COMPANY REGISTRATION NUMBER: 10623900

GRIP UK Property Investments Limited

Financial statements

30 September 2022

GRIP UK Property Investments Limited

Financial statements

Year ended 30 September 2022

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GRIP UK Property Investments Limited

Officers and professional advisers

The board of directors	Helen C Gordon Michael P Keaveney Adam McGhin Rob J Hudson
Company secretary	Adam McGhin
Registered office	Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Auditor	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX
Banker	Barclays Bank plc 5 St Ann's Street Quayside Newcastle upon Tyne NE1 2BH
Solicitor	Womble Bond Dickinson (UK) LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX

GRIP UK Property Investments Limited

Strategic report

Year ended 30 September 2022

The directors present their strategic report for the year ended 30 September 2022.

Principal activity
The principal activity of the company during the year was that of property investment.

Strategy and business model
Grainger is the UK's largest listed provider of private rental homes in the Private Rented Sector ('PRS'). Our strategy is to be the leading provider of private rental homes in the UK and deliver sustainable, attractive returns to our shareholders by increasing overall income returns and improving the resilience and efficiency of our business model.

Our fully integrated business model and operating platform has three key pillars to ensure we are investing in, designing and operating the best possible homes while providing great service:

Originate - planning, design and delivery: Planning and creating sustainable buildings to our own specific design gives us control over the delivery and quality of new homes, whilst also ensuring our properties are efficient to run, lead the sector in health and safety, and are desirable to renters.

Invest - research-backed capital allocation, geographic targeting, acquisitions and asset management: Our investment process begins with comprehensive research to identify cities with the greatest demand and greatest growth potential. We invest in sites in safe neighbourhoods that provide residents with good proximity to public transport and local services.

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

Review of the business
The company is a subsidiary of Grainger plc. The directors of Grainger plc, the ultimate parent undertaking, manage the group's strategy and risks at a group level, rather than at an individual company level. Similarly, the financial and operational performance of the business is assessed at an operating segment level. The directors of the company are satisfied with the results for the year ended 30 September 2022.

The company's directors believe that analysis using financial and non-financial measures is not necessary or appropriate to understand the business' development, performance or position. As such they have not been included within this report, but are included in the group's annual report.

Principal risks and uncertainties
From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. The principal risks and uncertainties of the group include:

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

- ***Financial:*** The inability to obtain sufficient finance, and rising interest rates, arising from the external macro-environment which impacts the ability to fund the delivery of the growth strategy and maintain a strong capital structure.

- ***Regulatory:*** A failure to meet current regulatory obligations and adapt to ongoing requirements of changing policy proposals, and our ability to forward look and prepare for the future, understanding complexities of a changing regulatory landscape in which we operate.

- ***People:*** A failure to attract, retain and develop an inclusive and diverse workforce to ensure we drive business transformation at a time of business growth, and a failure to retain our talented employees by providing development opportunities, workplace flexibility, a sense of purpose and remuneration.

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

- ***Health and safety***: A significant health and safety incident, in particular a fire or gas safety incident or near-miss occurrence, owing to inadequate or inappropriately implemented procedures; our reputation as a leading landlord impacted by our ability and responsibility to understand and follow fire safety and building control requirements to protect our residents; and ensuring the performance of our portfolio aligns to our Environmental, Social and Governance standards.

- ***Development:*** The allocation of a portion of our capital to development activities which may be complex and potentially bring multiple related risks; increased costs including build cost inflation, labour and material shortages; and reduction in value through economic climate.

- ***Cyber and information security:*** The breach of confidential data or technology disruption due to an internal or external attack on our information systems and data or by internal security control failure.

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

- ***Climate change:*** The impacts of climate change on our business and operations, including an extreme weather event, adaptation to changes in weather patterns, the cost and feasibility of transitioning our existing portfolio to a zero-carbon economy whilst ensuring our new build portfolio meets our ESG standards, and customer and investor preference for more energy efficient properties and growing stakeholder expectations.

Section 172 statement
This section of the strategic report describes how the directors have had regard to the matters set out in Section 172(1) of the Companies Act 2006 ('s172') when performing their duty to promote the success of the company for the benefit of its shareholders. As the company is a subsidiary of Grainger plc (the 'Group'), its parent company and other members of the Group are key stakeholders of the company. Accordingly, the interests of the Group have been taken into account by the directors and decisions have been made in agreement with the Board of Grainger plc. The approach to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 are summarised as follows, and are detailed in the Grainger plc Annual Report.

- ***The long term:*** Grainger is committed to being a long-term investor in homes and communities, and delivering long-term success to our shareholders.

- ***Employees:*** Employees are at the heart of our business and our People Strategy focuses on delivering the highest levels of learning and development, wellbeing and inclusion.

- ***Business relationships with suppliers, customers and partners:*** The relationships with our key partners and suppliers are critical to our ability to deliver and maintain high-quality rental homes. Strong relationships with our customers supports retention and creates a community within our buildings.

- ***The community and the environment:*** We consider communities to encompass those created within our buildings as well as those around them, and actively seek ways to promote thriving communities and to minimise our impact on the environment.

- ***High standards of business conduct:*** Grainger is proud to be a FTSE4Good business and adheres to the highest standards of business conduct in interactions with all our stakeholders.

- ***Shareholders:*** We conduct regular direct engagement with our shareholders through a range of channels, and ensure key issues raised are factored into strategic decision-making.

Future developments

The directors expect the performance of the company to continue satisfactorily for the foreseeable future.

This report was approved by the board of directors on 23 February 2023 and signed on behalf of the board by:

Adam McGhin
Company Secretary

Directors' report

Year ended 30 September 2022

The directors present their report and the financial statements of the company for the year ended 30 September 2022.

Directors

The directors who served the company during the year, and subsequent to the year end, were as follows:

Helen C Gordon	
Michael P Keaveney	
Adam McGhin	
Rob J Hudson	(Appointed 8 November 2021)
Andrew P Saunderson	(Resigned 26 November 2021)

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 *Reduced Disclosure Framework*. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 23 February 2023 and signed on behalf of the board by:

Adam McGhin
Director

Independent auditor's report to the members of GRIP UK Property Investments Limited

Opinion

We have audited the financial statements of GRIP UK Property Investments Limited ("the company") for the year ended 30 September 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to Grainger plc's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- reading Board minutes.

- considering remuneration incentive schemes and performance targets for management.

- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements. On this audit we do not believe there is a fraud risk related to revenue recognition due to the simple and non-judgmental nature of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of Group-wide fraud risk management controls.

We also performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, landlord regulation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Dan Gibson

Dan Gibson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
28 February 2023

GRIP UK Property Investments Limited

Statement of comprehensive income

Year ended 30 September 2022

	Note	2022 £	2021 £
Turnover	4	**26,088,342**	22,442,305
Cost of sales		**(7,305,556)**	(6,797,980)
Gross profit		**18,782,786**	15,644,325
Administrative expenses		**(964)**	(168,837)
Fair value gain/(loss) on investment property		**10,774,829**	(5,059,471)
Operating profit	5	**29,556,651**	10,416,017
Loss on disposal of fixed assets		**–**	(208,110)
Income from shares in group undertakings	6	**–**	13,909
Other interest receivable and similar income	7	**6,629,912**	3,082,079
Amounts written off investments		**–**	(4,361)
Interest payable and similar expenses	8	**(6,667,231)**	(6,667,305)
Profit before taxation		**29,519,332**	6,632,229
Tax on profit	9	**(6,335,041)**	(1,722,326)
Profit for the financial year and total comprehensive income		**23,184,291**	4,909,903

All the activities of the company are from continuing operations.

The notes on pages 14 to 21 form part of these financial statements.

GRIP UK Property Investments Limited

Statement of financial position

30 September 2022

	Note	2022 £	2021 £
Fixed assets			
Investment properties	**10**	**575,326,685**	556,494,310
Current assets			
Debtors	**11**	**169,920,443**	145,697,223
Cash at bank and in hand		**8,821,855**	17,228,955
		178,742,298	162,926,178
Creditors: amounts falling due within one year	**12**	**(12,648,792)**	(4,339,505)
Net current assets		**166,093,506**	158,586,673
Total assets less current liabilities		**741,420,191**	715,080,983
Creditors: amounts falling due after more than one year	**13**	**(273,130,748)**	(272,821,517)
Provisions			
Deferred tax	**14**	**(4,776,710)**	(1,931,024)
Net assets		**463,512,733**	440,328,442
Capital and reserves			
Called up share capital	**16**	**37,099,003**	37,099,003
Profit and loss account	**17**	**426,413,730**	403,229,439
Shareholders' funds		**463,512,733**	440,328,442

These financial statements were approved by the board of directors and authorised for issue on 23 February 2023, and are signed on behalf of the board by:

Adam McGhin
Director

Company registration number: 10623900

The notes on pages 14 to 21 form part of these financial statements.

GRIP UK Property Investments Limited

Statement of changes in equity

Year ended 30 September 2022

	Called up share capital £	Profit and loss account £	**Total £**
At 1 October 2020	37,099,003	398,319,536	435,418,539
Profit for the year	–	4,909,903	4,909,903
Total comprehensive income for the year	–	4,909,903	4,909,903
At 30 September 2021	37,099,003	403,229,439	**440,328,442**
Profit for the year	–	23,184,291	**23,184,291**
Total comprehensive income for the year	–	23,184,291	**23,184,291**
At 30 September 2022	37,099,003	426,413,730	**463,512,733**

The notes on pages 14 to 21 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

2. Statement of compliance

The financial statements of GRIP UK Property Investments Limited ("the company") for the period ended 30 September 2022 were authorised for issue by the board of directors on 23 February 2023 and the statement of financial position was signed on the board's behalf by Adam McGhin.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The company's ultimate parent undertaking, Grainger plc, includes the company in its consolidated financial statements. The consolidated financial statements of Grainger plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

3. Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain investment properties, and in accordance with applicable UK accounting standards.

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year.

3. Accounting policies *(continued)*

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company has net assets of £463,512,733 at 30 September 2022 and has generated a profit for the period then ended of £23,184,291. The company is a subsidiary of Grainger plc. The directors of Grainger plc, the ultimate parent undertaking, manage the group's strategy and risks on a consolidated basis, rather than at an individual entity level. Similarly, the financial and operating performance of the business is assessed at a Grainger plc operating segment level. For these reasons, the directors do not prepare cash flow forecasts at an individual entity level.

On a consolidated basis, the Group has assessed its future funding commitments and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance of the Group. The assessment includes the potential impact of reduced PRS occupancy, contraction in rental levels, reduced property valuations, cost inflation and changes in interest rates. The Directors of the Group have a reasonable expectation that it has adequate resources to continue operating for the foreseeable future period, and not less than 12 months from the date of approval of these financial statements.

Grainger plc has indicated that it will make available such funds as are needed by the entity and that it does not intend to seek repayment of amounts due at the balance sheet date for the foreseeable future. As with any entity placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The directors do not intend to nor have they identified any circumstances which may lead to the entity being liquidated or to cease operating.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

3. Accounting policies *(continued)*

Disclosure exemptions

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

(a) Cash flow statement and related notes;
(b) Comparative period reconciliations for share capital;
(c) Disclosures in respect of capital management;
(d) The effects of new but not yet effective IFRSs;
(e) Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Grainger plc include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: Disclosures.

In April 2022, the IFRS Interpretations Committee published guidance which considered accounting for deposits subject to contractual restrictions on use. The Committee clarified the position such that where an entity has a contractual obligation with a third party to keep a specified amount of cash in a separate demand deposit for specified purposes, it will not meet the definition of cash and cash equivalents if it cannot be accessed on demand. This interpretation applies to deposits held in connection with facility arrangements. At 30 September 2022, deposits amounting to £11,961,862 have restricted use and have been reflected in debtors.

Revenue recognition

Turnover comprises gross rentals, exclusive of VAT. Gross rentals are recognised on a straight line basis over the lease term on an accruals basis.

Income tax

The taxation charge for the year represents the sum of the tax currently payable and deferred tax. The charge is recognised in the statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax payable upon the realisation of revaluation gains recognised in prior periods is recorded as a current tax charge with a release of the associated deferred tax.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will give rise to a future tax liability against which the deferred tax assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Accounting policies *(continued)*

Investment property
Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is included in the carrying amount of the property when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains or losses arising from changes in the fair value of the company's investment properties are included in the statement of comprehensive income of the period in which they arise.

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other creditors are recognised initially at transaction value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the amounts reported. The judgements, estimates and assumptions that the directors consider to be most significant to the financial statements relate to the valuation of investment properties and are detailed in note 10.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
Rental income	**26,088,342**	22,442,305

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Audit fees of £6,900 (2021: £4,400) are statutory audit fees only and are borne by another group company.

There are no persons holding service contracts with the company (2021: none). None of the directors received any remuneration from the company during the year, or in the previous period, in respect of their services to the company.

6. Income from shares in group undertakings

	2022	2021
	£	£
Income distribution receivable	–	13,909

7. Other interest receivable and similar income

	2022	2021
	£	£
Interest on cash and cash equivalents	29,732	857
Interest from group undertakings	6,600,180	3,081,222
	6,629,912	3,082,079

8. Interest payable and similar expenses

	2022	2021
	£	£
Other interest payable and similar charges	6,667,231	6,667,305

9. Tax on profit

Major components of tax expense

	2022	2021
	£	£
Current tax:		
UK current tax expense	3,450,915	2,061,233
Adjustments in respect of prior periods	38,440	–
Total current tax	3,489,355	2,061,233
Deferred tax:		
Origination and reversal of timing differences	2,845,686	(338,907)
Tax on profit	6,335,041	1,722,326

9. Tax on profit *(continued)*

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£	£
Profit on ordinary activities before taxation	**29,519,332**	6,632,229
Profit on ordinary activities by rate of tax	**5,608,673**	1,260,124
Effect of expenses not deductible for tax purposes	**43,403**	571
Amounts written off investments	–	829
Intragroup dividends receivable exempt from tax	–	(2,643)
Impact of tax rate changes	**682,965**	463,445
Tax on profit	**6,335,041**	1,722,326

Factors that may affect future tax income

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) has been enacted. This will increase the company's future current tax charge accordingly. Deferred tax at 30 September 2022 has been measured at 25% (2021: 25%).

10. Investment properties

	Investment property £
Cost or valuation	
At 1 October 2021	**556,494,310**
Additions	**8,057,546**
Revaluations	**10,774,829**
At 30 September 2022	**575,326,685**
Carrying amount	
At 30 September 2022	**575,326,685**
At 30 September 2021	556,494,310

CBRE assessed the fair value of the completed assets. The principal approach was to value the properties on an income capitalisation basis, having regard to prevailing market conditions and evidence, and with close regard to the relativity between the market value and the aggregate vacant possession value. The valuation has been prepared in accordance with RICS Professional Valuation Standards, where fair value is the same as market value. At 30 September 2022, CBRE Limited valued 100% of the portfolio.

11. Debtors

	2022	2021
	£	£
Trade debtors	**582,218**	1,009,105
Amounts owed by group undertakings	**156,762,782**	144,000,045
Prepayments and accrued income	**603,618**	642,252
Restricted deposits	**11,961,862**	–
Other debtors	**9,963**	45,821
	169,920,443	145,697,223

Included within amounts owed by group undertakings is an unsecured loan with a year end balance of £156,762,782 (2021: £72,826,298). The loan bears interest at a weighted rate of 4.34% (2021: 4.29%) in the year and is repayable on demand but is not expected to be repaid within the next 12 months. Interest receivable for the year amounted to £6,600,180 (2021: £3,081,222). All other amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand but are not expected to be repaid within the next 12 months.

Restricted deposits arise from contracts with third parties that place restrictions on use of funds. These deposits are held in connection with facility arrangements and are released by the lender on a quarterly basis once covenant compliance has been met.

12. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	**90,825**	253,275
Amounts owed to group undertakings	**8,410,834**	–
Accruals and deferred income	**1,935,635**	1,868,947
Social security and other taxes	**12,200**	8,338
Other creditors	**2,199,298**	2,208,945
	12,648,792	4,339,505

Amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

13. Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Non-bank financial institution loan	**273,130,748**	272,821,517

The non-bank financial institution loan relates to a £275.0m facility, consisting of two tranches; £75.0m for seven years and £200.0m for ten years, with a blended interest rate of 2.3%. Interest payable in the year amounted to £6,667,231 (2021: £6,667,305).

14. Provisions

	Deferred tax (note 15)
	£
At 1 October 2021	**1,931,024**
Additions	**2,845,686**
At 30 September 2022	**4,776,710**

15. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2022	2021
	£	£
Included in provisions (note 14)	**4,776,710**	1,931,024

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	**727,984**	576,005
Fair value adjustment of investment property	**4,048,726**	1,355,019
	4,776,710	1,931,024

16. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	**37,099,003**	**37,099,003**	37,099,003	37,099,003

17. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

18. Operating leases

As lessor

The total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2022	2021
	£	£
Not later than 1 year	**7,597,376**	7,952,781
Later than 1 year and not later than 5 years	**4,183,702**	6,539,935
Later than 5 years	**431,328**	624,488
	12,212,406	15,117,204

19. Ultimate parent undertaking and controlling party

The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

GRIP UK Holdings Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.