22 November 2023

Grainger plc

Full year financial results
for the twelve months ended 30 September 2023

An outstanding year of record delivery and an excellent outlook

- Delivering 1,640 new homes in 2023
- Net Rental Income up +12%
- EPRA Earnings up +41%
- Total dividend per share up +11%
- Adjusted Earnings up +4%
- Like-for-like PRS rental growth up +8.0%
- EPRA NTA resilient at 305pps
- Customer NPS up 26% to +43pts
- Doubling post tax EPRA earnings from FY22 in next 3 years

Grainger plc, the UK's largest listed residential landlord and leader in the build-to-rent sector, today announces an outstanding year of record delivery and a strong performance for the 12 months ended 30 September 2023. Grainger has a £3.3bn operational portfolio of 10,208 private rental homes and a £1.6bn, 5,634-home build-to-rent pipeline.

Helen Gordon, Chief Executive, said:

"It is with great pleasure that I can report an outstanding year of record delivery and a strong performance for Grainger, growing net rental income strongly and enabling us to increase our dividend to our shareholders by 11%, while improving the rental experience for our growing number of customers.

"We are now delivering our pipeline at pace and are set to deliver market-leading earnings growth, a culmination of years of planning and implementation since setting out the Company strategy in 2016. We have delivered c.1,200 new build-to-rent homes and are scheduled to deliver a further c.400 by the end of the calendar year. This year, we have exceeded more than £100m of annual net rental income on a passing basis, which is more than three times what it was at the start of the strategy. We now own and operate more than 10,000 rental homes nationally and this is set to grow significantly over the coming years. Our PRS portfolio now represents 77% of our operational portfolio by value.

"In the next three years, post-tax EPRA earnings will double compared to last year, as we deliver our fully-funded committed pipeline.

"Despite the macro-economic turbulence which marked the beginning of our financial year, the Grainger business has performed exceptionally well. This performance has been delivered by our market-leading operating platform, robust balance sheet and disciplined approach to capital allocation. Our property valuations held up well, underpinned by strong rental growth. Our capital discipline puts us in a strong position from a balance sheet perspective too, with our cost of debt fixed in the mid 3% for the next five years, enabling us to deliver on our committed pipeline and continue our growth trajectory.

"Our market-leading operating platform continues to drive value both for shareholders and residents. Occupancy in our PRS portfolio remains at an all-time high of 98.6%. Like-for-like rental growth is also strong at 8.0% for our PRS portfolio, in line with wage inflation, split between 9.2% on new lets and 7.2% on renewals, demonstrating our commitment to customer loyalty.

"Our focus on customer service is proving successful, with customer satisfaction levels continuing to rise. We are achieving industry-leading customer satisfaction levels, with our Net Promoter Score now +43, ahead of many well-known consumer brands.

"We remain very conscious of the affordability challenges facing many renters, and therefore closely monitor rent affordability in our rental communities across the UK, seeking to closely align rental increases with wage inflation. Our average customer rental affordability is c.28% of gross income, well below the widely accepted one-third threshold. In addition, our homes are highly energy efficient, providing our customers with lower energy bills, and many customers benefit from free Wifi, free on-site gyms, free resident lounges and co-working spaces, on-site Resident Services teams and much more.

"We are pleased today to announce a new partnership with Network Rail and bloc group, through their joint venture 'Blocwork', which will provide Grainger a new route for growth giving us optionality to forward fund and acquire a number of build-to-rent schemes across Network Rails' expansive land holdings.

"We remain in a very strong position to continue to deliver great performance and a great rental experience to our customers, with everyone at Grainger committed to our collective purpose of 'Renting homes and Enriching lives'."

Highlights

- +12% growth delivered in Net Rental Income[1] to £96.5m (FY22: £86.3m)
- +41% growth delivered in EPRA Earnings to £39.8m (FY22: £28.2m)
- Final dividend up +11% to 6.65p per share (FY22: 5.97p per share)
- Adjusted Earnings[2] grown +4% to £97.6m (FY22: £93.5m)
- +8.0% like-for-like rental growth[3] in our PRS portfolio (FY22: 4.8%)
    - +9.2% like-for-like rental growth on new lets in our PRS portfolio (FY22: 5.6%)
    - +7.2% like-for-like rental growth on renewals in our PRS portfolio (FY22: 4.1%)
  - +5.9% like-for-like rental growth in our Regulated Tenancy Portfolio (FY22: 4.6%)
  - Total, blended like-for-like rental growth of +7.7% across our whole portfolio (FY22: 4.7%)
- Occupancy of 98.6% in our PRS portfolio
- IFRS Profit before tax of £27.4m (FY22: £298.6m) due to the prior year one-off £81.2m valuation gain from the transfer of trading assets in preparation for REIT conversion along with a lower valuation performance in FY23
- Strong sales performance with £194m of sales proceeds including accelerated asset recycling
- EPRA NTA proving resilient at 305pps (FY22: 317pps)
- Strong balance sheet and funding position, debt costs fixed in mid 3% for the next five years
- New partnership announced with Network Rail and bloc group to forward fund and acquire build-to-rent schemes on sites adjacent to major rail hubs in line with our investment and cluster strategy (see separate announcement for further details)
- New acquisition of 65-home build-to-rent scheme in Tottenham Hale from Waterside Places, a JV between Canal & River Trust and Muse Places, adjacent to our existing operational asset, Windlass Apartments

Financial Highlights

Income returns	FY22	FY23	Change
Rental growth *(like-for-like)*	4.7%	7.7%	+302 bps
PRS rental growth (like-for-like)	4.8%	8.0%	+314 bps
PRS like-for-like (new lets)	5.6%	9.2%	+358 bps

	FY22	FY23	Change
PRS like-for-like (renewals)	4.1%	7.2%	+313 bps
Regulated tenancy rental growth (like-for-like, annualised)	4.6%	5.9%	+126 bps
Net rental income *(Note 5)*	£86.3m	£96.5m	+12%
Adjusted earnings *(Note 2)*	£93.5m	£97.6m	+4%
EPRA Earnings	£28.2m	£39.8m	+41%
IFRS Profit before tax *(Note 2)*[4]	£298.6m	£27.4m	(91)%
Earnings per share (diluted, after tax) *(Note 9)*[4]	30.9p	3.5p	(89)%
Dividend per share *(Note 10)*[5]	5.97p	6.65p	+11%

Capital returns	**FY22**	**FY23**	**Change**
Total Property Return[6]	7.5%	0.4%	(713) bps
Total Accounting Return *(Note 3)*	8.8%	(1.8)%	(1,065) bps
EPRA NTA per share *(Note 3)*	317p	305p	(4)%
Net debt	£1,262m	£1,416m	+12%
Group LTV	33.4%	36.8%	+340 bps
Cost of debt (average)	3.1%	3.3%	+12 bps
Reversionary surplus	£248m	£213m	(14)%

Build-to-rent investment pipeline	**Investment**	**Homes**
Committed	£721m	2,609
Secured	£541m	2,009
Planning/ Legals	£316m	1,016
Total investment value	£1.6bn	5,634

ESG benchmark performance	
FTSE4Good	since 2010
ISS ESG	Prime Rating
MSCI ESG	‘AA’
Sustainalytics ESG Risk Rating	Low Risk
EPRA Sustainability Best Practice Reporting	Gold Award
CDP (formerly the Carbon Disclosure Project)	‘B’ Rating
Workforce Disclosure Initiative	80%
GRESB Public Disclosure	‘A’ Rating

Future reporting dates

2024	
AGM & Trading update	7 February
Half year results	16 May
Trading update	September
Full year results	21 November

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

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

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

[4] *FY22 IFRS Profit before tax includes an £81.2m valuation uplift from one-off transfers from trading property to investment property.*

[5] *Dividends – Subject to approval at the AGM, the final dividend of 4.37p per share (gross) amounting to £32.2m will be paid on 14 February 2024 to Shareholders on the register at the close of business on 29 December 2023. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2024. An interim dividend of 2.28p per share amounting to a total of £16.9m was paid to Shareholders on 3 July 2023 – refer also to Note 10.*

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

Results presentation

Grainger plc will be holding a presentation of the results at 08:45am (UK time) today, 22 November 2023, which can be accessed via webcast and a telephone dial-in facility (details below), which will be followed by a live Q&A session for sell side analysts and shareholders.

Webcast details:

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

https://brrmedia.news/GRI_FY23

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

Conference call details:

Call: +44 (0)330 551 0200

Confirmation Code: Quote Grainger – Full Year Results when prompted by the operator

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

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Forward-looking statements disclaimer

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

Grainger's principal risks are described in more detail in its Annual Report and Accounts, set out in the Risk Management report on pages 62 to 67 of the 2023 Annual Report and Accounts.

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

In line with our risk management approach the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework. It is currently considered that the principal risks previously reported remain our principal risks. The risks to Grainger will continue to be monitored closely as well as the potential controls and mitigants that may be applied.

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

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

Chief Executive's Statement

An Outstanding Year of Record Delivery

It is with great pleasure that I can report another year of strong performance for your Company.

This year marks a year of record delivery of new homes for Grainger, leading to strong growth in net rental income and your dividend. We are delivering 1,640 new homes, 1,201 of which are completed and a further 439 completing later this calendar year.

We are now delivering our pipeline at pace and are set to deliver market-leading earnings growth, a culmination of years of planning and implementation since setting out the Company strategy in 2016.

This year, we have increased net rental income by 12%, exceeding more than £100m of annual net rental income on a passing basis, which is more than three times what it was at the start of the strategy.

Despite the macro-economic turbulence that marked the beginning of our financial year, the Grainger business has performed exceptionally well, with our market-leading operating platform, robust balance sheet and disciplined approach to capital allocation.

We now own and operate more than 10,000 rental homes nationally and this is set to grow significantly over the coming years.

Our market-leading operating platform continues to drive value both for Shareholders and residents. PRS occupancy remains at an all-time high of 98.6%. Like-for-like rental growth is also exceptionally strong at 8.0% for our PRS portfolio, which now represents 77% of our portfolio by value. Like-for-like rental growth on new lets in our PRS portfolio was 9.2% for the year, while like-for-like rental growth for renewals was 7.2%, demonstrating our commitment to customer loyalty.

Customer satisfaction has continued to rise, and occupancy and retention have continued to increase. On average, our PRS customers stay with us for 32 months.

We are achieving industry-leading customer satisfaction levels, with our Net Promoter Score now +43, ahead of many well-known consumer brand names.

We remain very conscious of the affordability challenges facing many renters, and therefore closely monitor rents against wage growth to protect affordability levels in our rental communities across the UK. On average, our customers spend 28% of their income on rent, below the national average.

Despite the turmoil in the financial markets and rising interest rates, which has badly affected other real estate markets throughout the UK and globally, UK residential has proven resilient, with Grainger's valuations holding up well, only 2.4% down in the year, underpinned by exceptional rental growth. This is reflected in the movements in Profit Before Tax and EPRA NTA in the year. In the year prior, PBT was enhanced by the transfer of trading assets in preparation for REIT conversion. In September 2022, in the wake of the mini-Budget, we put in place an outperformance plan which delivered an increase in adjusted earnings despite macro-economic headwinds. We delivered a strong sales performance in a challenging market with £194m of sales including our accelerated asset recycling programme, consisting of regulated tenancies, old style PRS assets and strategic land.

We have closely managed costs, and while facing energy, insurance and other rising costs, we maintained our operating costs in line with last year with stabilised gross-to-net held at 25.5%.

Our capital discipline puts us in a strong position from a balance sheet perspective, with our cost of debt fixed in the mid 3% for the next five years, enabling us to deliver on our committed pipeline and continue our growth trajectory.

There's much to look forward to.

In the next three years, post-tax EPRA earnings will double compared to last year, as we deliver our pipeline.

Our enhancements to our operating platform, our investment in technology, data science and analysis, and customer experience, will continue to support our growth, deliver efficiencies and improve our residents' experience of renting.

Our Market Opportunity

The UK private rented sector comprises 5.5 million households. Large-scale, institutional landlords (often referred to as build-to-rent), like Grainger, make up only 1.7% of the sector. The total addressable market we have in front of us is therefore vast and it is growing, with the demand for renting expanding while supply is reducing. This year we have seen many small landlords continue to exit the market, further increasing the demand for our homes.

All of this is underpinned by the single biggest defining characteristic of the UK housing market, which is one of severe undersupply of all types and tenures of housing. It is estimated that the shortfall is 4.3m homes[1] and growing as housing supply numbers continue to fall short of increasing demand.

As these numbers show, there is a huge opportunity for Grainger to increase our market share and support the UK in delivering more, high quality rental homes.

Our Commitment to Acting Responsibly

As a leading housing provider in the UK, we take this responsibility very seriously from how we treat our customers, colleagues and suppliers, through building safety, reducing our environmental impact and continuing to enhance our positive social impact.

From the Board to our on-site teams, everyone plays a part.

I am pleased that, for the first time, we are now able to fully report our carbon emissions across all Scopes 1, 2 and 3. This enables us to build on our existing commitment to be net zero carbon in operations by 2030, and we have set ourselves a new target to reduce upfront embodied carbon by 40% excluding offsetting for direct development schemes in design by 2030.

Our Living a Greener Life campaign, which supports our residents in reducing their carbon footprint (which is by far one of Grainger's largest components of our carbon emissions in Scope 3), was recognised by industry peers as market-leading, when we were awarded the Outstanding Contribution to Society Award for Environment by EPRA, the European Public Real Estate Association.

We are leading the sector in our approach to building safety, going beyond what's been set out in the new Building Safety Act, continuing to build on our Live.Safe programme.

Through an innovative partnership with the White Rose charity, we have enabled residents to give 18,700kg of clothing to charity, generating c.£100,000 for the charity and saving 67 tonnes of carbon in the process.

Positively Engaging in the Political Debate on Housing

Grainger is committed to improving the experience of renters and is taking a proactive approach to engaging with all political parties to help inform and shape public policy affecting housing and renting. This year, more than ever, we have engaged on issues important to us and our residents, from raising standards in the rental sector to building safety and energy efficiency standards. We are working hard to make the case for the importance of encouraging institutional investment into the build-to-rent sector and the benefits that it can bring to regional growth, economic productivity and regeneration.

We were pleased when the Conservative Government and Labour Party both publicly ruled out rent controls in England, recognising the damage they would do to supply, and ultimately renters. Equally, we were pleased to see the proposals for rental reform in Parliament reflect many of the points we made to Government throughout the consultation process, and that these reforms align to our responsible business model.

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[1] *Centre for Cities*

Putting People at the Heart of our business

To maintain our leading position in the sector and to support our growth ambitions, it is important that we can continue to attract and retain the best possible talent into the sector and our business. Our People Strategy, and the detailed action planning that sits behind it, ensures Grainger can maintain our position as a top employer.

An important aspect of this is our listening culture, which we support through our internal engagement programme. Colleague feedback is regularly sought and acted upon, with close attention paid by the Board and Executive Committee. I am therefore very pleased to report that our employee engagement scores have once again improved materially, and recognise Grainger as a 'Very Good' place to work. All areas of the business have now achieved a 'Star rating' in our annual employee engagement survey.

Equally, we recognise that Grainger's future success is predicated on being welcoming to as many talented colleagues and residents from as many walks of life as possible. Two very compelling reasons behind our strong commitment to promoting Diversity, Equality and Inclusion (DEI) both for colleagues and residents alike.

We continue to support greater diversity of all types across all levels of the business, with, for example, our gender pay gap continuing to reduce, due to the deliberate actions we are taking. We now have exceptionally high diversity data coverage for our colleagues, which will enable the business to effectively support its colleagues across all aspects of diversity. A notable step this year, was the Company's commitment to achieving the UK's highest standard for DEI, the National Equality Standard.

Another Strong Performance with a Confident Outlook

The business delivered another strong performance for the year, and remains in a good position to continue to successfully deliver on our strategic growth plans, the quality of our product and our commitment to excellent customer service.

Our disciplined investment approach means we have the funding in place to deliver our sizeable pipeline of committed projects. Our reliable cashflow from the unwinding of our regulated tenancy portfolio and our successful asset recycling programme provides us sufficient capacity for continued growth.

We remain in a very strong position to continue to deliver great performance and a great rental experience to our customers.

I'd like to thank the whole Grainger team and their tremendous effort and commitment to delivering on our collective purpose of 'Renting homes and Enriching lives'.

Helen Gordon
CEO
21 November 2023

Financial review

FY23 was another year of excellent performance for the business driven by the strength of our platform and demand for our mid market product. Operationally, we have capitalised on these dynamics and delivered strong results. Occupancy is high at 98.6%, LFL rental growth strong at 7.7% across the portfolio overall and higher in our PRS portfolio at 8.0%. The investment we are making in our pipeline is continuing to deliver annual step changes in our net rent with a 12% increase this year. Indeed, FY23 was a record year of both investment and delivery (£312m invested in new homes), with 1,201 new homes delivered and a further 439 scheduled to complete in calendar year 2023.

Despite the challenging economic backdrop, we have delivered excellent sales profits and delivered on our strategy of increasing asset recycling, with total sales for the year at £193.7m. Valuations have remained resilient in the period, reducing just 4% (£70m), with the strong operational performance driving ERV growth which in turn largely offset outward yield movement. The close relationship between rental growth and wage inflation was again evident in the year and demonstrates our natural valuation hedge in a high inflation and interest rate environment.

The balance sheet remains in good shape with net debt broadly flat on the half year position and with debt costs fixed in the mid 3% and no further material refinancing due until 2028, we have very limited exposure to rising interest rates in the medium term.

With a further 50% increase in net rents to come from our committed pipeline we are on track to deliver significant earnings growth over the coming years. The proposed final dividend for the year is 4.37 pence per share, taking the total dividend for the year to 6.65 pence per share, up 11% demonstrating the continuing growth in net rents.

Financial highlights

Income return	**FY22**	**FY23**	**Change**
Rental growth (like-for-like)	4.7%	7.7%	+302 bps
Net rental income *(Note 5)*	£86.3m	£96.5m	+12%
Adjusted earnings *(Note 2)*	£93.5m	£97.6m	+4%
Profit before tax *(Note 2)*	£298.6m	£27.4m	(91)%
Dividend per share *(Note 10)*	5.97p	6.65p	+11%

Capital return	**FY22**	**FY23**	**Change**
EPRA NTA per share *(Note 3)*	317p	305p	(4)%
Total Property Return	7.5%	0.4%	(713) bps
Total Accounting Return (NTA basis) *(Note 3)*	8.8%	(1.8)%	(1,065) bps
Net debt	£1,262m	£1,416m	+12%
Group LTV	33.4%	36.8%	+340 bps
Cost of debt (average)	3.1%	3.3%	+12 bps

Income statement

Adjusted earnings increased by +4% to £97.6m (FY22: £93.5m) as a result of another strong year of increasing net rents which were up 12%, and a resilient sales performance with vacant sales profits up despite the naturally shrinking portfolio.

IFRS Profit before tax was £27.4m, down from £298.6m in the prior year as result of the one-off £81.2m valuation gain from the transfer of trading assets in FY22 in preparation for REIT conversion, along with a lower valuation performance.

The operational leverage inherent in our business model means that EPRA earnings have increased by 41% to £39.8m (FY22: £28.2m) as we continued to deliver our pipeline and launch new homes.

Income statement (£m)	**FY22**	**FY23**	**Change**
Net rental income	86.3	96.5	+12%
Profit on sale of assets – residential	65.3	57.8	(11)%
CHARM income *(Note 15)*	4.8	4.7	(2)%
Management fees	4.4	5.0	+14%
Overheads	(31.8)	(33.5)	+5%
Pre-contract costs	(0.8)	(1.2)	+50%
Joint ventures and associates	(1.4)	0.1	(107)%
Net finance costs	(33.3)	(31.8)	(5)%
Adjusted earnings	**93.5**	**97.6**	**+4%**
Valuation movements	133.4	(70.2)	(153)%
Other valuation movements[1]	81.2	-	(100)%
Other adjustments	(9.5)	-	(100)%
Profit before tax	**298.6**	**27.4**	**(91)%**

[1] Profit before tax includes an £81.2m valuation uplift from one-off transfers from trading property to investment property in FY22 in preparation for REIT conversion, and £9.5m fire safety provision following full review of legacy projects.

Rental income

Net rental income was up +12% during the year at £96.5m (FY22: £86.3m) reflecting continued delivery of our PRS pipeline. Like for like growth was strong at 7.7% (FY22: 4.7%), broadly in line with national wage growth, with 8.0% rental growth in our PRS portfolio (FY22: 4.8%) and 5.9% in our regulated tenancy portfolio (FY22: 4.6%). New lets in our PRS portfolio delivered 9.2% rental growth with a lower level of 7.2% on renewals, reflecting our retention strategy.

FY23 was a record year of deliveries with 1,201 homes delivered across 6 schemes with a combined net rent roll of £13m which will benefit next years net rent by c.£8m. We continue to remain focused on cost efficiency with gross to net for the period on our stabilised portfolio at 25.5%, consistent with previous periods.

	£m
FY22 Net rental income	**86.3**
Disposals	(2.8)
PRS Investment	4.3
LFL Rental growth	8.7
FY23 Net rental income	**96.5**

Sales and development activity

Sales revenues increased in line with our plan of delivering high levels of asset recycling. Overall sales profits were £57.8m (FY22: £65.3m), reflecting the mix of trading and investment sales with revenues increasing to £193.7m (FY22: £174.7m). We delivered £34.1m of profit from vacant property sales (FY22: £32.4m) from revenues of £70.1m (FY22: £73.9m) with sales prices achieved that were a modest -1.9% of previous valuations reflecting the attractiveness of these unique assets.

Sales of tenanted properties delivered £19.4m of profit (FY22: £30.9m) from revenues of £88.1m (FY22: £74.8m), the lower profit margins reflecting the higher level of investment sales compared to trading tenanted asset sales. Development profits increased to £4.3m (FY22: £2.0m) from revenues of £35.5m (FY22: £26.0m) as a result of a profitable exit from a legacy scheme at Seven Sisters and strong land sales at our Berewood site.

	FY22		**FY23**	
Sales (£m)	**Revenue**	**Profit**	**Revenue**	**Profit**
Residential sales on vacancy	73.9	32.4	70.1	34.1
Tenanted and other sales	74.8	30.9	88.1	19.4
Residential sales total	**148.7**	**63.3**	**158.2**	**53.5**
Development activity	26.0	2.0	35.5	4.3
Overall sales	**174.7**	**65.3**	**193.7**	**57.8**

Balance sheet

Our balance sheet remains in a strong position with LTV of 36.8% (FY22: 33.4%) following a record year of investment in our pipeline. This represents a small increase on the half year position (HY23: 36.1%).

We have a very strong liquidity and cash position with headroom of £519m (FY22: £663m), and our committed pipeline is fully funded and our debt costs are almost fully hedged meaning we have minimal exposure to potential interest rate rises over the next five years. Following a strong year of delivery our PRS portfolio now represents 77% of our asset base.

Market value balance sheet (£m)	**FY22**	**FY23**
Residential – PRS	2,189	2,423
Residential – regulated tenancies	812	693
Residential – mortgages (CHARM)	69	67
Forward Funded – PRS work in progress	466	441
Development work in progress	182	126
Investment in JVs/associates	55	91
Total investments	**3,773**	**3,841**
Net debt	(1,262)	(1,416)
Other liabilities	(41)	(66)
EPRA NRV	**2,470**	**2,359**
Deferred and contingent tax – trading assets	(111)	(91)
Exclude: intangible assets	-	(1)
EPRA NTA	**2,359**	**2,267**
Add back: intangible assets	-	1
Deferred and contingent tax – investment assets	(116)	(106)
Fair value of fixed rate debt and derivatives	240	171
EPRA NDV	**2,483**	**2,333**
EPRA NRV pence per share	333	318
EPRA NTA pence per share	**317**	**305**
EPRA NDV pence per share	334	314

EPRA NTA decreased 4% during the year to 305p per share (FY22: 317p per share). The decrease was largely driven by a 13p reduction from valuations with a 5p positive contribution from EPRA earnings, offset by the payment of our final dividend (6p). This NTA measure excludes the mark to market of our fixed rate debt which is £171m or 23 pence per share.

EPRA NTA movement

	£m	Pence per share
EPRA NTA at 30 September 2022	**2,359**	**317**
Net rents, fees & income	106	14
Overheads	(34)	(5)
Finance costs	(32)	(4)
EPRA earnings	***40***	***5***
Valuations (trading & investment property)	(93)	(13)
Sales profit	4	1
Tax & other	3	1
Dividends	(46)	(6)
EPRA NTA at 30 September 2023	**2,267**	**305**

Property portfolio performance

Our overall portfolio valuation was down 2.4% (FY22: increase of 4.4%) with our stabilised PRS portfolio decreasing by 2.3% (FY22: increase of 4.6%) and our regulated portfolio decreasing by 2.0% (FY22: increase of 4.1%). While yields on our PRS portfolio moved out by c.40bps as a result of the macro economic environment, the majority of the valuation impact was offset by the 8.1% ERV growth that we delivered during the year. Our Regional PRS portfolio outperformed London and South East given that it only experienced 30 bps yield shift compared to 50bps in London. ERV growth in London and South East was 8.8% compared to 7.3% in the Regions.

Portfolio	Region	Capital Value (£m)	Total Valuation movement £m	%
PRS	London & SE	1,324	(67)	(5.2)%
	Regions	1,099	11	(1.2%)
	PRS Total	**2,423**	**(56)**	**(2.3%)**
REGS	London & SE	590	(11)	(1.9)%
	Regions	103	(3)	(2.5)%
	REGS Total	**693**	**(14)**	**(2.0)%**
Operational Portfolio		**3,116**	**(70)**	**(2.0)%**
	PRS Development	567	(21)	(3.8)%
Total Portfolio		**3,683**	**(91)**	**(2.4)%**

Financing and capital structure

Our capital structure remains in a very strong position. Net debt for the year was £1,416m (FY22: £1,262m) with £209m of operational cashflows including asset recycling, offset by £312m of investment in our PRS pipeline, £47m of dividends and £4m of tax and other payments. This however represents an increase of only £22m compared to the half year (HY23: £1,394m) as capex spend decreased and asset recycling increased.

During the year we successfully extended £915m of bank facilities by one year and now have no material refinancing requirements until 2028. The average cost of debt increased only marginally to 3.3% (FY22: 3.1%) during the period as a result of our strong hedging profile with a maturity of five years that will ensure our interest costs remain in the mid 3%. From FY24 onwards we expect capex to be funded by operational cashflows including asset recycling.

	FY22	**FY23**
Net debt	£1,262m	£1,416m
Loan to value	33.4%	36.8%
Cost of debt	3.1%	3.3%
Headroom	£663m	£519m
Weighted average facility maturity (years)	6.5	5.5
Hedging	97%	95%

Summary and outlook

Following another strong year of performance, we see the high levels growth in net rents and earnings set to continue as our pipeline continues to deliver. With a solid balance sheet and strong operational cashflow generation we are well placed to continue our growth trajectory.

Despite the economic challenges, the nature of our business model and the resilience of our income stream mean that our growth continues, with a fully funded pipeline and debt costs fixed we will continue to see a step change in rents and earnings over the coming years.

Rob Hudson
Chief Financial Officer
21 November 2023

Consolidated income statement

For the year ended 30 September	Notes	2023 £m	2022 £m
Group revenue	4	**267.1**	279.2
Net rental income	5	**96.5**	86.3
Profit on disposal of trading property	6	**54.8**	64.4
Profit on disposal of investment property	7	**3.3**	1.7
Income from financial interest in property assets	15	**4.6**	6.0
Fees and other income	8	**5.0**	4.4
Administrative expenses		**(33.5)**	(31.8)
Other expenses		**(1.2)**	(10.3)
Goodwill impairment		**(0.1)**	-
(Impairment)/reversal of impairment of inventories to net realisable value	12	**(1.0)**	1.5
Operating profit		**128.4**	122.2
Net valuation (losses)/gains on investment property	11	**(68.8)**	129.0
Net valuation gains on investment property reclassifications	1c, 11	**-**	81.2
Finance costs		**(34.0)**	(34.6)
Finance income		**2.2**	1.3
Share of (loss)/profit of associates after tax	13	**(0.1)**	1.2
Share of loss of joint ventures after tax	14	**(0.3)**	(1.7)
Profit before tax	2	**27.4**	298.6
Tax charge	20	**(1.8)**	(69.2)
Profit for the year attributable to the owners of the Company		**25.6**	229.4
Basic earnings per share	9	**3.5p**	31.0p
Diluted earnings per share	9	**3.5p**	30.9p

Consolidated statement of comprehensive income

For the year ended 30 September	Notes	**2023 £m**	2022 £m
Profit for the year	2	**25.6**	229.4
Items that will not be transferred to the consolidated income statement:			
Remeasurement of BPT Limited defined benefit pension scheme	21	**(1.1)**	5.7
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**(16.1)**	47.3
Other comprehensive income and expense for the year before tax		**(17.2)**	53.0
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	20	**0.3**	(1.4)
Tax relating to items that may be or are reclassified to the consolidated income statement	20	**4.0**	(11.9)
Total tax relating to components of other comprehensive income		**4.3**	(13.3)
Other comprehensive income and expense for the year after tax		**(12.9)**	39.7
Total comprehensive income and expense for the year attributable to the owners of the Company		**12.7**	269.1

Consolidated statement of financial position

As at 30 September	Notes	**2023 £m**	2022 £m
ASSETS			
Non-current assets			
Investment property	11	**2,948.9**	2,775.9
Property, plant and equipment		**8.6**	4.2
Investment in associates	13	**15.8**	16.7
Investment in joint ventures	14	**75.2**	38.5
Financial interest in property assets	15	**67.0**	69.1
Retirement benefits	21	**9.6**	9.8
Deferred tax assets	20	**3.7**	1.2
Intangible assets		**1.0**	0.5
		3,129.8	2,915.9
Current assets			
Inventories – trading property	12	**392.2**	453.8
Trade and other receivables	16	**34.0**	40.5
Derivative financial instruments	19	**45.3**	56.5
Current tax assets		**-**	16.5
Cash and cash equivalents		**121.0**	95.9
		592.5	663.2
Total assets		**3,722.3**	3,579.1
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,533.5**	1,317.6
Trade and other payables	17	**6.9**	2.2
Provisions for other liabilities and charges	18	**1.1**	1.1
Deferred tax liabilities	20	**122.3**	136.9
		1,663.8	1,457.8
Current liabilities			
Interest-bearing loans and borrowings	19	**-**	40.0
Trade and other payables	17	**120.7**	105.9
Provisions for other liabilities and charges	18	**8.6**	8.6
Current tax liabilities		**0.6**	-
		129.9	154.5
Total liabilities		**1,793.7**	1,612.3
NET ASSETS		**1,928.6**	1,966.8
EQUITY			
Issued share capital		**37.2**	37.1
Share premium account		**817.8**	817.6
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**20.0**	32.1
Retained earnings		**1,033.2**	1,059.6
TOTAL EQUITY		**1,928.6**	1,966.8

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 2021		37.1	817.3	20.1	0.3	(3.3)	867.5	1,739.0
Profit for the year	2	-	-	-	-	-	229.4	229.4
Other comprehensive income for the year		-	-	-	-	35.4	4.3	39.7
Total comprehensive income		-	-	-	-	35.4	233.7	269.1
Award of SAYE shares		-	0.3	-	-	-	-	0.3
Purchase of own shares		-	-	-	-	-	(3.3)	(3.3)
Share-based payments charge	22	-	-	-	-	-	1.7	1.7
Dividends paid		-	-	-	-	-	(40.0)	(40.0)
Total transactions with owners recorded directly in equity		-	0.3	-	-	-	(41.6)	(41.3)
Balance as at 30 September 2022		37.1	817.6	20.1	0.3	32.1	1,059.6	1,966.8
Profit for the year	2	**-**	**-**	**-**	**-**	**-**	**25.6**	**25.6**
Other comprehensive loss for the year		**-**	**-**	**-**	**-**	**(12.1)**	**(0.8)**	**(12.9)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(12.1)**	**24.8**	**12.7**
Award of SAYE shares		**0.1**	**0.2**	**-**	**-**	**-**	**-**	**0.3**
Purchase of own shares		**-**	**-**	**-**	**-**	**-**	**(7.9)**	**(7.9)**
Share-based payments charge	22	**-**	**-**	**-**	**-**	**-**	**2.4**	**2.4**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**(45.7)**	**(45.7)**
Total transactions with owners recorded directly in equity		**0.1**	**0.2**	**-**	**-**	**-**	**(51.2)**	**(50.9)**
Balance as at 30 September 2023		**37.2**	**817.8**	**20.1**	**0.3**	**20.0**	**1,033.2**	**1,928.6**

Consolidated statement of cash flows

For the year ended 30 September	Notes	**2023** **£m**	2022 £m
Cash flow from operating activities			
Profit for the year	2	**25.6**	229.4
Depreciation and amortisation		**1.1**	0.9
Goodwill impairment		**0.1**	-
Net valuation losses/(gains) on investment property	11	**68.8**	(129.0)
Net valuation gains on investment property reclassifications	1c, 11	**-**	(81.2)
Net finance costs		**31.8**	33.3
Share of loss of associates and joint ventures	13, 14	**0.4**	0.5
Profit on disposal of investment property	7	**(3.3)**	(1.7)
Share-based payment charge	22	**2.4**	1.7
Income from financial interest in property assets	15	**(4.6)**	(6.0)
Tax charge	20	**1.8**	69.2
Cash generated from operating activities before changes in working capital		**124.1**	117.1
Decrease/(Increase) in trade and other receivables		**6.5**	(1.9)
Increase in trade and other payables		**37.0**	8.5
Increase in provisions for liabilities and charges		**-**	8.4
Decrease in inventories		**61.6**	24.8
Cash generated from operating activities		**229.2**	156.9
Interest paid		**(46.9)**	(42.0)
Tax received/(paid)		**2.7**	(12.3)
Payments to defined benefit pension scheme	21	**(0.3)**	(0.6)
Net cash inflow from operating activities		**184.7**	102.0
Cash flow from investing activities			
Proceeds from sale of investment property	7	**63.5**	20.9
Proceeds from financial interest in property assets	15	**6.7**	8.6
Dividends received from associates	13	**0.8**	-
Investment in joint ventures	14	**(34.0)**	(6.4)
Loans advanced to joint ventures	14	**(3.0)**	(4.4)
Acquisition of investment property	11	**(302.0)**	(289.2)
Acquisition of property, plant and equipment and intangible assets		**(6.1)**	(3.7)
Net cash outflow from investing activities		**(274.1)**	(274.2)
Cash flow from financing activities			
Award of SAYE shares		**0.3**	0.3
Purchase of own shares		**(7.9)**	(3.3)
Proceeds from new borrowings		**330.0**	14.2
Payment of loan costs		**(2.3)**	(6.1)
Cash flows relating to new derivatives / settlement of derivatives		**(4.9)**	(13.7)
Repayment of borrowings		**(155.0)**	(0.9)
Dividends paid		**(45.7)**	(40.0)
Net cash inflow/(outflow) from financing activities		**114.5**	(49.5)
Net increase/(decrease) in cash and cash equivalents		**25.1**	(221.7)
Cash and cash equivalents at the beginning of the year		**95.9**	317.6
Cash and cash equivalents at the end of the year		**121.0**	95.9

Notes to the preliminary financial results

1. Accounting policies

1a Basis of preparation

The Board approved this preliminary announcement on 21 November 2023. The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2022 or 30 September 2023. Statutory accounts for the year ended 30 September 2022 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2023 will be delivered to the Registrar of Companies following the Company's annual general meeting.

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

These financial statements for the year ended 30 September 2023 have been prepared under the historical cost convention except for the following assets and liabilities, and corresponding income statement accounts, which are stated at their fair value; investment property; derivative financial instruments; and financial interest in property assets.

The accounting policies used are consistent with those contained in the Group's full annual report and accounts for the year ended 30 September 2023.

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

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

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

- Reference to the conceptual framework (amendments to IFRS 3);
- Onerous contracts - cost of fulfilling a contract (amendments to IAS 37);
- Annual improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: proceeds before intended use (amendments to IAS 16)

The following new standards and amendments to standards have been issued but are not yet effective for the Group and have not been early adopted:

- Classification of liabilities as current or non-current (amendments to IAS 1)
- IFRS 17 insurance contracts
- Accounting policies, changes in accounting estimates and errors: definition (amendments to IAS 8)
- Presentation of financial statements and making materiality judgements (amendments to IAS 1, IFRS Practice Statement 2)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)

The application of these new standards and amendments are not expected to have a material impact on the Group's financial statements.

1c Significant judgements and estimates

Estimates

i. Valuation of property assets

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

Notes to the preliminary financial results continued

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

In all cases, forming these valuations inherently includes elements of judgement and subjectivity with regards to the selection of unobservable inputs. The valuation basis and key unobservable inputs are outlined in Note 2 in the 2023 Annual Report and Accounts.

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

	PRS £m	Reversionary £m	Other £m	Total £m	Valuer	% of properties for which external valuer provides valuation
Trading property	10.4	348.9	32.9	**392.2**		
Investment property	2,928.9	20.0	-	**2,948.9**		
Financial asset (CHARM)	-	67.0	-	**67.0**		
Total statutory book value	**2,939.3**	**435.9**	**32.9**	**3,408.1**		
Trading property						
Residential	9.6	673.3	-	**682.9**	Allsop LLP	84%
Developments	-	-	51.4	**51.4**	CBRE Limited	98%
Total trading property	**9.6**	**673.3**	**51.4**	**734.3**		
Investment property						
Residential	329.5	20.0	-	**349.5**	Allsop LLP / CBRE Limited	100%
Developments	74.7	-	-	**74.7**	CBRE Limited	100%
New build PRS	2,203.3	-	-	**2,203.3**	CBRE Limited	100%
Affordable housing	178.7	-	-	**178.7**	Allsop LLP	100%
Tricomm housing	142.7	-	-	**142.7**	Allsop LLP	100%
Total investment property	**2,928.9**	**20.0**	**-**	**2,948.9**		
Financial asset (CHARM)[1]	-	67.0	-	67.0	Allsop LLP	100%
Total assets at market value	**2,938.5**	**760.3**	**51.4**	**3,750.2**		
Statutory book value	2,939.3	435.9	32.9	**3,408.1**		
Market value adjustment[2]	(0.8)	324.4	18.5	**342.1**		
Total assets at market value	**2,938.5**	**760.3**	**51.4**	**3,750.2**		
Net revaluation loss recognised in the income statement for wholly-owned properties	(68.8)					
Net revaluation loss relating to joint ventures and associates[3]	(0.5)					
Net revaluation loss recognised in the year[3]	**(69.3)**					

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

Notes to the preliminary financial results continued

Judgments

i. Distinction between investment and trading property

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

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

There have been no property reclassifications in the year. During the prior year, four property portfolios were reclassified from trading property to investment property where changes in use had been identified. Trading property with a cost of £116.5m and market value of £197.7m was reclassified as investment property, resulting in valuations gains of £81.2m on reclassification which were 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 increased EPRA NTA by 3p per share.

1d Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2023 Annual Report and Accounts.

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

Risks, including updates to principal risks, are outlined in the 2023 Annual Report and Accounts.

1e Going concern assessment

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. Given market volatility over the past 12 months 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 2023.

The financial position of the Group, including details of its financing and capital structure, is set out in the financial review on pages 37 to 42 in the 2023 Annual Report and Accounts. In making the going concern assessment, the Directors have considered the Group's principal risks (see pages 64 to 67 in the 2023 Annual Report and Accounts) and their impact on financial performance. The Directors have assessed the future funding commitments of the Group and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

Notes to the preliminary financial results continued

The going concern assessment is based on forecasts to the end of March 2025, 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, reflecting the following key assumptions:

- Reducing PRS occupancy to 92% by 31 March 2025
- Contraction in rental levels of 3.75% per annum
- Reducing property valuations by 17.5% by 31 March 2025, driven by either yield expansion or house price deflation
- 20% development cost inflation
- Operating cost inflation of 20% per annum
- An increase in SONIA rate of 5% from 1 October 2023

The Group's forecasts incorporate the likely impact of climate change and sustainability requirements including costs to deliver our climate related targets. This includes EPC upgrades across the portfolio and investing in energy efficient solutions for central heating systems.

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 55% (facility maximum covenant ranges between 70% – 75%) and interest cover above 2.94x (facility minimum covenant ranges between 1.35x – 1.75x) for the period to March 2025 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 2023.

1f Forward-looking statement

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

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

Notes to the preliminary financial results continued

2. Analysis of profit before tax

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

	2023				2022			
£m	**Statutory**	**Valuation**	**Other adjustments**	**Adjusted earnings**	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**267.1**	**-**	**-**	**267.1**	279.2	-	-	279.2
Net rental income	**96.5**	**-**	**-**	**96.5**	86.3	-	-	86.3
Profit on disposal of trading property	**54.8**	**(0.3)**	**-**	**54.5**	64.4	(0.8)	-	63.6
Profit on disposal of investment property	**3.3**	**-**	**-**	**3.3**	1.7	-	-	1.7
Income from financial interest in property assets	**4.6**	**0.1**	**-**	**4.7**	6.0	(1.2)	-	4.8
Fees and other income	**5.0**	**-**	**-**	**5.0**	4.4	-	-	4.4
Administrative expenses	**(33.5)**	**-**	**-**	**(33.5)**	(31.8)	-	-	(31.8)
Other expenses	**(1.2)**	**-**	**-**	**(1.2)**	(10.3)	-	9.5	(0.8)
Goodwill impairment	**(0.1)**	**0.1**	**-**	**-**	-	-	-	-
(Impairment)/reversal of impairment of inventories to net realisable value	**(1.0)**	**1.0**	**-**	**-**	1.5	(1.5)	-	-
Operating profit	**128.4**	**0.9**	**-**	**129.3**	122.2	(3.5)	9.5	128.2
Net valuation (losses)/gains on investment property	**(68.8)**	**68.8**	**-**	**-**	129.0	(129.0)	-	-
Net valuation gains on investment property reclassifications	**-**	**-**	**-**	**-**	81.2	(81.2)	-	-
Change in fair value of derivatives	**-**	**-**	**-**	**-**	-	-	-	-
Finance costs	**(34.0)**	**-**	**-**	**(34.0)**	(34.6)	-	-	(34.6)
Finance income	**2.2**	**-**	**-**	**2.2**	1.3	-	-	1.3
Share of (loss)/profit of associates after tax	**(0.1)**	**0.5**	**-**	**0.4**	1.2	(0.9)	-	0.3
Share of loss of joint ventures after tax	**(0.3)**	**-**	**-**	**(0.3)**	(1.7)	-	-	(1.7)
Profit before tax	**27.4**	**70.2**	**-**	**97.6**	298.6	(214.6)	9.5	93.5
Tax charge	**(1.8)**				(69.2)			
Profit for the year attributable to the owners of the Company	**25.6**				229.4			
Basic adjusted earnings per share				**10.3p**				10.2p
Diluted adjusted earnings per share				**10.3p**				10.2p

Profit before tax in the adjusted columns above of £97.6m (2022: £93.5m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £21.5m (2022: £17.8m) in line with the standard rate of UK Corporation Tax of 22.0% (2022: 19.0%), divided by the weighted average number of shares as shown in Note 9. The Group's IFRS statutory earnings per share is also detailed in Note 9. The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval. There were no other adjustments in the current year. In 2022, the £9.5m cost within other adjustments comprises fire safety expenses including remedial work in respect of legacy assets. These transactions do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

Notes to the preliminary financial results continued

3. Segmental Information

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

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

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

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

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

2023 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue	**121.5**	**123.9**	**21.7**	**267.1**
Segment revenue – external				
Net rental income	**82.2**	**13.4**	**0.9**	**96.5**
Profit on disposal of trading property	**(0.5)**	**54.2**	**0.8**	**54.5**
Profit on disposal of investment property	**3.3**	**-**	**-**	**3.3**
Income from financial interest in property assets	**-**	**4.7**	**-**	**4.7**
Fees and other income	**4.6**	**-**	**0.4**	**5.0**
Administrative expenses	**-**	**-**	**(33.5)**	**(33.5)**
Other expenses	**(1.2)**	**-**	**-**	**(1.2)**
Net finance costs	**(24.9)**	**(6.3)**	**(0.6)**	**(31.8)**
Share of trading profit of joint ventures and associates after tax	**0.1**	**-**	**-**	**0.1**
Adjusted earnings	**63.6**	**66.0**	**(32.0)**	**97.6**
Valuation movements	**(70.1)**	**(0.1)**	**-**	**(70.2)**
Other adjustments	**-**	**-**	**-**	**-**
Profit before tax	**(6.5)**	**65.9**	**(32.0)**	**27.4**

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

£m	PRS	Reversionary	Other	Total
Adjusted earnings	**63.6**	**66.0**	**(32.0)**	**97.6**
Profit on disposal of trading property	**0.5**	**(54.2)**	**(0.8)**	**(54.5)**
Profit on disposal of investment property	**(3.3)**	**-**	**-**	**(3.3)**
EPRA earnings	**60.8**	**11.8**	**(32.8)**	**39.8**

Notes to the preliminary financial results continued

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	133.6	(0.2)	-	133.4
Valuation movements on investment property reclassifications	81.2	-	-	81.2
Other adjustments	-	-	(9.5)	(9.5)
Profit before tax	264.0	73.8	(39.2)	298.6

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

£m	PRS	Reversionary	Other	Total
Adjusted earnings	49.2	74.0	(29.7)	93.5
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)
EPRA earnings	47.7	12.2	(31.7)	28.2

Segmental assets

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

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

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

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

Notes to the preliminary financial results continued

Total Accounting Return (NTA basis) of -1.8% is calculated from the closing EPRA NTA of 305p per share plus the dividend of 6.65p per share for the year, divided by the opening EPRA NTA of 317p per share.

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

2023 Segment net assets

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	**1,729.8**	**151.7**	**47.1**	**1,928.6**	**260**
Total segment net assets (EPRA NRV)	**1,839.3**	**476.9**	**43.1**	**2,359.3**	**318**
Total segment net assets (EPRA NTA)	**1,835.1**	**395.0**	**37.4**	**2,267.5**	**305**
Total segment net assets (EPRA NDV)	**1,729.2**	**395.0**	**208.7**	**2,332.9**	**314**

2023 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	**2,948.9**	**-**	**2,948.9**	**-**	**2,948.9**	**-**	**2,948.9**
Investment in joint ventures and associates	**91.0**	**-**	**91.0**	**-**	**91.0**	**-**	**91.0**
Financial interest in property assets	**67.0**	**-**	**67.0**	**-**	**67.0**	**-**	**67.0**
Inventories – trading property	**392.2**	**342.1**	**734.3**	**-**	**734.3**	**-**	**734.3**
Cash and cash equivalents	**121.0**	**-**	**121.0**	**-**	**121.0**	**-**	**121.0**
Other assets	**102.2**	**(33.7)**	**68.5**	**(1.0)**	**67.5**	**45.9**	**113.4**
Total assets	**3,722.3**	**308.4**	**4,030.7**	**(1.0)**	**4,029.7**	**45.9**	**4,075.6**
Interest-bearing loans and borrowings	**(1,533.5)**	**-**	**(1,533.5)**	**-**	**(1,533.5)**	**182.1**	**(1,351.4)**
Deferred and contingent tax liabilities	**(122.3)**	**122.3**	**-**	**(90.8)**	**(90.8)**	**(162.6)**	**(253.4)**
Other liabilities	**(137.9)**	**-**	**(137.9)**	**-**	**(137.9)**	**-**	**(137.9)**
Total liabilities	**(1,793.7)**	**122.3**	**(1,671.4)**	**(90.8)**	**(1,762.2)**	**19.5**	**(1,742.7)**
Net assets	**1,928.6**	**430.7**	**2,359.3**	**(91.8)**	**2,267.5**	**65.4**	**2,332.9**

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

Notes to the preliminary financial results continued

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

4. Group revenue

	2023 £m	2022 £m
Gross rental income (Note 5)	**133.7**	121.4
Gross proceeds from disposal of trading property (Note 6)	**128.4**	153.4
Fees and other income (Note 8)	**5.0**	4.4
	267.1	279.2

5. Net rental income

	2023 £m	2022 £m
Gross rental income	**133.7**	121.4
Property operating expenses	**(37.2)**	(35.1)
	96.5	86.3

Notes to the preliminary financial results continued

6. Profit on disposal of trading property

	2023	2022
	£m	£m
Gross proceeds from disposal of trading property	**128.4**	153.4
Selling costs	**(2.8)**	(4.0)
Net proceeds from disposal of trading property	**125.6**	149.4
Carrying value of trading property sold (Note 12)	**(70.8)**	(85.0)
	54.8	64.4

7. Profit on disposal of investment property

	2023	2022
	£m	£m
Gross proceeds from disposal of investment property	**65.3**	21.3
Selling costs	**(1.8)**	(0.4)
Net proceeds from disposal of investment property	**63.5**	20.9
Carrying value of investment property sold (Note 11)	**(60.2)**	(19.2)
	3.3	1.7

8. Fees and other income

	2023	2022
	£m	£m
Property and asset management fee income	**3.2**	2.7
Other sundry income	**1.8**	1.7
	5.0	4.4

Included within other sundry income in the current year is £1.6m (2022: £1.1m) liquidated and ascertained damages (‘LADs’) recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts.

9. Earnings per share

Basic

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

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 30 September 2023 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.

Notes to the preliminary financial results continued

	30 September 2023			30 September 2022		
	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	**25.6**	**739.9**	**3.5**	229.4	740.5	31.0
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.5**	**-**	-	2.6	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	**25.6**	**742.4**	**3.5**	229.4	743.1	30.9

10. Dividends

Subject to approval at the AGM, the final dividend of 4.37p per share (gross) amounting to £32.2m will be paid on 14 February 2024 to Shareholders on the register at the close of business on 29 December 2023. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 24 January 2024. An interim dividend of 2.28p per share amounting to a total of £16.9m was paid to Shareholders on 3 July 2023.

11. Investment property

	2023 £m	2022 £m
Opening balance	**2,775.9**	2,179.2
Acquisitions	**9.8**	14.4
Capital expenditure – completed assets	**20.4**	9.2
Capital expenditure – assets under construction	**271.8**	265.6
Total additions	**302.0**	289.2
Transfer from inventories (Note 1c)	**-**	116.5
Disposals (Note 7)	**(60.2)**	(19.2)
Net valuation (losses)/gains on investment properties	**(68.8)**	129.0
Net valuation gains on investment property reclassifications (Note 1c)	**-**	81.2
Closing balance	**2,948.9**	2,775.9

12. Inventories – trading property

	2023 £m	2022 £m
Opening balance	**453.8**	595.2
Additions	**10.2**	58.6
Transfer to investment property (Note 1c)	**-**	(116.5)
Disposals (Note 6)	**(70.8)**	(85.0)
(Impairment)/reversal of impairment of inventories to net realisable value	**(1.0)**	1.5
Closing balance	**392.2**	453.8

Notes to the preliminary financial results continued

13. Investment in associates

	2023 £m	2022 £m
Opening balance	**16.7**	15.5
Share of (loss)/profit for the year	**(0.1)**	1.2
Dividends paid in the year	**(0.8)**	-
Closing balance	**15.8**	16.7

The closing balance comprises share of net assets of £1.2m (2022: £2.1m) and net loans due from associates of £14.6m (2022: £14.6m). At the balance sheet date, there is no expectation of credit losses on loans due.

As at 30 September 2023, the Group's interest in active associates was as follows:

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

14. Investment in joint ventures

	2023 £m	2022 £m
Opening balance	**38.5**	29.4
Share of loss for the year	**(0.3)**	(1.7)
Further investment[1]	**34.0**	6.4
Loans advanced to joint ventures	**3.0**	4.4
Closing balance	**75.2**	38.5

[1] Grainger invested £34.0m into Connected Living London (BTR) Limited in the year (2022: £6.4m).

The closing balance comprises share of net assets of £46.9m (2022: £13.2m) and net loans due from joint ventures of £28.3m (2022: £25.3m). At the balance date, there is no expectation of credit losses on loans due.

At 30 September 2023, the Group's interest in active joint ventures was as follows:

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

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

	2023 £m	2022 £m
Opening balance	**69.1**	71.7
Cash received from the instrument	**(6.7)**	(8.6)
Amounts taken to income statement	**4.6**	6.0
Closing balance	**67.0**	69.1

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

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

16. Trade and other receivables

	2023	2022
	£m	£m
Rent and other tenant receivables	**3.0**	4.7
Deduct: Provision for impairment	**(1.5)**	(1.5)
Rent and other tenant receivables – net	**1.5**	3.2
Contract assets	**-**	1.9
Restricted deposits	**10.2**	14.3
Other receivables	**17.9**	17.1
Prepayments	**4.4**	4.0
Closing balance	**34.0**	40.5

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 £3.0m (2022: £4.7m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

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

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

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

17. Trade and other payables

	2023	2022
	£m	£m
Current liabilities		
Deposits received	**10.7**	10.1
Trade payables	**15.9**	22.8
Lease liabilities	**0.2**	0.8
Tax and social security costs	**3.0**	0.7
Accruals	**81.9**	63.8
Deferred income	**9.0**	7.7
	120.7	105.9
Non-current liabilities		
Lease liabilities	**6.9**	2.2
	6.9	2.2
Total trade and other payables	**127.6**	108.1

Within accruals, £60.2m comprises accrued expenditure in respect of ongoing construction activities (2022: £43.0m).

Notes to the preliminary financial results continued

18. Provisions for other liabilities and charges

	2023 £m	2022 £m
Current provisions for other liabilities and charges		
Opening balance	**8.6**	0.2
Additions	**0.3**	8.7
Utilisation	**(0.3)**	(0.3)
	8.6	8.6
Non-current provisions for other liabilities and charges		
Opening balance	**1.1**	1.1
	1.1	1.1
Total provisions for other liabilities and charges	**9.7**	9.7

Within current provisions, £8.6m (2022: £8.6m) has been provided for potential fire safety remediation costs relating to a small number of legacy properties that Grainger historically had an involvement in developing and may require fire safety related remediation works. Where appropriate, the Group is seeking recoveries from contractors and insurers which may reduce the overall liability over time.

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

	2023 £m	2022 £m
Current liabilities		
Bank loans – Pounds sterling	**-**	40.0
	-	40.0
Non-current liabilities		
Bank loans – Pounds sterling	**490.1**	275.2
Bank loans – Euro	**0.9**	0.9
Non-bank financial institution	**347.3**	347.2
Corporate bond	**695.2**	694.3
	1,533.5	1,317.6
Closing balance	**1,533.5**	1,357.6

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bond. As at 30 September 2023, unamortised costs totalled £13.8m (2022: £14.4m) and the outstanding discount was £1.9m (2022: £2.2m).

Categories of financial instrument

The Group holds financial instruments such as financial interest in property assets, trade and other receivables (excluding prepayments), derivatives, cash and cash equivalents. For all assets and liabilities excluding interest-bearing loans the book value was the same as the fair value as at 30 September 2023 and as at 30 September 2022.

As at 30 September 2023, the fair value of interest-bearing loans is lower than the book value by £291.6m (2022: £263.1m greater than book value), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

Notes to the preliminary financial results continued

Market risk

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

Fair values

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

	2023		2022	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
CHARM	**67.0**	**-**	69.1	-
Investment property	**2,948.9**	**-**	2,775.9	-
	3,015.9	**-**	2,845.0	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**45.3**	**-**	56.5	-
	45.3	**-**	56.5	-

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

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

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

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

Assets – Level 3	**2023 £m**	2022 £m
Opening balance	**2,845.0**	2,250.9
Amounts taken to income statement	**(64.2)**	216.2
Other movements	**235.1**	377.9
Closing balance	**3,015.9**	2,845.0

20. Tax

The tax charge for the year of £1.8m (2022: £69.2m) recognised in the consolidated income statement comprises:

	2023 £m	2022 £m
Current tax		
Corporation tax on profit	**18.9**	17.8
Adjustments relating to prior years	**(4.3)**	(5.2)
	14.6	12.6
Deferred tax		
Origination and reversal of temporary differences	**(14.2)**	51.7
Adjustments relating to prior years	**1.4**	4.9
	(12.8)	56.6
Total tax charge for the year	**1.8**	69.2

The 2023 current tax adjustments relating to prior years reflect adjustments which have been included in submitted tax returns and represent movements between deferred and current tax in relation to investment properties and capital allowances.

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

The Group's results for this year are taxed at an effective rate of 22.0% (2022: 19.0%).

In addition to the above, a deferred tax credit £4.3m (2022: charge of £13.3m) was recognised within other comprehensive income comprising:

	2023 £m	2022 £m
Remeasurement of BPT Limited defined benefit pension scheme	**(0.3)**	1.4
Fair value movement in cash flow hedges	**(4.0)**	11.9
Amounts recognised in other comprehensive income	**(4.3)**	13.3

Deferred tax balances comprise temporary differences attributable to:

	2023 £m	2022 £m
Deferred tax assets		
Short-term temporary differences	**3.7**	1.2
	3.7	1.2
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(5.2)**	(6.3)
Investment property revaluation	**(95.2)**	(108.9)
Short-term temporary differences	**(13.2)**	(8.6)
Fair value movement in financial interest in property assets	**(1.1)**	(1.2)
Actuarial gain on BPT Limited defined benefit pension scheme	**(0.9)**	(1.2)
Fair value movement in derivative financial instruments	**(6.7)**	(10.7)
	(122.3)	(136.9)
Total deferred tax	**(118.6)**	(135.7)

Notes to the preliminary financial results continued

Deferred tax has been calculated at a rate of 25.0% (2022: 25.0%) in line with the enacted main rate of corporation tax applicable from 1 April 2023.

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the consolidated statement of financial position and their market value has not been recognised by the Group. This contingent tax amounts to £85.5m, calculated at 25.0% (2022: £104.8m, calculated at 25.0%) and will be realised as the properties are sold.

21. Retirement benefits

The Group retirement benefit asset decreased from £9.8m to £9.6m in the year ended 30 September 2023. This movement has arisen from £0.3m company contributions and £0.6m net interest income, offset by a £0.8m loss on plan assets, as well as losses due to changes in assumptions of £0.3m (primarily market observable discount rates and inflationary expectations). The principal actuarial assumptions used to reflect market conditions as at 30 September 2023 are as follows:

	2023 **%**	2022 %
Discount rate	**5.6**	5.0
Retail Price Index (RPI) inflation	**3.5**	3.8
Consumer Price Index (CPI) inflation	**2.8**	3.0
Salary increases	**4.0**	4.3
Rate of increase of pensions in payment	**5.0**	5.0
Rate of increase for deferred pensioners	**2.8**	3.0

22. Share-based payments

The Group operates a number of equity-settled, share-based compensation plan comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn Scheme ('SAYE'). The share-based payments charge recognised in the consolidated income statement for the period is £2.4m (2022: £1.7m).

23. Related party transactions

During the year ended 30 September 2023, the Group transacted with its associates and joint ventures (details of which are set out in Notes 13 and 14). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the consolidated income statement and consolidated statement of financial position are as follows:

	2023		2022	
	Fees recognised £'000	**Year end balance £'000**	Fees recognised £'000	Year end balance £'000
Connected Living London (BTR) Limited	**1,455**	**480**	1,303	596
Lewisham Grainger Holdings LLP	**307**	**368**	319	-
Vesta Limited Partnership	**838**	**227**	743	207
	2,600	**1,075**	2,365	803

Notes to the preliminary financial results continued

	2023			2022		
	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	**871**	**10.2**	**11.2**	692	7.2	6.9
Vesta LP	**-**	**14.6**	**Nil**	-	14.6	Nil
	871	**42.9**		692	39.9	

EPRA Performance Measures - Unaudited

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

EPRA Earnings

	2023			2022		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**27.4**	**742.4**	**3.7**	298.6	743.1	40.1
Adjustments to calculate adjusted EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**68.9**	**-**	**9.3**	(211.4)	-	(28.4)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**(3.3)**	**-**	**(0.4)**	(1.7)	-	(0.2)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(53.8)**	**-**	**(7.3)**	(65.9)	-	(8.9)
iv) Tax on profits or losses on disposals	**-**	**-**	**-**	-	-	-
v) Negative goodwill/goodwill impairment	**0.1**	**-**	**-**	-	-	-
vi) Changes in fair value of financial instruments and associated close-out costs	**-**	**-**	**-**	-	-	-
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	**0.5**	**-**	**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
EPRA Earnings/Earnings per share	**39.8**	**742.4**	**5.4**	28.2	743.1	3.8
EPRA Earnings per share after tax			**4.2**			3.1

EPRA Performance Measures - Unaudited (continued)

EPRA NRV, EPRA NTA and EPRA NDV

	2023			2022		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV** £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,928.6**	**1,928.6**	**1,928.6**	1,966.8	1,966.8	1,966.8
Include/Exclude:						
i) Hybrid Instruments	**-**	**-**	**-**	-	-	-
Diluted NAV	**1,928.6**	**1,928.6**	**1,928.6**	1,966.8	1,966.8	1,966.8
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	**11.6**	**11.6**	**11.6**	5.1	5.1	5.1
iii) Revaluation of tenant leases held as finance leases	**-**	**-**	**-**	-	-	-
iv) Revaluation of trading properties	**347.3**	**256.5**	**256.5**	425.5	314.4	314.4
Diluted NAV at Fair Value	**2,287.5**	**2,196.7**	**2,196.7**	2,397.4	2,286.3	2,286.3
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**105.8**	**105.8**	**-**	115.6	115.6	-
vi) Fair value of financial instruments	**(34.0)**	**(34.0)**	**-**	(42.4)	(42.4)	-
vii) Goodwill as a result of deferred tax	**-**	**-**	**-**	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	**-**	**(0.4)**	**(0.4)**	-	(0.5)	(0.5)
viii.b) Intangible as per the IFRS balance sheet	**-**	**(0.6)**	**-**	-	-	-
Include:						
ix) Fair value of fixed interest rate debt	**-**	**-**	**136.6**	-	-	197.2
x) Revalue of intangibles to fair value	**-**	**-**	**-**	-	-	-
xi) Real estate transfer tax	**-**	**-**	**-**	-	-	-
NAV	**2,359.3**	**2,267.5**	**2,332.9**	2,470.6	2,359.0	2,483.0
Fully diluted number of shares	**743.0**	**743.0**	**743.0**	742.9	742.9	742.9
NAV pence per share	**318**	**305**	**314**	333	317	334

EPRA Performance Measures - Unaudited (continued)

EPRA NIY

		2023 £m	2022 £m
Investment property – wholly-owned		**2,948.9**	2,775.9
Investment property – share of JVs/Funds		**65.6**	32.4
Trading property (including share of JVs)		**734.3**	873.0
Less: developments		**(617.1)**	(664.8)
Completed property portfolio		**3,131.7**	3,016.5
Allowance for estimated purchasers' costs		**125.2**	121.9
Gross up completed property portfolio valuation	B	**3,256.9**	3,138.4
Annualised cash passing rental income		**140.1**	124.8
Property outgoings		**(39.1)**	(33.9)
Annualised net rents	A	**101.0**	90.9
Add: rent incentives		**0.3**	0.2
'Topped up' net annualised rents	C	**101.3**	91.1
EPRA NIY	A/B	**3.1%**	2.9%
EPRA 'topped up' NIY	C/B	**3.1%**	2.9%
Gross up completed property portfolio valuation		**3,256.9**	3,138.4
Adjustments to completed property portfolio in respect of regulated tenancies		**(740.9)**	(863.8)
Adjusted gross up completed property portfolio valuation	b	**2,516.0**	2,274.6
Annualised net rents		**101.0**	90.9
Adjustments to annualised cash passing rental income in respect of newly completed developments and refurbishment activity		**11.2**	6.6
Adjustments to property outgoings in respect of newly completed developments and refurbishment activity		**(3.2)**	(1.9)
Adjustments to annualised cash passing rental income in respect of regulated tenancies		**(17.0)**	(18.9)
Adjustments to property outgoings in respect of regulated tenancies		**4.7**	5.1
Adjusted annualised net rents	a	**96.7**	81.8
Add: rent incentives		**0.3**	0.2
EPRA 'topped up' NIY	c	**97.0**	82.0
Adjusted EPRA NIY	a/b	**3.8%**	3.6%
Adjusted EPRA 'topped up' NIY	c/b	**3.9%**	3.6%

EPRA Vacancy Rate

		2023 £m	2022 £m
Estimated rental value of vacant space	A	**1.8**	2.0
Estimated rental value of the whole portfolio	B	**112.7**	95.7
EPRA Vacancy Rate	A/B	**1.6%**	2.1%

The vacancy rate reflects estimated rental values of the Group's stabilised habitable PRS units as at the reporting date.

EPRA Performance Measures - Unaudited (continued)

EPRA Cost Ratio

		2023 £m	2022 £m
Administrative expenses		**33.5**	31.8
Property operating expenses		**37.2**	35.1
Share of joint ventures expenses		**(0.1)**	1.4
Management fees		**(3.2)**	(2.7)
Other operating income/recharges intended to cover overhead expenses		**(1.8)**	(1.7)
Exclude:			
Investment property depreciation		**-**	-
Ground rent costs		**(0.2)**	(0.2)
EPRA Costs (including direct vacancy costs)	A	**65.4**	63.7
Direct vacancy costs		**(2.2)**	(2.3)
EPRA Costs (excluding direct vacancy costs)	B	**63.2**	61.4
Gross rental income		**133.7**	121.4
Less: ground rent income		**(0.6)**	(0.6)
Add: share of joint ventures (gross rental income less ground rents)		**0.8**	0.7
Add: adjustment in respect of profits or losses on sales of properties		**58.1**	66.1
Gross Rental Income and Trading Profits	C	**192.0**	187.6
Adjusted EPRA Cost Ratio (including direct vacancy costs)	A/C	**34.1%**	34.0%
Adjusted EPRA Cost Ratio (excluding direct vacancy costs)	B/C	**32.9%**	32.7%

EPRA LTV

		2023			
£m		**Group**	**Share of Joint Ventures**	**Share of Associates**	**Combined**
Borrowings from Financial Institutions		**849.2**	**-**	**-**	**849.2**
Bond loans		**700.0**	**-**	**-**	**700.0**
Net payables		**93.6**	**6.7**	**14.6**	**114.9**
Exclude:					
Cash and cash equivalents		**(117.8)**	**(3.5)**	**(0.5)**	**(121.8)**
Net debt	**A**	**1,525.0**	**3.2**	**14.1**	**1,542.3**
Investment properties at fair value		**2,433.4**	**-**	**15.4**	**2,448.8**
Investment properties under development		**515.5**	**50.3**	**-**	**565.8**
Properties held for sale		**734.3**	**-**	**-**	**734.3**
Financial assets		**109.9**	**-**	**-**	**109.9**
Total property value	**B**	**3,793.1**	**50.3**	**15.4**	**3,858.8**
EPRA LTV %	**A/B**	**40.2%**	**6.5%**	**91.9%**	**40.0%**

EPRA Performance Measures - Unaudited (continued)

		2022			
£m		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%

EPRA Capital Expenditure

	2023				
£m	**Trading Properties**	**Investment Properties**	**Group (excl Joint Ventures)**	**Share of Joint Ventures**	**Combined**
Acquisitions	**-**	**9.8**	**9.8**	**-**	**9.8**
Development	**5.9**	**255.9**	**261.8**	**33.3**	**295.1**
Completed assets					
- Incremental letting space	**-**	**-**	**-**	**-**	**-**
- No incremental letting space	**2.7**	**20.4**	**23.1**	**-**	**23.1**
- Tenant incentives	**-**	**-**	**-**	**-**	**-**
- Other material non-allocated types of expenditure	**-**	**-**	**-**	**-**	**-**
Capitalised interest	**1.6**	**15.9**	**17.5**	**0.4**	**17.9**
Total capital expenditure	**10.2**	**302.0**	**312.2**	**33.7**	**345.9**

	2022				
£m	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					
- Incremental letting space	-	-	-	-	-
- No incremental letting space	8.8	9.2	18.0	-	18.0
- Tenant incentives	-	-	-	-	-
- Other material non-allocated types of expenditure	-	-	-	-	-
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