27 November 2019

Grainger plc

("Grainger", the "Group", or the "Company")

Full-year audited financial results

Year of major transformation delivering strong, sustainable returns, well ahead of plan

- +45% growth in net rental income
- +3.6% like-for-like rental growth
- +30% growth in profit before tax

Grainger plc, the UK's largest listed provider of private rental housing, today announces its financial results for the year to 30 September 2019.

Helen Gordon, Chief Executive, said:

"I am pleased to report a year of exceptional growth and strong performance. We have transformed Grainger into a predominantly PRS business with greater and more resilient recurring rental income that delivers consistent growth. Our acquisition of the 1,700 home GRIP portfolio together with the delivery of 1,152 new PRS homes has delivered a step change for the business.

"Over the year, we grew net rental income by 45% to £63.5m. We consistently deliver strong rental growth with underlying like-for-like rental growth of 3.6% for the year. We delivered a strong profit before tax of £131.3m, up 30% in the year, while the valuation of our portfolio proved resilient, up 1.9%, and a Total Property Return of 5%.

"We have more than doubled the size of our PRS portfolio and the net rental income of the business since setting out our strategy in 2016. Our £2.6bn residential portfolio and £2.0bn PRS pipeline is well ahead of our 2020 target. We are delivering our pipeline schemes at pace and will see our net rental income more than double again in the coming years.

"Our strong financial performance and the growth in net rental income underpins the proposed increase in our final dividend to shareholders, which will bring dividend per share for the year to 5.19p per share, up 9%.

"We continue to successfully secure long-term partnerships, aligned to our PRS strategy, most recently with TfL and Lewisham Borough Council. These partnerships will support Grainger's long-term strategy.

"I am also pleased to report a strong set of ESG benchmark results, which reflects our commitment to securing the long-term sustainability of our business. Building on this success, today we set out four long-term ESG commitments, which will secure the future sustainability of the business and support resilient rental growth, including our aspiration to transition our operational portfolio to net zero carbon by 2030.

"We remain in a strong position for the future with a market-leading operational platform, which we continue to strengthen through our investment in technology through our CONNECT platform."

Financial Highlights

Income return	**FY18**	**FY19**	**Change**
Rental growth *(like-for-like)*[1]	4.0%	**3.6%**	(38) bps
PRS rental growth (like-for-like)	*3.0%*	***3.4%***	*+40 bps*
Regulated tenancy rental growth (like-for-like)	*5.4%*	***4.4%***	*(100) bps*
Net rental income *(Note 5)*	£43.8m	**£63.5m**	+45%
Adjusted earnings *(Note 2)*	£94.0m	**£82.5m**	(12)%
Profit before tax (*Note 2)*	£100.7m	**£131.3m**	+30%
Earnings per share (diluted) *(Note 9)*	18.9p	**19.8p**	+5%
Dividend per share *(Note 10)*[2]	4.75p	**5.19p**	+9%

Capital return	**FY18**	**FY19**	**Change**
EPRA NNNAV per share *(Note 3)*	286p		
EPRA NNNAV post rights issue per share[3]	270p	**272p**	+1%
EPRA NTA per share *(Note 3)*[4]	274p	**278p**	+1%
Net debt *(Note 19)*	£866m	**£1,097m**	+27%
Group LTV *(Note 19)*	37.1%	**37.1%**	0 bps
Cost of debt (year end)	3.2%	**3.0%**	(17) bps
Reversionary surplus	£277m	**£302m**	+9%
Total Property Return[5]	6.0%	**5.0%**	(100) bps
Total Accounting Return (ROSE)[6]	6.1%	**4.4%**	(174) bps

Key highlights:

GRIP acquisition: delivering strong results in nine months of ownership

- Major contributor to growth in net rental income, £17.7m
- £13.6m of value add captured in the nine months since acquisition
- Strong underlying rental performance with like for like rental growth of 3.0%
- Immediate savings through operational efficiencies with gross to net improved from 32% to 25.1%
- Simplified structure delivered overheads savings of c.£4m
- Corporate credit rating upgraded following GRIP acquisition
- £275m GRIP debt refinance at an attractive blended rate of 2.3% with longer maturities
- Secured an additional £103m of PRS investment in London and the SE post-acquisition

Pipeline bolstered by TfL PRS Partnership

- Our selection by Transport for London as their PRS partner will expand our future PRS pipeline with more than 3,000 new homes to be delivered through the partnership's initial seven seed sites
- Swift progress underway, with the JV formally established within 100 days of selection, pre-planning consultation underway across all sites

PRS pipeline completing at pace

- 1,152 PRS homes delivered in the year
- 1,045 more PRS homes expected to be delivered in FY20
- Pipeline to deliver c.9,104 PRS homes in total

Strong leasing performance

- Hawkins & George, Bristol (194 homes) fully let in 3.5 months, ahead of underwriting and expectations, representing a gross yield on cost of 7.0% achieved, benefitting from CONNECT's digital leasing and marketing solution
- Positive leasing momentum at Clippers Quay, Manchester with over 50% of the 614 PRS home scheme now let at rents ahead of underwriting and ERV, representing 81% of homes released to the market to date
- Brook Place, Sheffield (237 homes) has had a strong start to lettings since launch with 10% of the scheme pre-let, with 26% let to date, ahead of underwriting and expectations

Strong operational performance

- 45% growth in net rental income to £63.5m
- Strong underlying like-for-like rental growth of 3.6%
- Occupancy in our PRS portfolio remains high at 97.2%, a reflection of the attractiveness of our rental homes
- Gross to net on our stabilised portfolio has been further improved to 25.2% from 26.0% in FY18

Resilient residential sales performance

- Sales activity during the year has been resilient delivering £67.8m of profits (FY18: £81.8m).
- Following the strong performance at the end of FY18, we started the year with a lower opening pipeline, which combined with a slightly lower vacancy rate averaging 5.9% throughout FY19 resulted in overall lower volumes of vacant properties available for sale.
- Prices achieved were ahead of valuations by 0.4% and sales velocity stable at 111 days.

Strengthening our operational platform further

- We continue to invest in our operational platform to capture the benefits of operational leverage as we grow, including investing in our new technology platform, CONNECT, which will support gross to net efficiencies and overheads savings while enhancing the customer experience to optimise our rental income.

Continued disciplined acquisitions & strong pipeline

- Canning Town 2, London - Agreed to forward fund a 146-home PRS development scheme in the Hallsville Quarter Development at Canning Town, London positioned just 200 metres from Argo Apartments. The developer is Linkcity and the building contractor is Bouygues UK.
- Millwrights Place, Bristol – Agreed to acquire a 231-home PRS development scheme in Bristol, across the street from our Hawkins & George scheme, from the same vendor, Cubex, demonstrating strong repeat business. When contracts exchange, this will move from 'planning and legal status' to our secured pipeline.
- Well Meadow, Sheffield - Agreed to forward fund a 284-home PRS development scheme at Well Meadow in Sheffield for c.£42m. This project builds on Grainger's existing portfolio of PRS investments in Sheffield, with Brook Place.

Secured pipeline	
Total investment value	£732m
Total units	3,209
Total number of schemes	15
Total number of schemes under construction	10
Targeted net rental income	£37m
Targeted gross yield on cost (weighted average)	6.7%

Planning & legal pipeline (includes TfL sites)	
Total investment value	£683m
Total units	2,895
Total number of schemes	12
Targeted net rental income	£33m
Targeted gross yield on cost (weight average, estimate)	6.6%

ESG benchmark performance	
FTSE4Good	10th consecutive year
GRESB	#2 in peer group
ISS ESG	Prime Rating
MSCI ESG	‘AA’
EPRA sBPR	Gold Award

ESG long-term commitments

1. Measure and deliver positive social value to our customers and local communities
2. Diversity: Ensure Grainger’s workforce is reflective of society and our customer base
3. Deliver enhanced investment decisions through incorporating ESG considerations
4. Commit to achieving net zero carbon operation of our buildings (aspiring to 2030)

Future reporting dates

2020	
AGM & Trading update	5 February
Half year results	14 May
Trading update	September
Full year results	19 November
2021	
AGM & Trading update	10 February
Half year results	13 May
Trading update	September
Full year results	18 November

[1] Like-for-like rental growth is the change in gross rental income in a period as a result of tenant renewals or a change in tenant. It applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and changes resulting from refurbishments.

[2] Dividends - Subject to approval at the AGM, the final dividend of 3.46p per share (gross) amounting to £21.2m will be paid on 10 February 2020 to Shareholders on the register at the close of business on 3 January 2020. Shareholders will again be offered the option to participate in a dividend reinvestment plan and the last day for election is 17 January 2020. An interim dividend of 1.73p per share amounting to a total of £10.5m was paid to Shareholders on 5 July 2019.

[3] Restated to reflect the bonus adjustment factor of 1.1066 in relation to the rights issue as well as the potential dilution for Shareholders who didn't participate.

[4] EPRA Net Tangible Assets (NTA) was introduced in October 2019. The definition is included in Note 3.

[5] 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.

[6] 2019 adjusted for mark to market movements that are unlikely to crystallise, as a proportion of opening NNNAV. Including mark to market movements, ROSE would be 2.4%.

-ENDS-

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Full year results presentation

Grainger plc will be holding a presentation of the results at 9:45am (UK time) today, 27 November 2018 and will be broadcast live via webcast and a telephone dial-in facility (details below).

A copy of the presentation slides will be available to download on Grainger's website (www.graingerplc.co.uk) from 9:30am (UK time).

Webcast details:

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

https://webcasting.brrmedia.co.uk/broadcast/5d9decd1f8cc7162f3b03ca0

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

Conference call details:

Call: +44 (0)330 336 9411

Confirmation Code: 6236202

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

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

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

Chairman's statement

Grainger has delivered another strong performance against a backdrop of both political and economic uncertainty. Our strategic focus on the UK PRS continues to deliver real growth in the business, underpinned by a strong demand for rental homes across the country.

FY19 marks a year of transformation for Grainger. Driven by the successful acquisition of the GRIP portfolio and the new investments coming through, the level of recurring net rental income exceeded residential sales profit for the first time. This in combination with a continued focus on cost control and asset recycling initiatives has delivered a strong financial performance for the year.

Last year the Board identified the need to accelerate growth and I am pleased to say that with the acquisition of GRIP and the growth in the development pipeline, which now stands at c.9,000 units, we have been able to do this. In addition the creation of our joint venture with Transport for London ('TfL') could see us developing an additional 3,000 units over the next five years.

To support this growth the Board continues to focus on ensuring we maintain our 'licence to operate' and that we deliver it in the most efficient manner that we can. A key part of this is Grainger's commitment to a best in class health and safety system and 2019 saw the roll-out of Live.Safe, a bottom-up programme to ensure that everyone in the business is engaged to ensure that health and safety remains at the forefront of everything that we do.

Our commitment to delivering excellent customer service remains and this is being supported by extensive training and development and investment in CONNECT, our technology platform which brings together leading technologies with best practice ways of working. This will enable us to deliver the increasing growth in the business while enhancing the customer experience and improving efficiency.

Building on our previous sustainability work the Board has agreed an ambitious set of long-term Environmental, Social and Governance commitments going forward. These include the aspiration of net zero carbon operation of our buildings by 2030, and measuring and delivering positive social value for our customers and their communities from what we do. We believe by achieving these commitments, we will ensure the long-term resilience of our business.

During my time at Grainger, I have met with a wide range of colleagues, and I have been impressed with their knowledge and expertise, but most importantly the strong culture and values that they adhere to. It is clear that everyone is committed to one core purpose of delivering great homes with great service. I would like to take the opportunity to thank the whole Grainger team for their hard work and commitment.

In February 2019, we welcomed Janette Bell to the Board. Janette's breadth of operational experience in customer centric organisations brings immense value to the business, and we welcome Janette's insight.

Following on from a significant increase in net rental income this year and a robust performance, I am pleased to announce a proposed final dividend of 3.46p per share, representing an increase on last year of +9%. This equates to a total dividend for the year of 5.19p per share, an increase of +9% on last year.

Looking forward to the year ahead there is great focus on building our best in class operational platform, driven by the quality of our people and new technology, as well as delivering c.1,000 new homes for our customers across the country. Our focus on continuing to build the longer-term investment pipeline will continue as we pursue our ambition to grow the business significantly over the next five years.

Mark Clare
Chairman
26 November 2019

Chief Executive's statement

Overview and operational highlights

This year I am pleased to report your company has undergone further transformation to one with greater and more resilient recurring rental income from a business historically reliant on residential sales.

The strategy we set out three years ago to transition Grainger into the UK's leading private rental home business is delivering strong, sustainable returns to Shareholders, ahead of plan.

The business goes from strength to strength and this year was a year of strong performance, despite more subdued house price growth, as we pivot the business away from a reliance on capital growth and become more heavily focused on recurring rental income through our investment in PRS homes.

Our acquisition this year of the £700m GRIP portfolio, comprising c.1,700 PRS homes, has provided us with a step change in the income profile of the business, with net rental income increasing in the year by 45% to £63.5m (FY18: £43.8m). I was pleased at the high level of Shareholder support for this acquisition. To have the opportunity to buy a portfolio of this scale and quality that we knew well was a rare opportunity. I am pleased to report we have integrated the GRIP portfolio swiftly into the business, making savings and driving returns.

Rental growth is at the heart of the PRS investment case and I am pleased to say that underlying like-for-like rental growth is also strong across our portfolio this year, up +3.6% (FY18: 4.0%). Net rental income is now more than double what it was at the start of the strategy, providing Shareholders with resilient returns.

The demand for rental homes is growing. Since 2016 we have committed £1.5bn into new private rental housing. This year we launched new schemes in Bristol, Hampshire, Manchester and Sheffield, over 1,000 new homes of exceptional quality.

Overall, the business has delivered a strong profit before tax of £131.3m, up +30% (FY18: £100.7m), with adjusted earnings of £82.5m (FY19: £94.0m), a movement which reflects our transition as we replace our previous reliance on sales and development returns with recurring net rental income (FY18: £94.0m). The valuation of our portfolio continues to prove resilient up +1.9%, EPRA NNNAV up +1% to 272p per share and EPRA NTA up +1% to 278p per share (FY18: 1.6%, 270p per share and 274p per share respectively).

Whilst our regulated tenancies represent a smaller share of our portfolio, those we sold during the year traded well and we achieved sales prices on average 0.4% above previous valuations.

Our drive toward growing net rental income also enables us to return more to Shareholders by way of dividend and I am pleased to report a proposed final dividend of 3.46p per share, resulting in an increase in DPS of +9% to 5.19p per share (FY18: 4.75p per share).

Our purpose

Our vision for Grainger is simple: to be the leading UK business in providing homes for rent. Through engagement with both our employees and Board there was consensus on Grainger's core purpose:

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

This simple purpose enables us to ensure that all Grainger colleagues are working toward the same end goal, enabling greater collaboration and ultimately, delivering better results for our customers, partners and Shareholders.

Growing our business

We know that this business works better when it is bigger. Scale enables us to invest more in our people, processes and technology and leverage our already market leading operational platform. With scale, comes a greater ability to deliver our purpose and leads to greater profitability.

With this in mind, I am pleased to say that our pipeline of new investments is stronger than ever, representing an additional c.9,000 new PRS homes that we will deliver and add to our portfolio over the coming years. This is a doubling of our current portfolio size.

Working in partnership

Grainger has a good reputation for working in partnership and I am pleased that in April of this year TfL selected Grainger as their build-to-rent partner with an initial seven seed sites, which when developed with TfL will add a further 3,000 homes to our portfolio. The joint venture was signed in under 100 days and the first scheme designs are advanced to achieve planning next year.

Our selection by TfL as their PRS partner against strong competition from across the world is an endorsement of Grainger and of our strategy. This partnership perfectly complements our strategy and growth ambitions.

We also signed our partnership with the London Borough of Lewisham and are making good progress on bringing forward c.300 new homes through the planning process.

These two new partnerships give us access to land and add to our other partnerships with public sector bodies.

Focus on customers, delivers results

We know how important a good home is to our customers and how important satisfied customers are to our success. Customers that are happy stay with us longer and contribute to our communities.

That is why we have continued our focus on improving the customer experience. From customer service training programmes put in place for employees through to gaining greater customer feedback and insights in surveys and focus groups.

We continue to explore what people want from their homes and design our buildings and services to respond.

Our efforts have delivered results with increasing levels of customer satisfaction and 8 in 10 customers said they ‘really like’ their Grainger home.

This positive sentiment underpins our strong operational performance, with high occupancy in our PRS portfolio of 97.2%.

Our focus on providing good quality homes and great customer service are delivering positive results with our customers staying with us longer. Our average PRS customer stay has increased to 32 months.

CONNECT – improving our future through investing in technology

This year we began to roll out our new technology platform, CONNECT. The aim of CONNECT is to enhance the customer experience, making renting with Grainger easy, increasing operational efficiency providing scalability, allowing us to grow while controlling costs and securing our licence to operate.

The CONNECT platform is an integrated solution that digitises and puts the entire rental process online, linking together everything from marketing and leasing through to financial reporting and payment processing and ensuring that our health and safety credentials, cyber security and data protection is as good as it can be.

This year we began using the CONNECT online leasing platform on our newly completed schemes, which enables customers to undertake the entire leasing process from the initial viewing through to the signing of a lease completely online, from their laptop or their mobile phone, anywhere in the world. And the results are very positive. Using this new leasing platform, our scheme in Bristol, Hawkins & George, which comprises 194 apartments, was fully leased up in 3.5 months, less than half of the time we thought it would take.

The next phase of CONNECT is shortly due to be rolled out, comprising the MyGrainger customer portal, which enables customers to manage all their questions and queries online if they wish, anytime of day.

Only the best people

Our people are inspirational. I am immensely proud of my colleagues in the business. We have developed a team of people who genuinely care about their customers and fellow colleagues.

Our focus on recruiting the best talent, training and supporting our employees to be the best they can be, is delivering results.

This year we launched the Grainger Academy, a comprehensive training curriculum covering all aspects of the business, to ensure quality customer service, career progression and as a means of attracting new talent.

We are a diverse workforce. More than half of Grainger employees are females, and 12.5% of our employees are from minority ethnic backgrounds.

Employee happiness is important to us. Each year we undertake an employee survey and we are pleased to say we have continued to see very high levels of engagement with the survey across all our workforce, well above the norm, with 80% of employees taking the time to give us their feedback.

This year's survey category 'Giving Something Back' told us that colleagues value Grainger's focus on investing in and building local communities within our PRS developments. Our investment in training and volunteering with the elderly with Age UK and the fundraising to tackle youth homelessness through LandAid are just two examples of charitable activities which colleagues appreciate.

This year we launched a new Mental Health Champions network within the business, where volunteer employees are specially trained and are available to help any colleagues and customers that need support.

Live.Safe

Ensuring that our customers who live in our properties are safe is imperative for Grainger. This year we launched Grainger's Live.Safe commitment, a comprehensive programme of work and training across our people and the business, which puts Grainger at the forefront of sector-leading safety measures within our properties.

Our ESG commitments

I am pleased to report a very strong set of results in our ESG benchmarks, including ranking second among our European peer group in GRESB and receiving a sector-leading 'Prime' rating from ISS ESG, a Gold Award by EPRA for our sustainability reporting and the second highest rating of 'AA' from MSCI ESG. For the 10th consecutive year we have maintained our FTSE4Good listing.

We will continue to focus on achieving this high level of ESG ranking and are focused on the need to transition our portfolio to a net zero carbon status in operation by 2030.

Helping to shape our sector

As the UK's largest listed residential landlord and leading provider of private rental homes, we believe in taking an active role in helping to shape the residential renting environment for the better.

I am pleased to have the privilege of being this year's President of the British Property Federation ('BPF'), a position of influence within the industry and with its relationship with the British Government. My focus as President of the BPF is to represent the interests of the real estate industry in the UK, and to be recognised as promoting and making the property industry a force for good.

In addition to Grainger's active involvement with organisations such as the British Property Federation, London First and the European Public Real Estate Association, we take an active role in directly engaging with policy makers on issues relating to the UK's rental housing market. This year we engaged

with the Government, relevant Ministers of State, and the Opposition Party, promoting and proving the merits of a larger, more professionally run PRS. We also consulted with the London Mayor and his office, the Greater London Authority, to help shape their view of the PRS and their development of the new London Plan.

The housing shortage and crisis in the UK is complex. Grainger and its expertise and experience within the professional rental sector, has a key role in helping deliver a solution.

Securing our future

Three years ago we set out a succinct strategy to transform Grainger into the UK's largest listed residential landlord and leader in the UK PRS. We are delighted to report that our strategic investment decisions, clear focus on operational excellence and quality service is delivering sustainable returns for all our Shareholders, customers and communities. Grainger is a long-term business. We are committed to the sustainability of this organisation and have put in place strong foundations to secure our long-term future success.

Helen Gordon
Chief Executive
26 November 2019

Financial review

FY19 has been another year of strong operating performance, benefitting from our leadership position in the Private Rented Sector (PRS). It has been a transformational year as we have accelerated our growth strategy and repositioned our income profile through the successful acquisition of GRIP. We are delivering our pipeline schemes at pace. Going forward our performance will have greater alignment to the PRS fundamentals which remain strong and are underpinned by the underlying supply and demand imbalance in UK housing.

Our earnings and balance sheet now have a greater reliance on our PRS portfolio which provides more resilient returns through recurring net rental income and the strength of our rental growth. During the year we delivered 45% increase in our recurring net rental income and delivered 3.6% like-for-like rental growth.

We are a growth business, but cost control and efficiency are fundamental to how we operate. We continue to drive efficiency across our entire cost base and FY19 delivered further improvements in all areas; our gross to net operating cost ratio improved across our stabilised portfolio, our overheads have remained flat, and our cost of debt has further reduced to 3.0%. Our investment in technology will enable us to take our market leading platform to the next level.

In line with our policy to distribute 50% of net rental income, the proposed dividend for the year is 5.19p per share.

Financial highlights

Income return	**FY18**	**FY19**	**Change**
Rental growth (like-for-like)	4.0%	3.6%	(38) bps
Net rental income *(Note 5)*	£43.8m	£63.5m	+45%
Adjusted earnings *(Note 2)*	£94.0m	£82.5m	(12)%
Profit before tax *(Note 2)*	£100.7m	£131.3m	+30%
Earnings per share (diluted) *(Note 9)*	18.9p	19.8p	+5%
Adjusted EPRA earnings *(Note 3)*	£26.1m	£28.8m	+10%
Dividend per share *(Note 10)*	4.75p	5.19p	+9%

Capital return	**FY18**	**FY19**	**Change**
EPRA NNNAV per share *(Note 3)*	286p		
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EPRA NTA per share *(Note 3)*	**274p**	**278p**	**+1%**
Net debt *(Note 19)*	£866m	£1,097m	+27%
Group LTV *(Note 19)*	37.1%	37.1%	0 bps
Cost of debt (average)	3.4%	3.2%	(21) bps
Cost of debt (year end)	3.2%	3.0%	(17) bps
Reversionary surplus	£277m	£302m	+9%
Total Property Return	6.0%	5.0%	(100) bps
Total Accounting Return (ROSE) *(Note 3)**	6.1%	4.4%	(174) bps

* 2019 adjusted for mark to market movements that are unlikely to crystallise, as a proportion of opening NNNAV. Including mark to market movements, ROSE would be 2.4%.

Income statement

FY19 saw the composition of our earnings move significantly with recurring net rental income now providing a greater contribution to earnings than residential sales profit. This transition to a more resilient earnings profile is a key component of our strategy, and this will grow further as our pipeline continues to deliver.

As our PRS portfolio grows, our focus on cost efficiency enables us to utilise the inherent operational leverage in our business. Our investment in technology will enhance this efficiency whilst we grow our portfolio of homes for rent.

Adjusted earnings decreased by 12% to £82.5m (FY18: £94.0m) following the £7m one-off profit on the disposal of our share in the WIP joint venture in the prior year, combined with reduced development profits on conclusion of our final development for sale contract.

Income statement (£m)	FY18	FY19	Change
Net rental income	43.8	63.5	+45%
Profit on sale of assets – residential	70.1	60.4	(14)%
Profit on sale of assets – development	11.7	7.4	(37)%
Mortgage income (CHARM) *(Note 15)*	5.8	5.5	(5)%
Management fees	7.1	4.4	(38)%
Overheads	(27.9)	(28.0)	+0%
Pre-contract costs	(1.1)	(0.6)	(45)%
Joint ventures and associates	9.6	2.0	(79)%
Net finance costs	(25.1)	(32.1)	+28%
Adjusted earnings	**94.0**	**82.5**	**(12)%**
Valuation movements	34.2	66.4	
Derivative movements	(0.1)	(0.5)	
Other adjustments	(27.4)	(17.1)	
Profit before tax	**100.7**	**131.3**	**+30%**

Rental income

Net rental income increased by 45% to £63.5m (FY18: £43.8m) with £17.7m delivered from the GRIP acquisition and £1.6m from development completions. Our gross to net operating cost ratio continued to improve, with our stabilised portfolio at 25.2% (FY18: 26.0%) and our overall ratio was 26.1% including our new developments. This reflects the higher cost base during the stabilisation period for the completions in the period.

Our like-for-like rental growth remained strong at 3.6% (FY18: 4.0%) with 3.4% rental growth in our PRS portfolio (FY18: 3.0%) and 4.4% in our regulated tenancy portfolio (FY18: 5.4%). Again, our like-for-like rental growth significantly outperformed the market which was 1.9% over the same period (average based on ONS, Countrywide and HomeLet), demonstrating the quality of our offering. The annual passing rent of our portfolio now stands at £70m, split 70:30 between PRS and regulated tenancies.

	£m
FY18 Net rental income	**43.8**
Disposals	(1.9)
Acquisitions	19.3
Rental growth	2.3
FY19 Net rental income	**63.5**
YoY growth	+45%

Sales

Sales activity during the year has been resilient delivering £67.8m of profits (FY18: £81.8m). In line with expectations, we saw lower volumes of vacant properties available-for-sale following the strong close to FY18, and reduced development activity having now completed our final development for sale contract.

Residential sales

Vacant sales performance remained strong with sales prices achieving 0.4% ahead of previous valuations and our sales transaction velocity stable at 111 days. This reflects the unique resilience of the properties in our regulated tenancy portfolio, as we continue to execute sales at good levels despite an uncertain housing market.

Following the strong performance at the end of FY18, we started the year with a lower opening pipeline, which combined with a slightly lower vacancy rate averaging 5.9% throughout FY19. This resulted in overall lower volumes of vacant properties available-for-sale. Vacant property sales delivered £77.2m of revenue (FY18: £107.4m) and £38.8m of profit (FY18: £49.1m).

Sales of tenanted and other properties delivered £97.3m of revenue (FY18: £40.1m) and £21.6m of profit (FY18: £21.0m). These disposals provide capital for recycling into higher yielding PRS investments, helping to accelerate our strategic transition.

Development activity

Development activity generated £7.4m of profit, 37% below the prior year (FY18: £11.7m) as our development for sale activity completed this year. Our focus is now on developing investment assets for the long term. This means future development profits will be recognised on the balance sheet rather than sales profits going forward.

	FY18		FY19	
Sales (£m)	**Revenue**	**Profit**	**Revenue**	**Profit**
Residential sales on vacancy	107.4	49.1	77.2	38.8
Tenanted and other sales	40.1	21.0	97.3	21.6
Residential sales total	**147.5**	**70.1**	**174.5**	**60.4**
Development activity	62.0	11.7	18.6	7.4
Overall sales	**209.5**	**81.8**	**193.1**	**67.8**

Overheads

Our cost base remains a key focus for the business as we deliver our growth strategy with our leading operating platform. FY19 has seen overheads flat at £28.0m (FY18: £27.9m) in a year that has seen the size of our portfolio increase significantly, demonstrating the inherent operational leverage in our business model.

Finance costs

Finance costs increased with the acquisition of GRIP. The cost of debt decreased to 3.0% at the year end (FY18: 3.2%) as a result of refinancing the £275m GRIP facility. The new facility consists of two tranches; £75m for seven years and £200m for ten years, with a blended interest rate of 2.3%, compared to a previous rate of 3.2%. Our funding strategy remains focused on diversifying our lending sources and aligning our assets and liabilities. As our portfolio transitions to longer term investment assets, we continue to lock into lower rates for the longer term.

Joint ventures and management fees

Profit from our joint ventures and management fees in the period declined following the acquisition of GRIP at the end of the first quarter of this year, and the profitable exit of our WIP joint venture last year, which generated a one-off profit of £7m in FY18. The GRIP portfolio is now fully consolidated into our business, resulting in a reduction in income from joint ventures and lower management fee income.

Balance sheet

Our balance sheet has also seen significant transition in the year with a PRS portfolio that has increased to over £1.5bn (FY18: £591m). Following the rights issue to acquire the GRIP portfolio, we have continued to strengthen our capital structure through refinancing activity. Our LTV remains at 37.1% providing enough capacity to fund our secured pipeline and retain our LTV target range of between 40% to 45%.

Market value balance sheet (£m)	**FY18**	**FY19**
Residential – PRS	591	1,526
Residential – regulated tenancies	1,107	1,017
Residential – mortgages (CHARM)	82	76
Forward Funded – PRS work in progress	198	160
Development work in progress	100	120
Investment in JVs/associates	146	33
Total investments	**2,224**	**2,932**
Net debt	(866)	(1,097)
Other assets/liabilities	99	(14)
EPRA NAV/EPRA NRV*	**1,457**	**1,821**
Deferred and contingent tax – trading assets	(109)	(102)
Exclude: intangible assets	(5)	(11)

EPRA NTA*	**1,343**	**1,708**
Add back: intangible assets	5	11
Deferred and contingent tax – investment assets	(22)	(19)
Fair value of fixed rate debt and derivatives	(2)	(34)
EPRA NNNAV/EPRA NDV*	**1,324**	**1,666**
EPRA net asset values (pence per share)		
EPRA NAV	314	
EPRA NAV – post rights issue	**292**	**297**
EPRA NNNAV	286	
EPRA NNNAV – post rights issue	**270**	**272**
EPRA NTA	**274**	**278**
Reversionary surplus (excluded from NAV - £m)	**277**	**302**
Reversionary surplus (pence per share)	**60**	**49**

* EPRA Net Reinstatement Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV) were introduced in October 2019. Definitions are included in Note 3 to the financial statements.

EPRA NAV increased by 2% during the year to 297p per share (FY18: 292p per share). EPRA NNNAV increased by 1% during the year to 272p per share (FY18: 270p per share), although this was impacted by a 5p move in the mark to market valuation of debt instruments which is unlikely to crystallise.

Both FY18 EPRA NAV and EPRA NNNAV have been restated to reflect the bonus adjustment factor of the rights issue with the potential dilution for those who didn't participate resulting in a post rights EPRA NAV of 292p per share and EPRA NNNAV of 270p per share.

Excluded from both EPRA NAV measures is a reversionary surplus of £302m or 49p per share (FY18: £277m). This embedded value in our portfolio is the difference between the market value of our assets whilst they are tenanted and the value we could realise if they became vacant and were sold.

The European Public Real Estate Association ('EPRA') issued new guidelines on its definitions of NAV measures in October 2019. The revision includes the introduction of EPRA Net Tangible Assets ('NTA'), which is the most relevant NAV measure for our business and will therefore be our primary NAV measure going forward. 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.

EPRA NTA movement

	£m	Pence per share
EPRA NTA at 30 September 2018*	**1,678**	**274**
Adjusted earnings	83	13
Valuations (trading & investment property)	59	10
Disposals (trading assets)	(52)	(8)
Tax (current, deferred & contingent)	(19)	(4)
Derivatives/other	6	1
Dividends	(25)	(4)
Intangible assets	(6)	(1)
GRIP goodwill and acquisition costs	(16)	(3)
EPRA NTA at 30 September 2019	**1,708**	**278**

* Opening EPRA NTA has been adjusted for the £335m net rights issue proceeds.

Property portfolio

It was a relatively low year of capital growth for the wider market, however our portfolio continued to deliver growth with values up 1.9% (FY18: 1.6%). Our PRS portfolio delivered the strongest growth at 3.3% with the regulated portfolio broadly flat at -0.3%.

Our regulated portfolio continues to be valued on a discount to vacant possession value, with valuation movements linked to the wider housing market, whereas the majority of our PRS valuations are based upon a net rent and yield basis meaning rental growth is the key driver of valuation. As our PRS portfolio grows our valuation growth will have greater alignment to rental growth, further enhancing the strength of our balance sheet.

Financing and capital structure

We have continued to strengthen our debt structure throughout the year as we diversify our lending sources and align our assets and liabilities. Our cost of debt and maturity profile has improved further as we lock into lower rate debt for the longer term.

	FY18	FY19
Net debt	£866m	£1,097m
Loan to value	37.1%	37.1%
Cost of debt (average)	3.4%	3.2%
Cost of debt (year end)	3.2%	3.0%
Incremental cost of debt	1.8%	1.7%
Headroom	£388m	£430m
Weighted average facility maturity (years)	5.7	5.8
Hedging	91%	98%

During the first half of the year, additional equity of £335m was raised through a rights issue to fund the £397m acquisition of GRIP, which brought £174m of additional debt onto the balance sheet.

Net debt increased to £1,097m from £866m at the start of the year, as a result of the £239m net impact of the GRIP transaction. Our regulated tenancy sales continue to generate strong cash flows to support our reinvestment into our PRS pipeline. We generated £184m of operating cash flow and recycled £88m of assets. This has been offset by £235m of further investment into our pipeline and property portfolio, £4m refinancing costs and the dividend payment of £25m. LTV remained in line with the prior year at 37.1% (FY18: 37.1%).

The lower risk profile of the business following the GRIP transaction supported a corporate credit rating upgrade from S&P to BB+. During the year we also refinanced GRIP's debt facility with a new £275m facility from Rothesay Life. The new facility consists of two tranches; £75m for seven years and £200m for ten years, with a blended interest rate of 2.3%, compared to a previous rate of 3.2%. Following the year end, we have also secured a new £50m five-year facility with Wells Fargo, which includes two, one-year extension options.

The financing strategy to diversify our sources of funding and secure a lower cost of debt whilst extending our maturity profile is already well advanced. As the business grows, retaining a flexible and robust financing position remains important to support our growth strategy.

GRIP integration

The acquisition of GRIP, a 1,700 home PRS portfolio, completed on 20 December 2018 and has now been fully integrated into the business. Upon acquisition we immediately aligned the operations with our own portfolio, voluntarily exited GRIP from the REIT regime and delisted it from The International Stock Exchange. This enabled an immediate reduction in the gross to net operating cost ratio from 32% to 25% in addition to c.£4m of annual overhead savings, and the benefits of the refinancing activity.

In addition to operating synergies and cost savings there have been revenue benefits. The portfolio has performed well with like-for-like rental growth of 3.0% and we continue to take advantage of asset management opportunities in the portfolio. During the nine months of ownership we have delivered £13.6m of added value through the asset management activity and valuation growth. In addition, the transaction has given us the freedom to invest in London and the South East on our own balance sheet, which is unlocking our pipeline (including our joint venture with TfL) and will continue to enable further value creation opportunities for many years to come. We have secured £103m of PRS schemes and have £175m in the Planning and Legal process in London and the South East since acquisition.

Summary and outlook

FY19 has been a transformational year for Grainger, having taken significant steps to accelerate our PRS strategy and reposition the income profile of our business. Our returns are increasingly driven by recurring rental income, which has the potential to more than double as our development pipeline completes, and we are now delivering at pace. We continue to grow our investment pipeline and take advantage of the structural growth opportunity within the PRS market, and this provides a clear path to a portfolio that is over 75% PRS.

Our leading operating platform will be further enhanced through our investment in technology over the coming year. Our CONNECT platform is bringing together best of breed technology to enhance our customer experience, improve our productivity and optimise our revenue. CONNECT is the next step to further improve our operational leverage as we grow our business.

The opportunity in the private rented sector is significant and the returns are compelling. The continued structural growth story with continuing undersupply of rental homes compared to demand, provides a strong positive outlook for sustainable rental growth for years to come. Our portfolio of attractive rental homes in high demand locations, our strong operational capability and fully integrated business model places us in an excellent position to continue building on our leadership in the UK residential rental market.

Vanessa Simms
Chief Financial Officer
26 November 2019

Consolidated income statement

For the year ended 30 September	Notes	**2019 £m**	2018 £m
Group revenue	4	**222.8**	270.7
Net rental income	5	**63.5**	43.8
Profit on disposal of trading property	6	**66.6**	81.2
Profit on disposal of investment property	7	**1.9**	1.4
Income from financial interest in property assets	15	**4.2**	6.5
Fees and other income	8	**4.4**	7.1
Administrative expenses		**(28.0)**	(27.9)
Other expenses		**(4.4)**	(1.1)
Profit on disposal of joint venture	14	**-**	7.0
Impairment of goodwill	25	**(12.7)**	-
Impairment of inventories to net realisable value	12	**(0.4)**	(0.5)
Reversal of impairment of joint venture	14	**9.8**	5.5
Operating profit		**104.9**	123.0
Net valuation gains on investment property	11	**57.5**	22.6
Change in fair value of derivatives		**(0.4)**	(0.2)
Finance costs		**(32.8)**	(27.2)
Finance income		**0.3**	2.1
Corporate bond redemption	19	**-**	(27.4)
Share of profit of associates after tax	13	**0.4**	7.2
Share of profit of joint ventures after tax	14	**1.4**	0.6
Profit before tax	2	**131.3**	100.7
Tax charge for the year	20	**(16.4)**	(13.3)
Profit for the year attributable to the owners of the Company		**114.9**	87.4
Basic earnings per share (2018 restated, Note 1d)	9	**19.9p**	19.0p
Diluted earnings per share (2018 restated, Note 1d)	9	**19.8p**	18.9p

Consolidated statement of comprehensive income

For the year ended 30 September	Notes	**2019 £m**	2018 £m
Profit for the year	2	**114.9**	87.4
Items that will not be transferred to the consolidated income statement:			
Actuarial (loss)/gain on BPT Limited defined benefit pension scheme	21	**(3.2)**	0.5
Items that may be or are reclassified to the consolidated income statement:			
Fair value movement on financial interest in property assets	15	**-**	(0.5)
Changes in fair value of cash flow hedges		**(17.8)**	3.2
Other comprehensive income and expense for the year before tax		**(21.0)**	3.2
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	20	**0.6**	(0.1)
Tax relating to items that may be or are reclassified to the consolidated income statement	20	**3.0**	(0.5)
Total tax relating to components of other comprehensive income		**3.6**	(0.6)
Other comprehensive income and expense for the year after tax		**(17.4)**	2.6
Total comprehensive income and expense for the year attributable to the owners of the Company		**97.5**	90.0

Consolidated statement of financial position

As at 30 September	Notes	**2019 £m**	2018 £m
ASSETS			
Non-current assets			
Investment property	11	**1,574.6**	589.7
Property, plant and equipment		**0.3**	0.3
Investment in associates	13	**11.7**	134.0
Investment in joint ventures	14	**21.6**	11.6
Financial interest in property assets	15	**76.4**	82.2
Retirement benefits	21	**-**	0.9
Deferred tax assets	20	**5.6**	3.4
Intangible assets	16	**11.2**	4.7
		1,701.4	826.8
Current assets			
Inventories – trading property	12	**700.0**	799.3
Trade and other receivables	17	**40.5**	150.4
Derivative financial instruments	19	**-**	4.4
Cash and cash equivalents		**189.3**	109.3
		929.8	1,063.4
Total assets		**2,631.2**	1,890.2
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,176.8**	960.1
Retirement benefits	21	**1.7**	-
Provisions for other liabilities and charges		**1.2**	1.3
Deferred tax liabilities	20	**32.7**	29.9
		1,212.4	991.3
Current liabilities			
Interest-bearing loans and borrowings	19	**100.0**	1.1
Trade and other payables	18	**73.6**	70.7
Provisions for other liabilities and charges		**0.4**	0.7
Current tax liabilities		**4.0**	7.4
Derivative financial instruments	19	**17.3**	3.4
		195.3	83.3
Total liabilities		**1,407.7**	1,074.6
NET ASSETS		**1,223.5**	815.6
EQUITY			
Issued share capital		**30.7**	20.9
Share premium account		**436.5**	111.4
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(14.3)**	0.5
Available-for-sale reserve		**-**	6.0
Retained earnings		**750.2**	656.4
TOTAL EQUITY		**1,223.5**	815.6

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	Available-for-sale reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance as at 1 October 2017		20.9	111.1	20.1	0.3	(2.1)	6.5	588.5	-	745.3
Profit for the year	2	-	-	-	-	-	-	87.4	-	87.4
Other comprehensive income/(loss) for the year		-	-	-	-	2.6	(0.5)	0.5	-	2.6
Total comprehensive income		-	-	-	-	2.6	(0.5)	87.9	-	90.0
Award of SAYE shares		-	0.3	-	-	-	-	-	-	0.3
Purchase of own shares		-	-	-	-	-	-	(0.3)	-	(0.3)
Share-based payments charge	22	-	-	-	-	-	-	1.1	-	1.1
Dividends paid		-	-	-	-	-	-	(20.8)	-	(20.8)
Total transactions with owners recorded directly in equity		-	0.3	-	-	-	-	(20.0)	-	(19.7)
Balance as at 30 September 2018		**20.9**	**111.4**	**20.1**	**0.3**	**0.5**	**6.0**	**656.4**	**-**	**815.6**
Profit for the year	2	**-**	**-**	**-**	**-**	**-**	**-**	**114.9**	**-**	**114.9**
Other comprehensive loss for the year		**-**	**-**	**-**	**-**	**(14.8)**	**-**	**(2.6)**	**-**	**(17.4)**
Total comprehensive income		**-**	**-**	**-**	**-**	**(14.8)**	**-**	**112.3**	**-**	**97.5**
Issue of share capital	24	**9.8**	**324.8**	**-**	**-**	**-**	**-**	**-**	**-**	**334.6**
Award of SAYE shares		**-**	**0.3**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**
Purchase of own shares		**-**	**-**	**-**	**-**	**-**	**-**	**(1.0)**	**-**	**(1.0)**
Share-based payments charge	22	**-**	**-**	**-**	**-**	**-**	**-**	**1.7**	**-**	**1.7**
Dividends paid		**-**	**-**	**-**	**-**	**-**	**-**	**(25.2)**	**-**	**(25.2)**
Fair value of non-controlling interest acquired through business combination	25	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3.1**	**3.1**
Acquisition of non-controlling interest	25	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3.1)**	**(3.1)**
Transfer of available-for-sale reserve	15	**-**	**-**	**-**	**-**	**-**	**(6.0)**	**6.0**	**-**	**-**
Total transactions with owners recorded directly in equity		**9.8**	**325.1**	**-**	**-**	**-**	**(6.0)**	**(18.5)**	**-**	**310.4**
Balance as at 30 September 2019		**30.7**	**436.5**	**20.1**	**0.3**	**(14.3)**	**-**	**750.2**	**-**	**1,223.5**

Consolidated statement of cash flows

For the year ended 30 September	Notes	**2019 £m**	2018 £m
Cash flow from operating activities			
Profit for the year		**114.9**	87.4
Depreciation and amortisation		**1.5**	0.9
Impairment of goodwill		**12.7**	-
Net valuation gains on investment property	11	**(57.5)**	(22.6)
Net finance costs		**32.5**	25.1
Corporate bond redemption	19	**-**	27.4
Share of profit of associates and joint ventures	13, 14	**(1.8)**	(7.8)
Profit on disposal of investment property	7	**(1.9)**	(1.4)
Share-based payment charge	22	**1.7**	1.1
Change in fair value of derivatives		**0.4**	0.2
Reversal of impairment of joint venture	14	**(9.8)**	(5.5)
Profit on disposal of joint venture	14	**-**	(7.0)
Income from financial interest in property assets	15	**(4.2)**	(6.5)
Tax	20	**16.4**	13.3
Cash generated from operating activities before changes in working capital		**104.9**	104.6
Decrease/(increase) in trade and other receivables		**110.5**	(3.0)
(Decrease)/increase in trade and other payables		**(2.7)**	23.9
Decrease in provisions for liabilities and charges		**(0.7)**	(0.1)
Decrease in inventories		**27.8**	42.0
Cash generated from operating activities		**239.8**	167.4
Interest paid		**(37.1)**	(30.4)
Tax paid		**(18.0)**	(10.2)
Payments to defined benefit pension scheme	21	**(0.6)**	(0.5)
Net cash inflow from operating activities		**184.1**	126.3
Cash flow from investing activities			
Acquisition of subsidiary net of cash acquired		**(350.9)**	-
Acquisition of non-controlling interest	25	**(3.1)**	-
Proceeds from sale of investment property		**59.4**	5.0
Proceeds from sale of joint venture	14	**-**	67.0
Proceeds from financial interest in property assets	15	**10.0**	9.9
Dividends received	13, 14	**-**	2.3
Investment in associates and joint ventures	13, 14	**(2.9)**	(5.2)
Loans advanced to associates and joint ventures	13, 14	**(6.7)**	(5.4)
Loans repaid by associates and joint ventures	13, 14	**5.7**	14.0
Acquisition of investment property	11	**(212.6)**	(179.7)
Acquisition of property, plant and equipment and intangible assets		**(7.9)**	(2.9)
Net cash outflow from investing activities		**(509.0)**	(95.0)
Cash flow from financing activities			
Net proceeds from issue of share capital		**334.6**	-
Awards of SAYE options		**0.3**	0.3
Purchase of own shares		**(1.0)**	(0.3)
Corporate bond redemption	19	**-**	(25.8)
Proceeds from new borrowings		**430.2**	650.3
Payment of loan costs		**(4.3)**	(3.0)
Repayment of borrowings		**(329.7)**	(611.6)
Dividends paid		**(25.2)**	(20.8)
Net cash inflow/(outflow) from financing activities		**404.9**	(10.9)
Net increase in cash and cash equivalents		**80.0**	20.4
Cash and cash equivalents at the beginning of the year		**109.3**	88.9
Cash and cash equivalents at the end of the year		**189.3**	109.3

Notes to the preliminary financial results continued

1. Accounting policies

1a Basis of preparation

The board approved this preliminary announcement on 26 November 2019.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2018 or 30 September 2019. Statutory accounts for the year ended 30 September 2018 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2019 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 2019 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 2019.

The financial information included in this preliminary announcement has been prepared in accordance with EU endorsed International Financial Standards ('EU IFRS'), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under EU IFRS.

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

New standards and interpretations in the year

A number of new standards and amendments to standards have been issued in the year and were effective for the Group from 1 October 2018. The most significant of these, and their impact on the Group's accounting, are set out below:

IAS 40 Investment Property - The amendment to IAS 40 widened the scope for transfers to and from investment property. Where there is a clear intention by the Group to hold PRS rental assets for the long term, such properties were identified as eligible for potential reclassification from trading property to investment property. Where the Group's objective to dispose of assets remains valid, for example portfolios where the intention is to dispose of assets gradually to realise maximum economic value for the Group, such assets are deemed as not requiring reclassification, even if their disposal is not deemed to be imminent.

The Group has prospectively applied the amendment and has assessed its property classifications across its entire portfolio at the effective date. Trading property with a cost of £71.5m and market value of £73.4m was reclassified as investment property. Further details are shown in Note 11.

IFRS 9 Financial Instruments - IFRS 9 largely replaced IAS 39 Financial Instruments: Recognition and Measurement, which was previously used by the Group. The new standard sets out the classification, recognition and measurement requirements for financial assets and liabilities, impairment provisioning and general hedge accounting.

Notes to the preliminary financial results continued

Classification, recognition and measurement of financial assets and liabilities

The standard applies to the Group's financial assets consisting of CHARM, receivables, derivatives and cash, as well as financial liabilities consisting of borrowings, payables and derivatives.

IFRS 9 retains almost all of the existing classification, recognition and measurement requirements of IAS 39 on financial liabilities and does not have an impact on the Group's financial liabilities for financial results and reporting.

For financial assets, the permissible measurement bases are now amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit and loss ('FVTPL'). IFRS 9 has removed the held to maturity loans and receivables and available-for-sale classifications that were previously available under IAS 39. On adoption of the new standard, CHARM has been reclassified from an available-for-sale asset to FVTPL. The fair value difference between the updated projected cash flows using the effective interest rate applicable at acquisition compared to the year end effective interest rate is now taken through the statutory income statement as opposed to other comprehensive income. The impact on the financial statements is detailed in Note 15.

Expected credit loss model of impairment

The new standard no longer requires a loss event to occur before an impairment to financial assets is recognised. IFRS 9 requires an entity to recognise an expected credit loss, being the present value of all cash shortfalls over the expected life of the entity's various
financial assets.

There has been no material impact on the impairment of trade and other receivables following the change in approach.

Hedge accounting

The hedge relationships in place for the Group as at 30 September 2018 for interest rate swaps continued to qualify as continuing hedges following adoption of the new standard. No other derivative instruments were designated as hedging relationships under IFRS 9. As a result, there has been no impact following the adoption of the new standard.

IFRS 15 Revenue from Contracts with Customers – IFRS 15 replaced IAS 11 Construction Contracts and IAS 18 Revenue, both of which were previously used by the Group. The standard applies to the recognition of the Group's revenue including proceeds from the disposal of trading property, contract revenue and property and asset management fees and revenue from construction contracts (outlined in Note 7). It does not apply to gross rental income which at the date of reporting is covered by IAS 17 Leases.

Under IFRS 15, revenue is recognised by the Group as follows:

Proceeds from the disposal of trading property – revenue is recognised following the sale of trading property when performance obligations have been met and control has been transferred to the buyer. This is deemed to be on legal completion.

Contract revenue – revenue is recognised over the duration of the contract as performance obligations, being construction of assets, are carried out. Cash from contract revenue is recovered on the sale of properties.

Property and asset management fees – revenue is recognised as performance obligations are met under the Group's respective property and asset management fee arrangements. The performance obligations include facilities management, procurement of suppliers, service charge management, insurance management, arrears management, health and safety monitoring and accounting services. Property and asset management fees are recovered on a quarterly basis.

The Group has considered the adoption of IFRS 15 and, given the nature of the revenue recognition applied, no adjustments were required in either the current or prior year. Comparatives have therefore not been restated and, on transition, there has been no material impact on the Group.

New standards not yet effective

IFRS 16 Leases - IFRS 16 replaces IAS 17 Leases and is effective for the Group from 1 October 2019. As a lessor, the Group's position is substantially unchanged. As a lessee of office space, the asset and corresponding lease liability will be presented in the statement of financial position and in the notes to the financial statements upon adoption of the standard.

On 1 October 2019, the Group expects to recognise property, plant and equipment of £2.2m and a corresponding lease liability of £3.2m, with an adjustment to retained earnings on transition.

Of the other IFRSs that are available for early adoption, none are expected to have a material impact on the financial statements.

1c Significant estimates and judgements

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 NAV, EPRA NTA and EPRA NNNAV, include trading property at market value. The adjustment in the value of trading property is the difference between the statutory book value and its market value as set out in Note 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.

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:

Notes to the preliminary financial results continued

	PRS £m	Reversionary £m	Other £m	Total £m	Valuer	% of properties for which external valuer provides valuation
Trading property	131.3	528.6	40.1	**700.0**		
Investment property	1,550.7	23.9	-	**1,574.6**		
Financial asset (CHARM)	-	76.4	-	**76.4**		
Total statutory book value	**1,682.0**	**628.9**	**40.1**	**2,351.0**		
Trading property						
Residential	17.5	812.1	-	**829.6**	Allsop LLP	69%
GInvest	184.2	181.4	-	**365.6**	Allsop LLP	100%
Developments	13.5	-	40.1	**53.6**	CBRE Limited	90%
Total trading property	**215.2**	**993.5**	**40.1**	**1,248.8**		
Investment property						
Residential	155.0	23.9	-	**178.9**	Allsop LLP	99%
Developments	66.4	-	-	**66.4**	CBRE Limited	100%
Tricomm housing	123.1	-	-	**123.1**	Allsop LLP	100%
Affordable housing	91.7	-	-	**91.7**	Allsop LLP	100%
Residential (GRIP)	658.0	-	-	**658.0**	CBRE Limited/ Allsop LLP	100%
New build PRS	456.5	-	-	**456.5**	CBRE Limited	100%
Total investment property	**1,550.7**	**23.9**	**-**	**1,574.6**		
Financial asset (CHARM)[1]	-	76.4	-	**76.4**	Allsop LLP	
Total assets at market value	**1,765.9**	**1,093.8**	**40.1**	**2,899.8**		
Statutory book value	1,682.0	628.9	40.1	**2,351.0**		
Market value adjustment[2]	83.9	464.9	-	**548.8**		
Total assets at market value	**1,765.9**	**1,093.8**	**40.1**	**2,899.8**		
Net revaluation gain recognised in the income statement for wholly-owned properties	57.5	-	-	**57.5**		
Net revaluation gain relating to joint ventures and associates[3]	0.1	-	-	**0.1**		
Net revaluation gain recognised in the year[3]	**57.6**	**-**	**-**	**57.6**		

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

Notes to the preliminary financial results continued

Judgments

i. Distinction between investment and trading property

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

Following the amendments to IAS 40, the Group transferred trading property with a cost of £71.5m and market value of £73.4m to investment property. Further details are shown in Note 16.

ii. Business combination

In line with the Group's accounting policy on business combinations (Note 1(b)iii in the 2019 Annual Report and Accounts), the Group has considered whether the acquisition of GRIP REIT plc ('GRIP') constituted a business combination or an asset acquisition. The Group concluded the acquisition constituted a business combination due to the integrated set of activities acquired in addition to the properties. The acquisition and related transaction costs have therefore been accounted for in accordance with IFRS 3 in these financial statements.

As this acquisition has been categorised as a business combination, any premium paid over the fair value of the assets acquired is treated as goodwill in the consolidated balance sheet at the time of acquisition. Goodwill of £12.7m arising in respect of the transaction was recognised on acquisition, as detailed in Note 25.

Goodwill was subsequently assessed for impairment. IAS 40 does not allow a portfolio premium to be ascribed to individual property values and, as a result, an impairment charge for the full £12.7m was taken to the consolidated income statement.

1d Prior period restatement

Following the rights issue completed in December 2018, pence per share comparatives have been restated using a bonus adjustment factor of 1.1066. This is based on the ratio of a mid-market share price of 255.3 pence per share on 30 November 2018, the business day before the shares started trading ex-rights and the theoretical ex-rights price at that date of 230.7 pence per share. Restated comparatives include diluted earnings per share - adjusted (Note 2), EPRA NAV and EPRA NNNAV (Note 3) and earnings per share (Note 9).

1e Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2019 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 are outlined in the 2019 Annual Report and Accounts. There have been no significant updates to risk, or failures of control, within the reporting period.

1f Forward-looking statements

Certain statements in this interim 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.

Notes to the preliminary financial results continued

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.

2. Analysis of profit before tax

The table below provides 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.

	2019				2018			
£m	**Statutory**	**Valuation**	**Other adjustments**	**Adjusted earnings**	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**222.8**	**-**	**-**	**222.8**	270.7	-	-	270.7
Net rental income	**63.5**	**-**	**-**	**63.5**	43.8	-	-	43.8
Profit on disposal of trading property	**66.6**	**(0.7)**	**-**	**65.9**	81.2	(0.8)	-	80.4
Profit on disposal of investment property	**1.9**	**-**	**-**	**1.9**	1.4	-	-	1.4
Income from financial interest in property assets	**4.2**	**1.3**	**-**	**5.5**	6.5	(0.7)	-	5.8
Fees and other income	**4.4**	**-**	**-**	**4.4**	7.1	-	-	7.1
Administrative expenses	**(28.0)**	**-**	**-**	**(28.0)**	(27.9)	-	-	(27.9)
Other expenses	**(4.4)**	**-**	**3.8**	**(0.6)**	(1.1)	-	-	(1.1)
Profit on disposal of joint venture	**-**	**-**	**-**	**-**	7.0	-	-	7.0
Impairment of goodwill	**(12.7)**	**-**	**12.7**	**-**	-	-	-	-
Impairment of inventories to net realisable value	**(0.4)**	**0.4**	**-**	**-**	(0.5)	0.5	-	-
Reversal of impairment of joint venture	**9.8**	**(9.8)**	**-**	**-**	5.5	(5.5)	-	-
Operating profit	**104.9**	**(8.8)**	**16.5**	**112.6**	123.0	(6.5)	-	116.5
Net valuation gains on investment property	**57.5**	**(57.5)**	**-**	**-**	22.6	(22.6)	-	-
Change in fair value of derivatives	**(0.4)**	**0.2**	**0.2**	**-**	(0.2)	0.2	-	-
Finance costs	**(32.8)**	**-**	**0.4**	**(32.4)**	(27.2)	-	-	(27.2)
Finance income	**0.3**	**-**	**-**	**0.3**	2.1	-	-	2.1
Corporate bond redemption	**-**	**-**	**-**	**-**	(27.4)	-	27.4	-
Share of profit of associates after tax	**0.4**	**0.2**	**-**	**0.6**	7.2	(5.0)	-	2.2
Share of profit of joint ventures after tax	**1.4**	**-**	**-**	**1.4**	0.6	(0.2)	-	0.4
Profit before tax	**131.3**	**(65.9)**	**17.1**	**82.5**	100.7	(34.1)	27.4	94.0
Tax charge for the year	**(16.4)**				(13.3)			
Profit for the year attributable to the owners of the Company	**114.9**				87.4			
Diluted earnings per share – adjusted (2018 restated) Note 1d				**11.5p**				16.4p

Notes to the preliminary financial results continued

Adjusted earnings 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. The classification of amounts as other adjustments is a significant judgement made by management and is a matter referred to the Audit Committee for approval.

Profit before tax in the adjusted columns above of £82.5m (2018: £94.0m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £15.7m (2018: £17.9m) in line with the current effective rate of 19.0% (2018: 19.0%), divided by the weighted average number of shares as shown in Note 9.

Other adjustments in 2019 primarily relate to the acquisition of GRIP, comprising £12.7m goodwill written off and £3.6m transaction costs relating to acquisition, restructuring and refinancing costs. In addition, the Group incurred £0.8m costs in relation to the successful TfL joint venture bid. In 2018, £27.4m other adjustments were recorded in relation to the previous corporate bond redeemed in the year, being £25.8m gross prepayment cost and £1.6m expense of unamortised costs.

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.

Following the acquisition of GRIP in December 2018, the provision of management information relating to segmental reporting has been amended. The amended format improves clarity of reporting, separating the previous Residential segment to enable visibility of performance between PRS and Reversionary segments, aligned to the management of the organisation. 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 previously reported Development segment that included legacy strategic land and development arrangements is reported in the Other segment, along with administrative expenses. Comparatives have been restated in accordance with the revised segmental reporting.

The key operating performance measure of profit or loss used by the CODM is adjusted earnings before tax, valuation and other adjustments. Historically, the CODM reviewed by segment two key statement of financial position measures of net asset value, being EPRA Net Asset Value ('EPRA NAV') and EPRA Triple Net Asset Value ('EPRA NNNAV'). In October 2019, EPRA issued new guidelines on its definitions of NAV measures. The revision includes the introduction of EPRA Net Tangible Assets (NTA), which is considered to be a more relevant NAV measure for the Group and we are reporting this as our primary NAV measure going forward. 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.

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.

Notes to the preliminary financial results continued

2019 Income statement

£m	PRS	Reversionary	Other	Total
Group revenue				
Segment revenue – external	**67.9**	**134.1**	**20.8**	**222.8**
Net rental income	**42.6**	**20.6**	**0.3**	**63.5**
Profit on disposal of trading property	**1.6**	**56.9**	**7.4**	**65.9**
Profit on disposal of investment property	**1.9**	**-**	**-**	**1.9**
Income from financial interest in property assets	**-**	**5.5**	**-**	**5.5**
Fees and other income	**2.1**	**0.1**	**2.2**	**4.4**
Administrative expenses	**-**	**-**	**(28.0)**	**(28.0)**
Other expenses	**(0.6)**	**-**	**-**	**(0.6)**
Net finance costs	**(19.4)**	**(11.9)**	**(0.8)**	**(32.1)**
Share of trading profit of joint ventures and associates after tax	**0.7**	**-**	**1.3**	**2.0**
Adjusted earnings	**28.9**	**71.2**	**(17.6)**	**82.5**
Valuation movements				**65.9**
Other adjustments				**(17.1)**
Profit before tax				**131.3**

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

£m	PRS	Reversionary	Other	Total
Adjusted earnings	**28.9**	**71.2**	**(17.6)**	**82.5**
Profit on disposal of investment property	**(1.9)**	**-**	**-**	**(1.9)**
Previously recognised profit through EPRA market value measures	**-**	**(51.8)**	**-**	**(51.8)**
Adjusted EPRA earnings	**27.0**	**19.4**	**(17.6)**	**28.8**

2018 Income statement – restated

The table below has been restated in accordance with revised segmental reporting.

£m	PRS	Reversionary	Other	Total
Group revenue				
Segment revenue – external	37.8	167.5	65.4	270.7
Net rental income	23.3	20.1	0.4	43.8
Profit on disposal of trading property	-	68.7	11.7	80.4
Profit on disposal of investment property	1.4	-	-	1.4
Income from financial interest in property assets	-	5.8	-	5.8
Fees and other income	4.7	0.1	2.3	7.1
Administrative expenses	-	-	(27.9)	(27.9)
Other expenses	(1.1)	-	-	(1.1)
Profit on disposal of joint venture	-	-	7.0	7.0
Net finance costs	(10.5)	(12.8)	(1.8)	(25.1)
Share of trading profit of joint ventures and associates after tax	2.2	-	0.4	2.6
Adjusted earnings	20.0	81.9	(7.9)	94.0
Valuation movements				34.1
Other adjustments				(27.4)
Profit before tax				100.7

Notes to the preliminary financial results continued

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

£m	PRS	Reversionary	Other	Total
Adjusted earnings	20.0	81.9	(7.9)	94.0
Profit on disposal of investment property and other investments	(1.4)	-	(7.0)	(8.4)
Previously recognised profit through EPRA market value measures	-	(59.5)	-	(59.5)
Adjusted EPRA earnings	18.6	22.4	(14.9)	26.1

Segmental assets

The principal net asset value measures reviewed by the CODM are EPRA NAV, EPRA NNNAV and, following the new guidelines issued in October 2019, EPRA NTA. 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 NAV 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. For the Group, EPRA NAV is aligned with EPRA Net Reinstatement Value (NRV), which was introduced in EPRA's October 2019 guidelines.

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 NNNAV reverses some of the adjustments made between statutory net assets, EPRA NAV 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 NAV 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. For the Group, EPRA NNNAV is broadly aligned with EPRA Net Disposal Value (NDV), which was introduced in EPRA's October 2019 guidelines, with the only difference being the exclusion of goodwill from EPRA NDV which, at the reporting date, is £0.5m.

ROSE of 4.4% is calculated from the closing EPRA NNNAV of 272p per share plus the dividend of 5.19p per share for the year and 5p per share mark to market adjustment, divided by the opening EPRA NNNAV of 270p per share which has been adjusted for the potential dilution for shareholders who didn't participate in the rights issue.

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

2019 Segment net assets

£m	**PRS**	**Reversionary**	**Other**	**Total**	**Pence per share**
Total segment net assets (statutory)	**979.3**	**224.5**	**19.7**	**1,223.5**	**199**
Total segment net assets (EPRA NAV)	**1,090.4**	**689.9**	**40.6**	**1,820.9**	**297**
Total segment net assets (EPRA NTA)	**1,068.2**	**610.5**	**29.4**	**1,708.1**	**278**
Total segment net assets (EPRA NNNAV)	**1,048.8**	**610.5**	**6.9**	**1,666.2**	**272**

Notes to the preliminary financial results continued

2019 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NAV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NNNAV balance sheet
Investment property	**1,574.6**	**-**	**1,574.6**	**-**	**1,574.6**	**-**	**1,574.6**
Investment in joint ventures and associates	**33.3**	**-**	**33.3**	**-**	**33.3**	**-**	**33.3**
Financial interest in property assets	**76.4**	**-**	**76.4**	**-**	**76.4**	**-**	**76.4**
Inventories – trading property	**700.0**	**548.8**	**1,248.8**	**-**	**1,248.8**	**-**	**1,248.8**
Cash and cash equivalents	**189.3**	**-**	**189.3**	**-**	**189.3**	**-**	**189.3**
Other assets	**57.6**	**3.6**	**61.2**	**(11.2)**	**50.0**	**18.2**	**68.2**
Total assets	**2,631.2**	**552.4**	**3,183.6**	**(11.2)**	**3,172.4**	**18.2**	**3,190.6**
Interest-bearing loans and borrowings	**(1,276.8)**	**-**	**(1,276.8)**	**-**	**(1,276.8)**	**(23.4)**	**(1,300.2)**
Deferred and contingent tax liabilities	**(32.7)**	**27.7**	**(5.0)**	**(101.6)**	**(106.6)**	**(19.4)**	**(126.0)**
Other liabilities	**(98.2)**	**17.3**	**(80.9)**	**-**	**(80.9)**	**(17.3)**	**(98.2)**
Total liabilities	**(1,407.7)**	**45.0**	**(1,362.7)**	**(101.6)**	**(1,464.3)**	**(60.1)**	**(1,524.4)**
Net assets	**1,223.5**	**597.4**	**1,820.9**	**(112.8)**	**1,708.1**	**(41.9)**	**1,666.2**

2018 Segment net assets – restated

The table below has been restated in accordance with revised segmental reporting.

£m	PRS	Reversionary	Other	Total	Pence per share restated (Note 1d)
Total segment net assets (statutory)	486.0	244.3	85.3	815.6	187
Total segment net assets (EPRA NAV)	607.6	754.7	94.8	1,457.1	314
Total segment net assets (EPRA NTA)	586.5	666.9	89.5	1,342.9	290
Total segment net assets (EPRA NNNAV)	564.6	666.9	92.2	1,323.7	286

Notes to the preliminary financial results continued

2018 Reconciliation of EPRA NAV measures

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NAV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NNNAV balance sheet
Investment property	589.7	-	589.7	-	589.7	-	589.7
Investment in joint ventures and associates	145.6	0.4	146.0	-	146.0	(0.4)	145.6
Financial interest in property assets	82.2	-	82.2	-	82.2	-	82.2
Inventories – trading property	799.3	607.1	1,406.4	-	1,406.4	-	1,406.4
Cash and cash equivalents	109.3	-	109.3	-	109.3	-	109.3
Other assets	164.1	2.7	166.8	(4.7)	162.1	9.6	171.7
Total assets	1,890.2	610.2	2,500.4	(4.7)	2,495.7	9.2	2,504.9
Interest-bearing loans and borrowings	(961.2)	-	(961.2)	-	(961.2)	(3.4)	(964.6)
Deferred and contingent tax liabilities	(29.9)	27.9	(2.0)	(109.5)	(111.5)	(21.6)	(133.1)
Other liabilities	(83.5)	3.4	(80.1)	-	(80.1)	(3.4)	(83.5)
Total liabilities	(1,074.6)	31.3	(1,043.3)	(109.5)	(1,152.8)	(28.4)	(1,181.2)
Net assets	815.6	641.5	1,457.1	(114.2)	1,342.9	(19.2)	1,323.7

4. Group revenue

	2019 £m	2018 £m
Gross rental income (Note 5)	**85.9**	59.2
Gross proceeds from disposal of trading property (Note 6)	**132.5**	204.4
Fees and other income (Note 8)	**4.4**	7.1
	222.8	270.7

5. Net rental income

	2019 £m	2018 £m
Gross rental income	**85.9**	59.2
Property operating expenses	**(22.4)**	(15.4)
	63.5	43.8

Notes to the preliminary financial results continued

6. Profit on disposal of trading property

	2019 £m	2018 £m
Proceeds from disposal of trading property	**127.2**	160.5
Revenue from contract revenue	**5.3**	43.9
Gross proceeds from disposal of trading property	**132.5**	204.4
Selling costs	**(2.2)**	(4.1)
Net proceeds from disposal of trading property	**130.3**	200.3
Carrying value of trading property sold (Note 12)	**(59.2)**	(85.1)
Carrying value of contract expenses (Note 12)	**(4.5)**	(34.0)
	66.6	81.2

Amounts relating to the contract revenue and expenses included in the above table relate to the Group's development of properties in the arrangement with the Royal Borough of Kensington and Chelsea. The Group managed and funded the construction of a number of sites and received a developer's priority return at a fixed rate margin recoverable from the sale of completed residential units to third-parties. The agreement is a cost-plus contract and, following construction concluding in 2019, minimal judgement around the recoverability of contract revenue is required. The credit risk on recoverability is considered to be low.

7. Profit on disposal of investment property

	2019 £m	2018 £m
Gross proceeds from disposal of investment property	**60.6**	5.1
Selling costs	**(1.2)**	(0.1)
Net proceeds from disposal of investment property	**59.4**	5.0
Carrying value of investment property sold (Note 11)	**(57.5)**	(3.6)
	1.9	1.4

8. Fees and other income

	2019 £m	2018 £m
Property and asset management fee income	**3.8**	6.5
Other sundry income	**0.6**	0.6
	4.4	7.1

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 2019 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	30 September 2019			30 September 2018 Restated (Note 1d)		
	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	**114.9**	**578.5**	**19.9**	87.4	460.6	19.0
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.7**	**(0.1)**	-	2.4	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	**114.9**	**581.2**	**19.8**	87.4	463.0	18.9

10. Dividends

Subject to approval at the AGM, the final dividend of 3.46p per share (gross) amounting to £21.2m will be paid on 10 February 2020 to shareholders on the register at the close of business on 3 January 2020. Shareholders will again be offered the option to participate in a dividend re-investment plan and the last day for election is 17 January 2020. An interim dividend of 1.73p per share amounting to a total of £10.5m was paid to shareholders on 5 July 2019.

11. Investment property

	2019 £m	2018 £m
Opening balance	**589.7**	391.0
Additions	**212.6**	179.7
Acquired through business combination (Note 25)	**700.8**	-
Transfer from inventories (Note 1b)	**71.5**	-
Disposals (Note 7)	**(57.5)**	(3.6)
Net valuation gains	**57.5**	22.6
Closing balance	**1,574.6**	589.7

Notes to the preliminary financial results continued

12. Inventories

	2019	2018
	£m	£m
Opening balance	**799.3**	841.3
Additions	**36.3**	77.6
Transfer to investment property (Note 1b)	**(71.5)**	-
Disposals	**(63.7)**	(119.1)
Impairment of inventories to net realisable value	**(0.4)**	(0.5)
Closing balance	**700.0**	799.3

13. Investment in associates

	2019	2018
	£m	£m
Opening balance	**134.0**	123.2
Share of profit for the year	**0.4**	7.2
Dividends received	**-**	(2.2)
Further investment[1]	**-**	5.2
Investment eliminated on consolidation following acquisition	**(109.7)**	-
Loan eliminated on consolidation following acquisition	**(18.2)**	-
Loans advanced to associates	**5.1**	5.2
Loans repaid by associates	**-**	(4.9)
Share of change in fair value of cash flow hedges taken through other comprehensive income	**0.1**	0.3
Closing balance	**11.7**	134.0

[1] There were no additional amounts invested by the Group in GRIP in the period prior to its acquisition in December 2018 (2018: £5.2m).

The closing balance comprises share of net assets of £nil (2018: £109.2m) and net loans due from associates of £11.7m (2018: £24.8m). At the balance date, there is no expectation of credit losses on loans due.

The investment and loan eliminated on consolidation following acquisition of £109.7m and £18.2m respectively represents the Group's share of net assets in GRIP which became a subsidiary of Grainger on 20 December 2018 (see Note 25).

Notes to the preliminary financial results continued

As at 30 September 2019, the Group's interest in associates was as follows:

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

14. Investment in joint ventures

	2019 £m	2018 £m
Opening balance	**11.6**	74.4
Share of profit for the year	**1.4**	0.6
Dividends received	**-**	(0.1)
Reversal of impairment	**9.8**	5.5
Further investment[1]	**2.9**	-
Loans advanced to joint ventures	**1.6**	0.2
Loans repaid by joint ventures	**(5.7)**	(9.1)
Disposal	**-**	(60.0)
Share of change in fair value of cash flow hedges taken through other comprehensive income	**-**	0.1
Closing balance	**21.6**	11.6

[1] Grainger invested £2.9m into Connected Living London (BTR) Limited in the year (2018: £nil).

The closing balance comprises share of net assets of £4.1m (2018: net liabilities of £0.2m) and net loans due from joint ventures of £17.5m (2018: £11.8m). At the balance date, there is no expectation of credit losses on loans due.

As at 30 September 2018, the Group held an impairment provision against loans made to the Curzon Park Limited joint venture totalling £9.8m. The impairment was a result of the joint venture's land valuation being impacted by the High Speed Rail Network. During the year, following progress made in the process of valuing the affected land, it was determined that the risk of recoverability in respect of the joint venture loan was remote and as such the impairment has been reversed in full. There are currently no impairments held against loans to joint ventures at the reporting date.

In the prior year, the Group disposed of its joint venture interest in Walworth Investment Properties Limited to the joint venture partner, Dorrington Investment plc. The consideration received was £67.0m, resulting in a profit on sale of £7.0m. The amounts shown in the prior year consolidated income statement represent the trading performance to the date of disposal.

At 30 September 2019, the Group's interest in joint ventures was as follows:

	% of ordinary share capital held	Country of incorporation	Accounting period end
Connected Living London (BTR) Limited	51	United Kingdom	30 September
Curzon Park Limited	50	United Kingdom	31 March
Helical Grainger (Holdings) Limited	50	United Kingdom	31 March
Lewisham Grainger Holdings LLP	50	United Kingdom	30 September
CCZ a.s.	50	Czech Republic	30 September

Notes to the preliminary financial results continued

During the year, the Group was selected by Transport for London ('TfL') as their PRS partner to develop over 3,000 new homes across an initial number of seed sites in London. Connected Living London (BTR) Limited was formed as the JV entity. The Group's ownership share of the entity is 51%, however, as the Group and TfL have equal voting rights and equal board representation in the JV entity, we are not able to exercise control over significant decisions of the business. As a result, the Group equity accounts for its investment.

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

	2019 £m	2018 £m
Opening balance	**82.2**	86.1
Cash received from the instrument	**(10.0)**	(9.9)
Amounts taken to income statement	**4.2**	6.5
Amounts taken to other comprehensive income before tax	**-**	(0.5)
Closing balance	**76.4**	82.2

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.

Following the Group's adoption of IFRS 9, differences arising from updated projected cash flows using the effective interest rate at acquisition compared to year end which were previously recognised in other comprehensive income are now recognise through the consolidated income statement. The accumulated fair value adjustments of £6.0m recognised in the available-for-sale reserve were transferred to retained earnings on transition.

16. Intangible assets

	2019 £m	2018 £m
Opening balance	**4.7**	2.4
Additions	**7.7**	2.8
Amortisation	**(1.2)**	(0.5)
Closing balance	**11.2**	4.7

17. Trade and other receivables

	2019 £m	2018 £m
Rent and other tenant receivables	**2.5**	2.3
Deduct: Provision for impairment	**(0.7)**	(0.5)
Rent and other tenant receivables – net	**1.8**	1.8
Contract assets	**18.5**	112.0
Other receivables	**18.0**	34.8
Prepayments	**2.2**	1.8
Closing balance	**40.5**	150.4

Contract assets primarily relate to revenue receivable on the arrangement with the Royal Borough of Kensington and Chelsea (Note 6). The balance of the contract asset has reduced as the contract nears completion. Between the year end and the date of approval of these financial statements, a further £2.9m has been recovered on the contract in the form of cash receipts.

Notes to the preliminary financial results continued

Other receivables include £4.0m (2018: £15.6m) due from land sales, which is receivable no later than July 2020.

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

18. Trade and other payables

	2019 £m	2018 £m
Deposits received	**7.5**	3.1
Trade payables	**17.5**	20.6
Tax and social security costs	**1.0**	0.5
Accruals	**42.8**	44.4
Deferred income	**4.8**	2.1
Closing balance	**73.6**	70.7

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

	2019 £m	2018 £m
Current liabilities		
Non-bank financial institution	**100.0**	1.1
	100.0	1.1
Non-current liabilities		
Bank loans – Pounds sterling	**483.8**	533.4
Bank loans – Euro	**0.9**	0.9
Non-bank financial institution	**345.7**	79.8
Corporate bond	**346.4**	346.0
	1,176.8	960.1
Total interest-bearing loans and borrowings	**1,276.8**	961.2

During the year the Group refinanced loans acquired from the acquisition of GRIP. A new £275.0m facility was agreed, consisting of two tranches; £75.0m for seven years and £200.0m for ten years, with a blended interest rate of 2.3%. Under IFRS 9, the refinance constitutes an extinguishment of the previous debt. As such, unamortised costs of £0.4m in relation to the previous GRIP facility were expensed to the consolidated income statement.

During the prior year the Group refinanced its corporate bond, issuing a new 10 year £350.0m corporate bond at 3.375% due April 2028. Prepayment costs of £25.8m were incurred and unamortised costs of £1.6m were expensed on redemption of the previous £275m bond, which was due to mature in 2020.

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 2019, unamortised costs totalled £12.9m (2018: £10.9m) and the outstanding discount was £1.2m (2018: £1.4m).

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 2019 and as at 30 September 2018.

As at 30 September 2019, the fair value of interest-bearing loans is greater than the book value by £23.4m (2018: £3.4m), 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

Net debt

The table below sets out the calculation of net debt and LTV:

	2019 £m	2018 £m
Gross debt	**1,276.8**	961.2
Cash (excluding restricted cash)	**(179.3)**	(94.9)
Net debt	**1,097.5**	866.3
Market value of properties	**2,823.4**	1,996.1
Other property related assets	**138.0**	336.2
Total market value of properties and property related assets	**2,961.4**	2,332.3
LTV	**37.1%**	37.1%

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:

	2019		2018	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
CHARM	**76.4**	**-**	82.2	-
Investment property	**1,574.6**	**-**	589.7	-
	1,651.0	**-**	671.9	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**-**	**17.3**	4.2	3.4
Interest rate caps – not in cash flow hedge accounting relationships	**-**	**-**	0.2	-
	-	**17.3**	4.4	3.4

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 and, for the prior year, other comprehensive income 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	**2019 £m**	2018 £m
Opening balance	**671.9**	477.1
Amounts taken to income statement	**61.7**	29.1
Other movements	**917.4**	165.7
Closing balance	**1,651.0**	671.9

20. Tax

The tax charge for the year of £16.4m (2018: £13.3m) recognised in the consolidated income statement comprises:

	2019 £m	2018 £m
Current tax		
Corporation tax on profit	**16.4**	17.7
Adjustments relating to prior years	**(1.9)**	(7.4)
	14.5	10.3
Deferred tax		
Origination and reversal of temporary differences	**0.6**	(0.5)
Adjustments relating to prior years	**1.3**	3.5
	1.9	3.0
Total tax charge for the year	**16.4**	13.3

The 2019 current tax adjustments relating to prior years include adjustments to recognise utilisation of tax losses and other reliefs available to the Group, which have been included in submitted tax returns, whilst deferred tax adjustments relate primarily to differences between the tax and accounting value of fixed assets.

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, which was again awarded following a review in 2019, and to which the Group is committed.

In addition to the above, a deferred tax credit of £3.6m (2018: deferred tax charge of £0.6m) was recognised within other comprehensive income comprising:

	2019 £m	2018 £m
Actuarial (loss)/gain on BPT Limited pension scheme	**(0.6)**	0.1
Equity component of available-for-sale financial asset	**-**	(0.1)
Fair value movement in cash flow hedges and exchange adjustments	**(3.0)**	0.6
Amounts recognised in other comprehensive income	**(3.6)**	0.6

Notes to the preliminary financial results continued

Deferred tax balances comprise temporary differences attributable to:

	2019 £m	2018 £m
Deferred tax assets		
Short-term temporary differences	**1.4**	3.1
Losses carried forward	**0.3**	-
Actuarial deficit on BPT Limited pension scheme	**0.9**	0.3
Fair value movement in derivative financial instruments and cumulative exchange adjustments	**3.0**	-
	5.6	3.4
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(8.3)**	(9.3)
Investment property revaluation	**(19.7)**	(18.6)
Short-term temporary differences	**(3.6)**	(0.8)
Fair value movement in financial interest in property assets	**(1.1)**	(1.1)
Fair value movement in derivative financial instruments and cumulative exchange adjustments	**-**	(0.1)
	(32.7)	(29.9)
Total deferred tax	**(27.1)**	(26.5)

Deferred tax has been predominantly calculated at a rate of 17.0% (2018: 17.0%) in line with changes to the main rate of corporation tax from 1 April 2020 which have been substantively enacted.

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 £93.3m (2018: £103.2m) and will be realised as the properties are sold.

21. Retirement benefits

The Group retirement benefit asset decreased by £2.6m to a liability of £1.7m in the year ended 30 September 2019. This movement has arisen from changes in assumptions of £3.2m (primarily market observable discount rates) offset by £0.6m company contributions. The principal actuarial assumptions used to reflect market conditions as at 30 September 2019 are as follows:

	2019 %	2018 %
Discount rate	**1.70**	2.80
Retail Price Index (RPI) inflation	**3.30**	3.05
Consumer Price Index (CPI) inflation	**2.30**	2.05
Salary increases	**3.80**	3.55
Rate of increase of pensions in payment	**5.00**	5.00
Rate of increase for deferred pensioners	**2.30**	2.05

22. Share-based payments

The Group operates a number of equity-settled, share-based compensation plan comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn Scheme ('SAYE'). The share-based payments charge recognised in the consolidated income statement for the period is £1.7m (2018: £1.1m).

Notes to the preliminary financial results continued

23. Related party transactions

During the year ended 30 September 2019, 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:

	2019		2018	
	Fees recognised £'000	**Year end balance £'000**	Fees recognised £'000	Year end balance £'000
GRIP REIT PLC[1]	**840**	**-**	3,798	1,048
Walworth Investment Properties Limited	**-**	**-**	23	-
Lewisham Grainger Holdings LLP	**341**	**341**	-	-
Vesta Limited Partnership	**803**	**126**	712	-
	1,984	**467**	4,533	1,048

	2019			2018		
	Interest recognised £'000	**Year end loan balance £m**	**Interest rate %**	Interest recognised £'000	Year end loan balance £m	Interest rate %
GRIP REIT PLC[1]	**124**	**-**	**-**	647	18.2	Nil and 4.75
Czech Republic combined	**(6)**	**(0.4)**	**4.00**	(45)	(0.4)	4.00
Curzon Park Limited[2]	**-**	**16.2**	**Nil**	-	21.9	Nil
Helical Grainger (Holdings) Limited[3]	**-**	**-**	-	-	7.5	Nil
King Street Developments (Hammersmith) Limited[3]	**-**	**-**	**-**	-	0.3	Nil
Lewisham Grainger Holdings LLP	**-**	**1.7**	**Nil**	-	-	-
Vesta LP	**-**	**11.7**	**Nil**	-	6.6	Nil
	118	**29.2**		602	54.1	

1 Amounts recognised from GRIP REIT PLC relate to pre-acquisition fees and interest where the Group's interest was classified as an associate. Following the acquisition, the results of GRIP REIT PLC are consolidated in full into the results of the Group.

2 The amount disclosed above is the gross loan amount. The £9.8m provision previously held against the loan was reversed in the current year.

3 King Street Developments (Hammersmith) Limited is a wholly-owned subsidiary of Helical Grainger (Holdings) Limited in which the Group has a 50% joint venture interest.

24. Issue of share capital

In December 2018, the Group completed a 7 for 15 rights issue at an issue price of 178.0p raising a total amount of £334.5m net of costs. The rights issue increased the number of shares in issue by 194,758,445 shares, with shares being issued with a nominal value of £0.05 per share. This increased issued share capital by £9.7m and the share premium account by £324.8m.

25. Business combinations

On 20 December 2018, the Group completed the acquisition of the remaining 75.1% interest in GRIP from joint venture partner APG for cash consideration of £396.6m. This comprised cash paid for the remaining shares of £341.3m and the repayment of loans and accrued interest owing to APG totalling £55.3m.

The acquisition of GRIP was accounted for as a business combination due to the integrated set of activities acquired in addition to the properties. Accordingly, transaction and subsequent structuring costs incurred in relation to the acquisition of £3.0m have been expensed in the consolidated income statement.

For the period 20 December 2018 to 30 September 2019, GRIP contributed revenue of £23.6m and profit of £23.9m to the Group's results. If the acquisition had occurred on 1 October 2018, the consolidated revenue would have been £229.5m and consolidated profit would have been £129.9m for the year ended 30 September 2019.

The fair value of the identifiable assets and liabilities of GRIP acquired as at the date of acquisition were:

	Note	**Fair value recognised on acquisition £m**
Investment property	11	**700.8**
Trade and other receivables		**0.9**
Cash and cash equivalents		**45.7**
Trade and other payables		**(12.7)**
Interest-bearing loans and borrowings		**(289.7)**
Derivative financial instruments		**(1.2)**
Total identifiable net assets acquired		**443.8**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Material assets acquired	**Valuation technique**
Investment property	GRIP's property portfolio was valued externally by CBRE Limited. The valuations took into account whether the block is managed as a whole or a group of individual units and valued accordingly. Valuation on the basis of how the properties are managed is deemed to be the highest and best use of the property. The valuation of properties under construction assesses the market value of the property upon completion less estimated cost of work to complete and where appropriate an adjustment to take into account the remaining construction and stabilisation risks.
Interest-bearing loans and borrowings	Nominal amounts owed to lenders plus interest payable that has been adjusted for the difference between the contractual interest rate on the loans and borrowings and the market interest rate. The Directors' do not consider the difference between the contractual interest rate and the market interest rate to result in a material adjustment.

Under the terms of the acquisition contract with APG, contingent consideration may be payable if the Group subsequently disposed of all or substantially all of the shares or assets of GRIP within 1 year of the acquisition. The Directors consider the likelihood of this to be remote and, as such, have not provided for this.

Notes to the preliminary financial results continued

Goodwill arising from the acquisition has been recognised as follows:

	£m
Consideration transferred	341.3
Fair value of non-controlling interest acquired	3.1
Fair value of pre-existing equity interests	109.7
Recognition of deferred tax liability on acquisition	2.4
Fair value of identifiable net assets recognised	(443.8)
Goodwill	**12.7**

Goodwill recognised on acquisition of £12.7m represents the premium paid over the fair value of the net assets acquired. Goodwill has been subsequently assessed for impairment. As no definitive and measurable portfolio premium can be ascribed to the combined value of the properties, an impairment charge for the full amount of goodwill recognised on acquisition has been taken to the Group's consolidated income statement.

As part of the acquisition, the Group acquired the non-controlling interest held by APG in GRIP for £3.1m. This cost forms part of the acquisition of GRIP.

Following the acquisition, there remained a 10% non-controlling interest in GRIP Unit Trust 6, a wholly-owned subsidiary of the Group, held by BY Development Limited. On 13 May 2019, the 10% non-controlling interest was acquired by the Group for £3.1m.

Under the terms of the acquisition contract with APG, contingent consideration may be payable if the Group subsequently disposed of all or substantially all of the shares or assets of GRIP within one year of the acquisition. The Directors consider the likelihood of this to be remote, and as such, have not provided for this.

EPRA Performance Measures - Unaudited

EPRA Earnings

The EPRA Best Practices Recommendations ('EPRA BPR') previously used by the Group were issued by EPRA's Reporting and Accounting Committee in November 2016. In October 2019, EPRA released updated guidelines that revised the approach to the calculation of NAV. The new guidelines introduce EPRA Net Reinstatement Value (NRV), EPRA Net Tangible Assets (NTA) and EPRA Net Disposal Value (NDV) and will replace EPRA NAV and EPRA NNNAV, historically reported by the Group. Other EPRA performance measures contained in the latest EPRA BPR guide remain substantially unchanged.

EPRA NTA is considered to become the most relevant NAV measure for the Group and we expect this to be the primary NAV measure going forward. 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.

On transition, all EPRA NAV metrics have been disclosed in the report to highlight differences that arise following the adoption of the
new guidelines.

	2019			2018 Restated (Note 1d)		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**131.3**	**581.2**	**22.6**	100.7	463.0	21.7
Adjustments to calculate adjusted EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and	**(56.2)**	**-**	**(9.7)**	(23.3)	-	(5.0)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**(1.9)**	**-**	**(0.3)**	(8.4)	-	(1.8)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading	**(52.1)**	**-**	**(9.0)**	(59.8)	-	(12.9)
iv) Tax on profits or losses on disposals	**-**	**-**	**-**	-	-	-
v) Negative goodwill/goodwill impairment	**12.7**	**-**	**2.2**	-	-	-
vi) Changes in fair value of financial instruments and associated close-out costs	**0.8**	**-**	**0.1**	27.6	-	5.9
vii) Acquisition costs on share deals and non-controlling joint venture interests	**3.8**	**-**	**0.7**	-	-	-
viii) Deferred tax in respect of EPRA adjustments	**-**	**-**	**-**	-	-	-
ix) Adjustments i) to viii) in respect of joint ventures	**(9.6)**	**-**	**(1.6)**	(10.7)	-	(2.3)
x) Non-controlling interests in respect of the above	**-**	**-**	**-**	-	-	-
Adjusted EPRA Earnings/Earnings per share	**28.8**	**581.2**	**5.0**	26.1	463.0	5.6

EPRA Performance Measures - Unaudited (continued)

EPRA NAV

	2019			2018 Restated (Note 1d)		
	Net assets £m	**Shares millions**	**NAV pence per share**	Net assets £m	Shares millions	NAV pence per share
NAV from the financial statements	**1,223.5**	**613.8**	**199**	815.6	463.5	176
Include:						
i.a) Revaluation of investment property	**-**	**-**	**-**	-	-	-
i.b) Revaluation of investment property under	**-**	**-**	**-**	-	-	-
i.c) Revaluation of other non-current investments	**6.5**	**-**	**1**	7.0	-	1
ii) Revaluation of tenant leases held as finance leases	**-**	**-**	**-**	-	-	-
iii) Revaluation of trading properties	**548.8**	**-**	**90**	607.1	-	131
Exclude:						
iv) Fair value of financial instruments	**14.4**	**-**	**2**	(0.8)	-	-
v.a) Deferred tax	**27.7**	**-**	**5**	27.9	-	6
v.b) Goodwill as a result of deferred tax	**-**	**-**	**-**	-	-	-
Include/exclude:						
Adjustments i) to v) above in respect of joint venture	**-**	**-**	**-**	0.3	-	-
EPRA NAV/EPRA NAV per share	**1,820.9**	**613.8**	**297**	1,457.1	463.5	314
Rights issue	**-**	**-**	**-**	334.5	150.1	(22)
EPRA NAV/EPRA NAV per share post rights issue	**1,820.9**	**613.8**	**297**	1,791.6	613.6	292

EPRA NNNAV

	2019			2018 Restated (Note 1d)		
	Net assets £m	**Shares millions**	**NNNAV pence per share**	Net assets £m	Shares millions	NNNAV pence per share
EPRA NAV	**1,820.9**	**613.8**	**297**	1,457.1	463.5	314
Include:						
i) Fair value of financial instruments	**(14.3)**	**-**	**(2)**	0.5	-	-
ii) Fair value of debt	**(19.4)**	**-**	**(3)**	(2.8)	-	-
iii) Deferred tax	**(121.0)**	**-**	**(20)**	(131.1)	-	(28)
EPRA NNNAV/EPRA NNNAV per share	**1,666.2**	**613.8**	**272**	1,323.7	463.5	286
Rights issue	**-**	**-**	**-**	334.5	150.1	(16)
EPRA NNNAV/EPRA NNNAV per share post rights	**1,666.2**	**613.8**	**272**	1,658.2	613.6	270

EPRA Performance Measures - Unaudited (continued)

EPRA NRV, EPRA NTA and EPRA NDV

	2019			2018		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV** £m	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,223.5**	**1,223.5**	**1,223.5**	815.6	815.6	815.6
Include/Exclude:						
i) Hybrid Instruments	**-**	**-**	**-**	-	-	-
Diluted NAV	**1,223.5**	**1,223.5**	**1,223.5**	815.6	815.6	815.6
Include:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.b) Revaluation of IPUC (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.c) Revaluation of other non-current investments	**6.5**	**6.5**	**6.5**	7.0	7.0	7.0
iii) Revaluation of tenant leases held as finance leases	**-**	**-**	**-**	-	-	-
iv) Revaluation of trading properties	**557.1**	**455.5**	**455.5**	613.4	503.9	503.9
Diluted NAV at Fair Value	**1,787.1**	**1,685.5**	**1,685.5**	1,436.0	1,326.5	1,326.5
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**19.4**	**19.4**	**-**	21.6	21.6	-
vi) Fair value of financial instruments	**14.4**	**14.4**	**-**	(0.5)	(0.5)	-
vii) Goodwill as a result of deferred tax	**-**	**-**	**-**	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	**-**	**(0.5)**	**(0.5)**	-	(0.5)	(0.5)
viii.b) Intangible as per the IFRS balance sheet	**-**	**(10.7)**	**-**	-	(4.2)	-
Include:						
ix) Fair value of fixed interest rate debt	**-**	**-**	**(19.3)**	-	-	(2.8)
x) Revalue of intangibles to fair value	**-**	**-**	**-**	-	-	-
xi) Real estate transfer tax	**-**	**-**	**-**	-	-	-
NAV	**1,820.9**	**1,708.1**	**1,665.7**	1,457.1	1,342.9	1,323.2
Rights issue	**-**	**-**	**-**	334.5	334.5	334.5
NAV post rights issue	**1,820.9**	**1,708.1**	**1,665.7**	1,791.6	1,677.4	1,657.7
Fully diluted number of shares	**613.8**	**613.8**	**613.8**	463.5	463.5	463.5
NAV pence per share	**297**	**278**	**272**	314	290	286
NAV pence per share post rights issue	**297**	**278**	**272**	292	274	270