financing plans.
- Considered the Group's financial performance throughout the year.
- Agreed the continued application of the dividend policy.
- 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 2021 full year results and the 2022 interim results.
- Received reports on development of the ESG strategy and our activities in this area, particularly the 'Living a Greener Life' initiative.
- Received reports from the Nominations, Audit, Remuneration and Responsible Business 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 Birmingham, Leeds, London and Southampton.
- 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.
- Closely monitored and inputted into the business optimisation work around the roll out of our operating platform.
- Received reports on strategy and developments from the Company's affordable housing arm, Grainger Trust.
- Considered management of our suppliers, and alternative supplier arrangements.
- Received reports from consultants on our customer service performance and other operational KPIs.
- Oversaw the development of Grainger's customer service skills programme.

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 developing our ESG activities. The Board received presentations and held discussions in relation to our activities in this area. The Board reviewed the actions taken to progress our strategy in this area, including the 'Living a Greener Life' initiative and our 'Journey to Net Zero' strategy.

For net zero carbon, the key focus was on our customers and how we can measure and reduce emissions from our residents' use of energy in our properties. The Company is taking action to 'green' its standard tenancy agreements, including by inserting agreements around sharing consumption data.

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 68.



Local communities

- Reviewed reports on Grainger's engagement with local communities.
- Considered schemes in which Grainger participated at development sites.



Shareholders

- Reviewed and considered reports of meetings with investors.
- Considered questions and comments from analysts.
- More detail on Grainger's engagement with Shareholders is included on page 68.



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.



Suppliers

- Considered reports on key supplier relationships and performance and alternative supplier plans.
- Reviewed the Company's procurement strategy and approach to supply chain management.
- More detail on Grainger's engagement with suppliers is included on page 69.



Employees

- Monitored employee engagement survey results.
- Received presentations from the CPO 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 employees is included on page 69.





Key Shareholder events 2021/22

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.

October 2021

- Closed period

November 2021

- Company Results Roadshow
- Berenberg Real Estate Conference (Paris)
- UBS Global Real Estate Conference (London)

January 2022

- Peel Hunt/Davy US Conference (virtual)
- Barclays Global Real Estate Conference (virtual)
- Peel Hunt ESG Conference

February 2022

- AGM (Newcastle)

March 2022

- Citi Global Real Estate CEO Conference (Miami)
- JP Morgan Small & Mid Cap Conference (virtual)
- Bank of America EMEA Real Estate Conference (London)
- Berenberg UK Corporate Conference (UK)

April 2022

- Closed period

May 2022

- Company Results Roadshow
- Kempen Real Estate Conference (Amsterdam)

June 2022

- Morgan Stanley Europe & EMEA Property Conference (London)

July 2022

- Company Capital Markets Day (Leeds)

September 2022

- EPRA Annual Conference (Paris)
- Bank of America Real Estate Conference (New York)

Shareholder by region



● UK	42%
● US/Canada	31%
● Europe	22%
● Rest of the world	5%

Substantial shareholdings

At 30 September 2022 and 31 October 2022 (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 2022		31 October 2022	
	Holding m	Holding %	Holding m	Holding %
Norges Bank Investment Management	67.7	9.1	67.7	9.1
BlackRock Inc	66.3	9.0	66.4	9.0
The Vanguard Group Inc	35.9	4.8	36.4	4.9
MFS Investment Management	27.4	3.7	27.4	3.7
Legal & General Investment Management	25.1	3.4	25.6	3.4
FMR LLC	27.2	3.7	24.4	3.3

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 400 meetings with Shareholders, analysts and potential investors in the year. Helen Gordon, Rob Hudson 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 2022 AGM. We anticipate a similar pre-AGM engagement process will take place in 2023.

Over 400 investor meetings

Attendance at investor meetings

Chief Executive	92%
Chief Financial Officer	92%
Senior executive	99%

Capital Markets Day

This Summer we hosted a number of our key investors at The Headline and Pin Yard sites in Leeds, highlighting our market leading, customer-service focused rental offerings and platform. We received positive feedback, particularly around the amenity spaces and the strength of our in-house operating platform.

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



Customers

For Grainger to provide safe, high-quality homes and good service, whilst responding to their needs promptly.

Understanding our customers and their needs, and communicating effectively with them, is essential to providing the great homes and service that we aim to deliver.

Our customer insight programme provides us with this essential knowledge and is factored into the decisions we take, the buildings we create and how we operate.

We use multiple communication channels and methods to reflect the wide range of customers we have.

Our far-reaching Customer Experience Programme is designed to continually enhance and improve the Grainger rental experience for our customers. It includes bespoke customer service training for the entire business including our Executives.

- Comprehensive customer insight programme including surveys, NPS tracking, online review tracking, focus groups and data analysis
- New resident app for all PRS customers
- Customer service training for all colleagues
- PRS Customer Net Promoter Scores increased by +16 points to 34
- 9 in 10 PRS customers surveyed say they 'Really Like' their Grainger home
- PRS average length of stay of 30 months



Shareholders

For Grainger to generate long-term, sustainable, attractive total returns and to meet Environmental, Social and Governance ('ESG') expectations.

We have a comprehensive investor relations programme, which we build upon and extend each year. Activities include investor roadshows, conferences, trading updates, property tours and capital markets days. Key engagement events are reported on page 67. We ensure that we are both accessible and approachable and that we respond promptly to all queries.

We respond annually to a range of ESG benchmarks, as reported on page 30.

- During the year in review, we had over 400 investor meetings (including group meetings)
- Received over 50 pieces of analyst coverage, with 10 analysts covering Grainger
- 13 investor conferences/events attended
- Hosted two investor roadshows, a Capital Markets Day in Leeds with 50 investors in attendance and 13 property tours



Local communities

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.

Grainger seeks to develop thriving communities both within and around our buildings. We conduct extensive local engagement and consultation around our assets and developments via events, meetings, and direct communications.

Supporting local is one of the goals of our Customer Experience Programme. We engage with local authorities and create partnerships to support local businesses and charities.

Our Residents Events Committee ensures our residents feel at home in their community through organising local activities and events and building relationships with the local community.

- Pilot undertaken to measure social value from Grainger BTR assets
- Reviewed our charitable investment programme and continued our support to LandAid and YMCA North Tyneside
- Grainger colleagues volunteered delivering employment and skills workshops through the TfL Education Engagement Partnership
- Provided six homes rent free to refugee families from Ukraine
- Over 570 residents and community events held throughout the year



Colleagues

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.

Our colleague's experience of working at Grainger is critical to our ongoing success. We actively seek feedback and listen to our colleagues and base our activity programme upon that feedback. Our internal engagement programme includes surveys, company-wide calls hosted by our CEO, our internal newsletter and our intranet. We organise a range of events for colleagues, including campaigns from our employee-led Diversity & Inclusion Network and charity fundraising events.

Carol Hui, a Non-Executive Director and Chair of the Responsible Business Committee, is responsible for Employee Voice, including employee engagement.

- Achieved 'Very Good' rating in our annual employee survey, run by Best Companies
- High levels of colleague engagement evidenced by above average, high response rates to feedback surveys
- Regional conferences held in Newcastle, Manchester and London
- Colleague-led internal roundtable events on a variety of topics including hearing loss and disability, International Women's Day and working parents
- Introduced a weekly internal newsletter
- Monthly company-wide virtual calls led by our CEO, Helen Gordon



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.

Our key suppliers and partners are carefully managed to deliver agreed service levels and positive customer outcomes.

Our robust supplier selection process, which is supported by ConstructionLine and incorporates our CONNECT system, including Risk Radar services.

Proactive contractor management ensures regulatory, health and safety and modern slavery compliance.

- Invested in additional procurement and supply chain team personnel and capability
- Enhanced processes and policies introduced to manage group wide expenditure
- Key contractors segmented and managed proactively to drive positive customer outcomes
- Consistently paying suppliers within our standard 30 day terms
- Regular supplier health and safety audits completed, with 12 audits undertaken within the year
- Zero RIDDOR reportable incidents



Government

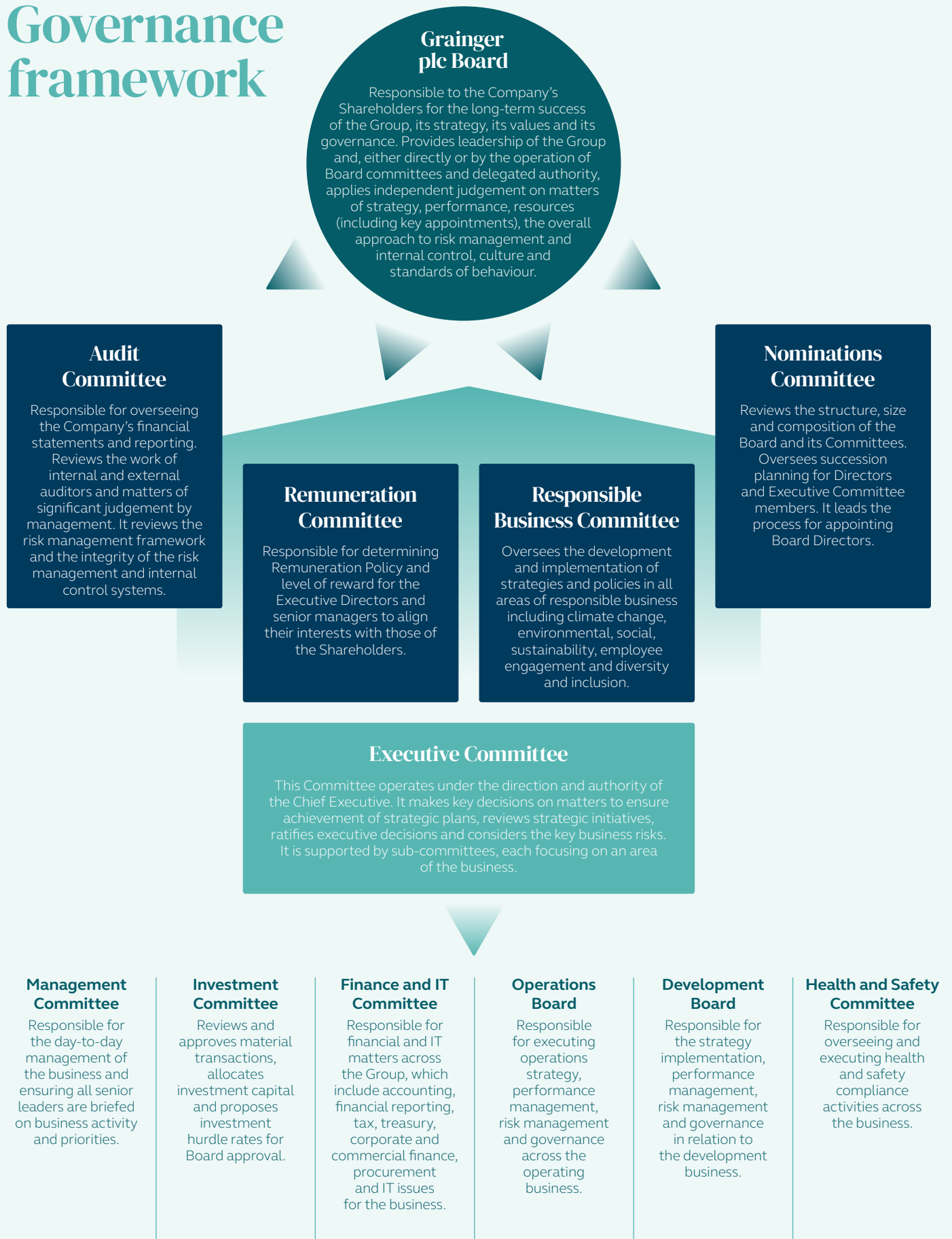
For Grainger to act responsibly as an employer and as a housing provider. To support Government in delivering its objectives such as increasing provision of high-quality homes and meeting its net zero carbon ambitions.

As the UK's leading landlord, we take a front-footed, proactive approach to engagement with the UK Government, politicians from all parties and other relevant public bodies, such as Homes England and the Greater London Authority.








We respond to relevant Government consultations, meet with Ministers, officials and politicians on important topics affecting our sector and actively participate and contribute to our industry trade associations, the British Property Federation, Business London and others.

- Extensive engagement including through private meetings, correspondence and property tours with Government ministers and officials and via British Property Federation
- We successfully argued for our and the build to rent sector's exemption from the Residential Property Developers Tax and the Cladding Pledge which was primarily aimed at housebuilders and those developers with leaseholders
- We engaged on the Building Safety Levy, the Renters Reform White Paper and other proposed legislation

Governance framework



Roles and responsibilities of directors

Role	Responsibilities
<p>Chair</p> 	<p>Responsible for running the Board and ensuring its effectiveness. The Chief Executive reports to the Chair, as does the Company Secretary, on matters of corporate governance. The Chair 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 Chair and Chief Executive are separate, with their roles and responsibilities clearly established, set out in writing and agreed by the Board.</p>
<p>Chief Executive</p> 	<p>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.</p>
<p>Chief Financial Officer</p> 	<p>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.</p>
<p>Non-Executive Directors</p>   	<p>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:</p> <ul style="list-style-type: none"> - 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. <p>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 Chair.</p>
<p>Senior Independent Director</p> 	<p>Acts as a sounding board for the Chair 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 Chair.</p>



The Nominations Committee currently comprises the Chair of the Board and four independent Non-Executive Directors.”

Mark Clare
Chair of the Nominations Committee

Attendance table

Non-Executive Directors	Member since	Meetings attended
Mark Clare (Committee Chair)	February 2017	2
Andrew Carr-Locke	March 2015	1
Justin Read	March 2017	2
Rob Wilkinson	May 2017	2
Janette Bell	February 2019	2
Carol Hui	October 2021	2

Dear Shareholders,

I am pleased to present the Nominations Committee report for 2022 which details the main activities we undertook during the year.

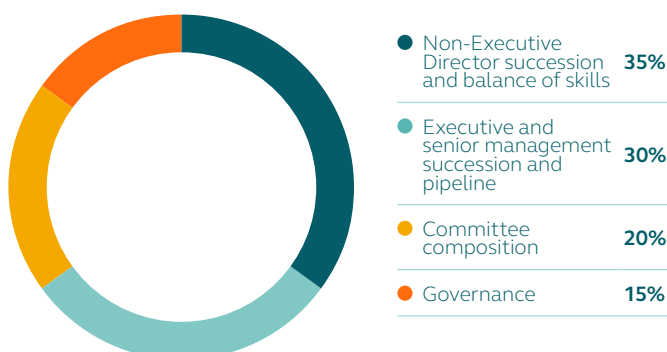
The Nominations Committee plays a fundamental role in ensuring we select and recommend strong candidates for appointment to the Board. The Committee monitors the balance of skills, experience, independence and knowledge of the Board and its committees, with any changes recommended to the Board for its 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 and works closely with the Responsible Business Committee with regard to the wider diversity and inclusion strategy and agenda;
- review annually the time commitment required of Non-Executive Directors;
- make recommendations to the Board, in consultation with the respective committee Chairs, regarding membership of the four 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.

Rob Wilkinson will retire from the Board at the AGM in February 2023, by which time he will have completed seven years' service.

The Committee led a thorough external search to identify an appropriate new Non-Executive Director. One of the key attributes sought was experience of real estate, to replace Rob's knowledge in this area. Following unanimous recommendation by the Committee to the Board, Michael Brodtman was selected and will take up his role on 1 January 2023.

Search consultants

The Committee engaged Spencer Stuart, an independent executive search consultancy, for the recruitment of Michael Brodtman to the Board. The Board confirms that Spencer Stuart 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 Rob Wilkinson, will stand for election or re-election at the 2023 Annual General Meeting ('AGM').

Main activities of the Committee during the year

The Committee met formally on two occasions during the year to 30 September 2022, 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, Chief People Officer ('CPO') and others as necessary and appropriate. Details of the Directors are set out on pages 62 and 63 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 Chair. The Board considers all the Non-Executive Directors to be independent.

Board performance evaluation

An external review having been undertaken last year, this 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



A selection of the key findings from the 2022 internal Board evaluation

Findings

- The quality and comprehensiveness of the Board papers remains reassuringly high but sometimes papers are too long.
- The Board is well organised, and meetings have had a good level of contribution. Management remains on top of its brief.
- The investor relations strategy is clear and the Board has appropriate oversight of key stakeholder groups. Brokers could be invited in future to some Board meetings to provide insight on City attitude and market appetite for new equity.
- The Chair received good feedback, particularly in allowing contributions from Board members and has very good working relationships with the senior management team.
- While there is a greater understanding of people and culture, there is still more work that needs to be done to drive change. The extent to which we are entering a period of greater risk needs to be monitored in terms of staff turnover and other measures so action can be taken if required.
- Good progress has been made with the establishment of the Responsible Business Committee.

Principal recommendations

- Board dinners or lunches should be used wherever possible to create a more open environment for more debate on certain key topics.
- More could be done to make stakeholders feel 'involved' by giving them insight and visibility on how their needs are considered.
- Staff turnover needs to be monitored so action can be taken if required.
- Establish long-term targets and delivery programmes to tackle longer term issues like embedded carbon.

Induction and professional development

Carol Hui's induction programme has been completed, involving a comprehensive 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, external and internal auditors and other professional 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

Carol Hui chairs the newly formed Responsible Business Committee and she has taken on responsibility for employee engagement and to represent the voice of the employee in the boardroom. See pages 76 and 77 for more details on these activities.

Committee changes

In light of the forthcoming retirement of Rob Wilkinson, 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, Michael Brodtman will be appointed as a member of the Nomination, Remuneration, Audit and Responsible Business Committees upon joining in January 2023.

As advised in last year's report, Justin Read has assumed the responsibilities of the Senior Independent Director and Chair of the Audit Committee and Janette Bell has taken over as Chair of the Remuneration Committee. Carol Hui has overseen the establishment of the Company's Responsible Business Committee and become its Chair. All of the Non-Executive Directors were appointed to this Committee, in accordance with our policy of all being members of all Board committees. To read more about our activities and plans in this area, please see page 76.

I believe that all of those taking up new roles have settled into these well.

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 43%. 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.

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. The Board meets the recommendation of the Parker Review.

The responsibility for diversity and inclusion across Grainger's wider employee basis is now within the remit of the newly formed Responsible Business Committee. For details on the activities in this area, please see pages 76 and 77.

Succession planning

The Committee received a detailed presentation from the CPO 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 Eliza Pattinson as Director of Operations and Asset Management, Michelle Boothroyd as CPO and Steven Clark as Director of Investments, reflecting our on-going investment in and commitment to our employees and our investment pipeline, in line with our strategy.

The Committee also received presentations from the CPO in relation to the Company's talent management initiative, which seeks to identify and prepare future leaders of the business and the Diverse Talent Acceleration Programme under which we are identifying individuals from diverse backgrounds and supporting them in developing and progressing their careers at Grainger. This includes putting in place learning opportunities and interventions which add the most value, including external coaching.

Time commitment

The Board, supported by the Nominations Committee, carefully considered the external commitments of the Chair 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 Rob Wilkinson, will stand for election or re-election at the 2023 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. Michael Brodman will add expertise in the fields of property valuation and operation, gained during his 40 year career with CBRE.

Mark Clare

Chair of the Nominations Committee

16 November 2022

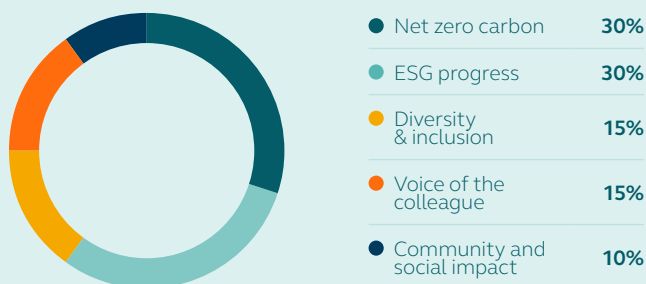




The Responsible Business Committee has allowed the Board to allocate more time to focusing on strategic ESG issues.”

Carol Hui
Chair of the Responsible Business Committee

How the Committee spent its time



Attendance table

Non-Executive Directors	Member since	Meetings attended
Carol Hui (Committee Chair)	March 2022	2
Janette Bell	March 2022	2
Mark Clare	March 2022	2
Justin Read	March 2022	2
Rob Wilkinson	March 2022	2

Dear Shareholders,

I am pleased to present Grainger's first Responsible Business Committee report. Established in March 2022, the Committee oversees a broad remit of responsible business topics including climate change, environmental, sustainability, social impact, employee engagement and diversity and inclusion. This report summarises the main activities undertaken during the Committee's first year.

Key focus areas during 2022

During the year, the Committee reviewed reports from management detailing how the Company is progressing towards net zero transition and how it is listening and responding to its stakeholders, including helping its customers save energy and minimise their cost of living, supporting the wellbeing of employees and having a positive impact on local communities.

The Committee also had the opportunity to see some of the business's environmental and social campaigns and innovations in action at site visits to The Headline and Pin Yard in Leeds.

Key responsibilities

The key responsibilities of the Committee include:

- Agreeing and measuring progress against the Company's sustainability strategy, commitments and targets
- Overseeing and monitoring the development and implementation of the Company's net zero carbon transition plan
- Monitoring the areas and activities likely to impact Grainger's performance and reputation as a responsible business
- Reviewing and approving responsible business-related policies and disclosures
- Monitoring stakeholder engagement
- Gathering and considering the views of the workforce
- Monitoring the development and implementation of the Company's Diversity & Inclusion Strategy, plans and commitments
- Monitoring charitable and employee volunteering activities
- Supporting the Audit Committee in reviewing responsible business-related risks and controls and the Remuneration Committee in setting responsible business-related Group objectives

→ **The full terms of reference for the Committee are available on Grainger's website at:**
<https://corporate.graingerplc.co.uk/investors/governance/board-committees?tab=responsible-business-committee>.

The establishment of the Committee has allowed the Board to allocate more time to discuss strategic ESG topics.

→ **For more information on ESG topics, please refer to page 38.**

ESG progress

The Committee assessed progress against the Group 2022 ESG objectives reported on page 39 in the ESG section and page 94 in the Directors' Remuneration report and workstreams in support of the business's long-term ESG commitments.

Net zero transition

The Committee reviewed the business's strategies in relation to the net zero transition, including progress made towards the Company's net zero carbon roadmap, its pathway to achieving future Minimum Energy Efficiency Standards and the business's long-term plans to transition away from gas. The Committee was pleased to review the successful achievement of the Company's ESG objectives to develop a strategy for measuring Scope 3 customer emissions and to devise the action plan to achieve EPC Rating of C or above across the PRS portfolio (reported on page 39 in the ESG section).

A key challenge discussed in the year was how the business should tackle embodied carbon from development activity without impacting project viability. The Committee agreed a review of best practice across the build-to-rent sector would be useful to inform Grainger's approach. The findings from this review were presented to the Committee by Grainger's Director of Land and Development and the Committee agreed a key objective for 2023 would be to define the business's strategy for measuring and reducing embodied carbon.

Customer engagement to reduce environmental impact

A particular focus during the year was the business's 'Living a Greener Life' customer engagement campaign which is designed to raise awareness and help residents reduce their environmental impact and support them in reducing their energy bills. The Committee heard from the teams involved in delivering the campaign in Grainger's buildings and considered feedback from Grainger's customers. Supporting this campaign, the Board reviewed Grainger's plans to measure actual customer energy data in a GDPR compliant manner. For more information see page 50.

Community and social impact

The Board reviewed the Company's current community and charity programme and considered opportunities for the business to enhance the positive social impact it creates through combining its charity and community engagement activities.

Diversity & inclusion

We are committed to creating an inclusive culture for all our colleagues and we want to build a diverse workforce that is representative of the communities in which we live, work and operate. We want a workplace where everyone feels that they belong, that their individual characteristics are valued and celebrated, and they feel that they can bring their 'whole-self' to work every day. And we want all of our buildings and communities to be inclusive places to live where everyone feels welcome. We have a well-established employee led D&I network who have delivered a range of engagement events, celebrating diversity.

To support this commitment, we launched our first Diversity & Inclusion employee data questionnaire which was completed by 71% of colleagues and provided greater insight into our colleague demographic. We also ran a series of initiatives aimed at supporting diversity and inclusion amongst our resident communities.



Our mentoring programme launched earlier in the year and training was provided to participants, with a range of mentors and mentees across different roles and teams taking part in the scheme, which has been successful. We are continuing to deliver our diverse talent programme with bespoke support and coaching to help develop colleagues with their career aspirations.

The newly created Diversity and Inclusion Steering Committee, chaired by our CFO Rob Hudson and made up of Executive Committee members, Michelle Boothroyd, Chief People Officer, Kurt Mueller, Director of Corporate Affairs and David Prescott, Director of Strategy and Corporate Finance, and is leading our strategic framework on D&I, working closely with the employee-led network. Please refer to pages 15 and 40 for highlights from the D&I Network during the year.

Voice of the colleague

Following the establishment of the Responsible Business Committee, the Employee Voice has been led by me as Grainger's designated Non-Executive Director with responsibility as the Chair of the Committee. Our approach to support colleague engagement is designed to enable colleagues to speak up, share their feedback and contribute views on what they are experiencing from an engagement perspective. During 2022, I held three round table events which were held in person as an open forum for colleagues to share their feedback, contribute ideas which support engagement and enabled speaking up in a safe environment. Colleagues who joined the focus groups represented a range of different roles across Grainger and shared their feedback on how best to improve communication. Their insight has been incorporated into future engagement plans as part of our broader listening strategy. Please see page 40 of the People section for more examples around actions taken following the round table feedback sessions.

A deep dive into our employee survey engagement results was delivered by our Chief People Officer which gave further insight into our culture across the Grainger teams and will continue to be shared with the Committee at both full and pulse survey points. Analysis and colleague feedback from the survey resulted in actions plans being devised for each area of the business including communication, wellbeing initiatives and specific questions on D&I included in staff survey as noted on page 40 of the People section.

Looking ahead

The Committee's key activities for 2023 will include further monitoring and challenging progress against ESG objectives, approving Grainger's net zero carbon transition plan and Diversity & Inclusion strategy.

Carol Hui
Chair of the Responsible Business Committee

16 November 2022



The Audit Committee currently comprises four independent Non-Executive Directors, chaired by the Senior Independent Director.”

Justin Read
Chair of the Audit Committee

Attendance table

Non-Executive Directors	Member since	Meetings attended
Rob Wilkinson	February 2016	4
Andrew Carr-Locke	March 2015	2
Justin Read	March 2017	4
Janette Bell	February 2019	4
Carol Hui	October 2021	4

Dear Shareholders,

I am pleased to present the Audit Committee report for the year ended 30 September 2022, which will be my first report since assuming the role of Chair of the Committee in February 2022.

Firstly, I would like to acknowledge the significant contribution of the previous Chair, Andrew Carr-Locke, who has left the Committee in a strong position.

The Company and its business has proved to be highly resilient in a challenging and uncertain wider economic environment. The Committee’s role within the Company’s governance framework, including supporting the Board in risk management, internal control and financial reporting remains of fundamental importance.

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 emerging requirements of the BEIS overhaul of the corporate governance regime.

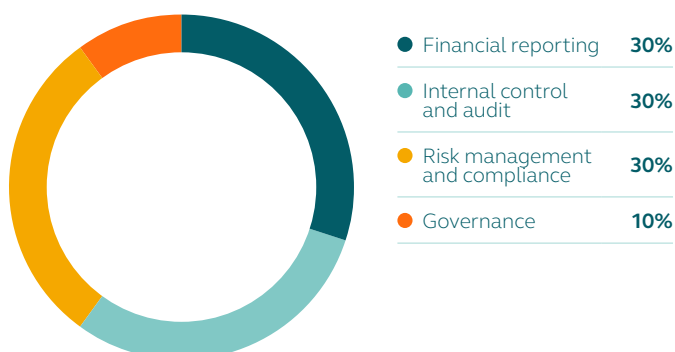
Risk and controls

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 Internal Audit team at PwC, which reported directly to us, and which worked to an agreed plan to ensure controls were effective. This year we have spent time reviewing our risk appetite and tolerance across our principal risks, including a deep dive on climate change. Please see page 57 for more information on this.

The Company has performed strongly this year in an uncertain economic environment.

The Committee has also supported the Board in considering the principal risks 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 52 to 57.

How the Committee spent its time



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, the overall strategic horizon and the current uncertainties of the UK and global economic and political environments. 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 and his team, 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 undertaking a comprehensive review of the potential impact of the Buildings Safety Act 2022 and the potential remedial work required to historic developments and making appropriate provisions for 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 proposed overhaul of the UK Corporate Governance Code and the replacement of the FRC with the Audit, Reporting and Governance Authority ('ARGA'). The Committee is broadly supportive of the direction and goals of audit practice reform and will continue to monitor evolution of guidance in this area of practice. We are making early preparations to keep the Company in line with best practice and expected forthcoming regulatory requirements.

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.

Preparations are underway for our audit tender process and audit partner rotation of which more detail is provided on pages 80 and 81.

Justin Read

Chair of the Audit Committee

16 November 2022

Significant matters relating to the Group's 2022 financial statements

The most significant matters considered by the Committee and discussed with the external auditor in relation to the Group's 2022 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. Inventories comprise mainly residential trading property held for sale in the normal course of business. 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.



Invitations to attend meetings

There is a standing invitation to the Chair 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.

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 62 and 63 for skills and experience of the Directors and page 75 for the Nominations Committee report.

Terms of reference

The Committee's terms of reference are approved by the Board. We 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 82 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 2022 Annual Report and Accounts is fair, balanced and understandable, and whether it provides the necessary information to Shareholders to assess the Group's position and 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 2022 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 2022 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. The Group's viability statement is on page 58.

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. This will be the fourth audit conducted under the current partner. In preparation for the next mandatory rotation, the Committee has overseen the process of appointing a new audit partner to enable an effective handover period and ensure a smooth transition from Richard Kelly.

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 Chair.

The non-audit services provided by KPMG, set out in the table below, related primarily to their review of our half year reporting. This was approved by the Committee in 2022. 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. Following this year's audit, KPMG will have been the Group's auditor for eight years and as such the Committee was satisfied that it was not necessary to tender external audit services in the current year. However, the Committee noted that a competitive tender for the external auditor must be held no later than 2024. Cognisant of this, the Committee has commenced a tender process. The Committee considered the requirement for a 12-month cooling off period prior to taking up an audit appointment. The Company has interactions with all of the

potential tender participants to some extent. By undertaking the tender in 2023 this will enable the successful participant to confirm independence prior to taking up the position for their first audit in 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 52 to 57 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 74.

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.

	Year ended 30 September 2022 £
Schedule of fees paid to KPMG	
Statutory audit of Grainger Group	486,000
Total audit fees	486,000
Half year review	40,000
Total non-audit fees	40,000



Key activities

November 2021

- Received a presentation from the independent external valuers of Grainger’s reversionary and market rented assets.
- Considered and received matters relating to the 2021 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.
- Received an audit plan update and Internal Audit reports on:
 - cash collections; and
 - site audit of Hawkins & George.

February 2022

- Received an internal audit plan update and review of the provision of services in future and Internal Audit reports on:
 - onboarding;
 - acquisitions;
 - site audit of Clippers Quay; and
 - internal controls and UK SoX.
- In respect of risk, considered:
 - a compliance update; and
 - data protection compliance regime.
- Reviewed the Company’s Modern Slavery Statement.
- Considered KPMG’s plan for its review of the 2022 half year results.
- Reviewed and approved the Committee’s terms of reference.
- Conducted a post-completion review of the Clippers Quay and Gatehouse Apartments development schemes.
- Carried out a detailed evaluation of the performance of the external auditors. Considered it to be effective and also identified certain areas for future improvement.

May 2022

- Considered issues regarding the 2022 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:
 - business continuity;
 - corporate governance;
 - RACM reviews;
 - IT key controls and cyber security;
 - site audit reports on Pontoon Dock, Windlass Apartments and The Filaments; and
- Considered a report on the BEIS reforms.
- Considered planning and approach around the 2022 external audit.
- Received a proposal for the audit tender exercise.

September 2022

- Considered the 2022 draft viability statement and related analysis.
- Considered KPMG’s audit strategy memorandum and engagement regarding the audit for the full year 2022.
- Received an update on the audit tender process.
- Considered and approved the forward Internal Audit plan.
- Reviewed the timetable for production of the Annual Report and Accounts.
- Received Internal Audit reports on:
 - corporate governance;
 - business continuity management;
 - promise to pay;
 - cyber attack prevention;
 - site audits for The Headline, Berewood and Wellesley; and
 - progress of completing actions from previous internal audits.
- Reviewed reports on:
 - principal and emerging risks, including climate change risk;
 - whistleblowing;
 - internal control framework; and
 - legal and regulatory compliance.
- Received an update on the BEIS reforms.
- Considered the TCFD report contents and expected assurance.

Internal Audit has a direct reporting line to the Chair 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 Internal Audit without management being present.

The Internal Audit programme for 2022 included reviews of:

- Cash collections
- On-boarding customers
- Acquisitions
- Internal controls maturity assessment
- Business continuity
- Corporate governance
- IT controls and cyber security
- RACM spot checks
- Site audits at a number of BTR sites

The Internal Audit plan for 2023 has a particular focus on:

- Insurance
- Human Resources and Wellbeing
- Sales
- Lettings
- Development – new build and refurbishment
- Payroll
- Treasury
- Cyber security
- Fraud risk
- RACM spot checks
- Site audits continuation rolling programme



Our focus this year has been on reviewing our Policy to ensure it remains appropriate and aligned to our strategy.”

Janette Bell
Chair of the Remuneration Committee

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Dear Shareholders,

I am pleased to present on behalf of the Board the Directors' Remuneration report for the year ended 30 September 2022, my first since taking over as Chair of the Remuneration Committee. As in previous years, the report has been divided into the following three sections:

- This Annual Statement, which summarises the remuneration outcomes for the year ended 30 September 2022, the key decisions taken by the Remuneration Committee during the year and how the proposed Directors' Remuneration Policy will be operated in the following financial year;
- The Remuneration Policy ('Policy'), which sets out the remuneration policy for Executive and Non-Executive Directors for which Shareholder approval will be sought at the 2023 AGM given that the current Policy is nearing the end of its three-year life; and
- The Annual Report on Remuneration, which discloses how the Policy was implemented in the year to 30 September 2022 and how the Policy will be operated in the year to 30 September 2023.

2022 performance and reward

Grainger has delivered an exceptional financial performance including a record increase in income, lease up in new schemes, occupancy, rental growth and secured and de-risked our near-term growth. The Company is in a position of strength to take advantage of the increase in demand for renting in the UK. We have developed an ambitious ESG programme designed to drive a significant reduction in carbon emissions. We have strengthened our health and safety regime and delivered substantial improvements in customer experience and employee engagement.

The 2022 annual bonus was made up of a combination of PRS net rental income (35%), adjusted earnings (35%), and strategic targets (30% – of which one third were ESG targets). 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 whilst focusing on key non-financial deliverables (including ESG) which underpin our strategy.

In respect of performance, we achieved PRS net rental income ('NRI') of £70.8m and adjusted earnings of £93.5m.

The strong performance of the business resulted in both the PRS NRI and adjusted earnings measures being achieved in full. When combined with the performance against the strategic targets, annual bonus was calculated at 98% of the maximum available. Full disclosure of the actual targets set, and performance against those targets, is on page 93.

The 2020 LTIP award granted to Helen Gordon will vest on 6 February 2023 based on three-year performance, with 50% measured against relative Total Shareholder Return ('TSR') over the three years from grant and 25% each measured against absolute Total Property Return ('TPR') and Secured PRS Investment targets over the three years ended 30 September 2022. As disclosed in last year's Directors' Remuneration report, Rob Hudson received a Recruitment Award, part of which is assessed based on the performance criteria attached to the 2020 LTIP award. The estimated TSR vesting of 46.1% (noting that the three year TSR performance period ends in February 2023), TPR vesting of 69.9% and Secured PRS Investment vesting of 100% is expected to result in c.65.5% of the 2020 LTIP/Recruitment Award vesting.

The Committee believes these bonus and LTIP outcomes are appropriate and reflect the very strong performance of the business over the relevant performance periods. Therefore, no discretion has been applied to the formulaic outcomes.

Remuneration Policy changes

Since the Committee continues to believe that the current Policy remains appropriate, no changes are being proposed to either Policy structure or overall incentive quantum. However, the Committee wishes to make a small number of minor changes to the Policy wording as follows:

- To reduce the maximum pension provision from 15% to 10% of salary for all Executive Directors (both incumbents and new appointments). As previously disclosed, the CEO's pension provision will be reduced from 15% to 10% of salary from 1 January 2023 in line with the CFO's pension and the workforce more generally;
- To make specific reference to the use of ESG performance metrics in the annual bonus and LTIP sections of the summary Policy table; and
- To set the maximum bonus potential in the summary Policy table to 140% of salary for all Executive Directors, which previously referred to a 140% maximum bonus potential for the CEO and 120% for "other Executive Directors". While there is no current intention to increase the CFO's annual bonus potential from the current 120% of salary, the Committee would like the flexibility to align it to the CEO's 140% of salary bonus potential going forwards, albeit major Shareholders and the main Shareholder representatives would be consulted in advance if implementing this change was considered to be appropriate during the next three-year life of the new Policy.

Applying the Policy in 2022/23

Details of the Committee's proposed implementation of the Policy in respect of the year ending 30 September 2023 are set out below.

Executive Director base salary levels

Helen Gordon joined Grainger as CEO in November 2015 and embarked on an ambitious and clear plan to refocus the Company on investment in the UK private rented sector and to become the UK's largest listed residential landlord whilst delivering attractive returns for our Shareholders. Grainger's three strategic focus areas, which were set out in 2016, were to: (i) grow rents; (ii) simplify and focus; and (iii) build on our experience as a responsible and high-performing landlord, and these remain very relevant today.

Grainger's execution of this strategy has been very successful. Over Helen's tenure there has been a significant increase in:

- Net rental income +c.184%, (FY22 passing rent: £91m from FY15: £32m)
- EPRA earnings +£49.8m, (FY22: £30.7m from FY15: -£19.1m)
- Wholly owned PRS homes +c.325%, (FY22: 7,384 from FY15: 1,739)
- Gross asset value +c.54%, (FY22: £3.7bn from FY15: £2.4bn)
- Market capitalisation +c.100%, (current: c.£1.7bn from January 2016: c.£870m)

We have a secured pipeline to deliver a further 4,001 homes and a further c.£52m of rental income.

During this period the greater scale and reach of the business has also led to greater scrutiny, regulation and political engagement.

Helen's base salary upon joining Grainger was set at £460,000 and has increased on average by c.1.5% p.a. over the last seven years, with annual increases generally at or below workforce increases. However, Helen's salary is now positioned well below market and it is clear to the Committee that her pay has not kept pace with Grainger's increased size and complexity or its strong operational and financial performance.

Given the above, and noting that the PRS marketplace is extremely competitive, the Remuneration Committee feels that it is essential that Helen is paid fairly for the CEO role and that her base salary reflects her outstanding performance, leadership and stature in the real estate sector. Further, unless we maintain salaries at an appropriate level, we are at risk of salary compression below CEO level, which will impact our ability to recruit successfully into our leadership team.

The Committee has to date taken a prudent approach to executive pay increases, taking into account the views of our stakeholders and noting the scrutiny and challenge resulting from above workforce increases to Executive Director remuneration. However, we believe corrective action is now required to ensure Helen is paid fairly and to avoid potential issues in the future. The Committee therefore proposes that Helen's salary is increased in two stages to: (i) £557,500 from 1 January 2023 (a c.9% increase); and (ii) £591,000 from 1 January 2024 (a c.6% increase). The 2024 increase would be subject to continuing strong individual and Company performance.

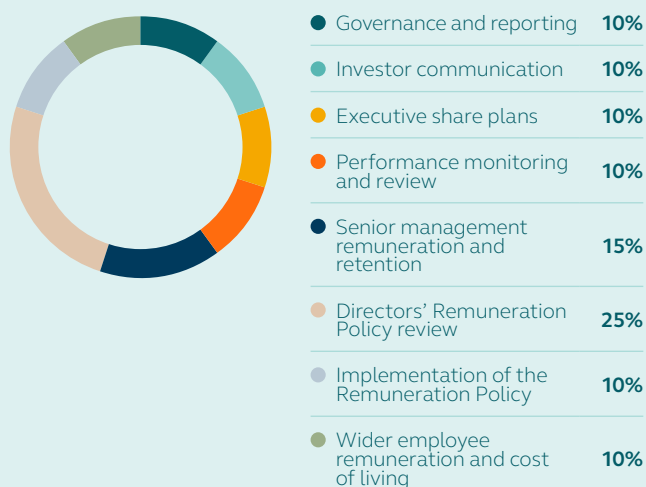
The Committee has not taken this decision lightly. It is very aware of the sensitivity to making material salary increases in the current environment. Shareholders will note that we have sought to mitigate concerns around a single large salary increase by implementing the increase across 2023 and 2024. As the 2024 increase is not guaranteed, it also ensures that the Committee is able to consider performance and contribution over the next year before the 2024 increase is awarded.

It is expected that any future increases from 2025 would be aligned to/or below, the general workforce increase.

The Committee uses benchmark data with caution. However, as part of the review and to provide a sense check on salary levels, the Committee undertook a review of market levels in May 2022 and considered two UK peer groups. The first was a sector group comprising Grainger's FTSE 350 Real Estate peers. The median market capitalisation of the group was broadly equal to Grainger's market capitalisation and the median CEO base salary of the group was £580,000 (noting that this was based on salaries disclosed in early 2022 which arguably understates the current position, which is now closer to £600,000, given current Executive Director salary inflation of c.3-5%). The second group comprised FTSE 250 companies with a broadly similar market cap and the median CEO base salary of this group was £625,000 (again, noting that this was based on salaries disclosed in early 2022 which arguably understates the current position which is closer to £650,000).

In addition, and as detailed below, noting that no changes will be made to annual bonus provision (capped at 140% of salary) and LTIP awards (200% of salary) and that Helen's pension will be workforce aligned to 10% of salary (from 15%) from 1 January 2023, total remuneration (at target and at maximum levels of performance) from 1 January 2024 will be broadly in line with market norms.

How the Committee spent its time



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 current and proposed 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 current and proposed 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 89.

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 Hudson's salary as CFO (currently £418,200) will be increased by the average workforce increase of 5% from 1 January 2023 to reflect his very strong start since joining the business in September 2021.

Annual bonus performance metrics

Annual bonus potential for the year ending 30 September 2023 will remain at 140% of salary for the CEO and 120% of salary for the CFO, with 75% payable in cash and 25% deferred into shares.

70% of the bonus will continue to be based on adjusted earnings and PRS net rental income targets weighted equally. However, rather than the remaining 30% being based solely on a set of strategic and operational targets, 10% of bonus potential will be based solely on ESG-related targets and the remaining 20% will be based on a smaller number of key strategic and operational measures. The targets, and the performance against them, will be disclosed in next year's Directors' Remuneration report.

Long Term Incentive Plan

It is expected that LTIP awards will continue to be granted over shares equal in value of up to 200% of salary for the CEO and 175% of salary for the CFO although the Committee will take into account the share price at grant prior to finalising grant levels. The Board has made significant progress on

Grainger's ESG proposition, and the Committee now intends to develop aligned ESG performance metrics and targets over the next c.12 months for inclusion in the December 2023 LTIP grant. As such, targets for the next LTIP awards expected to be granted in December 2022 will be based on PRS Secured Investment (33.3%), relative Total Shareholder Return ('TSR') (33.3%) and a property income return measure (33.3%).

The Secured PRS Investment condition will continue to be based on aggregate three-year Secured PRS Investment opportunities with 25% vesting for achieving threshold increasing on a straight-line basis until a maximum stretch target is achieved. However, our ambitious growth agenda is always combined with a prudent approach to balance sheet management. As such, given the current uncertain environment impacting the raising of equity to finance new acquisitions, and the risks of raising debt to grow Secured PRS Investment at this time, the Committee has agreed that the PRS Secured Investment target range for the LTIP cycle 2022/23-2024/25 should assume funding solely from our ongoing asset recycling programme, operational cash flow generation and with LTV in mind. However, should the equity markets reopen, and we generate proceeds from debt or equity in the period, the related investments will either be excluded from the assessment of performance against the original targets, or the target range would be increased to reflect the funding to ensure the targets remain at least as stretching as the original ones.

In respect of the relative TSR target, the Committee proposes to align the vesting schedule to market given that quantum is in line with sector peers. As such, rather than the current median (25% of this part of an award vests) to upper quintile (100% of this part of an award vests) range, future LTIP awards will operate a more normal median to upper quartile vesting range. The TSR comparator group will continue to be based on a bespoke group of real estate peers. The real estate peer group is made up of companies from a diverse set of sub-sectors with different investment characteristics and levels of cyclicity. It is felt that a typical median to upper quartile vesting schedule is more appropriate for Grainger given our sustainable return profile and lower share price volatility versus other listed real estate peers.

In respect of the property return target, given the uncertainty affecting capital values in the short term and the difficulty in setting a robust 3-year TPR target range, the Committee has agreed to replace TPR with a 3-year Total Property Income Return ('TPIR') measure. At the time of signing off this report the Remuneration Committee is deliberating over the TPIR targets that will apply to the 2023 LTIP. An appropriately challenging set of sliding scale targets will be set for this measure and full details of the target range will be disclosed in the RNS announcement at the time the awards are granted. The Committee intends to revert to absolute TPR (i.e. capital return plus income return) when market conditions and short term clarity improve.

Employee remuneration

Although outside of the Shareholder approved Policy, given that Executive Directors (and Executive Committee members) did not participate, the Company paid employees a one-off cash award of £1,000 in August 2022 to help with the rising cost of living in the UK. This is in addition to the average workforce increase of 5% from 1 January 2023.

We look forward to your support on the resolution relating to remuneration at the AGM on 8 February 2023.

Janette Bell
Chair of the Remuneration Committee
16 November 2022

This part of the Directors' Remuneration report sets out the Directors' Remuneration Policy (the 'Policy') which, subject to Shareholder approval at the 2023 Annual General Meeting, shall take binding effect from the date of that meeting and shall be in place for the next three-year period unless a new Policy is presented to Shareholders before then. Subject to approval by Shareholders, all payments to Directors during the Policy period will be consistent with the approved Policy.

The key differences between the Policy approved by Shareholders in 2020 and the 2023 Policy are as follows:

- The maximum pension provision has been reduced from 15% to 10% of salary for all Executive Directors (both incumbents and new appointments). As previously disclosed, the CEO's pension provision will be reduced from 15% to 10% of salary from 1 January 2023 in line with the CFO's pension and the workforce more generally;
- Specific reference to the use of ESG performance metrics has been added to the Annual Bonus LTIP sections of the summary Policy table; and
- The maximum bonus potential in the summary Policy table has been set at 140% of salary for all Executive Directors rather than a 140% maximum bonus potential for the CEO and 120% for "other Executive Directors".

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 92.

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	<p>Reviewed annually and typically effective from 1 January. Changes to salary levels will take into account the:</p> <ul style="list-style-type: none"> – 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. <p>Salaries are benchmarked periodically and are set by reference to companies of a similar size and complexity.</p>
Opportunity	<p>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) and will take into account increases granted to the wider workforce.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>Other ancillary benefits (including relocation expenses) may be offered, as required.</p>
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	10% of salary (workforce aligned).
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	<p>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.</p> <p>Up to 75% of any bonus that becomes payable is normally paid in cash with the remainder deferred into shares for three years. Deferred bonus share awards typically vest subject to continued employment.</p> <p>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.</p>
Opportunity	140% of salary.
Framework to assess performance	<p>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 portion of the bonus, strategic and operational and/or ESG objectives may operate.</p> <p>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.</p> <p>For financial targets, and where practicable in respect of strategic and operational targets, bonus starts to accrue once the threshold target is met (0% payable) rising on a graduated scale to 100% for stretch performance.</p> <p>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.</p> <p>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).</p>
Long Term Incentive Plan ('LTIP')	
Purpose and link to strategy	<p>To incentivise and reward the delivery of strategic priorities and sustained performance over the longer term.</p> <p>To provide greater alignment with Shareholders' interests.</p>
Operation	<p>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.</p> <p>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.</p> <p>Dividend equivalent payments may be made on vested LTIP awards and may assume the reinvestment of dividends, on a cumulative basis.</p>
Opportunity	<ul style="list-style-type: none"> - 200% of salary for the Chief Executive; and - 175% of basic salary for other Executive Directors.
Framework to assess performance	<p>The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial (including ESG)). The choice of measures and their weightings will be determined prior to each grant.</p> <p>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.</p> <p>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.</p> <p>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).</p>

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	<p>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.</p> <p>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.</p> <p>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).</p> <p>Dividend payments on SIP shares are reinvested and must be held in trust for three years.</p>
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 guidelines. In addition, the Committee's general expectation is that the guidelines 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 guidelines.

A post cessation shareholding guideline operates. 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 made since the approval of the 2020 Policy at the 2020 AGM. 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.

Peer Group

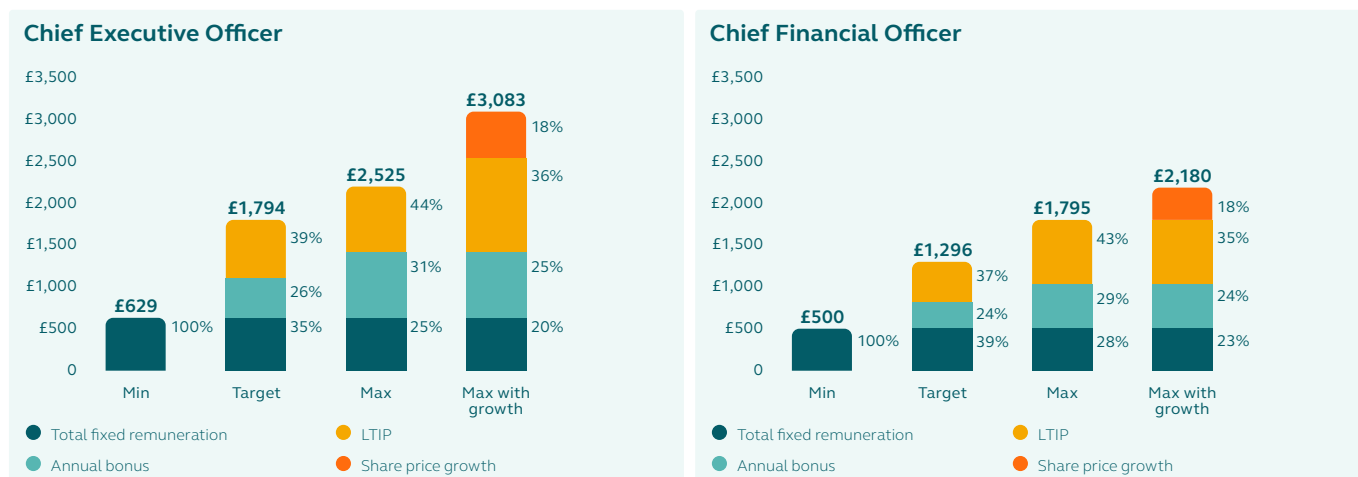
In assessing Grainger's pay practices, including structure, quantum and performance metrics and remuneration policies, the Committee's primary reference point are the following FTSE 350 Real Estate companies: Assura plc, British Land Company plc, Big Yellow Group PLC, Capital & Regional plc, CLS Holdings plc, Derwent London plc, Great Portland Estates plc, Hammerson plc, Land Securities Group PLC, London Metric Property Plc, Safestore Holdings plc, SEGRO plc, Shaftesbury PLC, Sirius Real Estate Limited, The Unite Group plc and Workspace Group PLC.

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 2022/23 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 2023, estimated 2022/23 benefits and pension contribution of 10% of salary (fixed pay).
- On-target = 60% payable of the 2023 annual bonus and 62.5% vesting of the 2023 LTIP awards.
- Maximum = 100% payable of the 2023 annual bonus (based on a maximum of 140% of salary for the CEO and assuming a 120% of salary maximum for the CFO) and 100% vesting of the 2023 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 Chief People Officer. A session was also held to discuss how the executive pay aligned with the wider Company pay policy.

In addition, as noted on page 74 Janette Bell was the designated Non-Executive Director for employee engagement and consultation until the 2022 AGM when Carol Hui took over that role, as part of the Responsible Business Committee remit. Carol Hui was appointed to the Board on 1 October 2021. As well as joining the Remuneration, Audit and Nominations Committees, Carol oversaw the establishment of the Company's Responsible Business Committee and became Chair of it. This Committee provides 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.

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 2022 AGM, feedback received was positive and is reflected in the voting outcome.

Major Shareholders and the main representative bodies were consulted on the proposed changes to the Remuneration Policy and its implementation for the year ending 30 September 2023 and it was clear that there were strong levels of support for the proposals. No changes were required to the original proposals.

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 Chair, will be set at a competitive market level, reflecting experience, responsibility and time commitment. Additional fees are payable for the chairmanship of the Audit, Remuneration and Responsible Business Committees and for the additional responsibilities of the Senior Independent Director and the Non-Executive Director for Employee Engagement.

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 Chair 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	<p>The fees for Non-Executive Directors (including the Chair) are typically reviewed every second year or more frequently if required.</p> <p>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.</p> <p>The Chair 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.</p> <p>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.</p> <p>All Non-Executive Directors are reimbursed for travel and related business expenses reasonably incurred in performing their duties.</p> <p>The Committee recommends the remuneration of the Chairman to the Board.</p> <p>The Chair's fee is determined by the Committee (during which the Chair has no part in discussions) and recommended by it to the Board. The Non-Executive Directors' fees are determined by the Chair and the Executive Directors.</p>
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 2022. This report has been prepared in accordance with the provisions of the Companies Act 2006 and related Regulations. A single advisory resolution to approve this report (and the Annual Statement) will be put to Shareholders at the AGM on 8 February 2023.

3. Single total figure of remuneration for each Director

The remuneration of Directors showing the breakdown between components with comparative figures for 2021 is shown below.

This table and the details set out in Notes 3 to 9 on pages 92 to 98 of this report have been audited by KPMG LLP.

2022	Salary and fees ¹ £'000	Taxable benefits ² £'000	Share incentive plan £'000	Annual bonus ³ £'000	LTIP awards ⁴ £'000	Pension benefits ⁶ £'000	Total £'000	Total Fixed Remuneration ⁷ £'000	Total Variable Remuneration ⁸ £'000
Executive Directors									
Helen Gordon	509	16	2	702	596	76	1,901	603	1,298
Rob Hudson	416	17	-	492	333	42	1,300	475	825
	925	33	2	1,194	929	118	3,201	1,078	2,123
Non-Executive Directors⁵									
Mark Clare	174	-	-	-	-	-	174	174	-
Andrew Carr-Locke	24	-	-	-	-	-	24	24	-
Justin Read	65	-	-	-	-	-	65	65	-
Janette Bell	58	-	-	-	-	-	58	58	-
Rob Wilkinson	50	-	-	-	-	-	50	50	-
Carol Hui	56	-	-	-	-	-	56	56	-
	427	-	-	-	-	-	427	427	-
Totals	1,352	33	2	1,194	929	118	3,628	1,505	2,123

1 The CEO's and former CFO's salaries increased by 2% in line with the wider employee population from 1 January 2022. At 1 January 2022, Helen Gordon's base salary was £511,356 and Rob Hudson's base salary was £418,200.

2 Taxable benefits comprised 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.

4 Please see Note 5 on page 95 for information in respect of the LTIP and Recruitment awards that are due to vest in February 2023 and Recruitment awards which vested in February 2022.

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 from 1 October 2021. Andrew Carr-Locke stepped down from the Board at the 2022 AGM.

6 The amounts shown under pension benefits represent a salary supplement paid to the Directors in lieu of Company pension contributions.

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

8 Comprises the aggregate annual bonus and LTIP awards.

2021	Salary and fees ¹ £'000	Taxable benefits ² £'000	Share incentive plan £'000	Annual bonus ³ £'000	LTIP awards ⁴ £'000	Pension benefits ⁹ £'000	Other ⁸	Total £'000	Total Fixed Remuneration ⁶ £'000	Total Variable Remuneration ⁷ £'000
Executive Directors										
Helen Gordon	499	16	3	467	571	75	-	1,631	593	1,038
Rob Hudson	36	1	-	27	-	4	389	457	41	416
Vanessa Simms	197	9	-	-	-	30	-	236	236	-
	732	26	3	494	571	109	389	2,324	870	1,454
Non-Executive Directors⁵										
Mark Clare	171	-	-	-	-	-	-	171	171	-
Andrew Carr-Locke	67	-	-	-	-	-	-	67	67	-
Justin Read	59	-	-	-	-	-	-	59	59	-
Janette Bell	54	-	-	-	-	-	-	54	54	-
Rob Wilkinson	49	-	-	-	-	-	-	49	49	-
	400	-	-	-	-	-	-	400	400	-
Totals	1,132	26	3	494	571	109	389	2,724	1,270	1,454

1 The CEO's and former CFO's salaries 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 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 for part of the year she was in employment 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 303.2p.

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 was not therefore 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 received cash payments of £369,668 and £19,724 to compensate for forfeited 2021 bonus and sharesave awards in respect of his previous employment. These amounts were paid in December 2021.

9 The amounts shown under pension benefits represent a salary supplement paid to the Directors in lieu of Company pension contributions.

4. Annual bonus awards – performance assessment for 2022

In determining the bonus outcomes for 2022, the Committee took into account the Company's financial performance and achievements against key strategic and operational 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 strategic objectives. The targets applying to each financial measure and performance against the targets for 2022 are set out in the table below.

Financial performance (70% of the 2022 annual bonus opportunity)

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2022 performance	Out-turn (% of max element) Bonus
Adjusted earnings	35%	£74.9m	£83.2m	£91.5m	£93.5m	100%

Measure	Weighting	Threshold (0% out-turn)	Target (60% out-turn)	Maximum (100% out-turn)	2022 performance	Out-turn (% of max element) Bonus
PRS NRI	35%	£62.7m	£66.0m	£69.3m	£70.8m	100%

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

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

Non-financial performance (30% of the 2022 annual bonus opportunity)

In respect of the strategic targets set for the Executive Directors, the targets and Committee's assessment of performance against the targets was as follows.

Objective	Measure	Performance assessment
1. Customer Service	Achieve a material increase in NPS Score, target range for 2022 being +20 to +24 (2020: -2; 2021: +16)	Achieved in full (3%) with the NPS score increasing to +34
	Achieve an increase in customer retention (three year run rate 55.3% and target for 2022 range being +2% to 5% (57.3% to 60.3%))	Achieved in full (3%) with 63.5% retention achieved.
	Customer touch points a) Increase returns from 750 to 1,000+ b) Incorporate new touch points during the year c) Analyse data to drive improvement plans	Achieved in full as follows (3%) a) As at mid-September 2022 – 1068 b) Two new touch points launched at month 3 and month 8 of lease c) Data insights helping retention and servicing e.g. repairs and move in
2. ESG	Initiate Scope 3 Tenants Emission Strategy ('Living a green life') Strategy devised, GDPR compliant to be launched by year end a) Strategy devised to engage with customers b) Guides produced to help customers 'live a greener life' c) Residents asked to agree to share consumption data d) Offer made for them to switch to green tariff e) Metering strategy agreed to measure overall tenants' consumption Completion of (a) to (c) 1%, completion of all five actions 3%	Achieved in part (2% out of 3%). All but d) achieved but d) dropped due to energy pricing crisis
	Prepare business to issue first green finance bond Deliver by year end a) Full assessment of what is required to be agreed b) Necessary actions to be put in place to issue bond c) Independent assessment of readiness by external advisor d) Issue bond if cost beneficial or neutral Completion of (a) to (c), and (d) if beneficial /neutral	Achieved in full (2%) with step (a) to (c) being included.
	EPC improvement cost plan fully costed with actions agreed Deliver by year end a) To take the EPC findings for each asset and identify actions required b) To cost those actions and decide feasibility c) To devise an action plan by asset – improve or recycle	Achieved in full (2%) and reported to the Board accordingly.
	Diversity and inclusion measure. Measurement at end of financial year. Design and implement a diverse talent acceleration programme to include: – Diversity tracking – Diversity talent identification – Bespoke mentoring and skills course for mentors and mentees Programme designed and identification of 5 rising stars from diverse backgrounds and put through programme.	Achieved in part (1% out of 2%). Longer-term mentoring programme enacted and running into 2023.
	3. Technology	Deliver fully working customer portal rolled out by year end. Functionality to include the following elements a) Fault / maintenance reporting and tracking b) Enhanced booking engine for services, amenities and events c) Enhanced customer comms platform enabling queries, compliments, complaints, announcements and information ensuring richer customer communication On target performance to include two of the above 1%, maximum performance to include all three 2%.
4. People	Increase operations employee satisfaction. Measurement from year end achieved in 2020 (577) and 2021 (587): – Target for 2022 to be rated as one to watch with a score of 600 or above	Achieved in full (2%). Operation score was at 657. Whole company reached 1 star rating a year earlier than target.
5. Operations	Achieve recovery in occupancy levels. Measurement to be taken at year end. Recovery from 94% (end of 2021) to a maximum of 97% by end 2022. (On target (95%) 1%, maximum (97%) 3%)	Achieved in full (3%) with occupancy level at 98%.
6. Investment and Development	Restructure acquisitions team to increase opportunities to invest and deliver improvement in feasible prospects across the year. Three year run rate is currently 24 per Annum. Increase run rate by between 10% and 20% (27 to 29 p.a.) (On target 1%, maximum 3%).	Achieved in full (3%) with a 29 run rate p.a.; seven new hires and one promotion in the team.
	Secure two further Direct Development opportunities and deliver two new opportunities by year end (completion by year end to be achieved for maximum opportunity)	Achieved in full (2%) having secured Exeter and Sheffield development opportunities.

The business wide focus on customer service, delivered through the Customer Experience Programme, has resulted in a step change in the key customer and operations metrics. NPS has more than doubled to 34 and operations employee satisfaction reached 657 enabling the whole company to reach a 1* rating a year earlier than target with both contributing to the record occupancy level of 98% achieved in the year. Pursuant to the above assessment, totalling the above percentage outcomes, the Committee determined that 28% 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 98% of the maximum bonus opportunity is representative of very strong performance during the year.

	Bonus opportunity	2022 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	98%	£526,185	£175,395
Rob Hudson	120% of salary	98%	£368,852	£122,951

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

5. LTIP/Recruitment awards vesting

LTIP awards vesting in February 2023

The LTIP award granted to Helen Gordon on 6 February 2020 which is due to vest on 6 February 2023, and Recruitment awards granted to Rob Hudson on 11 October 2021 on similar terms (see next section) are based on a 50% relative TSR condition, a 25% TPR condition and a 25% Secured PRS condition measured over 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 quintile ranking or better	TSR of 5.7% currently places Grainger between median and upper quintile	46.1% (estimated)
TPR (annual average growth)	25%	5% p.a.	8% p.a.	6.8% p.a.	69.9%
Secured PRS	25%	£650m	£750m	£823m	100%
Total estimated vesting	100%				65.5%

At the time of signing off this report, the TSR performance period has not concluded. Based on performance to 18 October 2022, Grainger is ranked between median and upper quintile. This gives an indicative vesting of 46.1% for this part of the award. Actual vesting will be based on performance over three years from grant (6 February 2020) and the actual performance, vesting outcome and value of LTIP for single total figure of remuneration purposes will be shown in next year's report.

The average TPR over three-year period was 6.8% (2020: 5.4%, 2021: 7.5%, 2022: 7.5%). This resulted in 69.9% of this part of the award vesting.

The Secured PRS Investment metric is effectively a measure of the value of the Company's pipeline of future development opportunities and provides a clear focus on driving growth in the long-term. The metric and targets were agreed at the time of grant on a cumulative threshold target of £650m and a maximum target of £750m for the three-year period ended 30 September 2022. The actual value of investment secured during the period was £823m and was made up of:

- £413m in FY20 (Canning Town 3, London; Capital Quarter, Cardiff; The Barnum, Nottingham; Exchange Square, Birmingham; Waterloo, London; and Guildford Station, Guildford)
- £158m in FY21 (Millwrights Place, Bristol; Becketwell, Derby; and The Forge, Newcastle)
- £252m in FY22 (Exmouth Junction, Exeter; Redcliff Quarter, Bristol; and West Way Square, Oxford)

The Committee evaluated the quality of investments in determining the PRS Investment vesting outcome. Firstly, the Committee considered 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 for stabilised assets was undertaken with regular monitoring of schemes to ensure that investments remained of sufficient quality in light of then current market conditions.

The estimated vesting is 65.5% of the total award. The value of these awards shown in the single figure table are as follows:

Executive Director	Shares granted	Number of shares expected to lapse	Number of shares expected to vest	Estimated value of shares vesting ³ £'000	Face value of shares expected to vest ⁴ £'000	Impact of share price at vesting ⁵ £'000
Helen Gordon ¹	330,116	113,903	216,213	596	647	(78)
Rob Hudson ²	184,537	63,672	120,865	333	362	(29)

1 LTIP award granted on 6 February 2020.

2 Recruitment award granted on 11 October 2022 with the same performance targets as the 6 February 2020 LTIP award.

3 Based on the average three-month share price to 30 September 2022 of 275.6p.

4 Based on the prevailing share price at the relevant grant date.

5 The difference between the value of the shares under awards vesting and the value of the shares at grant.

These awards are subject to a two-year post vesting holding period.

Recruitment awards vested in February 2022

Recruitment awards granted to Rob Hudson on 11 October 2021 over 93,380 shares vested on 20 February 2022. Vesting was based on continued employment only.

LTIP awards vested in December 2021

The awards made to Executive Directors in December 2018, and which vested on 12 December 2021, were based 50% on relative TSR and 50% on TPR.

Grainger ranked between median and the upper quartile of the TSR peer group which resulted in 52.18% of this part of the award vesting. Annual growth in TPR of 6% p.a. over the three-year period resulted in 43% of this part of the award vesting. In aggregate, 47.59% of the December 2018 LTIP award vested in December 2021 compared to an estimated vesting of 43% disclosed in last year's report. The value of these awards shown in the revised 2021 single figure table included in this Annual Report and Accounts is based on the share price at the date of vesting (12 December 2021) and also includes the value of dividend equivalents on vested awards.

6. Share awards granted during the year

The following LTIP and DBSP awards were granted to the CEO and CFO in the year ended 30 September 2022:

	LTIP share awards (16 December 2021)		DBSP share awards (16 December 2021)	
	Number	Face value £'000	Number	Face value £'000
Helen Gordon	325,665	1,003	38,238	117
Rob Hudson	233,045	718	2,233	7

The face value of LTIP share awards for Helen Gordon (200% of salary) and Rob Hudson (175% of salary) is based on a price of 3.07p, being the average share price for the five business days immediately preceding the award being made on 16 December 2021.

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 (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.

The face value of the deferred bonus share plan ('DBSP') awards relates to a 25% deferral of the 2021 annual bonus into Company shares, is based on a price of 3.05p, being the average share price for the three business days immediately preceding the award being made on 16 December 2021. The awards will be eligible to vest in three years subject to continued employment.

In addition, and as detailed in last year's Directors' Remuneration report, the following share awards were granted in compensation for remuneration forfeited upon Rob Hudson's resignation from his previous employer:

	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

- 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.
- 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). Performance against these metrics is provided on page 95.
- 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.

7. Payments for loss of office and to past Directors

No payments for loss of office or payments to past Directors were made in the year ended 30 September 2022.

8. Directors' shareholdings and share interests

Past share awards

		Awards ¹ granted	Maximum award Number	Awards vested Number	Awards lapsed Number	Maximum outstanding awards at 30 Sep 2022 Number	Market price at date of vesting (p)	Vesting date
Helen Gordon	LTIP shares	12-Dec-18	374,640	178,291	196,349	–	303.2	12-Dec-21
	LTIP shares ¹	06-Feb-20	330,116	–	–	330,116	–	06-Feb-23
	LTIP shares ¹	10-Dec-20	350,496	–	–	350,496	–	10-Dec-23
	LTIP shares ²	16-Dec-21	325,665	–	–	325,665	–	16-Dec-24
	DBSP	12-Dec-18	55,256	55,256	–	–	303.2	12-Dec-21
	DBSP	10-Dec-19	16,429	–	–	16,429	–	10-Dec-22
	DBSP	10-Dec-20	43,397	–	–	43,397	–	10-Dec-23
	DBSP	16-Dec-21	38,238	–	–	38,238	–	16-Dec-24
Rob Hudson	LTIP shares ³	11-Oct-21	93,380	93,380	–	–	278.6	20-Feb-22
	LTIP shares ⁴	11-Oct-21	184,537	–	–	184,537	–	11-Mar-23
	LTIP shares ⁴	11-Oct-21	271,987	–	–	271,987	–	01-Feb-24
	LTIP shares ²	16-Dec-21	233,045	–	–	233,045	–	16-Dec-24
	DBSP	16-Dec-21	2,233	–	–	2,233	–	16-Dec-24

- 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.
- Details of the December 2021 LTIP awards are set out in Section 6 (Share awards granted during the year) above.
- LTIP shares vested in February 2022 but are unexercised at the date of this report. These will remain capable of exercise in accordance with the scheme rules.
- Recruitment awards granted in respect of awards forfeited by Rob Hudson on leaving his previous employer. Details of the grants are set out in the September 2021 Remuneration report.

All-employee share options under SAYE

		Share options at 1 Oct 2021	Granted in year		Lapsed during year		Exercise price (p)	Market price on exercise (p)	Gains on exercise of share options (£)	Share options at 30 Sep 2022	Exercise price (p)	Earliest exercise date	Latest exercise date
			Number	Grant price (p)	Number	Number							
Helen Gordon	SAYE	9,326	–	–	–	–	–	–	–	9,326	217.07	01-Sep-22	01-Mar-23
Rob Hudson	SAYE	–	7,258	248.00	–	–	–	–	–	7,258	248.00	01-Sep-25	01-Mar-26
	SAYE	–	12,096	248.00	–	–	–	–	–	12,096	248.00	01-Sep-27	01-Mar-28

The closing trade share price on 30 September 2022 was 229.4p. The highest trade share price during the year was 319.2p and the lowest was 229.4p.

All-employee share awards under the SIP

	Ordinary shares of 5p each	
	1 Oct 2021 shares	30 Sept 2022 ¹ shares
Executive Directors		
Helen Gordon	7,642	8,862

¹ Since 30 September 2022, Helen Gordon and Rob Hudson acquired shares in the Company through the Grainger Employee Share Incentive Scheme (132 and 130 each respectively of ordinary 5p shares). Rob Hudson joined the scheme in October 2022, at the first opportunity following the 12 months service eligibility.

Shareholding at 30 September 2022

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 2022	Vested but unexercised share awards	Unvested share awards	Total interests held at 30 Sep 2022 ¹	Total interests held at 30 Sep 2021	Shareholding as % of basic salary ²
Executive Directors						
Helen Gordon	592	9	1,112	1,713	1,747	268
Rob Hudson	113	93	797	1,003	663	89
Non-Executive Directors						
Rob Wilkinson	44	–	–	44	21	N/A
Mark Clare	161	–	–	161	161	N/A
Justin Read	21	–	–	21	21	N/A
Janette Bell	2	–	–	2	2	N/A
Carol Hui	–	–	–	–	–	N/A

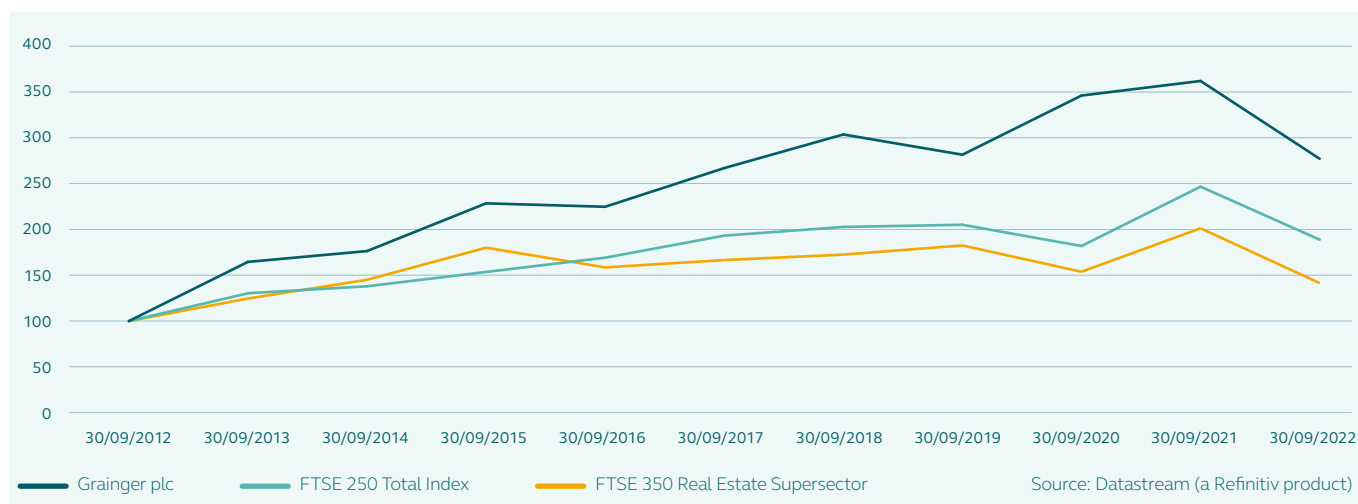
¹ The total interests include beneficially owned shares, shares held in the SIP trust, vested but unexercised shares and unvested share awards.

² The value of shares held (calculated as at 30 September 2022 when the share price was 2.29p) 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 February 2020 LTIP awards (due to vest in February 2022 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 342.8% of basic salary in the case of Helen Gordon. If unvested DBSP awards (which vest subject to continued employment only) and non-performance buyout awards were to be included, the value of shares held (on a post-tax basis) would rise to 124.9% of basic salary in the case of Rob Hudson.

9. Performance graph

Total Shareholder Return

This graph shows the percentage change by 30 September 2022 of £100 invested in Grainger plc on 30 September 2012 compared with the value of £100 invested separately in both the FTSE 250 Index and the FTSE 350 Real Estate Supersector Index.



10. 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 %
2022	Helen Gordon	1,901	98	65
2021	Helen Gordon	1,631	67	48
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

1 The total remuneration has been restated following the update to the 2021 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.

11. Percentage change in remuneration of Chief Executive and employees

The annual percentage change in remuneration over the last three years, 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			Percentage change 2021-22		
	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus	Base salary	Taxable benefits	Annual bonus
Executive Directors									
Helen Gordon	2.5%	0.1%	162.3%	1.5%	(0.2)%	(3.6)%	2.0%	(0.2)%	50.2%
Vanessa Simms ¹	2.5%	0.1%	(100.0)%	1.5%	(43.1)%	–	–	–	–
Rob Hudson ²	–	–	–	–	–	–	2.0%	(0.4)%	50.2%
Non-Executive Directors									
Mark Clare	2.5%	N/A	N/A	1.5%	N/A	N/A	2.0%	N/A	N/A
Andrew Carr-Locke ³	2.5%	N/A	N/A	1.5%	N/A	N/A	–	N/A	N/A
Justin Read ³	2.5%	N/A	N/A	1.5%	N/A	N/A	16.4%	N/A	N/A
Janette Bell ³	2.5%	N/A	N/A	1.5%	N/A	N/A	10.8%	N/A	N/A
Rob Wilkinson	2.5%	N/A	N/A	1.5%	N/A	N/A	2.0%	N/A	N/A
Carol Hui ⁴	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee population	2.8%	0.8%	13.7%	2.0%	(0.7)%	33.3%	2.5%	(0.8)%	4.6%

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

2 Rob Hudson joined Grainger on 31 August 2021. The growth rates for base salary, taxable benefits and annual bonus have been annualised to reflect changes on a like-for-like basis.

3 Andrew Carr-Locke stepped down from the Board in February 2022. Justin Read was appointed Senior Independent Director and Chair of the Audit Committee, and Janette Bell has taken over as Chair of the Remuneration Committee.

4 Carol Hui was appointed to the Board on 1 October 2021 and Chair of the Responsible Business Committee.

12. Chief Executive pay ratio

The table below compares the 2022 single total figure of remuneration for the CEO as shown in Note 3 on page 92 with the Group's employees paid at the 25th, 50th and 75th percentiles:

Financial year	Method	25th percentile	50th percentile (median)	75th percentile
2022	A	60:1 Total pay and benefits £31,831 Salary £25,241	40:1 Total pay and benefits £47,521 Salary £38,500	23:1 Total pay and benefits £81,690 Salary £72,116
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 2022 using Option A as the most statistically accurate method.

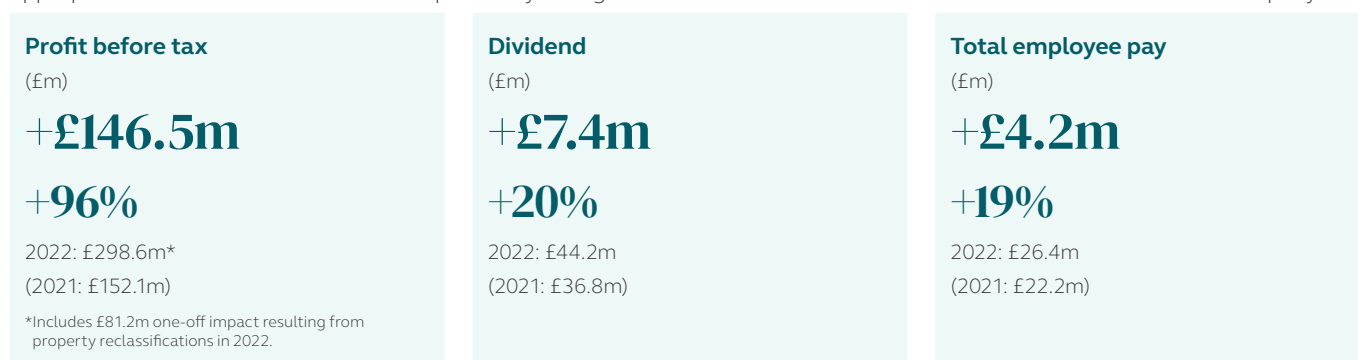
In undertaking our calculations, no adjustments were made to the figures other than determining the FTE remuneration for all employees within the Group over the financial year. No non-salary employee remuneration components have been omitted. Joiners, leavers, employees on a period of statutory leave (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 2022, 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 onsite 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.

13. Relative importance of spend on pay

The difference in actual expenditure between 2021 and 2022 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.



14. Statement of implementation of Remuneration Policy for 2023

Base salary

As detailed in the Annual Statement, it is intended that Helen Gordon's salary will increase to: (i) £557,500 from 1 January 2023 (a c.9% increase); and (ii) potentially £591,000 from 1 January 2024 (a c.6% increase). The 2024 increase will be subject to continuing strong individual and Company performance. Rob Hudson's salary (currently £418,200) will be increased by 5% to £439,110, in line with the average workforce increase from 1 January 2023.

Pension

As previously disclosed, the CEO's pension provision will be reduced from 15% to 10% of salary from 1 January 2023 in line with the CFO's pension and the workforce more generally.

Annual bonus

The structure and metrics to operate for the 2023 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 2023:

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 and Operational objectives	20%	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. 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.
ESG	10%	Diversity and inclusion, employee satisfaction, charities and communities and developing carbon reduction plans to align with our 2030 'net zero in operations' commitment.

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 2023 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 2023 LTIP will be as follows:

Metric	Weighting	Targets		
Relative TSR (versus a bespoke group of real estate peers) ¹	33.3%	Performance level	Ranking	Vesting
		Below threshold	Below median	0%
		Threshold	Median	25%
		Maximum	Upper quartile	100%
TPIR ²	33.3%	At the time of signing off this report the Remuneration Committee is deliberating over the TPIR targets that will apply to the 2023 LTIP. An appropriately challenging set of sliding scale targets will be set for this measure and full details of the target range will be disclosed in the RNS announcement at the time the awards are granted.		
Secured PRS Investment ³	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 2023 and 2024 remuneration reports and full retrospective disclosure of the targets and achievement will be set out in the 2025 report.		

1 The Committee wishes to align the relative TSR vesting schedule to market given that quantum is in line with sector peers. As such, rather than the median (25% of this part of an award vests) to upper quintile (100% of this part of an award vests) range that has applied to the 2020, 2021 and 2022 awards, the 2023 LTIP awards will operate a more normal median to upper quartile vesting range. The TSR comparator group will continue to be based on a bespoke group of real estate peers. It is felt that a typical median to upper quartile vesting schedule is more appropriate for Grainger given our lower share price volatility versus other listed real estate peers.

2 Given the uncertainty affecting capital values in the short term and the difficulty in setting a robust 3-year TPR target range, the Committee has agreed to replace TPR with a 3-year TPIR. The Committee intends to revert to an absolute TPR (i.e. capital return plus income return) when market conditions and short term clarity improve.

3 The Secured PRS Investment condition (effectively the Company's pipeline of future development opportunities) will continue to be based on aggregate three-year Secured PRS Investment opportunities with 25% vesting for achieving threshold increasing on a straight-line basis until a maximum stretch target is achieved. However, our ambitious growth agenda is always combined with a prudent approach to balance sheet management. As such, given the current uncertain environment impacting the raising equity to finance new acquisitions, and the risks of raising debt to grow Secured PRS Investment at this time, the Committee has agreed that the PRS Secured Investment target range for the LTIP cycle 2022/23-2024/25 should assume funding solely from our ongoing asset recycling programme, operational cash flow generation and with LTV in mind. However, should the equity markets reopen, and we generate proceeds from debt or equity in the period, the related investments will either be excluded from the assessment of performance against the original targets, or the target range would be increased to reflect the funding to ensure the targets remain at least as stretching as the original ones. The Committee will continue to 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 for stabilised assets will be undertaken with regular monitoring of schemes in progress 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. As per the last three LTIP grants, the three-year targets, performance and the ultimate vesting percentage will be disclosed retrospectively.

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 by 6% with effect from 1 January 2023. Current fee levels are as follows:

	1 January 2023	1 January 2022
Basic Non-Executive Director fee	£52,869	£49,876
Additional fee for chairing Board committee	£10,687	£10,082
Additional fee for Senior Independent Director duties	£8,998	£8,489
Additional fee for Non-Executive Director for Employee Engagement ¹	N/A	£5,306
Chairman's fee	£185,601	£175,095

1 The responsibility for Employee Engagement now forms part of the role of the Chair of the Responsible Business Committee and is reflected in the fee for chairing that Board.

15. 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
Rob Wilkinson	October 2015
Justin Read	February 2017
Janette Bell	February 2019
Carol Hui	1 October 2021

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

The Remuneration Committee currently comprises the Company Chair and four independent Non-Executive Directors. 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 Chair to 9 February 2022)	May 2017	5	5
Mark Clare	May 2017	5	5
Janette Bell (Committee Chair from 9 February 2022)	May 2019	5	5
Andrew Carr-Locke (Committee member to 9 February 2022)	April 2015	2	2
Rob Wilkinson	May 2017	5	5
Carol Hui (Committee member from 9 February 2022)	November 2021	5	5

The Company Secretary, the Chief People Officer 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 2022 financial year were £71,745 (2021: £65,413). 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.

17. Statement of voting at general meeting

At the AGMs held on 9 February 2022 and 5 February 2020, the Directors' Remuneration report and Policy received the following votes from Shareholders.

	Directors' Remuneration report (2022)		Remuneration Policy (2020)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	573,781,746	94.22	442,988,159	91.14
Against	35,211,603	5.78	43,071,700	8.86
Total votes cast (for and against)	608,993,349	100	486,059,859	100
Votes withheld	23,498		2,394,110	

Janette Bell

Chair of the Remuneration Committee

16 November 2022

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 135 in relation to the dividend waiver arrangements.

Information incorporated by reference

The Corporate Governance Statement on pages 59 to 106 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

Last year we highlighted a possible conflict of interest in relation to Rob Wilkinson's position as chief executive officer of AEW, a real estate investment fund which had been mandated by a client to invest in build-to-rent opportunities in the UK. A plan has been in operation to manage this throughout the year, 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 has been reviewed and considered to be effective. The Committees upon which Rob sits are not those which are affected by his potential conflict. As previously advised, Rob will be retiring from the Board at the 2023 AGM.

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 UK-adopted international accounting standards (IFRS) 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.

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 the Group's 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 UK-adopted international accounting standards (IFRS);
 - 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.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

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.

By order of the Board.

Rob Hudson
Director

16 November 2022

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 2021 to 30 September 2022.

	2021 location- based	2022 location- based	Trend location- based	2021 market- based	2022 market- based ¹	Trend market- based
Scope 1 (Fuel combustion in vehicles and buildings)	1,151	810	-30%	1,151	810	-30%
Scope 2 (Electricity)	1,005	959	-5%	247	249	0.6%
Total footprint	2,156	1769	-18%	1,398	1058	-24%

Figures may not add up due to rounding.

Company's chosen intensity measurement:

Emissions reported above per £m value of assets under management ²	0.720	0.574	-20%	0.4669	0.3437	-26%
Emissions reported above per owned unit ³	0.232	0.191	-18%	0.1504	0.1141	-24%
Emissions reported above per employee ⁴	6.695	5.172	-23%	4.3430	3.0949	-29%

Scope 3 Global GHG emissions data for period 1 October 2021 to 30 September 2022.

Emissions (tonnes of CO ₂ e) from	2021	2022	Trend
Fuel and energy-related activities ⁵	613	535	-13%
Business travel (air, rail and vehicles)	17	86	415%
Estimated tenant energy use (tCO ₂) ⁶	21,101	19,449	-8%
Grainger office occupation (landlord-obtained) ⁷	27	23	-13%

1 Location and market-based emissions reflect different accounting approaches to calculating electricity emissions. Location-based emissions are calculated based on an average emissions intensity of the grid on which energy consumption occurs (UK). Market-based emissions are calculated using an emissions intensity specific to the energy that Grainger has purposely chosen (e.g. renewable electricity).

2 Value of assets under management ('AUM') on the last day of the financial year, expressed in £m.

3 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.

4 Total number of employees of Grainger plc on the last day of the financial year.

5 Includes WTT emissions from fuels and electricity transmission and distribution losses.

6 This has been estimated based on Energy Performance Certificates ('EPCs') and reported in CO₂ only.

7 Includes landlord-obtained emissions for London Bridge office only.

Underlying global energy use data for period 1 October 2021 to 30 September 2022.

Energy use (kWh)	2021	2022	Trend
Electricity	4,836,941	5,064,907	5%
Natural gas	5,952,620	5,067,140	-15%
District heating	26,286	17,649	-33%
Biomass	951,877	955,007	0.3%
Transport fuel	265,185	319,531	20%
Total energy use	12,032,910	11,424,234	-5%

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 CO₂ equivalent' ('tCO₂e') as the unit of measurement and reports energy use in kWh. Our reporting period is 1 October 2021 to 30 September 2022 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 2022 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 2023 and include them in our future reporting. Between 2021 and 2022, energy consumption from our property portfolio, including transport fuels, has decreased by 5%. Grainger's total location-based GHG emissions have decreased by 18%, and market-based emissions have decreased by 24%.

Trends

The decrease in energy consumption can be attributed to reductions in natural gas and district heating use. This reduction is partially due to renovations on existing properties and also due to the significant reductions in monthly average heating degree days in the United Kingdom in 2022 compared to 2021. Our Scope 1 emissions have decreased by 30%, due to the decrease in natural gas use, in addition to Grainger switching to a green gas tariff, which uses biogas instead of natural gas. Market-based electricity-related emissions have remained consistent, showing just a 0.6% increase, despite the increase in electricity consumption, due to increased coverage of renewable electricity at properties. Emissions relating to Grainger's business travel have increased this year – 2021 was more significantly affected by covid-19 and so in 2022 business travel activity has returned to a level closer to what would usually be expected.

Methodology

Grainger uses the GHG Protocol Corporate Standard (revised edition), Government Environmental Reporting Guidelines 2019 and ISO 14064: Part 1 standard for its reporting, using the operational control approach. We have used the UK Government Conversion Factors for Company Reporting 2022 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 2021 for market-based reporting for 2022. We used emissions factors from the same sources in 2021. We have reported on all energy use and emissions sources required under the regulations. We purchase 100% renewable electricity tariffs for 88% 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 unmetred basis, gas consumed in Grainger's offices, as well as fuel consumption in vehicles owned or leased by Grainger. Fugitive emissions are not included – during 2022 there were no refrigerant top-ups across any locations.

Scope 2 data

This includes landlord-obtained electricity and district heating consumed in common areas and by tenants on an unmetred basis as well as electricity consumed by Grainger in its offices.

Scope 3 data

This includes estimated emissions from electricity used by Grainger's customers 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 either exported to the grid or supplies the communal parts of our properties and the generation is unable to be reported.

Restatements and estimation

We have recalculated emissions for 2021 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 2022 <0.01% of energy from fuels for Scope 1 emissions and 11% of electricity for Scope 2 emissions data has been estimated.

Intensity metrics

We have used three intensity metrics: emissions by market value of AUM (tCO₂e/£m value of AUM), emissions per the number of owned units (tCO₂e/owned unit) and emissions per number of employees (tCO₂e/employee) to align with our financial reporting. The value of AUM has increased between 2021 and 2022. This, coupled with the decrease in combined Scope 1 and Scope 2 market-based emissions, has caused a decrease in the emissions by market value of AUM by 26%. New developments completed in the year were offset by our asset recycling programme, which is focused on divesting older, less efficient properties. The reduction in number of units, coupled with emissions reductions, has resulted in a reduction in emissions per owned unit, by 24%. There has been an increase in the number of employees, which coupled with the reduction in emissions has resulted in a 29% 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 five assets over the last two years, which included lighting upgrades, window replacements and roof insulation. We have identified significant reductions in energy consumption at these five assets where works have been completed, achieving up to 24% savings in the year-on-year figures. A major refurbishment was also undertaken at Grainger's head office in Newcastle during 2022, achieving a reduction of 23% in yearly energy consumption.

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 customer energy use and emissions.

Customers' energy use and emissions

Grainger's customers purchase their own energy and data privacy laws make it challenging to obtain actual customer energy data which can be used to calculate actual Scope 3 emissions. Grainger has used a consistent methodology to estimate Scope 3 emissions for many years, using the estimated household carbon emissions data reported on the Energy Performance Certificates (EPCs) for the properties owned by Grainger. These figures estimate emissions based on a typical household, and do not take into account actual resident usage patterns. Grainger has a customer engagement campaign 'Living a Greener Life' which aims to engage our customers on greener living and support them in reducing their environmental impacts. Taking this and the demographics of our residents into account, we would expect emissions from Grainger properties to be lower than the typical household. This year we developed a GDPR compliant strategy to obtain actual customer emissions data and plan to improve the accuracy of the methodology used to estimate emissions from our customers, by extrapolating actual customer energy data for future reporting. The analysis of actual data gathered to date suggests that the typical emissions generated by Grainger's customers is lower than the estimated data reported on the EPCs. For more details on our customer emissions strategy and 'Living a Greener Life' campaign, see page 9.

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). Following the publication of this report, EcoAct will undertake verification of the 2022 emissions data with a verification statement to be published on our website. The verification statement for Grainger's 2021 emissions is available on Grainger's website at www.graingerplc.co.uk/responsibility.

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, also available on our website.

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. The newly established Responsible Business Committee, chaired by Carol Hui, has assumed the employee engagement and voice in the boardroom responsibility. For more information on our people and the activities of the Responsible Business Committee, see page 76.

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 2022 (2021: £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

16 November 2022

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1. Our opinion is unmodified

We have audited the financial statements of Grainger plc (“the Company”) for the year ended 30th September 2022 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 on pages 120 to 122 for the Group and pages 159 to 160 for the parent company financial statements.

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 30th September 2022 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- 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.

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 5th February 2015. The period of total uninterrupted engagement is for the eight financial years ended 30 September 2022. 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 in the year.

Overview

Materiality:

Group financial statements as a whole	£32.0m (2021 :£30.0m) 0.9% (2021: 0.9%) of total assets
Coverage	100% (2021:100%) of Group total assets

Key audit matters

Recurring risks		vs 2021
	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 (unchanged from 2021), 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
<p>Valuation of properties</p> <p>Investment properties: (£2,775.9m; 2021: £2,179.2m)</p> <p>Trading properties at EPRA market value (APM) £873.0m; 2021: £1,130.7m)</p> <p>Refer to page 79 (Audit Committee Report), pages 122-125 (critical accounting estimates and judgements) and pages 135-136 and 139 (accounting policies and financial disclosures).</p>	<p>Subjective valuation:</p> <p>The valuation approach adopted by the Directors varies between portfolios:</p> <ul style="list-style-type: none"> For properties let into the private rental market, and 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 material difference in valuation. 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 if required 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 corresponding property types. 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. <p>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.</p>	<p>Our procedures in respect of all property types identified included:</p> <ul style="list-style-type: none"> Methodologies: with the assistance of our own property valuation specialists, we challenged the methodologies used for the specific portfolios with reference to market practice. Sensitivity analysis: we performed sensitivity analyses over the key assumptions and considered the outcomes with reference to benchmarks to identify the key assumptions affecting the valuation. Assessing valuers’ credentials: we assessed 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: we attended the Group’s meetings with their external valuers and challenged the market evidence presented by the valuer with the help of our own property valuation specialists. Historical comparisons: we compared the 2021 year end valuation with the sales price achieved for property sales in the year. Assessing transparency: we assessed whether the Group’s disclosure about the sensitivity of fair value changes in key assumptions reflected the uncertainties inherent in the property valuations. <p>Our additional procedures in respect of private rental sector properties, and affordable housing properties included:</p> <ul style="list-style-type: none"> Yield rates: with the assistance of our property valuation specialists, we challenged the yield rates applied using our understanding of the nature of the assets and comparing to available market data. <p>Our additional procedures in respect of properties under construction which are to be let into the private rental market, included:</p> <ul style="list-style-type: none"> Test of details: for a sample of properties, agreeing the adjustments made for capital expenditure not yet incurred to the latest third party 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. <p>Our additional procedures in respect of individual properties included:</p> <ul style="list-style-type: none"> Comparing valuations: challenging the inputs used in valuations and comparing valuations to recent comparable transactions. <p>Our additional procedures in respect of the Tricomm portfolio and the shared ownership affordable housing properties included:</p> <ul style="list-style-type: none"> Benchmarking assumptions: we compared 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. <p>We performed the tests above rather than seeking to rely on any of the Group’s controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our results</p> <p>We found the valuation of properties to be acceptable. (2021: acceptable).</p>

	The risk	Our response
<p>Recoverability of parent company's investment in subsidiaries (£1,784.6m; 2021: £1,226.8m) Refer to page 159 (accounting policy) and page 160 (financial disclosures).</p>	<p>Low risk, high value The carrying amount of the parent company's investment in subsidiaries represents 83% (2021: 56%) 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.</p>	<p>We performed the tests below rather than seeking to rely on any of the parent 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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> – Test of details: we compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, measured at fair value and being an approximation of their recoverable amount, were in excess of their carrying amount. – Assessing transparency: we assessed the adequacy of the parent company's disclosures in respect of the investment in subsidiaries. <p>Our results We found the balance of the Company's investments in subsidiaries and the related impairment charge to be acceptable (2021: acceptable).</p>

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 £32.0m (2021: £30.0m), determined with a reference to a benchmark of total assets (of which it represents 0.9% (2021: 0.9%)).

In addition, we applied a materiality of £3.5m (2021: £3.5m) and performance materiality of £2.6m (2021: £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 (2021: £17.0m) determined with a reference to a benchmark of parent company net assets of which it represented 1.3% (2021: 1.3%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £24.0m (2021: £22.5m) for the Group and £12.75m (2021: £12.75m) for the parent company.

The scope of the audit work was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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 £1.6m (2021: £1.0m) in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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 (2021: 100% of Group revenue, Group profit before tax and Group total assets).



4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Group's business and its financial statements. Climate change impacts the Group in a number of ways: through its own operations (including potential reputational risk associated with the Group's delivery of its climate related initiatives), through its portfolio of properties and the greater emphasis on climate related narrative and disclosure in the Annual Report. The Group's main potential exposure to climate change in the financial statements is primarily through the carrying value of its properties as the key valuation assumptions and estimates may be impacted by climate risks. As part of our audit we have made enquiries of Directors and the Group's Corporate Sustainability team to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit, in particular with respect to the valuation of investment properties and net realisable value and valuation of trading properties. Given that these valuations are largely based on comparable market evidence we assessed that the impact of climate change was not a significant risk for our audit nor does it constitute a key audit matter. We held discussions with our own climate change professionals to challenge our risk assessment. We have also read the Group's disclosure of climate related information in the front half of the Annual Report as set out on pages 44 to 50, and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

5. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern until at least the end of March 2024 ("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 and parent company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and parent company's available financial resources over this period were:

- A fall in customer demand and a rise in customer default as a result of economic downturn over the next two years.
- Material reductions in the valuation of investment property and trading property;
- Higher levels of counterparty risk;
- Higher levels of cost inflation; and
- Higher levels of interest rates on refinanced debt.

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 parent 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 both the Group and parent company 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 same statements are 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 parent company will continue in operation.

6. 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; and
- 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 accounting 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; and
- 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.

7. 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 58 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 58 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 parent 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. We have nothing to report in this respect.

8. 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.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 103, 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 error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. 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
16 November 2022

Financial statements
Consolidated income statement
For the year ended 30 September

	Notes	2022 £m	2021 £m
Group revenue	5	279.2	248.9
Net rental income	6	86.3	70.6
Profit on disposal of trading property	7	64.4	68.6
Profit on disposal of investment property	8	1.7	1.5
Income from financial interest in property assets	20	6.0	7.2
Fees and other income	9	4.4	5.1
Administrative expenses		(31.8)	(38.5)
Other expenses		(10.3)	(0.6)
Reversal of impairment / (impairment) of inventories to net realisable value	22	1.5	(0.1)
Operating profit		122.2	113.8
Net valuation gains on investment property	16	129.0	76.8
Net valuation gains on investment property reclassifications	2, 16	81.2	-
Change in fair value of derivatives		-	(3.8)
Finance costs	12	(34.6)	(35.4)
Finance income	12	1.3	0.2
Share of profit of associates after tax	18	1.2	0.8
Share of loss of joint ventures after tax	19	(1.7)	(0.3)
Profit before tax	11	298.6	152.1
Tax charge	13	(69.2)	(42.6)
Profit for the year attributable to the owners of the Company		229.4	109.5
Basic earnings per share	15	31.0p	16.2p
Diluted earnings per share	15	30.9p	16.1p

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Consolidated statement of comprehensive income
For the year ended 30 September

	Notes	2022 £m	2021 £m
Profit for the year	3	229.4	109.5
<i>Items that will not be transferred to the consolidated income statement:</i>			
Remeasurement of BPT Limited defined benefit pension scheme	28	5.7	5.3
<i>Items that may be or are reclassified to the consolidated income statement:</i>			
Changes in fair value of cash flow hedges		47.3	16.1
Other comprehensive income and expense for the year before tax		53.0	21.4
<i>Tax relating to components of other comprehensive income:</i>			
Tax relating to items that will not be transferred to the consolidated income statement	13	(1.4)	(1.0)
Tax relating to items that may be or are reclassified to the consolidated income statement	13	(11.9)	(2.8)
Total tax relating to components of other comprehensive income		(13.3)	(3.8)
Other comprehensive income and expense for the year after tax		39.7	17.6
Total comprehensive income and expense for the year attributable to the owners of the Company		269.1	127.1

	Notes	2022 £m	2021 £m
ASSETS			
Non-current assets			
Investment property	16	2,775.9	2,179.2
Property, plant and equipment	17	4.2	1.4
Investment in associates	18	16.7	15.5
Investment in joint ventures	19	38.5	29.4
Financial interest in property assets	20	69.1	71.7
Retirement benefits	28	9.8	3.5
Deferred tax assets	13	1.2	3.7
Intangible assets	21	0.5	0.5
		2,915.9	2,304.9
Current assets			
Inventories – trading property	22	453.8	595.2
Trade and other receivables	23	40.5	38.5
Derivative financial instruments	27	56.5	–
Current tax assets		16.5	16.0
Cash and cash equivalents	27	95.9	317.6
		663.2	967.3
Total assets		3,579.1	3,272.2
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	26	1,317.6	1,347.5
Trade and other payables	25	2.2	0.6
Provisions for other liabilities and charges	24	1.1	1.1
Deferred tax liabilities	13	136.9	69.5
		1,457.8	1,418.7
Current liabilities			
Interest-bearing loans and borrowings	26	40.0	–
Trade and other payables	25	105.9	109.8
Provisions for other liabilities and charges	24	8.6	0.2
Derivative financial instruments	27	–	4.5
		154.5	114.5
Total liabilities		1,612.3	1,533.2
NET ASSETS		1,966.8	1,739.0
EQUITY			
Issued share capital	29	37.1	37.1
Share premium account		817.6	817.3
Merger reserve	31	20.1	20.1
Capital redemption reserve		0.3	0.3
Cash flow hedge reserve	31	32.1	(3.3)
Retained earnings	32	1,059.6	867.5
TOTAL EQUITY		1,966.8	1,739.0

The financial statements on pages 115 to 157 were approved by the Board of Directors on 16 November 2022 and were signed on their behalf by:

Helen Gordon
 Director

Rob Hudson
 Director

Company registration number: 125575

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Consolidated statement of changes in equity

	Notes	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2020		33.8	616.3	20.1	0.3	(16.6)	789.1	1,443.0
Profit for the year	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
Profit for the year	3	-	-	-	-	-	229.4	229.4
Other comprehensive income for the year		-	-	-	-	35.4	4.3	39.7
Total comprehensive income		-	-	-	-	35.4	233.7	269.1
Award of SAYE shares	29	-	0.3	-	-	-	-	0.3
Purchase of own shares	29	-	-	-	-	-	(3.3)	(3.3)
Share-based payments charge	30	-	-	-	-	-	1.7	1.7
Dividends paid	14	-	-	-	-	-	(40.0)	(40.0)
Total transactions with owners recorded directly in equity		-	0.3	-	-	-	(41.6)	(41.3)
Balance as at 30 September 2022		37.1	817.6	20.1	0.3	32.1	1,059.6	1,966.8

	Notes	2022 £m	2021 £m
Cash flow from operating activities			
Profit for the year		229.4	109.5
Depreciation and amortisation	11	0.9	1.2
Net valuation gains on investment property	16	(129.0)	(76.8)
Net valuation gains on investment property reclassifications	2, 16	(81.2)	-
Net finance costs	12	33.3	35.2
Share of loss/(profit) of associates and joint ventures	18, 19	0.5	(0.5)
Profit on disposal of investment property	8	(1.7)	(1.5)
Share-based payments charge	30	1.7	1.7
Change in fair value of derivatives		-	3.8
Income from financial interest in property assets	20	(6.0)	(7.2)
Tax	13	69.2	42.6
Cash generated from operating activities before changes in working capital		117.1	108.0
Increase in trade and other receivables		(1.9)	(6.9)
Increase in trade and other payables		8.5	48.0
Increase/(decrease) in provisions for liabilities and charges		8.4	(0.2)
Decrease in inventories		24.8	62.2
Cash generated from operating activities		156.9	211.1
Interest paid		(42.0)	(45.6)
Tax paid		(12.3)	(16.9)
Payments to defined benefit pension scheme	28	(0.6)	(0.6)
Net cash inflow from operating activities		102.0	148.0
Cash flow from investing activities			
Proceeds from sale of investment property	8	20.9	40.3
Proceeds from financial interest in property assets	20	8.6	8.8
Investment in joint ventures	19	(6.4)	(0.8)
Loans advanced to joint ventures	19	(4.4)	(1.6)
Acquisition of investment property	16	(289.2)	(362.3)
Acquisition of property, plant and equipment and intangible assets		(3.7)	(0.3)
Net cash outflow from investing activities		(274.2)	(315.9)
Cash flow from financing activities			
Net proceeds from issue of share capital	29	-	204.1
Award of SAYE shares	29	0.3	0.2
Purchase of own shares	29	(3.3)	(0.3)
Proceeds from new borrowings		14.2	30.0
Payment of loan costs		(6.1)	-
Cash flows relating to new derivatives / settlement of derivatives		(13.7)	(3.8)
Repayment of borrowings		(0.9)	(77.0)
Dividends paid	14	(40.0)	(36.8)
Net cash (outflow)/inflow from financing activities		(49.5)	116.4
Net decrease in cash and cash equivalents		(221.7)	(51.5)
Cash and cash equivalents at the beginning of the year	27	317.6	369.1
Cash and cash equivalents at the end of the year	27	95.9	317.6

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 have been prepared and approved by the directors in accordance with UK-adopted international accounting standards (IFRS) and applicable law. The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 158 to 163.

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 market volatility and the impact on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the financial statements for the year ended 30 September 2022.

The financial position of the Group, including details of its financing and capital structure, is set out in the financial review on pages 32 to 37. In making the going concern assessment, the Directors have considered the Group's principal risks (see pages 54 to 57) 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 forecasts to the end of March 2024, which exceeds the required period of assessment of at least 12 months in order to be aligned to the Group's interim reporting date, and uses the same forecasts considered by the Group for the purposes of the Viability Statement. The assessment considers a severe downside scenario including a potential extreme longer-term impact of Covid-19, reflecting the following key assumptions:

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

No new financing is assumed in the assessment period, but existing facilities are assumed to remain available. Even in this severe downside scenario, the Group has sufficient cash reserves, with the loan-to-value covenant remaining no higher than 53% (facility maximum covenant ranges between 70% – 75%) and interest cover above 2.45x (facility minimum covenant ranges between 1.35x – 1.75x) for the period to March 2024 to align with reporting periods, 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 2022.

(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 2022 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.

1. Accounting policies continued

(c) Adoption of new and revised International Financial Reporting Standards and interpretations

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

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

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

i) **IFRIC: Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)**

The agenda decision considered accounting for deposits subject to contractual restrictions on use. The Committee clarified the position such that where an entity has a contractual obligation with a third party to keep a specified amount of cash in a separate demand deposit for specified purposes, it will not meet the definition of cash and cash equivalents if it cannot be accessed on demand. This agenda decision applies to deposits held in connection with facility arrangements. At 30 September 2022, deposits amounting to £14.3m have restricted use and have been reflected in trade and other receivables, as set out in Note 23 on page 140.

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 65% of our property assets relating primarily to PRS blocks, including new build PRS assets.

The remaining 35% of property assets are based on current house prices, reflecting the prevailing market conditions as at the reporting date.

Where appropriate, sustainability and environmental matters are an integral part of the valuation approach. 'Sustainability' is taken to mean the consideration of such matters as environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal consideration.

	Notes	PRS £m	Reversionary £m	Other £m	Total £m	Valuer	% of properties for which external valuer provides valuation
Trading property		13.5	395.8	44.5	453.8		
Investment property		2,753.5	22.4	-	2,775.9		
Financial asset (CHARM)		-	69.1	-	69.1		
Total statutory book value		2,767.0	487.3	44.5	3,298.8		
Trading property							
Residential	(i)	13.9	789.0	-	802.9	Allsop LLP	75%
Developments	(ii)	-	-	70.1	70.1	CBRE Limited	96%
Total trading property		13.9	789.0	70.1	873.0		
Investment property							
Residential	(i)	898.5	22.4	-	920.9	Allsop LLP/ CBRE Limited	100%
Developments	(ii)	111.8	-	-	111.8	CBRE Limited	100%
New build PRS	(iii)	1,409.8	-	-	1,409.8	CBRE Limited	96%
Affordable housing	(iv)	190.5	-	-	190.5	Allsop LLP	100%
Tricomm Housing	(v)	142.9	-	-	142.9	Allsop LLP	100%
Total investment property		2,753.5	22.4	-	2,775.9		
Financial asset (CHARM) ¹	(vi)	-	69.1	-	69.1	Allsop LLP	100%
Total assets at market value		2,767.4	880.5	70.1	3,718.0		
Statutory book value		2,767.0	487.3	44.5	3,298.8		
Market value adjustment ²		0.4	393.2	25.6	419.2		
Total assets at market value		2,767.4	880.5	70.1	3,718.0		
Net revaluation gain recognised in the income statement for wholly-owned properties		129.0	-	-	129.0		
Net revaluation gain recognised in the income statement for wholly-owned properties reclassified in the year		81.2	-	-	81.2		
Net revaluation gain relating to joint ventures and associates ³	(vii)	0.9	-	-	0.9		
Net revaluation gain recognised in the year³		211.1	-	-	211.1		

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 2022. 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 79% 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 2022 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 74% 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 17%. 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 69% of residential investment property, with Allsop LLP valuing 19% on this basis. Gross yields adopted in the valuations broadly range from 4.5% to 7.2%.

2. Critical accounting estimates and judgements continued

The remaining 12% 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 17%, whilst the residential PRS discount to vacant possession value was 5%.

ii) Developments

Trading property: Development trading property of £70.1m relates to the Group's legacy strategic land assets. The current market value has been assessed by CBRE Limited. Their valuation, representing 96% 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 4% 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 4.9% to 6.4%. 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 5.7% 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 ('EUJ-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 2022 valuations range from 4.2% to 4.6%.

v) **Tricomm Housing** – Allsop LLP provided an investment valuation as at 30 September 2022 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: -1.5% in 2023, 0.5% in 2024, and 2.5%-3.0% thereafter. The discount rates applied to the cash flows range between 4.4% (core income) and 6.5% (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 0.17% and 7.79% p.a. A discount rate of 4.5% 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) 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 £4.1m as at 30 September 2022 (2021: £6.5m). 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)	10.0% change in house prices (NRV provision impact)	2.3	2.3	(3.7)	(3.7)
Residential (investment property)	0.50% change in gross yield	(60.7)	(60.7)	75.1	75.1
Residential (investment property)	5.0% change in net rental income	32.7	32.7	(32.7)	(32.7)
Developments (investment property)	0.50% change in gross yield	(32.0)	(32.0)	39.7	39.7
Developments (investment property)	5.0% change in net rental income	17.0	17.0	(17.0)	(17.0)
New build PRS	0.50% change in gross yield	(124.6)	(124.6)	150.2	150.2
New build PRS	5.0% change in net rental income	73.8	73.8	(73.8)	(73.8)
Affordable housing	0.50% change in gross yield	(21.0)	(21.0)	27.0	27.0
Affordable housing	5.0% change in net rental income	9.5	9.5	(9.5)	(9.5)
Tricomm Housing	10.0% change in house prices	9.1	9.1	(9.1)	(9.1)
Tricomm Housing	0.75% change in discount rate	(0.4)	(0.4)	0.4	0.4
Financial asset (CHARM)	10.0% change in house prices	5.7	5.7	(5.7)	(5.7)
Financial asset (CHARM)	0.75% change in discount rate	(3.2)	(3.2)	3.4	3.4

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.

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

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

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

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

4. Segmental information

(a) 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.

2022 Income statement

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

A reconciliation from adjusted earnings to adjusted EPRA earnings is detailed in the table below, with further details shown in the EPRA performance measures on page 164:

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

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:

£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

4. Segmental information continued

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

These measures are set out below by segment along with a reconciliation to the summarised statutory statement of financial position. Additional EPRA disclosures are included on pages 164 to 167.

2022 Segment net assets

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

2022 Reconciliation of EPRA NAV measures

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

In order to provide further analysis, the following table sets out EPRA NTA by segment:

£m	PRS	Reversionary	Other	Total
EPRA NTA				
Investment property	2,753.5	22.4	–	2,775.9
Investment in joint ventures and associates	37.1	–	18.1	55.2
Financial interest in property assets	–	69.1	–	69.1
Inventories – trading property	13.9	789.0	70.1	873.0
Cash and cash equivalents	71.2	22.4	2.3	95.9
Other assets	16.2	11.7	49.4	77.3
Total segment EPRA NTA assets	2,891.9	914.6	139.9	3,946.4
Interest-bearing loans and borrowings	(1,008.6)	(316.7)	(32.3)	(1,357.6)
Deferred and contingent tax liabilities	(5.4)	(99.3)	(7.3)	(112.0)
Other liabilities	(50.3)	(13.0)	(54.5)	(117.8)
Total segment EPRA NTA liabilities	(1,064.3)	(429.0)	(94.1)	(1,587.4)
Net EPRA NTA assets	1,827.6	485.6	45.8	2,359.0

2021 Segment net assets

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

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 restated 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

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.

	2022 £m	2021 £m
Gross rental income (Note 6)	121.4	97.4
Gross proceeds from disposal of trading property (Note 7)	153.4	146.4
Fees and other income (Note 9)	4.4	5.1
	279.2	248.9

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.

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

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.

	2022 £m	2021 £m
Gross proceeds from disposal of trading property	153.4	146.4
Selling costs	(4.0)	(3.1)
Net proceeds from disposal of trading property	149.4	143.3
Carrying value of trading property sold (Note 22)	(85.0)	(74.7)
	64.4	68.6

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.

	2022 £m	2021 £m
Gross proceeds from disposal of investment property	21.3	41.5
Selling costs	(0.4)	(1.2)
Net proceeds from disposal of investment property	20.9	40.3
Carrying value of investment property sold (Note 16)	(19.2)	(38.8)
	1.7	1.5

9. Fees and other income

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

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

10. Employees

	2022 £m	2021 £m
Wages and salaries	20.9	17.5
Social security costs	2.4	1.8
Other pension costs – defined contribution scheme (Note 28)	1.4	1.2
Share-based payments (Note 30)	1.7	1.7
	26.4	22.2

The average monthly number of Group employees during the year (including Executive Directors) was:

	2022 Number	2021 Number
Operations	222	197
Shared services	92	86
Group	14	11
	328	294

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 83 to 102.

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.

	2022 £'000	2021 £'000
Aggregate Directors' remuneration	2,723	2,146
Aggregate amount of gains on exercise of share options	8	–
Aggregate amount of money or assets received or receivable under scheme interests	571	942
	3,302	3,088

None of the Directors (2021: none) were members of the Group defined benefit scheme or the defined contribution scheme.

Key management compensation

	2022 £m	2021 £m
Short-term employee benefits	7.0	6.5
Post-employment benefits	0.5	0.4
Share-based payments	1.5	1.3
	9.0	8.2

Key management figures shown above include Executive and Non-Executive Directors and all internal Directors of specific functions.

11. Profit before tax

	2022 £m	2021 £m
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	0.9	0.9
Amortisation of intangible assets	-	0.3
Bad debt expense	1.7	0.7
Operating lease payments	0.2	0.2
Auditor's remuneration (see below)	0.5	0.5

The remuneration paid to KPMG LLP, the Group's auditor, is disclosed below:

Auditor's remuneration

	2022 £'000	2021 £'000
Services as auditor to the Company	229	190
Services as auditor to Group subsidiaries	257	285
Group audit fees	486	475
Audit related assurance services	40	37
Other assurance services	-	10
Non-audit fees	40	47
Total fees	526	522

The relevant proportion of amounts paid to the auditor for the audit of the financial statements of joint ventures is £18,000 (2021: £16,830).

12. Finance costs and income

	2022 £m	2021 £m
Finance costs		
Bank loans and mortgages	18.4	17.0
Non-bank financial institution	2.1	2.1
Corporate bond	22.6	22.5
Interest capitalised under IAS 23	(12.0)	(10.0)
Other finance costs	3.5	3.8
	34.6	35.4
Finance income		
Interest receivable from joint ventures (Note 34)	(0.7)	-
Other interest receivable	(0.6)	(0.2)
	(1.3)	(0.2)
Net finance costs	33.3	35.2

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 £69.2m (2021: £42.6m) recognised in the consolidated income statement comprises:

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

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

The Group works in an open and transparent manner and maintains a regular dialogue with HM Revenue 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% (2021: 19.0%).

The tax charge for the year is higher (2021: higher) than the charge for the year derived by applying the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%) to the profit before tax. The differences are explained below:

	2022 £m	2021 £m
Profit before tax	298.6	152.1
Income tax at a rate of 19.0% (2021: 19.0%)	56.7	28.9
Expenses not deductible for tax purposes	0.2	(0.1)
Share of joint ventures and associates after tax	0.1	(0.1)
Effect of new substantively enacted tax rates	-	10.2
Effect of future tax rates over current tax rates	12.4	5.9
Adjustment in respect of prior periods	(0.2)	(2.2)
Amounts recognised in the income statement	69.2	42.6

13. Tax continued

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

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

Deferred tax balances comprise temporary differences attributable to:

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

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

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

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:

	2022 £m	2021 £m
Ordinary dividends on equity shares:		
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
Final dividend for the year ended 30 September 2021 – 3.32p per share	24.6	-
Interim dividend for the year ended 30 September 2022 – 2.08p per share	15.4	-
	40.0	36.8

Subject to approval at the AGM, the final dividend of 3.89p per share (gross) amounting to £28.8m will be paid on 14 February 2023 to Shareholders on the register at the close of business on 30 December 2022. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2023. An interim dividend of 2.08p per share amounting to a total of £15.4m was paid to Shareholders on 1 July 2022.

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 2022 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

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

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.

	2022 £m	2021 £m
Opening balance	2,179.2	1,778.9
Acquisitions	14.4	78.0
Capital expenditure – completed assets	9.2	22.8
Capital expenditure – assets under construction	265.6	261.5
Total additions	289.2	362.3
Transfer from inventories (Note 2, page 125)	116.5	-
Disposals (Note 8)	(19.2)	(38.8)
Net valuation gains on investment properties	129.0	76.8
Net valuation gains on investment property reclassifications (Note 2, page 125)	81.2	-
Closing balance	2,775.9	2,179.2

16. Investment property continued

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 2022 is £2,315.0m (2021: £1,943.4m).

Direct property repair and maintenance costs arising from investment property that generated rental income during the year were £4.4m (2021: £2.0m).

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

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

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

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

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

In relation to the Group's investment in associates, the aggregated assets, liabilities, revenues and profit or loss of associates is shown below:

2022 Summarised income statement

£m	Vesta LP
Net rental income and other income	2.2
Administration and other expenses	(0.5)
Operating profit	1.7
Revaluation gains on investment property	4.4
Profit before tax	6.1
Tax	–
Profit after tax	6.1

2022 Summarised statement of financial position

£m	Vesta LP
Investment property	79.5
Current assets	5.7
Total assets	85.2
Current liabilities	(1.7)
Non-current liabilities	(72.6)
Total liabilities	(74.3)
Net assets	10.9

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	(1.6)
Non-current liabilities	(72.6)
Total liabilities	(74.2)
Net assets	4.9

19. Investment in joint ventures

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

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

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

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

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

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:

2022 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Lewisham Grainger Holdings LLP	Total
Administration and other expenses	(3.3)	-	-	(3.3)
Loss before tax	(3.3)	-	-	(3.3)
Tax	-	-	-	-
Loss after tax	(3.3)	-	-	(3.3)

2022 Summarised statement of financial position

Investment property	25.6	-	7.0	32.6
Current assets	5.3	36.7	-	42.0
Total assets	30.9	36.7	7.0	74.6
Current liabilities	(4.7)	(36.7)	(7.2)	(48.6)
Net assets	26.2	-	(0.2)	26.0

2021 Summarised income statement

£m	Connected Living London (BTR) Limited	Curzon Park Limited	Helical Grainger (Holdings) Limited ¹	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

¹ Helical Grainger (Holdings) Limited was dissolved in the year.

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'.

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

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.

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.

	2022 £m	2021 £m
Opening balance	595.2	657.4
Additions	58.6	12.6
Transfer to investment property (Note 2, page 125)	(116.5)	–
Disposals (Note 7)	(85.0)	(74.7)
Reversal of impairment / (impairment) of inventories to net realisable value	1.5	(0.1)
Closing balance	453.8	595.2

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.

Amounts relating to inventories that have been recognised as an expense in the consolidated income statement are as follows:

	2022 £m	2021 £m
Carrying value of trading property sold (Note 7)	85.0	74.7
(Reversal of impairment) / impairment of inventories to net realisable value	(1.5)	0.1

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.

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

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

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

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

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

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

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

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

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

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.

	2022 £m	2021 £m
Current liabilities		
Deposits received	10.1	9.1
Trade payables	22.8	16.3
Lease liabilities (Note 35)	0.8	0.7
Tax and social security costs	0.7	4.9
Accruals	63.8	72.6
Deferred income	7.7	6.2
	105.9	109.8
Non-current liabilities		
Lease liabilities (Note 35)	2.2	0.6
	2.2	0.6
Total trade and other payables	108.1	110.4

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

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.

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

(a) Bank loans

Sterling bank loans include variable rate loans bearing interest at rates between 1.5% and 1.8% above SONIA 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 2022 was 3.4% (2021: 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 £8.1m (2021: £3.5m) 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 2022 was 2.4% (2021: 2.4%). Unamortised costs in relation to these fixed rate loans of £2.8m (2021: £3.3m) will be amortised over the life of the loans to which they relate.

(c) Corporate bonds

In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028. In 2020, the Group issued a ten-year £350.0m corporate bond at 3.0% due July 2030.

As at 30 September 2022 unamortised costs in relation to the corporate bonds stood at £3.5m (2021: £3.9m), and the outstanding discount was £2.2m (2021: £2.6m).

(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 2022, unamortised costs totalled £14.4m (2021: £10.7m) and the outstanding discount was £2.2m (2021: £2.6m).

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.

£m	2022				2021			
	Loans and borrowings	Interest payable	Derivatives used for hedging the liabilities from financing activities		Loans and borrowings	Interest payable	Derivatives used for hedging the liabilities from financing activities	
			Assets	Liabilities			Assets	Liabilities
Opening balance	1,347.5	8.8	-	4.5	1,391.9	8.7	-	20.6
<i>Changes from financing cash flows</i>								
Proceeds from loans and borrowings	14.2	-	-	-	30.0	-	-	-
Repayment of borrowings	(0.9)	-	-	-	(77.0)	-	-	-
Transaction costs related to loans, borrowings and derivatives	(6.1)	-	13.7	-	-	-	-	-
Total changes from financing cash flows	7.2	-	13.7	4.5	(47.0)	-	-	-
<i>Other changes</i>								
Gross interest accrued	-	42.2	-	-	-	45.7	-	-
Gross interest paid	-	(42.0)	-	-	-	(45.6)	-	-
Amortisation of borrowing costs net of premiums	2.9	-	-	-	2.6	-	-	-
Changes in fair value of derivatives through hedging reserve	-	-	42.8	(4.5)	-	-	-	(16.1)
Total other changes	2.9	0.2	42.8	(4.5)	2.6	0.1	-	(16.1)
Closing balance	1,357.6	9.0	56.5	-	1,347.5	8.8	-	4.5

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. Demand deposits that cannot be accessed and have restrictions on use arising from contracts with third parties are reflected in trade and other receivables.

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 ongoing 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	2022						
	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
Non-current assets							
Financial interest in property assets	-	69.1	-	-	69.1	-	69.1
Current assets							
Trade and other receivables excluding prepayments	36.5	-	-	-	36.5	-	36.5
Cash and cash equivalents	95.9	-	-	-	95.9	-	95.9
Derivative financial instruments	-	-	56.5	-	56.5	-	56.5
Total financial assets	132.4	69.1	56.5	-	258.0	-	258.0
£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	-	-	-	2.2	2.2	-	2.2
Interest-bearing loans and borrowings	-	-	-	1,317.6	1,317.6	(263.0)	1,054.6
Current liabilities							
Trade and other payables	-	-	-	105.9	105.9	-	105.9
Interest-bearing loans and borrowings	-	-	-	40.0	40.0	-	40.0
Total financial liabilities	-	-	-	1,465.7	1,465.7	(263.0)	1,202.7
Net financial assets/(liabilities)	132.4	69.1	56.5	(1,465.7)	(1,207.7)	263.0	(944.7)

27. Financial risk management and derivative financial instruments continued

		2021					
£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
Non-current assets							
	–	71.7	–	–	71.7	–	71.7
Current assets							
	35.8	–	–	–	35.8	–	35.8
	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							
	–	–	–	0.6	0.6	–	0.6
	–	–	–	1,347.5	1,347.5	46.7	1,394.2
Current liabilities							
	–	–	–	109.8	109.8	–	109.8
	–	–	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)

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 £523.9m (2021: £740.0m) based on quoted prices in traded markets. The fair value of the non-bank loans is calculated as £263.1m (2021: £356.7m) 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 £14.5m (2021: £11.2m) relating to cash held on behalf of tenants, leaseholders and clients comprising service charge and 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, £8.6m (2021: £43.9m) of the cash balance is restricted in use, either by underlying financing arrangements or other commercial agreements 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 and derivative financial instruments. 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 2022, £0.1m (2021: £10.4m) 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 £8.2m (2021: £6.9m) 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 £3.2m, we consider £nil to be not due and not impaired. All of the £17.1m other receivables balance and all of the £1.9m contract assets are considered not due and not impaired.

As at 30 September 2022, tenant arrears of £1.5m within trade receivables were impaired and fully provided for (2021: £2.3m). 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 2022, the fair value of all interest rate derivatives that had a positive value was £56.5m (2021: £nil).

At 30 September 2022, the combined credit exposure arising from cash held at banks, money market deposits and interest rate swaps was £152.4m (2021: £317.6m), which represents 4.3% (2021: 9.7%) of total assets. Deposits were placed with financial institutions with A- or better credit ratings.

The Group has the following cash and cash equivalents:

	2022 £m	2021 £m
Pounds Sterling	94.8	316.4
Euros	1.1	1.2
	95.9	317.6

At the year end, £42.5m was placed on deposit (2021: £240.5m) at effective interest rates between 0.1% and 2.2% (2021: 0.0% and 0.4%). 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 2022 (2021: £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 15 December 2021. 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.

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.

27. Financial risk management and derivative financial instruments continued

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.

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 2022.

£m	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
At 30 September 2022					
Interest-bearing loans and borrowings (Note 26)	40.0	–	344.5	973.1	1,357.6
Interest on borrowings	50.7	50.9	137.6	52.0	291.2
Interest on derivatives	(12.6)	(16.9)	(23.2)	(1.5)	(54.2)
Trade and other payables	105.9	2.2	–	–	108.1
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

The Group's undrawn committed borrowing facilities are monitored against projected cash flows.

Maturity of committed undrawn borrowing facilities

	2022 £m	2021 £m
Expiring:		
Between one and two years	–	–
Between two and five years	590.8	379.1
Over five years	–	–
	590.8	379.1

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:

£m	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Level 3				
CHARM	69.1	-	71.7	-
Investment property	2,775.9	-	2,179.2	-
	2,845.0	-	2,250.9	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	56.5	-	-	4.5
	56.5	-	-	4.5

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 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 2022 was £283.3m (2021: £306.3m).

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

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:

£m	Accounting basis	Classification if fair valued	2022		2021	
			Book value	Fair value	Book value	Fair value
Inventories – trading property	Lower of cost and net realisable value	Level 3	453.8	873.0	595.2	1,130.7
Corporate bonds	Amortised cost	Level 1	700.0	523.9	700.0	740.0
Non-bank loans	Amortised cost	Level 3	350.0	263.1	350.0	356.7

27. Financial risk management and derivative financial instruments continued

(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 2022, 97% (2021: 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% rise in interest rates would decrease annual profits by £0.3m (2021: £nil). Similarly, a 1% fall would increase annual profits by £0.3m (2021: £nil).

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 £11.2m (2021: £6.8m). Similarly, a 1% fall would decrease the Group’s equity by £11.2m (2021: £6.8m).

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 2022, the market value of derivatives designated as cash flow hedges under IFRS 9 is a net asset of £56.5m (2021: net liability of £4.5m). No amount is recognised within the income statement for ineffectiveness of cash flow hedges (2021: £nil). The fair value movement on derivatives not in hedge accounting relationships resulted in a charge of £nil (2021: £nil) in the consolidated income statement.

At 30 September 2022, the market value of derivatives not designated as cash flow hedges under IFRS 9 is £nil (2021: £nil). The cash flows occur and enter in the determination of profit and loss until the maturity of the hedged debt.

The table below summarises debt hedged:

Hedged debt

	2022 £m	2021 £m
Hedged debt maturing:		
Within one year	–	–
Between one and two years	–	–
Between two and five years	283.3	306.3
Over five years	–	–
	283.3	306.3

Interest rate profile – including the effect of derivatives and amortisation of issue costs:

	2022					2021				
	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	6.4	1,050.0	–	1,050.0	3.1	7.4	1,050.0	–	1,050.0
Hedged rate	3.5	4.7	283.3	–	283.3	3.4	2.7	306.3	–	306.3
Variable rate	4.0	4.7	40.0	0.9	40.9	2.0	2.7	3.7	0.9	4.6
	3.2	5.6	1,373.3	0.9	1,374.2	3.1	5.5	1,360.0	0.9	1,360.9

¹ Average maturity years excluding extension options. Including extension options, average maturity years is 6.5 years (2021: 5.6 years).

At 30 September 2022, the fixed interest rates on the interest rate swap contracts vary from 0.69% to 2.00% (2021: 0.69% to 1.68%); 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 diverse range of lenders and maintains sufficient headroom through cash and committed borrowings. On 30 September 2022, the Group had available headroom of £663.2m, with the next debt maturity not until June 2023.

(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 2022, Group LTV was 33.4% (see page 169 for calculation) and Group ICR was 3.8x, with minimum headroom being a 29.2% increase in LTV and 0.9x 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 2022, the weighted average cost of debt was 3.1% (2021: 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 83 to 102. The pension cost charge in these financial statements represents contributions payable by the Group.

The charge of £1.4m (2021: £1.2m) is included within employee remuneration in Note 10.

28. Pension costs continued

(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 2022 was 18 years.

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 2022, by a qualified independent actuary.

i) Principal actuarial assumptions under IAS 19 (p.a.)

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

ii) Demographic assumptions

	2022	2021
Mortality tables for pensioners	S2PA base tables CMI 2021 mortality projections 1.25% p.a. long-term rate	S2PA base tables CMI 2020 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 2022		30 September 2021	
	Male	Female	Male	Female
Life expectancy for a current 60-year-old (years)	86	89	86	88
Life expectancy at age 60 for an individual aged 45 (years)	87	90	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 2022		30 September 2021	
	Market value £m	% of total scheme assets	Market value £m	% of total scheme assets
Equities	13.9	48	17.7	52
Bonds	10.7	37	12.7	38
Cash	1.9	7	0.5	1
Insurance policies	2.3	8	3.0	9
Total value of assets	28.8	100	33.9	100
The actual return on assets over the year was:	(4.4)		2.9	

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:

	2022 £m	2021 £m
Market value of scheme assets at the start of the year	33.9	31.5
Interest income	0.6	0.5
Employer contributions	0.6	0.6
Actuarial return on assets less interest	(5.1)	2.4
Benefits paid	(1.2)	(1.1)
Market value of scheme assets at the end of the year	28.8	33.9

The change in value of the defined benefit obligation over the year was as follows:

	2022 £m	2021 £m
Value of defined benefit obligation at the start of the year	30.4	33.9
Interest on pension scheme liabilities	0.6	0.5
Remeasurement of changes in financial assumptions	(10.8)	(2.9)
Benefits paid	(1.2)	(1.1)
Value of defined benefit obligation at the end of the year	19.0	30.4

Amounts recognised in the consolidated statement of comprehensive income:

	2022 £m	2021 £m
Actuarial return on assets less interest	(5.1)	2.4
Remeasurement of defined benefit obligation	10.8	2.9
	5.7	5.3

The gain shown in the above table of £5.7m (2021: £5.3m) has been included in the consolidated statement of comprehensive income on page 116.

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. For the surplus recognised, the Group considers there is economic benefit available through a reduction in future contributions.

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. From July 2022, the Group continues to pay £0.6m p.a. pending agreement of future funding requirements.

A full actuarial valuation is currently in progress based on the scheme assets and liabilities as at 1 July 2022. The Group and the Trustees will review the results of the valuation on completion.

28. Pension costs continued

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 0.75% p.a.	Increase/(decrease) in deficit of £2.2m/(£2.5m)
Salary movement of 1.00% p.a.	Increase/(decrease) in deficit of £0.1m/(£0.1m)
Life expectancies movement of one year	Increase/(decrease) in deficit of £0.6m/(£0.6m)

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

	2022 £m	2021 £m
Allotted, called-up and fully paid:		
742,921,734 (2021: 742,776,681) ordinary shares of 5p each	37.1	37.1

During the year, The Grainger Employee Benefit Trust has acquired 1,000,000 shares at a cost of £3.2m (2021: none acquired). The Group paid £0.1m (2021: £0.3m) 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 £3.3m (2021: £0.3m) has been deducted from retained earnings within Shareholders' equity.

As at 30 September 2022, share capital included 699,878 (2021: 445,184) shares held by The Grainger Employee Benefit Trust and 1,506,300 (2021: 1,506,300) shares held by Grainger plc as treasury shares. The total of these shares is 2,206,178 (2021: 1,951,484) with a nominal value of £110,309 (2021: £97,574) and a market value as at 30 September 2022 of £5.1m (2021: £6.0m).

Movements in issued share capital during the year and the previous year were as follows:

	Number	Nominal value £'000
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
Options exercised under the SAYE scheme (Note 30)	145,053	7
At 30 September 2022	742,921,734	37,146

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.

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

Award date	LTIP		LTIP		DBSP	DBP	EDBP	SAYE	
	16 December 2021 Market-based	16 December 2021 Non-market-based	28 September 2022 Market-based	28 September 2022 Non-market-based	16 December 2021	16 December 2021	16 December 2021	1 July 2022 3-year scheme	1 July 2022 5-year scheme
Number of shares on grant	466,342	466,342	30,856	30,856	110,866	40,800	17,864	203,952	75,527
Exercise price (£)	-	-	-	-	-	-	-	2.48	2.48
Vesting period from date of grant (years)	3	3	3	3	3	1-3	1-5	3	5
Exercise period after vesting (years)	7	7	7	7	3	3	3	-	-
Share price at grant (£)	3.06	3.06	2.26	2.26	3.06	3.06	3.06	2.81	2.81
Expected risk free rate (%)	0.5	0.5	0.5	0.5	N/A	N/A	N/A	1.9	1.9
Expected dividend yield (%)	N/A	N/A	N/A	N/A	1.9	1.9	1.9	1.9	1.9
Expected volatility (%)	26.8	26.8	26.8	26.8	N/A	N/A	N/A	24.3	23.7
Fair value (£)	1.56	3.06	1.56	2.26	3.06	3.06	3.06	0.59	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 (2021: £1.7m).

(a) LTIP scheme

For the awards granted in or after December 2021, 33% 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, 33% are subject to annual growth in Total Property Return measured over three years from the date of grant, and the final 33% are subject to achieving Secured PRS Investment targets measured over three years from the date of grant.

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	211,500	-	(211,500)	-	-
12 December 2018	586,387	-	(279,062)	(307,325)	-
26 September 2018	66,598	-	-	(34,904)	31,694
6 February 2020	544,627	-	-	(82,208)	462,419
10 December 2020	578,250	-	-	(87,283)	490,967
11 October 2021 ¹	-	549,904	-	-	549,904
16 December 2021	-	932,684	-	(81,200)	851,484
28 September 2022	-	61,712	-	-	61,712
Total	1,987,362	1,544,300	(490,562)	(592,920)	2,448,180

¹ The grant of LTIP awards made on 11 October 2022 was made to Rob Hudson as replacement of awards made by his previous employer. The fair value of these awards is based on the assumptions relating to previous LTIP awards. See Note 8 of the remuneration report on page 91 of the prior year Annual Report and Accounts for further details.

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	37,681	-	(37,681)	-	-
12 December 2018	78,576	-	(78,576)	-	-
1 December 2019	43,563	-	-	(10,676)	32,887
10 December 2020	73,854	-	-	(12,541)	61,313
16 December 2021	-	110,866	-	(4,911)	105,955
DBP					
17 December 2018	35,320	-	(35,320)	-	-
17 December 2019	26,058	-	-	-	26,058
10 December 2020	34,298	-	-	-	34,298
16 December 2021	-	40,800	-	-	40,800
EDBP					
11 January 2017	60,020	-	(53,016)	(7,004)	-
21 December 2017	36,826	-	-	-	36,826
17 December 2018	77,210	-	-	-	77,210
17 December 2019	57,172	-	-	-	57,172
10 December 2020	67,492	-	-	-	67,492
16 December 2021	-	17,864	-	-	17,864
Total	628,070	169,530	(204,593)	(35,132)	557,875

(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 2022, 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							
2016	150.7	2019-22	25,871	-	(25,871)	-	-
2017	189.9	2020-23	36,479	-	(9,632)	-	26,847
2018	228.6	2021-24	11,405	-	(11,405)	-	-
2019	193.0	2022-25	272,985	-	(94,472)	(44,289)	134,224
2020	245.0	2023-26	231,239	-	(3,673)	(31,022)	196,544
2021	234.0	2024-27	128,812	-	-	(11,611)	117,201
2022	248.0	2025-28	-	279,479	-	(2,177)	277,302
			706,791	279,479	(145,053)	(89,099)	752,118
Weighted average exercise price (pence per share)			216.4	248.0	189.4	217.8	233.1

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 274.6p (2021: 299.1p). For share options outstanding at the end of the year, the weighted average remaining contractual life was 2.1 years (2021: 1.9 years). There were 115,995 (2021: 38,674) share options exercisable at the year end with a weighted average exercise price of 192.3p (2021: 175.2p).

(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 118. 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 2022 is a balance of £7.8m (2021: £7.8m) relating to treasury shares bought back and cancelled.

Investment in own shares

Included within retained earnings at 30 September 2022 is a balance of £0.9m (2021: £1.1m) 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 2022 is set out in the Notes to the parent company financial statements on pages 162 to 163.

The following subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the year ended 30 September 2022.

Company	Companies House registered number	Company	Companies House registered number
BPT Limited	00229269	Grainger Europe Limited	05299283
Bromley No. 1 Holdings Limited	04165737	Grainger Finance (Tricomm) Limited	08451352
Bromley No 1 Limited	00034359	Grainger Homes (Gateshead) Limited	05651808
Bromley Property Holdings Limited	04132693	Grainger Housing & Developments Limited	02018842
Crossco (No. 103) Limited	02929000	Grainger Maidenhead Limited	03709575
Derwent Developments (Curzon) Limited	05887266	Grainger Properties Limited	03910945
Derwent Developments Limited	01899218	Grainger RAMP Limited	07560835
Grainger (Hadston) Limited	04068791	Grainger Real Estate Limited	04170173
Grainger (Hallsville) Limited	11834099	Grainger Residential Management Limited	04974627
Grainger (Hallsville Block D1) Limited	12170837	Grainger Treasury Property Investments LP	LP011846
Grainger (Hornsey) Limited	04810257	Grainger Tribe Limited	11055318
Grainger Asset Management Limited	04417232	Margrave Estates Limited	00332564
Grainger Development Management Limited	03146573	MREF III Newcastle Operations Limited	10606762
Grainger Developments Limited	06061419	Portland House Holdings Limited	02421236
Grainger Employees Limited	05019636	West Waterlooville Developments Limited	03047254

The parent company has guaranteed the debts and liabilities of the above subsidiaries as at 30 September 2022 in accordance with Section 479C of the Companies Act 2006. The parent company has assessed the probability of loss under the guarantees as remote.

34. Related party transactions

During the year ended 30 September 2022, the Group transacted with its associates and joint ventures (details of which are set out in Notes 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	2022		2021	
	Fees recognised	Year end balance	Fees recognised	Year end balance
Connected Living London (BTR) Limited	1,303	596	1,211	1,588
Lewisham Grainger Holdings LLP	319	–	319	930
Vesta LP	743	207	559	275
	2,365	803	2,089	2,793

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

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.

(a) Group as lessor

The future aggregate minimum lease payments due to the Group under non-cancellable operating leases are as follows:

	2022 £m	2021 £m
Operating lease payments due:		
Not later than one year	15.9	14.6
Later than one year and not later than five years	22.6	23.8
Later than five years	75.2	77.0
	113.7	115.4

There are no contingent rents recognised within net rental income in 2022 or 2021 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:

	2022 £m	2021 £m
Operating lease payments due:		
Not later than one year	0.8	0.7
Later than one year and not later than five years	0.9	0.6
Later than five years	1.3	–
	3.0	1.3

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 £2,389.4m 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 2022, total guarantees amounted to £4.3m (2021: £4.5m).

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:

	2022 £m	2021 £m
Wholly-owned Group subsidiaries	628.9	869.8
	628.9	869.8

38. Post balance sheet event

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

Parent company statement of financial position and statement of changes in equity
As at 30 September

	Notes	2022 £m	2021 £m
Fixed assets			
Investments	2	1,784.6	1,226.8
Current assets			
Trade and other receivables	3	324.0	735.5
Cash at bank and in hand		41.8	240.7
		365.8	976.2
Creditors: amounts falling due within one year	4	(8.3)	(48.7)
Net current assets		357.5	927.5
Total assets less current liabilities		2,142.1	2,154.3
Creditors: amounts falling due after more than one year			
Interest-bearing loans and borrowings	5	(831.9)	(832.7)
NET ASSETS		1,310.2	1,321.6
Capital and reserves			
Issued share capital	6	37.1	37.1
Share premium account		817.6	817.3
Capital redemption reserve		0.3	0.3
Retained earnings		455.2	466.9
TOTAL EQUITY		1,310.2	1,321.6

The financial statements on pages 158 to 163 were approved by the Board of Directors on 16 November 2022 and were signed on their behalf by:

Helen Gordon **Rob Hudson**
Director 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 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
Profit for the year	-	-	-	29.9	29.9
Award of SAYE shares	-	0.3	-	-	0.3
Purchase of own shares	-	-	-	(3.3)	(3.3)
Share-based payments charge	-	-	-	1.7	1.7
Dividends paid	-	-	-	(40.0)	(40.0)
Balance as at 30 September 2022	37.1	817.6	0.3	455.2	1,310.2

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 UK-adopted international accounting standards (IFRS), 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.
- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based payment (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures to disclose key management personnel compensation.

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 £29.9m (2021: profit of £45.8m). 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) Going concern

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

The company has net assets of £1,310.2m at 30 September 2022 and has generated a profit for the period then ended of £29.9m. The Directors of Grainger plc manage the Group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Grainger plc operating segment level. For these reasons, the Directors do not prepare cash flow forecasts at an individual entity level.

In making the going concern assessment, on a consolidated basis, the Directors have considered the Group's principal risks 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.

Further details of the Group's going concern assessment, including the key assumptions applied, is set out in Note 1(a) on page 120.

Based on these considerations, the Directors continue to adopt a going concern basis in preparing the financial statements for the year ended 30 September 2022.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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

	2022 £m	2021 £m
Cost of investment		
At 1 October	1,302.3	1,250.0
Additions	1,447.7	52.3
At 30 September	2,750.0	1,302.3
	2022 £m	2021 £m
Impairment		
At 1 October	75.5	71.9
Additional provisions	890.0	3.8
Reversal of impairment provisions	(0.1)	(0.2)
At 30 September	965.4	75.5
Net carrying value	1,784.6	1,226.8

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.

Additions during the year principally relate to an internal restructure of subsidiary undertakings, resulting in one of the Group's intermediary holding companies now being directly held by the parent company. After an assessment of recoverable amounts a net impairment of £889.9m (2021: net impairment of £3.6m) has been made. The most significant element of the overall net impairment was an impairment of £855.1m which resulted from a reduction in the net assets of BPT Limited and its subsidiary undertakings, following distributions made in the year.

A list of the subsidiaries of the Company is contained within Note 9 on pages 162 to 163.

3. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by Group undertakings	323.4	735.5
Other receivables	0.6	-
	324.0	735.5

Amounts due in both 2022 and 2021 are all due within one year. The Company's assessment of expected credit losses on amounts owed by Group undertakings is not considered to be an area of significant judgement or estimation due to sufficient liquidity in the Group. As such, there is no expectation of any material credit losses at the balance sheet date.

4. Creditors: amounts falling due within one year

	2022 £m	2021 £m
Amounts owed to Group undertakings	-	39.9
Tax and social security costs	-	0.4
Accruals and deferred income	8.3	8.4
	8.3	48.7

Amounts owed to Group undertakings are unsecured, bear no interest, and are repayable on demand.

5. Interest-bearing loans and borrowings

	2022 £m	2021 £m
Variable rate – loans	140.0	140.0
Unamortised issue costs	(2.4)	(0.8)
	137.6	139.2
Corporate bonds	700.0	700.0
Unamortised issue costs	(3.5)	(3.9)
	696.5	696.1
Unamortised bond discount	(2.2)	(2.6)
Total interest-bearing loans and borrowings	831.9	832.7

The variable rate loans are secured by floating charges over the assets of the Group. The loans bear interest at rates between 1.5% and 1.8% over SONIA.

In 2018, the Group issued a ten-year £350.0m corporate bond at 3.375% due April 2028. In 2020, the Group issued a ten-year £350.0m corporate bond at 3.0% due July 2030.

As at 30 September 2022 unamortised costs in relation to the corporate bonds stood at £3.5m (2021: £3.9m), and the outstanding discount was £2.2m (2021: £2.6m).

6. Issued share capital

	2022 £m	2021 £m
Allotted, called-up and fully paid:		
742,921,734 (2021: 742,776,681) ordinary shares of 5p each	37.1	37.1

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 152.

Details of share options and awards granted by the Company are provided in Note 30 to the Group financial statements on pages 152 to 155 and discussed within the Remuneration Committee's report on pages 83 to 102.

7. Contingent liabilities

The Company has guaranteed the debts and liabilities of certain of its subsidiaries as at 30 September 2022 in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantees as remote.

8. 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 £413.5m to support this policy. Information on dividends paid and declared is given in Note 14 to the Group financial statements on page 134.

Subject to approval at the AGM, the final dividend of 3.89p per share (gross) amounting to £28.8m will be paid on 14 February 2023 to Shareholders on the register at the close of business on 30 December 2022. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2023. An interim dividend of 2.08p per share amounting to a total of £15.4m was paid to Shareholders on 1 July 2022.

Auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

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.

9. List of subsidiaries, associates and joint ventures

A full list of the Group's subsidiaries as at 30 September 2022 is set out below:

Company	% effective holding	Direct/ Indirect	Company	% effective holding	Direct/ Indirect
Broxden House, Lamberkine Drive, Perth, PH1 1RA			Grainger Finance Company Limited	100%	Direct
Faside Estates Limited ²	100%	Indirect	Grainger Homes (Gateshead) Limited	100%	Indirect
Langwood Properties Limited ²	100%	Indirect	Grainger Homes Limited	100%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE			Grainger Housing & Developments Limited	100%	Indirect
19 Ifield Road Management Limited ²	100%	Indirect	Grainger Invest (No. 1 Holdco) Limited	100%	Indirect
36 Finborough Road Management Limited ²	100%	Indirect	Grainger Invest No.1 Limited Liability Partnership	100%	Indirect
45 Ifield Road Management Limited ²	67%	Indirect	Grainger Invest No.2 Limited Liability Partnership	100%	Indirect
Atlantic Metropolitan (U.K.) Limited	100%	Direct	Grainger K&C Lettings Limited ²	100%	Indirect
BPT (Assured Homes) Limited	100%	Indirect	Grainger Kensington & Chelsea Limited	100%	Direct
BPT (Bradford Property Trust) Limited	100%	Indirect	Grainger Land & Regeneration Limited	100%	Indirect
BPT (Residential Investments) Limited	100%	Indirect	Grainger Maidenhead Limited	100%	Indirect
BPT Limited	100%	Direct	Grainger Newbury Limited	100%	Indirect
Berewood Estate Management Limited ^{1,2}	100%	Indirect	Grainger OCCC Limited	100%	Indirect
Brierley Green Management Company Limited ²	100%	Indirect	Grainger Pearl Holdings Limited	100%	Direct
Bromley No.1 Holdings Limited ²	100%	Indirect	Grainger Pearl Limited	100%	Indirect
Bromley No 1 Limited ²	100%	Indirect	Grainger Pearl (Salford) Limited	100%	Indirect
Bromley Property Holdings Limited	100%	Direct	Grainger Pimlico Limited ²	100%	Direct
Bromley Property Investments Limited	100%	Indirect	Grainger Properties Limited	100%	Direct
Cambridge Place Management Company Limited ²	100%	Indirect	Grainger Property Services Limited ²	100%	Indirect
Chrisdell Limited ²	100%	Indirect	Grainger PRS Limited ²	100%	Indirect
City North 5 Limited ²	100%	Indirect	Grainger RAMP Limited	100%	Direct
City North Group Limited ²	100%	Direct	Grainger Real Estate Limited ²	100%	Indirect
City North Properties Limited ²	100%	Indirect	Grainger REIT 1 Limited ²	100%	Indirect
Connected Living London Limited	100%	Indirect	Grainger REIT 2 Limited ²	100%	Indirect
Crofton Estate Management Company Limited ²	100%	Indirect	Grainger REIT 3 Limited ²	100%	Indirect
Crossco (No. 103) Limited	100%	Indirect	Grainger Residential Limited	100%	Direct
Derwent Developments (Curzon) Limited	100%	Indirect	Grainger Residential Management Limited	100%	Direct
Derwent Developments Limited	100%	Indirect	Grainger Seven Sisters Limited	100%	Indirect
Derwent Nominees (No 2) Limited ²	100%	Indirect	Grainger Southwark Limited	100%	Indirect
Frincon Holdings 1986 Limited ²	100%	Indirect	Grainger Treasury Property Investments Limited Partnership	100%	Indirect
Frincon Holdings Limited ²	100%	Indirect	Grainger Treasury Property (2006) Limited Liability Partnership	100%	Indirect
GIP Limited	100%	Indirect	Grainger Tribe Limited	100%	Direct
Globe Brothers Estates Limited ²	100%	Indirect	Grainger Trust Limited	100%	Indirect
Grainger (Aldershot) Limited	100%	Direct	Grainger Unitholder No 1 Limited	100%	Direct
Grainger (Clapham) Limited	100%	Indirect	Greit Limited ²	100%	Direct
Grainger (Hadston) Limited	100%	Indirect	GRIP REIT PLC	100%	Indirect
Grainger (Hallsville) Limited	100%	Indirect	GRIP UK Holdings Limited	100%	Indirect
Grainger (Hallsville Block D1) Limited	100%	Indirect	GRIP UK Property Developments Limited	100%	Indirect
Grainger (Hornsey) Limited	100%	Indirect	GRIP UK Property Investments Limited	100%	Indirect
Grainger (London) Limited ²	100%	Direct	H I Tricomm Holdings Limited	100%	Indirect
Grainger (Octavia Hill) Limited	100%	Indirect	Harborne Tenants Limited ²	100%	Indirect
Grainger (Peachey) Limited ²	100%	Indirect	Infrastructure Investors Defence Housing (Bristol) Limited ²	100%	Indirect
Grainger Asset Management Limited	100%	Direct	Ingleby Court Management Limited ²	100%	Indirect
Grainger Bradley Limited	100%	Indirect	Jesmond Place Management Limited ²	70%	Indirect
Grainger Development Management Limited	100%	Direct	Kings Dock Mill (Liverpool) Management Company Limited ^{1,2}	100%	Indirect
Grainger Developments Limited	100%	Direct	Macaulay & Porteus Management Company Limited ^{1,2}	100%	Indirect
Grainger Employees Limited	100%	Direct	Manor Court (Solihull) Management Limited ²	100%	Indirect
Grainger Enfranchisement No. 1 (2012) Limited ²	100%	Indirect	Margrave Estates Limited	100%	Indirect
Grainger Enfranchisement No. 2 (2012) Limited ²	100%	Indirect	Mariners Park Estate North Management Company Limited ²	100%	Indirect
Grainger Europe (No. 3) Limited	100%	Direct			
Grainger Europe (No. 4) Limited	100%	Direct			
Grainger European Ventures Limited Liability Partnership ²	100%	Indirect			
Grainger Europe Limited	100%	Direct			
Grainger Finance (Tricomm) Limited	100%	Indirect			

Company	% effective holding	Direct/Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
MREF III Newcastle Operations Limited	100%	Indirect
N & D London Investments ²	100%	Indirect
N & D London Limited ²	100%	Indirect
N & D Properties (Midlands) Limited ²	100%	Direct
Northumberland & Durham Property Trust Limited	100%	Indirect
Oakleigh House (Sale) Management Company Limited ²	69%	Indirect
Park Developments (Liverpool) Limited ²	100%	Indirect
Park Estates (Liverpool) Limited ²	100%	Indirect
Park Estates Investments (Liverpool) Limited ²	100%	Indirect
PHA Limited	100%	Indirect
Portland House Holdings Limited	100%	Indirect
Residential Leases Limited ²	100%	Indirect
Residential Tenancies Limited ²	100%	Indirect
Rotation Finance Limited ²	100%	Direct

Company	% effective holding	Direct/Indirect
Suburban Homes Limited ²	100%	Indirect
The Bradford Property Trust Limited ²	100%	Indirect
The Owners of the Middlesbrough Estate Limited ²	100%	Indirect
The Sandwarren Management Company Limited ²	100%	Indirect
Tricomm Housing (Holdings) Limited	100%	Indirect
Tricomm Housing Limited	100%	Indirect
Victoria Court (Southport) Limited ²	100%	Indirect
Wansbeck Lodge Management Limited ²	100%	Indirect
Warren Court Limited	100%	Indirect
Warwick Square Management Company Limited ²	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 2022 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	7%	Indirect
31 Radipole Road, Parsons Green, Fulham, London, SW6 5DN		
Stagestar Limited ²	25%	Indirect
33 Albert Square, London, SW8 1BZ		
33 Albert Square Management Company Limited	25%	Indirect

Company	% effective holding	Direct/Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
Mariners Park Estate South Management Company Limited ²	7%	Indirect
Sixty-Two Stanhope Gardens Limited ²	20%	Indirect
Vesta (General Partner) Limited ²	30%	Indirect
Vesta Limited Partnership	20%	Indirect
Portmill House, Portmill Lane, Hitchin, SG5 1DJ		
Redoubt Close Management Limited ²	3%	Indirect

A full list of the Group's joint ventures as at 30 September 2022 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 ²	50%	Indirect
Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE		
1 Ifield Road Management Limited ²	25%	Indirect
31-37 Disbrowe Road Freehold Company Limited ²	50%	Indirect
174 Bishops Road Limited ^{1,2}	50%	Indirect
Besson Street Limited Liability Partnership	50%	Indirect
Besson Street Second Member Limited ²	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 ²	51%	Indirect

Company	% effective holding	Direct/Indirect
Connected Living London (Nine Elms) Limited	51%	Indirect
Connected Living London (Woolwich) Limited ²	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 ²	50%	Indirect
Sandown (Whitley Bay) Management Limited ²	51%	Indirect
Wellesley Residents Trust Limited ^{1,2}	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 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 February 2022, 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.
8) EPRA LTV	This measure includes all capital which is not equity as debt, irrespective of its IFRS classification, and is based upon proportional consolidation, therefore including a company's share in the net debt and net assets of joint ventures and associates. Assets are included at fair value, net debt at nominal value.

The Group continues to have a substantial, albeit reducing, 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

	2022	2021
Adjusted EPRA Earnings	£30.7m	£26.0m
Adjusted EPRA Earnings per share	3.3p	3.1p
EPRA NRV	£2,470.6m	£2,350.0m
EPRA NRV per share	333p	316p
EPRA NTA	£2,359.0m	£2,207.8m
EPRA NTA per share	317p	297p
EPRA NDV	£2,483.0m	£2,111.1m
EPRA NDV per share	334p	284p
EPRA Net Initial Yield ('NIY')	3.0%	2.8%
Adjusted EPRA NIY	3.7%	3.8%
EPRA Vacancy Rate	2.1%	5.3%
Adjusted EPRA Cost Ratio (including direct vacancy costs)	34.0%	31.1%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	33.5%	28.6%
EPRA LTV	36.0%	33.2%
Capital Expenditure	£353.5m	£378.4m

2. EPRA Earnings

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

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% (2021: 19.0%).

3. EPRA NRV, EPRA NTA and EPRA NDV

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

4. EPRA NIY

		2022 £m	2021 £m
Investment property – wholly-owned		2,775.9	2,179.2
Investment property – share of JVs/Funds		32.4	25.9
Trading property (including share of JVs)		873.0	1,130.7
Less: developments		(664.8)	(400.9)
Gross up completed property portfolio valuation	B	3,016.5	2,934.9
Annualised cash passing rental income		124.8	110.4
Property outgoings		(33.9)	(29.5)
Annualised net rents	A	90.9	80.9
EPRA NIY	A/B	3.0%	2.8%
Gross up completed property portfolio valuation		3,016.5	2,934.9
Adjustments to completed property portfolio in respect of regulated tenancies and share of joint ventures		(811.5)	(910.9)
Adjusted gross up completed property portfolio valuation	b	2,205.0	2,024.0
Annualised net rents		90.9	80.9
Adjustments to annualised cash passing rental income in respect of newly completed developments and refurbishment activity		6.6	14.2
Adjustments to property outgoings in respect of newly completed developments and refurbishment activity		(1.9)	(4.1)
Adjustments to annualised cash passing rental income in respect of regulated tenancies		(18.9)	(21.5)
Adjustments to property outgoings in respect of regulated tenancies		5.1	4.6
Adjusted annualised net rents	a	81.8	74.1
Adjusted EPRA NIY	a/b	3.7%	3.7%

5. EPRA Vacancy Rate

		2022 £m	2021 £m
Estimated rental value of vacant space	A	2.0	3.8
Estimated rental value of the whole portfolio	B	95.7	72.1
EPRA Vacancy Rate	A/B	2.1%	5.3%

The vacancy rate reflects estimated rental values of the Group's stabilised habitable PRS units as at the reporting date.

6. EPRA Cost Ratio

		2022 £m	2021 £m
Administrative expenses		31.8	30.2
Property operating expenses		35.1	26.8
Share of joint ventures expenses		1.4	0.3
Management fees		(2.7)	(2.6)
Other operating income/recharges intended to cover overhead expenses		(1.7)	(2.5)
Exclude:			
Investment property depreciation		-	-
Ground rent costs		(0.2)	(0.3)
EPRA Costs (including direct vacancy costs)	A	63.7	51.9
Direct vacancy costs		(0.9)	(4.1)
EPRA Costs (excluding direct vacancy costs)	B	62.8	47.8
Gross rental income		121.4	97.4
Less: ground rent income		(0.6)	(0.6)
Add: share of joint ventures (gross rental income less ground rents)		0.7	0.2
Add: adjustment in respect of profits or losses on sales of properties		66.1	70.1
Gross Rental Income and Trading Profits	C	187.6	167.1
Adjusted EPRA Cost Ratio (including direct vacancy costs)	A/C	34.0%	31.1%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	B/C	33.5%	28.6%

7. EPRA LTV

£m		2022			
		Group	Share of Joint Ventures	Share of Associates	Combined
Borrowings from Financial Institutions		674.2	-	-	674.2
Bond loans		700.0	-	-	700.0
Net payables		67.6	6.0	14.9	88.5
Exclude:					
Cash and cash equivalents		(95.4)	(2.7)	(1.1)	(99.2)
Net debt	A	1,346.4	3.3	13.8	1,363.5
Investment properties at fair value		2,197.7	-	15.9	2,213.6
Investment properties under development		578.2	16.5	-	594.7
Properties held for sale		873.0	-	-	873.0
Financial assets		109.0	-	-	109.0
Total property value	B	3,757.9	16.5	15.9	3,790.3
EPRA LTV %	A/B	35.8%	20.0%	86.8%	36.0%

£m		2021			
		Group	Share of Joint Ventures	Share of Associates	Combined
Borrowings from Financial Institutions		660.8	-	-	660.8
Bond loans		700.0	-	-	700.0
Net payables		71.9	3.5	14.1	89.5
Exclude:					
Cash and cash equivalents		(305.7)	(1.2)	-	(306.9)
Net debt	A	1,127.0	2.3	14.1	1,143.4
Investment properties at fair value		1,841.6	-	15.0	1,856.6
Investment properties under development		337.6	10.8	-	348.4
Properties held for sale		1,130.7	-	-	1,130.7
Financial assets		107.2	-	-	107.2
Total property value	B	3,417.1	10.8	15.0	3,442.9
EPRA LTV %	A/B	33.0%	21.3%	94.0%	33.2%

8. Capital Expenditure

£m		2022				
		Trading Properties	Investment Properties	Group (excl Joint Ventures)	Share of Joint Ventures	Combined
Acquisitions		0.1	14.4	14.5	-	14.5
Development		49.5	253.8	303.3	5.4	308.7
Completed assets		8.8	9.2	18.0	-	18.0
Capitalised interest		0.2	11.8	12.0	0.3	12.3
Total Capital Expenditure		58.6	289.2	347.8	5.7	353.5

£m		2021				
		Trading Properties	Investment Properties	Group (excl Joint Ventures)	Share of Joint Ventures	Combined
Acquisitions		0.2	78.0	78.2	-	78.2
Development		6.6	251.7	258.3	3.5	261.8
Completed assets		5.6	22.8	28.4	-	28.4
Capitalised interest		0.2	9.8	10.0	-	10.0
Total Capital Expenditure		12.6	362.3	374.9	3.5	378.4

	2018 £m	2019 £m	2020 ¹ £m	2021 £m	2022 £m
Group revenue	270.7	222.8	214.0	248.9	279.2
Gross proceeds from property sales	209.5	193.1	144.1	187.9	174.7
Gross rental income	59.2	85.9	99.3	97.4	121.4
Net rental income	43.8	63.5	73.6	70.6	86.3
Gross fee income	6.5	3.8	2.2	2.6	2.7
Adjusted earnings	94.0	82.5	81.8	83.5	93.5
Profit before tax	100.7	131.3	99.1	152.1	298.6
Profit after tax	87.4	114.9	82.8	109.5	229.4
Dividends paid	20.8	25.2	33.5	36.8	40.0
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	19.0	19.9	12.8	16.2	31.0
Dividends per share	4.8	5.2	5.5	5.2	6.0
	Pence	Pence	Pence	Pence	Pence
EPRA NRV per share	314.4	296.7	301.0	316.4	332.6
EPRA NTA per share	273.5	278.3	284.7	297.2	317.5
EPRA NDV per share	270.1	271.5	272.8	284.2	334.2
Share price at 30 September	271.1	246.0	297.2	305.0	229.4
	%	%	%	%	%
Total Accounting Return – NTA basis	3.9	3.7	3.6	5.5	8.8
Total Property Return ('TPR')	6.0	5.0	5.4	7.5	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 2022

Performance measure	Definition		
Loan to Value ('LTV')	Ratio of net debt to the market value of properties and property related assets.		
		2022	2021
		£m	£m
Gross debt		1,357.6	1,347.5
Cash (excluding client cash)		(95.4)	(305.7)
Net debt		1,262.2	1,041.8
Market value of properties		3,648.9	3,309.9
Other property related assets		127.8	121.1
Total market value of properties and property related assets		3,776.7	3,431.0
LTV		33.4%	30.4%
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.		
		2022	2021
		£m	£m
Net rental income		86.3	70.6
Profit on disposal of trading property		64.4	68.6
Previously recognised profit through EPRA market value measures		(61.1)	(56.0)
Profit on disposal of investment property		1.7	1.5
Income from financial interest in property assets		6.0	7.2
Net valuation gains on investment property		129.0	76.8
Net valuation gains on trading property		26.0	58.7
Property return		252.3	227.4
Investment property – opening balance		2,179.2	1,778.9
Financial interest in property assets – opening balance		71.7	73.3
Inventories – trading property – opening balance		1,130.7	1,190.8
Total opening gross assets		3,381.6	3,043.0
TPR		7.5%	7.5%

Financial calendar

AGM	8 February 2023
Payment of 2022 final dividend	14 February 2023
Announcement of 2023 interim results	11 May 2023
Announcement of 2023 final results	22 November 2023

Share price

During the year ended 30 September 2022, the range of the closing mid-market prices of the Company's ordinary shares were:

Price at 30 September 2022	229.4p
Lowest price during the year	222.0p
Highest price during the year	319.2p

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**

Other information

Glossary of terms

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 February 2022. 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.

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.

Net Tangible Assets ('NTA')

NTA is the market value of property assets after deducting deferred tax on trading assets, and excluding intangible assets and derivatives.

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.

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.

UK-adopted IFRS

International Financial Reporting Standards, as adopted by the UK, mandatory for UK-listed companies for accounting periods ending on or after 1 January 2021.

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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