13 May 2021

Grainger plc

Half year financial results
for the six months ended 31 March 2021

Strong performance and continued growth trajectory

- Adjusted Earnings up +11%
- Like-for-like rental growth of +1.7%
- Strong rent collection at 98%
- Dividend maintained
- Occupancy held at 89%
- Lettings enquires up +86% since beginning of January
- Pipeline delivery set to accelerate with 1,021 new homes this year

Helen Gordon, Chief Executive of Grainger, the UK's largest listed residential landlord with 9,109 operational rental homes and a £2.1bn pipeline of a further 8,851 rental homes, said:

"We have delivered a strong performance over the past six months despite the impact of Covid-19. It has been a period of intense operational activity, supporting our customers in their homes. Adjusted earnings grew 11% over the period and our strong sales performance more than offset a reduction in occupancy in our PRS portfolio (89%) caused by Covid-19 lockdown restrictions. Our rental income continued to prove resilient with very high levels of rent collection at 98% and continued rental growth of 1.7%. We are therefore maintaining our interim dividend at 1.83p[1].

"We continue to progress our well-established growth strategy, with new acquisitions for 490 new rental homes, major planning approvals secured for a further 618 new rental homes, and over 1,000 new rental homes to be delivered this year.

"During the six-month period we have driven customer retention, lettings and rental growth ahead of the market, leveraging our in-house operating platform. There is positive market evidence, including the +86% rise in lettings enquiries we have generated since the beginning of the year, which suggests a strong lettings market to come as we enter the peak summer period and all remaining lockdown restrictions are lifted. This provides us with increasing confidence for an improved performance for the second half of the year subject to the UK economy reopening as currently expected.

"The many actions we have taken from the outset of our strategy in 2016, focusing the business to what it is today and setting us up for significant future growth and earnings potential, but also the actions we took in the past six months, gives us a high level of assurance that we are ready to capitalise on the UK's reopening over the coming months, and pursue our long term growth plans."

Key highlights

- +11% growth in Adjusted Earnings[2], driven by +30% increase in sales profits
- Robust rental performance and positive outlook, evidenced by +86% increase in enquiry levels since January
  - Net rental income[3] of £34.7m (HY20: £37.0m), reflecting planned asset recycling, lower occupancy and delays in pipeline completions
  - +1.7% like-for-like rental growth[4] in H1 across our total portfolio (HY20: 3.4%)

    - 1.0% like-for-like rental growth in our PRS portfolio (HY20: 3.0%), reflecting our focus on customer retention, with rental growth achieved across all regions, with a marginally stronger performance outside London
    - 4.0% like-for-like rental growth in our regulated tenancy portfolio (HY20: 4.5%), which contributes 27% of our total net rental income
  - Strong rent collection of 98%
  - 1,086 new lets and 1,244 renewals secured in the period, representing £12m and £15m of gross rent respectively, a strong performance in a challenging market
  - 4,974 prospective customer enquiries in H1
  - +86% increase in enquiries since January, with month on month growth
  - Occupancy successfully maintained at 89% despite ongoing lockdown restrictions; our regional portfolio experienced marginally higher occupancy
- Strong sales performance
  - Sales profit up 30% to £29.6m (HY20: £22.8m)
    - Vacant sales from our regulated tenancy portfolio delivered 10% profit growth, with vacant sales achieving prices 0.6% ahead of valuations. Sales took c.4 months to complete, H1 sales prices achieved are typically more modest compared to H2.
    - The remainder of the growth in sales profit was delivered as a result of our successful asset recycling activity (sale of tenanted properties) to take advantage of strong market conditions
    - H2 vacant sales expected to be stronger than H1 based on current sales pipeline
- Delivering growth with 1,021 new homes to be delivered this year (508 homes delivered in H1 and 513 in H2), totalling c.£12m of targeted net rental income once stabilised
  - We have worked hard with our supply chain to overcome the challenges of Covid-19 and have minimised disruption to our pipeline delivery. Where delays are unrelated to Covid-19, Grainger benefits from receiving compensation for lost rent through our forward funding contract terms, totalling £0.8m for the period.
- Expanding our c.£2.1bn pipeline with new acquisitions and planning contents secured, totalling 1,108 new homes
  - Acquired Millwrights Place, Bristol – £63m, 231 homes
  - Acquired Becketwell, Derby – £38m, 259 homes
  - Planning secured at Nine Elms, London (TfL JV) – 479 homes
  - Planning secured at Montford Place, Oval, London (TfL JV) – 139 homes
- Achieved investment grade credit rating from Fitch for the corporate and reaffirmed investment grade rating for our bond

Key actions

Our leading operating platform and the recent actions we have taken to enhance it, ensure that we are well positioned to capitalise on the summer rental momentum and continue to successfully grow our portfolio and outperform the market.

- Full roll out of Digital Leasing via our CONNECT technology platform
- Creation of a centralised customer service team, supporting customer satisfaction and retention
- Enhanced customer offering including doubled internet speed to 250MB for free for all eligible customers
- Expansion of our direct lettings activity and enhanced digital marketing, increasing conversion rates and supporting lease up of new schemes:
  - Solstice Apartments, Milton Keynes, fully let, having launched at the start of the pandemic

- Gatehouse Apartments, Southampton, 54 homes let / reserved (41%) in six weeks
- The Filaments, Manchester, 54 homes let / reserved (14%) in six weeks

- ESG Leadership: We are continually building on Grainger's positive social impact business model of delivering good quality, mid-market rental homes with support for our customers and local communities. We are reducing our environmental impact toward net zero carbon and enhancing the diversity and inclusivity of our workforce. We retained our top ESG benchmark scores.

Financial Highlights

Income returns	**HY20**	**HY21**	**Change**
Rental growth (like-for-like)	3.4%	1.7%	(170) bps
- PRS	3.0%	1.0%	(200) bps
- Regulated tenancies (annualised)	4.5%	4.0%	(50) bps
Net rental income *(Note 5)*	£37.0m	£34.7m	(6)%
Adjusted earnings *(Note 2)*	£33.7m	£37.5m	+11%
Profit before tax *(Note 2)*	£49.6m	£50.3m	+1%
Earnings per share (diluted, after tax) *(Note 9)*	6.4p	6.0p	(6)%
Dividend per share *(Note 10)*	1.83p	1.83p	+0%

Capital returns	**FY20**	**HY21**	**Change**
EPRA NTA per share *(Note 3)*	285p	286p	+0%
Net debt	£1,032m	£1,098m	+6%
Group LTV	33.4%	34.5%	+111 bps
Cost of debt (average)	3.1%	3.1%	+3 bps
Reversionary surplus	£301m	£286m	(5)%

Secured pipeline	
Total investment value	£1,078m
Total homes	4,293
Targeted net rental income	c.£52m

[1] *Dividend – The dividend of 1.83p per share (gross) amounting to £12.3m will be paid on 2 July 2021 to shareholders on the register at the close of business on 28 May 2021. Shareholders will again be offered the option to participate in a dividend re-investment plan and the last day for election is 11 June 2021 – refer also to Note 10.*

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

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

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

Future reporting dates

- Trading update – September 2021
- Full year results – 18 November 2021

Half year results presentation

Grainger plc will be holding a virtual presentation of the results at 9:30am (UK time) today, 13 May 2021, via webcast and a telephone dial-in facility (details below), which will be followed by a live Q&A session for sell side analysts and shareholders.

Webcast details:

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

https://webcasting.brrmedia.co.uk/broadcast/606edb6b0386285386cc6056

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

Conference call details:

Call: +44 (0)330 336 9434

Confirmation Code: 2203372

A copy of the presentation slides will also be available to download on Grainger's website (http://corporate.graingerplc.co.uk/) from 09:00am (UK time).

For further information, please contact:

Investor relations

Kurt Mueller, Grainger plc:	+44 (0) 20 7940 9500

Media

Ginny Pulbrook / Geoffrey Pelham-Lane, Camarco:	+44 (0) 20 3757 4992 / 4985

Forward-looking statements disclaimer

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

Grainger's principal risks are described in more detail in its Annual Report and Accounts, set out in the Risk Management report on pages 47-50 of the 2020 Annual Report and Accounts.

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

In line with our risk management approach detailed on pages 44-46 of the 2020 Annual Report and Accounts, the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework. The Covid-19 pandemic has had a substantial impact on many aspects of society, including business, with the duration and depth of the impact being uncertain. Specifically in relation to Grainger, it is currently considered that the principal risks previously reported remain our principal risks. However, it is recognised that a pandemic, and consequently Government restrictions and societal behavioural changes flowing therefrom increase the likelihood of such risks being accelerated or becoming more acute. This would include, but is not limited to market, regulatory and supplier risks. The risks to Grainger will continue to be monitored closely as well as the potential controls and mitigants that may be applied during this unprecedented period.

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

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.

Chief Executive's review

Overview – well positioned for continued growth and reopening of UK

Our PRS growth strategy, focused on the mid-market and supported by our active asset recycling, has enabled us to maintain high levels of performance during challenging times, but also to invest and grow further at the same time.

The success of our strategy and the hard work of the Grainger team has delivered a strong performance for the period. We leveraged our regulated tenancy portfolio and asset recycling activity to capitalise on the buoyant sales market, more than compensating for the short-term, Covid-19-driven reduction in occupancy in our PRS portfolio.

Overall, we delivered a strong financial performance with Adjusted Earnings up 11%, driven primarily by a 30% increase in sales profits, while our leading operating platform continues to prove its value, delivering 1.7% like-for-like rental growth and 98% rent collection.

We are beginning to see a number of positive signs pointing to increasing momentum in the lettings market over the coming months. To prepare for this, the past six months has been a period of intense operational activity for us to enable us to capitalise on the summer rental momentum; and we are beginning to see the early results of this with enquiries up +86% since January and a steady rise in lettings activity.

If the UK remains on track with its vaccination programme and the reopening of the economy continues as planned, we anticipate a strong rental market over the second half of the year, backed by strong consumer confidence. We are well-positioned to benefit, with over 1,000 new homes being delivered this year.

We remain highly convictional on the fundamental drivers for our market, with the pandemic accelerating trends in renting and a flight to quality which we will benefit from.

Key highlights and actions

<u>Investment highlights</u>

The investment market for new, high quality rental buildings (build-to-rent) is strong, with CBRE reporting record high investment of £3.5bn in 2020.

Our in-house research and cities strategy enable us to allocate shareholder capital effectively by anticipating longer term trends that will affect the rental market and taking first mover advantage in target locations. Our asset allocation between London and the regions (35:65) is by design, and is in part the reason for our strong performance during the pandemic, as does our mid-market positioning, which provides good value for money to our customers, leading to less pricing volatility.

Despite the short-term market challenges in London of the past year, our portfolio performed well and our conviction in London's rental market remains. As a leading city, London will continue to be an attractive location to live in and it will experience population and economic growth in both the near term as restrictions are lifted, and in the longer term, which will underpin rental growth and support valuations.

At the same time, regional cities are seeing a revival, which began with the Conservative Government's Levelling Up agenda and this has been accelerated in part by the pandemic. Our early moves into key target regional cities (e.g. Sheffield, Manchester, Bristol) has enabled us to outcompete, grow swiftly, acquire attractively, and see the early benefits of this regional revival. In the period we secured another great scheme in Bristol, Millwrights Place, which is adjacent to our existing asset, Hawkins & George, and our first investment in Derby for 259 new rental homes.

Covid-19 has led to an acceleration of rental trends which we identified five years ago and play to our core strengths. After more than a year of lockdowns and 'stay at home' orders, we are seeing a flight to quality and a greater emphasis placed on professional management, building amenities including home-working spaces and connectivity, and health & safety assurances, all of which play to Grainger's strengths.

Development & pipeline highlights

We successfully completed two schemes just at the end of this six-month period, The Filaments in Manchester and Gatehouse Apartments in Southampton, totalling 508 homes, both of which are letting up well. Over the second half of the year, we plan to deliver a further 513 homes across a further three schemes.

We continued with our development activity successfully during the period with only a few minor delays on site. Where we experienced delays that were not Covid-related, we were compensated in part by the contractor, partly making up for lost rent.

We are very pleased with the success we've had in our joint venture with Transport for London, Connected Living London. The JV was established a little over 18 months ago and set out to deliver 3,000 homes. To date, I am pleased to announce that we have already secured planning consent to deliver a third of that pipeline. Last year we successfully secured consent to build 460 homes at our scheme in Southall. So far this year, we've gained planning approval for our scheme at Montford Place for 139 homes and most recently for our scheme at Nine Elms, above the new tube station, for 479 homes.

The development team are overseeing a total of 13 live development projects which are on site, and are responsible for the delivery of 8,851 new rental homes across our total pipeline.

Operational highlights

Our leading operating platform has again proven its value over the past year, delivering consistently strong performance with continued like-for-like rental growth, high rent collection and high occupancy on a relative basis. Over the period, there has been a significant level of activity within the operations team to continually improve and enhance our service and offering to our customers.

The lockdown restrictions meant the team had to work extra hard and think creatively to successfully hold occupancy steady at 89%, focusing on customer retention while also attracting new customers. Over the period in our PRS portfolio, the operations team renewed tenancies for 1,244 customers (£15m of gross rent) and generated c.5,000 enquiries which led to 1,086 new lets (£12m of gross rent), a tremendous effort and a significant volume of activity considering the circumstances.

To prepare for the economy to reopen and the subsequent boost to the lettings market, we have undertaken a number of initiatives to capitalise in the short term and to enable long term growth.

We restructured our operations team, creating a central customer service team, based in our Newcastle office, enabling us to improve customer service, thereby increase customer retention rates, and also increasing our scalability further as we grow over the coming years. We increased our direct lettings capacity, which led to higher conversion rates and increased lettings performance. We enhanced our marketing activity, using new and innovative ways to reach new customers, driving higher levels of enquiries.

As part of our CONNECT technology programme we rolled out our Digital Leasing platform across our entire portfolio, having successfully trialled it and refined it over 2020 on our newly launched schemes. This enables new customers to go through the full leasing process entirely online, including referencing, contract signing and payments, speeding up lettings, reducing the number of customers who drop out through the process and creating a fully scalable leasing process to support our growth.

We are seeing the benefits of these actions with increased enquiry levels, improved conversion rates and increased retention rates.

Dividend

As a result of our successful strategy and the hard work of the Grainger team to deliver a strong performance over the period, we are pleased to confirm that we will maintain our interim dividend at 1.83p per share.

ESG

Our integrated ESG strategy remains at the top of our agenda. The whole Grainger team recognises the importance of the positive social impact we have on creating good quality, mid-market rental homes and in addition, we are progressing well against our long-term commitments:

1. Net zero carbon in the operations of our buildings (Scope 1 & 2) by 2030
2. Integrated ESG investment decisions
3. Diverse and inclusive workforce
4. Make a positive social impact

Alleviating homelessness and addressing housing affordability

Highlights over the period include a series of pro bono work our team provided to homelessness charities introduced to us by our charity partner, LandAid; and our commitment to be a foundation partner for a new capital project by LandAid to create new accommodation to young vulnerable people in North Tyneside near our Newcastle office. In addition to the charitable work we do, we are also directly delivering affordable homes across our pipeline programme, which amount to more than 3,000 affordable homes for low income households.

Encouraging a diverse pool of talent for future generations

In partnership with Transport for London, we helped launch a new Schools Engagement Programme for the Built Environment, aimed at reaching a wide spectrum of young Londoners, providing career development support and virtual work experience opportunities. Our apprenticeship and graduate programmes continue to enhance their outreach to more and more diverse backgrounds. Going one step further, we have decided to support a leading bursary programme which will support young people from disadvantaged backgrounds through their studies in the built environment, property field.

Encouraging greater diversity and awareness within our workforce

On diversity and inclusion, our employee-led D&I Network continues to energetically promote diversity initiatives across the business. To mark International Women's Day, we held a week-long campaign, "Celebrating women at Grainger", sharing insights, thoughts and opinions on the challenges and opportunities for women in business. To support awareness on topics of gender and sexuality, we held a session for employees with the Mermaids Charity to discuss gender pronouns, terminology and workplace best practice. We are proud that one of our employees has been selected to be a delegate for UN Women UK to attend the "Commission of the Status of Women".

Supporting local communities and encouraging healthy living

To support our local communities and residents, we rolled out a community events programme across our build-to-rent schemes. We expanded our mental health first training programme, including suicide prevention support, to include all our resident services teams to ensure they are equipped to support their customers and each other. We run a series of wellness events across our portfolio for residents, including Wellness Wednesdays, which include free virtual yoga classes.

Reducing our carbon footprint and helping lead the way toward net zero carbon for the industry

On our journey to net zero carbon, we completed the roll-out of renewable energy to all landlord supplies, and we contributed to a review by HM Treasury on net zero carbon and UK Green Building Council's whole life carbon roadmap project. We are proud signatories to the World Green Building Council's Net Zero Carbon Buildings Commitment.

Providing help to our stakeholders during the Covid-19 pandemic

We are aware that in this this challenging time, being in a good home, supported by a good landlord, can make all the difference as to how people feel. Through the pandemic we have been determined to do what we can to help support our customers, employees and suppliers as best we can, putting a wide range of support in place, including caring responsibilities, loneliness, elderly vulnerability, mental health & suicide prevention training, and financial support.

We are pleased that our ESG efforts are recognised across a series of external third-party benchmarks:

- FTSE4Good
- EPRA's Sustainability Best Practice Reporting – Gold Award
- CDP – 'B' rating (outperformance v. peers)
- ISS ESG – Prime rating
- MSCI ESG – 'AA' rating
- Sustainalytics – 'Low risk' rating

Awards

Grainger's market leading position was recognised over the period with three prestigious awards at the RESI Awards, the leading awards within the UK residential sector: Residential Landlord of the Year, Asset Manager of the Year, and PRS Deal of the Year for our partnership with TfL, Connected Living London.

Political engagement update

As a market leader we hope to leverage our expertise and experience to help improve the rental housing market and the Government deliver on its housing supply ambitions. To this end, Grainger continues to work closely with the UK Government on issues impacting and relating to private rented housing. Over the period, we had numerous meetings with Ministers and officials to discuss matters ranging from net zero carbon, fire safety, housing supply and delivery, planning and viability for build-to-rent.

It was a pleasure to accept an invitation from the Secretary of State to join the Government's Urban Centre Recovery Taskforce, a small group of industry and local government experts who have been tasked with identifying short term interventions to help revive urban centres in the wake of the pandemic.

The Government remains supportive of the UK build-to-rent sector and the benefits it can bring.

Outlook

We have spent considerable time analysing the market and key drivers, considering the impact the pandemic may have on it. Our conclusion is that Covid-19 does not change the long-term market fundamentals nor does it change the highly compelling investment case for the professional, large-scale private rented sector and build-to-rent. More and more people will continue to choose to rent for longer periods of their lives and they will become increasingly discerning, looking for quality and service, which plays to Grainger's core strengths. If anything, Covid-19 is accelerating these rental trends.

In the shorter term, we have been closely monitoring live economic data to fully understand the shape and velocity of the UK's newly emerging economic recovery, and how this will flow through to the rental market and, in particular, lettings activity. Comparing this to international examples where vaccine programmes and economic reopening's are more advanced than ours, gives us confidence that the chances of the UK keeping to its roadmap of easing restrictions is looking increasingly likely. Green shoots seem to be appearing, with increased city centre footfall, increased leisure spending and a gradual return to more normal levels of economic activity. This analysis has led us to our positive market outlook.

The many actions we have taken from the outset of our strategy in 2016, rotating the business to what it is today and setting us up for significant future growth and earnings potential, but also the actions we took in the past six months such as our digital leasing platform, gives us a high level of assurance that we are ready to capitalise on the UK's reopening over the coming months, and pursue our longer term growth plans.

We remain excited for our future growth and look forward to leading the evolution of the UK's rental housing market over the years to come.

Helen Gordon
Chief Executive
13 May 2021

Financial review

The past six months have seen the business continue to deliver on our PRS growth strategy. Whilst the challenges of Covid-19 related restrictions and the related economic disruption have been numerous we have continued to invest in our buildings, technology and people as well as continue to deliver strong earnings growth.

Our rental income stream yet again proved its resilience with very high levels of rent collection at 98% and continued rental growth at 1.7%. Whilst our occupancy was impacted by a temporary demand reduction as a result of lockdown restrictions, we significantly outperformed the wider market as our high-quality mid-market offering and inhouse operating platform proved a significant differentiator. We had a strong sales performance with profits up 30% on the prior year, more than offsetting the temporary occupancy reduction in our PRS portfolio.

Our balance sheet remains strong with significant headroom of £587m and an LTV of 34.5% ensuring our committed pipeline is fully funded and we are well positioned for further growth. The robust nature of our business model and capital structure is gaining wider recognition with Fitch initiating coverage with an investment grade rating for both our corporate and bond rating.

With the easing of lockdown restrictions underway, we are seeing positive trends in enquiries and lettings and are well placed to capitalise on this continued momentum. With a strong half year performance and a positive outlook for the remainder of the year we are maintaining our interim dividend at 1.83p per share.

Highlights

Income returns	**HY20**	**HY21**	**Change**
Rental growth (like-for-like)	3.4%	1.7%	(170) bps
- PRS	3.0%	1.0%	(200) bps
- Regulated tenancies (annualised)	4.5%	4.0%	(50) bps
Net rental income *(Note 5)*	£37.0m	£34.7m	(6)%
Adjusted earnings *(Note 2)*	£33.7m	£37.5m	+11%
Adjusted EPRA earnings *(Note 3)*	£16.0m	£9.4m	(41)%
Profit before tax *(Note 2)*	£49.6m	£50.3m	+1%
Earnings per share (diluted, after tax) *(Note 9)*	6.4p	6.0p	(6)%
Dividend per share *(Note 10)*	1.83p	1.83p	+0%

Capital returns	**FY20**	**HY21**	**Change**
EPRA NTA per share *(Note 3)*	285p	286p	+0%
Net debt	£1,032m	£1,098m	+6%
Group LTV	33.4%	34.5%	+111 bps
Cost of debt (average)	3.1%	3.1%	+3 bps
Reversionary surplus	£301m	£286m	(5)%

Income statement

Adjusted earnings increased by 11% to £37.5m (HY20: £33.7m) as a result of a strong sales performance more than offsetting the temporary decline in net rental income. Overheads remained flat demonstrating our inherent operational leverage as we continue to grow our pipeline and invest in our operating platform.

Income statement (£m)	**HY20**	**HY21**	**Change**
Net rental income	37.0	34.7	(6)%
Profit from sales	22.8	29.6	+30%
Mortgage income (CHARM) *(Note 15)*	2.6	2.4	(8)%
Management fees	1.6	2.3	+44%
Overheads	(13.8)	(13.9)	+1%
Pre-contract costs	(0.2)	(0.3)	+50%
Joint ventures and associates	0.1	(0.2)	(300)%
Net finance costs	(16.4)	(17.1)	+4%
Adjusted earnings	**33.7**	**37.5**	**+11%**
Valuation movements	14.6	12.8	
Other adjustments	1.3	-	
Profit before tax	**49.6**	**50.3**	**+1%**

Rental income

Net rental income decreased by 6% to £34.7m (HY20: 37.0m) as a result of the continuation of our planned asset recycling programme, along with delays in delivery of new developments, as well as lower occupancy at 89% in our stabilised portfolio (HY20: 97%). We continued to deliver like-for-like rental growth across the portfolio at +1.7%, with +1.0% like-for-like rental growth from our PRS portfolio. The regulated tenancy portfolio also continued to deliver strong annualised growth of +4.0%. Our rental growth performance is well above the market average of +0.1% (average based on ONS and Hometrack) as our in-house operational platform and mid-market offering continues to drive performance.

Our focus on cost control ensured that we continue to deliver strong rental margins with stabilised gross to net leakage (excluding voids) down to 24.7% compared to the prior period (HY20: 24.9%). Including voids, stabilised gross to net stood at 27.0%, a reflection of the temporary occupancy reduction caused by Covid-19.

	£m
HY20 Net rental income	**37.0**
Disposals	(2.0)
PRS investment	2.1
Rental growth	1.0
Voids	(3.4)

HY21 Net rental income	**34.7**
YoY movement	(6)%

Sales

We had a strong sales performance in the period with an 30% increase in profits to £29.6m (HY20: £22.8m). Vacant sales profit was 10% ahead of the prior year, with a significant increase in tenanted and other sales the primary driver of the overall sales performance. Development profits from legacy schemes are now largely realised as we move our focus away from build-for-sale activity.

Residential sales

Vacant property sales in the period delivered £14.8m of profit (HY20: £13.5m) from £26.7m of revenue (FY20: £21.6m). This increase was supported by strong momentum in the UK residential property market, combined with a higher regulated tenancy vacancy rate in the period of 7.3% (HY20: 6.6%). We continued to demonstrate strong sales values with prices achieving 0.6% ahead of the previous vacant possession valuations. With the high volume of transactions in the market causing some delays in completions, our sales transaction velocity slowed slightly with our keys to cash metric at 120 days compared to 113 days in the prior year. We have good visibility on our sales pipeline for the second half and would envisage a similar 40%:60% H1:H2 split as we have experienced in previous years.

Sales of tenanted and other properties delivered £14.6m of profit (HY20: £5.2m) from £55.0m of revenue (HY20: £16.0m) as we continued to execute on our asset recycling programme.

Sales

	HY20			**HY21**		
	Units sold	**Revenue**	**Profit**	**Units sold**	**Revenue**	**Profit**
		£m	**£m**		**£m**	**£m**
Residential sales on vacancy	54	21.6	13.5	73	26.7	14.8
Tenanted and other sales	42	16.0	5.2	360	55.0	14.6
Residential sales total	**96**	**37.6**	**18.7**	**433**	**81.7**	**29.4**
Development activity	-	5.3	4.1		0.2	0.2
Overall sales	**96**	**42.9**	**22.8**	**433**	**81.9**	**29.6**

Overheads

Overheads remained flat in the period at £13.9m (HY20: £13.8m) illustrating the inherent leverage in our operating platform and the potential to enhance earnings substantially through our growth plans.

Financing costs

Finance costs increased by 4% on the prior year to £17.1m (HY20: £16.4m), reflecting an increase in net debt as a result of the continued investment in our PRS pipeline. Our average cost of debt remained consistent with the full year at 3.1% (FY20 3.1%), with our marginal cost of debt at 1.7%.

Balance sheet

Ensuring our growth strategy is underpinned by a strong balance sheet has always been a key focus for the business. With a conservative LTV at 34.5% and a very strong liquidity position with £587m of cash and available facilities, we are in a position of real strength to continue the disciplined growth of the business.

Market value balance sheet (£m)	**FY20**	**HY21**
Residential – PRS	1,624	1,749
Residential – regulated tenancies	968	943
Residential – mortgages (CHARM)	73	74
Forward Funded – PRS work in progress	231	193
Development work in progress	147	176
Investment in JVs/associates	42	43
Total investments	**3,085**	**3,178**
Net debt	(1,032)	(1.098)
Other liabilities	-	(16)
EPRA NRV	**2,053**	**2,064**
Deferred and contingent tax – trading assets	(109)	(108)
Exclude: intangible assets	(23)	(28)
EPRA NTA	**1,921**	**1,928**
Add back: intangible assets	23	28
Deferred and contingent tax – investment assets	(24)	(25)
Fair value of fixed rate debt and derivatives	(57)	(51)
EPRA NDV	**1,863**	**1,880**
EPRA NRV pence per share	304	306
EPRA NTA pence per share	**285**	**286**
EPRA NDV pence per share	276	279
Reversionary surplus (excluded from NAV - £m)	**301**	**286**
Reversionary surplus (pence per share)	**45**	**42**

EPRA NTA increased by 1p from the year end to 286p per share (FY20: 285p per share), we consider this to be the most appropriate NAV metric for the business. Other NAV measures showed larger uplifts with EPRA NRV increasing by 1% during the period to 306p per share (FY20: 304p per share) whilst EPRA NDV increased by 1% to 279p per share (FY20: 276p per share). Excluded from all these EPRA NAV measures is the reversionary surplus of £286m or 42p per share (FY20: £301m).

The following table shows the movement in EPRA NTA in the period with the largest positive contributors being adjusted earnings and valuation uplifts.

EPRA NTA movement

	£m	Pence per share
EPRA NTA at 30 September 2020	**1,921**	**285**
Adjusted earnings	38	6
Valuations (trading & investment property)	35	5
Disposals (trading assets)	(28)	(4)
Tax (current, deferred & contingent)	(8)	(1)
Dividends	(25)	(4)
Intangible assets	(5)	(1)
EPRA NTA at 31 March 2021	**1,928**	**286**

Property portfolio valuations

The market value of our property portfolio increased by +1.3% over the six month period (HY20: +1.6%). Both our PRS and Regulated portfolios saw positive valuation performances with the PRS portfolio seeing a 0.9% uplift (HY20: +1.5%), and the regulated portfolio delivering a 2.0% uplift (HY20: +1.8%). Different valuation methods are applied across our portfolio, with the majority of our PRS valuations based on a net rent and yield basis, while the regulated portfolio is largely based on a discount to vacant possession value.

Financing and capital structure

With £587m of cash and available committed undrawn facilities, we are a very well capitalised business with enough liquidity to fund all of the committed capex in our investment pipeline. We have an average debt maturity of 6.1 years, the next debt maturity being £50m due in November 2022.

	FY20	HY21
Net debt	£1,032m	£1,098m
Loan to value	33.4%	34.5%
Cost of debt (average)	3.1%	3.1%
Incremental cost of debt	1.6%	1.7%
Fully drawn cost of debt	2.8%	2.8%
Interest cover	3.4x	3.5x
Headroom	£650m	£587m
Weighted average facility maturity (years)	6.6	6.1
Hedging	100%	100%

Cashflow and investment

Net debt increased to £1,098m (FY20: £1,032m) as we invested £119m into our pipeline during the period and paid our final dividend of £25m. This was offset by positive operating cashflow of £39m and asset recycling of £52m.

Dividend

We are maintaining our interim dividend at 1.83p on a per share basis (HY20: 1.83p) reflecting our strong performance and positive outlook for the remainder of the year. Our policy is to distribute the equivalent of 50% of annual net rental income as a dividend, with a one-third payment at the interim stage. And while our net rental income has reduced as a result of planned asset recycling activity, reduced occupancy and development delays, we receive compensation in respect of lost rent due to development delays unrelated to Covid-19, enabling us to maintain the dividend.

Summary and outlook

The first half of the year has seen us deliver a strong set of results as we continue to invest for the future. Our operating platform has been key to outperforming the market during the Covid-19 lockdowns and will continue to be a key focus of investment from a process, people and technology perspective.

It is our efficient, scalable operating platform that will enable a large proportion of our future growth in net rents to flow through to earnings. Our balance sheet is in good shape and we are in a position to continue our growth strategy and take advantage of acquisition opportunities as they arise.

With the easing of lockdown restrictions looking set to continue into the summer, the actions we have taken position us well to capitalise on the short term lettings market momentum and our longer-term growth plans. The attractiveness of the professionalised rental market in the UK is coming to the fore following the challenges of the last year and we will continue to leverage our market leadership from a position of strength.

Toby Austin
Interim Group Finance Director
13 May 2021

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Helen Gordon
Chief Executive Officer
13 May 2021

Independent Review Report to Grainger plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Other Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards as adopted by the EU and the next annual financial statements will be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Richard Kelly
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E145GL

13 May 2021

Consolidated income statement

For the 6 months ended 31 March	Notes	Unaudited **2021** **£m**	 2020 £m
Group revenue	4	**101.3**	86.9
Net rental income	5	**34.7**	37.0
Profit on disposal of trading property	6	**29.8**	22.1
(Loss)/profit on disposal of investment property	7	**(0.1)**	0.7
Income from financial interest in property assets	15	**4.7**	2.0
Fees and other income	8	**2.3**	3.2
Administrative expenses		**(13.9)**	(13.8)
Other expenses		**(0.3)**	(0.2)
Reversal of impairment of inventories to net realisable value	12	**0.1**	0.1
Operating profit		**57.3**	51.1
Net valuation gains on investment property	11	**10.3**	15.6
Finance costs		**(17.2)**	(16.8)
Finance income		**0.1**	0.1
Share of loss of associates after tax	13	**-**	(0.5)
Share of (loss)/profit of joint ventures after tax	14	**(0.2)**	0.1
Profit before tax	2	**50.3**	49.6
Tax charge for the period	20	**(10.2)**	(9.5)
Profit for the period attributable to the owners of the Company		**40.1**	40.1
Basic earnings per share	9	**6.0p**	6.4p
Diluted earnings per share	9	**5.9p**	6.4p

Consolidated statement of comprehensive income

		Unaudited	
		2021	2020
For the 6 months ended 31 March	Notes	**£m**	£m
Profit for the period	2	**40.1**	40.1
Items that will not be transferred to the consolidated income statement:			
Actuarial gain on BPT Limited defined benefit pension scheme	21	**3.7**	0.1
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**7.4**	(0.1)
Other comprehensive income and expense for the period before tax		**11.1**	-
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	20	**(0.7)**	0.1
Tax relating to items that may be or are reclassified to the consolidated income statement	20	**(1.4)**	0.3
Total tax relating to components of other comprehensive income		**(2.1)**	0.4
Other comprehensive income and expense for the period after tax		**9.0**	0.4
Total comprehensive income and expense for the period attributable to the owners of the Company		**49.1**	40.5

Consolidated statement of financial position

As at	Notes	**Unaudited 31 March 2021 £m**	Audited 30 Sept 2020 £m
ASSETS			
Non-current assets			
Investment property	11	**1,891.3**	1,778.9
Property, plant and equipment		**2.1**	2.0
Investment in associates	13	**14.7**	14.7
Investment in joint ventures	14	**28.3**	27.3
Financial interest in property assets	15	**73.7**	73.3
Deferred tax assets	20	**5.4**	7.8
Intangible assets	16	**28.3**	22.5
		2,043.8	1,926.5
Current assets			
Inventories – trading property	12	**642.1**	657.4
Trade and other receivables	17	**25.5**	31.3
Retirement benefits	21	**1.5**	-
Current tax assets		**4.6**	6.4
Cash and cash equivalents		**257.6**	369.1
		931.3	1,064.2
Total assets		**2,975.1**	2,990.7
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	**1,346.2**	1,391.9
Trade and other payables	18	**1.0**	1.3
Retirement benefits	21	**-**	2.4
Provisions for other liabilities and charges		**1.2**	1.2
Deferred tax liabilities	20	**36.7**	36.7
		1,385.1	1,433.5
Current liabilities			
Trade and other payables	18	**88.5**	73.3
Provisions for other liabilities and charges		**-**	0.3
Derivative financial instruments	19	**13.2**	20.6
		101.7	94.2
Total liabilities		**1,486.8**	1,527.7
NET ASSETS		**1,488.3**	1,463.0
EQUITY			
Issued share capital		**33.8**	33.8
Share premium account		**616.3**	616.3
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(10.6)**	(16.6)
Retained earnings		**828.4**	809.1
TOTAL EQUITY		**1,488.3**	1,463.0

Consolidated statement of changes in equity

	Notes	Issued share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 October 2019		30.7	436.5	20.1	0.3	(14.3)	750.2	1,223.5
Profit for the period	2	-	-	-	-	-	40.1	40.1
Other comprehensive income for the period		-	-	-	-	0.2	0.2	0.4
Total comprehensive income		-	-	-	-	0.2	40.3	40.5
Issue of share capital	24	3.1	179.4	-	-	-	-	182.5
Award of SAYE shares		-	0.2	-	-	-	-	0.2
Purchase of own shares		-	-	-	-	-	(0.2)	(0.2)
Share-based payments charge	22	-	-	-	-	-	1.0	1.0
Dividends paid	10	-	-	-	-	-	(21.2)	(21.2)
IFRS 16 transition adjustment		-	-	-	-	-	(0.5)	(0.5)
Total transactions with owners recorded directly in equity		3.1	179.6	-	-	-	(20.9)	161.8
Balance as at 31 March 2020		33.8	616.1	20.1	0.3	(14.1)	769.6	1,425.8
Profit for the period		-	-	-	-	-	52.7	52.7
Other comprehensive loss for the period		-	-	-	-	(2.5)	(1.1)	(3.6)
Total comprehensive income		-	-	-	-	(2.5)	51.6	49.1
Award of SAYE shares		-	0.2	-	-	-	-	0.2
Purchase of own shares		-	-	-	-	-	0.1	0.1
Share-based payments charge		-	-	-	-	-	0.1	0.1
Dividends paid		-	-	-	-	-	(12.3)	(12.3)
Total transactions with owners recorded directly in equity		-	0.2	-	-	-	(12.1)	(11.9)
Balance as at 30 September 2020		**33.8**	**616.3**	**20.1**	**0.3**	**(16.6)**	**809.1**	**1,463.0**
Profit for the period	2	**-**	**-**	**-**	**-**	**-**	**40.1**	**40.1**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**6.0**	**3.0**	**9.0**
Total comprehensive income		**-**	**-**	**-**	**-**	**6.0**	**43.1**	**49.1**
Purchase of own shares		**-**	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Share-based payments charge	22	**-**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Dividends paid	10	**-**	**-**	**-**	**-**	**-**	**(24.5)**	**(24.5)**
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**-**	**(23.8)**	**(23.8)**
Balance as at 31 March 2021		**33.8**	**616.3**	**20.1**	**0.3**	**(10.6)**	**828.4**	**1,488.3**

Consolidated statement of cash flows

For the 6 months ended 31 March	Notes	Unaudited **2021** **£m**	 2020 £m
Cash flow from operating activities			
Profit for the period	2	**40.1**	40.1
Depreciation and amortisation		**0.4**	0.8
Net valuation gains on investment property	11	**(10.3)**	(15.6)
Net finance costs		**17.1**	16.7
Share of loss of associates and joint ventures	13,14	**0.2**	0.4
Loss/(profit) on disposal of investment property	7	**0.1**	(0.7)
Share-based payment charge	22	**0.9**	1.0
Income from financial interest in property assets	15	**(4.7)**	(2.0)
Tax	20	**10.2**	9.5
Cash generated from operating activities before changes in working capital		**54.0**	50.2
Decrease in trade and other receivables		**5.8**	14.1
Increase/(decrease) in trade and other payables		**20.3**	(5.8)
Decrease in provisions for liabilities and charges		**(0.3)**	(0.2)
Decrease/(increase) in inventories		**15.3**	(2.1)
Cash generated from operating activities		**95.1**	56.2
Interest paid		**(21.2)**	(17.6)
Tax paid		**(8.1)**	(20.5)
Payments to defined benefit pension scheme	21	**(0.2)**	(0.3)
Net cash inflow from operating activities		**65.6**	17.8
Cash flow from investing activities			
Proceeds from sale of investment property	7	**30.3**	8.9
Proceeds from financial interest in property assets	15	**4.3**	4.9
Investment in joint ventures	14	**(0.9)**	(4.7)
Loans advanced to associates and joint ventures	13,14	**(0.3)**	(3.4)
Acquisition of investment property	11	**(132.5)**	(79.6)
Acquisition of property, plant and equipment and intangible assets		**(6.3)**	(6.3)
Net cash outflow from investing activities		**(105.4)**	(80.2)
Cash flow from financing activities			
Net proceeds from issue of share capital	24	**-**	182.5
Awards of SAYE options		**-**	0.2
Purchase of own shares		**(0.2)**	(0.2)
Proceeds from new borrowings		**-**	299.4
Payment of loan costs		**-**	(0.6)
Repayment of borrowings		**(47.0)**	(330.0)
Dividends paid	10	**(24.5)**	(21.2)
Net cash (outflow)/inflow from financing activities		**(71.7)**	130.1
Net (decrease)/increase in cash and cash equivalents		**(111.5)**	67.7
Cash and cash equivalents at the beginning of the period		**369.1**	189.3
Cash and cash equivalents at the end of the period		**257.6**	257.0

Notes to the unaudited interim financial results

1. Accounting policies

1a Basis of preparation

These condensed interim financial statements are unaudited and do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The annual financial statements of the group for the year ended 30 September 2021 will be prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 30 September 2020 which were prepared in accordance with IFRSs as adopted by the EU.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2020 which is available on the Group's website (www.graingerplc.co.uk). The Grainger business is not judged to be highly seasonal, therefore comparatives used for the six month period ended 31 March 2021 Consolidated Income Statement are the six month period ended 31 March 2020 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 30 September 20 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2020 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial information included in this announcement has been prepared in accordance with EU endorsed IFRS, IFRS IC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

All property assets are subject to a Directors' valuation at the half year end, supported by an independent external valuation. External valuations at the half year are conducted by the Group's valuers, Allsop LLP and CBRE Limited, as well as Avison Young (UK) Limited in respect of property held by Vesta LP. The valuation process is in line with the approach set out on pages 111-113 of the 2020 Annual Report and Accounts, with the exception being the Group's Residential portfolio valued by Allsop LLP. At the half year, Allsop LLP inspected 10.0% of the Residential portfolio, with the movement extrapolated over the non-sampled assets to form 50% of the valuation movement for these portfolios. The remaining 50% is based on a blended rate arrived at by taking Halifax, Nationwide and Acadata indices (16.6% weighting each), applied on a regional IPD basis.

The Group's financial derivatives were valued as at 31 March 2021 in-house by a specialised treasury management system, using a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments.

1b Adoption of new and revised International Financial Reporting Standards

New standards and interpretations in the year

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the Group and have not been early adopted. The application of these new standards, amendments and interpretations are not expected to have a material impact on the Group's financial statements.

1c Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report on pages 47-50 of the 2020 Annual Report and Accounts.

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

In line with our risk management approach detailed on pages 44-46 of the 2020 Annual Report and Accounts, the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework.

1d 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.

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.

1e Significant judgements and estimates

Full details of critical accounting estimates are given on pages 111-114 of the 2020 Annual Report and Accounts. This includes detail of the Groups approach to valuation of property assets and the use of external valuers in the process.

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The Directors are satisfied that the valuations agreed with our external valuers are a reasonable representation of property values in the circumstances known and evidence available at the reporting date. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the unaudited interim financial results continued

1f Going concern assessment

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. Given the significant impact of Covid-19 on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the interim financial statements for the period ended 31 March 2021.

In making the going concern assessment, the Directors have considered the Group's principal risks and their impact on financial performance. The Directors have assessed the future funding commitments of the Group and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

The going concern assessment is based on the first 18 months of the Group's viability model, covering the period from 1 April 2021 to 30 September 2022, and is based on a severe downside scenario including an extreme impact of Covid-19, reflecting the following key assumptions:

- Reducing PRS occupancy to 80% by 30 September 2021, to 75% by 31 March 2022 and to 70% by 30 September 2022
- Reducing property valuations over the 18 months to 30 September 2022, driven by either yield expansion or house price deflation
- 10% development cost inflation
- Operating cost inflation of 10% per annum
- An increase in finance costs by 1.25% from 1 April 2021

No new financing is assumed in the assessment period, but existing facilities are assumed to remain available. Even in this severe downside scenario, the Group has sufficient cash reserves, with the loan-to-value covenant remaining no higher than 48% (facility maximum covenant ranges between 70% - 75%) and interest cover above 2.48x (facility minimum covenant ranges between 1.35x – 1.75x) for the 18 months to September 2022, which covers the required period of at least 12 months from the date of authorisation of the interim financial statements.

Based on these considerations, together with available market information and the Directors experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the interim financial statements for the period ended 31 March 2021.

Notes to the unaudited interim financial results continued

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.

For the 6 months ended 31 March (Unaudited)	**2021**				2020			
£m	**Statutory**	**Valuation**	**Other adjustments**	**Adjusted earnings**	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**101.3**	**-**		**101.3**	86.9	-	(1.6)	85.3
Net rental income	**34.7**	**-**	**-**	**34.7**	37.0	-	-	37.0
Profit on disposal of trading property	**29.8**	**(0.1)**	**-**	**29.7**	22.1	-	-	22.1
(Loss)/profit on disposal of investment property	**(0.1)**	**-**	**-**	**(0.1)**	0.7	-	-	0.7
Income from financial interest in property assets	**4.7**	**(2.3)**	**-**	**2.4**	2.0	0.6	-	2.6
Fees and other income	**2.3**	**-**	**-**	**2.3**	3.2	-	(1.6)	1.6
Administrative expenses	**(13.9)**	**-**	**-**	**(13.9)**	(13.8)	-	-	(13.8)
Other expenses	**(0.3)**	**-**	**-**	**(0.3)**	(0.2)	-	-	(0.2)
Reversal of impairment of inventories to net realisable value	**0.1**	**(0.1)**	**-**	**-**	0.1	(0.1)	-	-
Operating profit	**57.3**	**(2.5)**	**-**	**54.8**	51.1	0.5	(1.6)	50.0
Net valuation gains on investment property	**10.3**	**(10.3)**	**-**	**-**	15.6	(15.6)	-	-
Finance costs	**(17.2)**	**-**	**-**	**(17.2)**	(16.8)	-	0.3	(16.5)
Finance income	**0.1**	**-**	**-**	**0.1**	0.1	-	-	0.1
Share of loss of associates after tax	**-**	**-**	**-**	**-**	(0.5)	0.5	-	-
Share of (loss)/profit of joint ventures after tax	**(0.2)**	**-**	**-**	**(0.2)**	0.1	-	-	0.1
Profit before tax	**50.3**	**(12.8)**	**-**	**37.5**	49.6	(14.6)	(1.3)	33.7
Tax charge for the period	**(10.2)**				(9.5)			
Profit for the period attributable to the owners of the Company	**40.1**				40.1			
Diluted earnings per share – adjusted				**4.5p**				4.3p

Notes to the unaudited interim 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 £37.5m (2020: £33.7m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £7.1m (2020: £6.4m) in line with the current standard UK corporation tax rate of 19.0% (2020: 19.0%), divided by the weighted average number of diluted shares as shown in Note 9.

Other adjustments in 2020 of £1.3m were comprised of £1.6m relating to the write-back of provisions relating to historic non-core businesses, offset by £0.3m refinancing 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 is the Chief Executive Officer.

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

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

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

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

Notes to the unaudited interim financial results continued

March 2021 Income statement (unaudited)

For the 6 months ended 31 March 2021 **£m**	**PRS**	**Reversionary**	**Other**	**Total**
Group revenue	**37.8**	**62.8**	**0.7**	**101.3**
Segment revenue – external				
Net rental income	**25.3**	**9.3**	**0.1**	**34.7**
Profit on disposal of trading property	**(0.1)**	**29.6**	**0.2**	**29.7**
Loss on disposal of investment property	**(0.1)**	**-**	**-**	**(0.1)**
Income from financial interest in property assets	**-**	**2.4**	**-**	**2.4**
Fees and other income	**1.7**	**-**	**0.6**	**2.3**
Administrative expenses	**-**	**-**	**(13.9)**	**(13.9)**
Other expenses	**(0.3)**	**-**	**-**	**(0.3)**
Net finance costs	**(11.2)**	**(5.5)**	**(0.4)**	**(17.1)**
Share of trading loss of joint ventures and associates after tax	**(0.2)**	**-**	**-**	**(0.2)**
Adjusted earnings	**15.1**	**35.8**	**(13.4)**	**37.5**
Valuation movements				**12.8**
Other adjustments				**-**
Profit before tax				**50.3**

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:

For the 6 months ended 31 March 2021 **£m**	**PRS**	**Reversionary**	**Other**	**Total**
Adjusted earnings	**15.1**	**35.8**	**(13.4)**	**37.5**
Loss on disposal of investment property	**0.1**	**-**	**-**	**0.1**
Previously recognised profit through EPRA market value measures	**-**	**(28.2)**	**-**	**(28.2)**
Adjusted EPRA earnings	**15.2**	**7.6**	**(13.4)**	**9.4**

March 2020 Income statement (unaudited)

For the 6 months ended 31 March 2020 £m	PRS	Reversionary	Other	Total
Group revenue	37.4	42.0	5.9	85.3
Segment revenue – external				
Net rental income	27.1	9.8	0.1	37.0
Profit on disposal of trading property	-	18.0	4.1	22.1
Profit on disposal of investment property	0.7	-	-	0.7
Income from financial interest in property assets	-	2.6	-	2.6
Fees and other income	0.9	-	0.7	1.6
Administrative expenses	-	-	(13.8)	(13.8)
Other expenses	(0.2)	-	-	(0.2)
Net finance costs	(10.2)	(5.9)	(0.3)	(16.4)
Share of trading (loss)/profit of joint ventures and associates after tax	(0.1)	-	0.2	0.1
Adjusted earnings	18.2	24.5	(9.0)	33.7
Valuation movements				14.6
Other adjustments				1.3
Profit before tax				49.6

Notes to the unaudited interim financial results continued

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

For the 6 months ended 31 March 2020 £m	PRS	Reversionary	Other	Total
Adjusted earnings	18.2	24.5	(9.0)	33.7
Profit on disposal of investment property	(0.7)	-	-	(0.7)
Previously recognised profit through EPRA market value measures	-	(15.5)	(1.5)	(17.0)
Adjusted EPRA earnings	17.5	9.0	(10.5)	16.0

Segmental assets

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

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

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

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

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

Notes to the unaudited interim financial results continued

March 2021 Segment net assets (unaudited)

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	**1,200.6**	**232.4**	**55.3**	**1,488.3**	**220**
Total segment net assets (EPRA NRV)	**1,323.6**	**669.3**	**71.2**	**2,064.1**	**306**
Total segment net assets (EPRA NTA)	**1,299.1**	**586.4**	**42.8**	**1,928.3**	**286**
Total segment net assets (EPRA NDV)	**1,274.1**	**586.0**	**20.2**	**1,880.3**	**279**

March 2021 Reconciliation of EPRA NAV measures (unaudited)

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	**1,891.3**	**-**	**1,891.3**	**-**	**1,891.3**	**-**	**1,891.3**
Investment in joint ventures and associates	**43.0**	**-**	**43.0**	**-**	**43.0**	**-**	**43.0**
Financial interest in property assets	**73.7**	**-**	**73.7**	**-**	**73.7**	**-**	**73.7**
Inventories – trading property	**642.1**	**527.3**	**1,169.4**	**-**	**1,169.4**	**-**	**1,169.4**
Cash and cash equivalents	**257.6**	**-**	**257.6**	**-**	**257.6**	**-**	**257.6**
Other assets	**67.4**	**2.8**	**70.2**	**(28.3)**	**41.9**	**39.7**	**81.6**
Total assets	**2,975.1**	**530.1**	**3,505.2**	**(28.3)**	**3,476.9**	**39.7**	**3,516.6**
Interest-bearing loans and borrowings	**(1,346.2)**	**-**	**(1,346.2)**	**-**	**(1,346.2)**	**(49.3)**	**(1,395.5)**
Deferred and contingent tax liabilities	**(36.7)**	**32.6**	**(4.1)**	**(107.5)**	**(111.6)**	**(25.3)**	**(136.9)**
Other liabilities	**(103.9)**	**13.1**	**(90.8)**	**-**	**(90.8)**	**(13.1)**	**(103.9)**
Total liabilities	**(1,486.8)**	**45.7**	**(1,441.1)**	**(107.5)**	**(1,548.6)**	**(87.7)**	**(1,636.3)**
Net assets	**1,488.3**	**575.8**	**2,064.1**	**(135.8)**	**1,928.3**	**(48.0)**	**1,880.3**

Notes to the unaudited interim financial results continued

September 2020 Segment net assets (audited)

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	1,169.6	252.0	41.4	1,463.0	217
Total segment net assets (EPRA NRV)	1,291.2	696.1	65.5	2,052.8	304
Total segment net assets (EPRA NTA)	1,266.8	611.4	42.9	1,921.1	285
Total segment net assets (EPRA NDV)	1,242.3	611.4	8.8	1,862.5	276

September 2020 Reconciliation of EPRA NAV measures (audited)

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NRV balance sheet	Adjustments to deferred and contingent tax and intangibles	EPRA NTA balance sheet	Adjustments to derivatives, fixed rate debt and intangibles	EPRA NDV balance sheet
Investment property	1,778.9	-	1,778.9	-	1,778.9	-	1,778.9
Investment in joint ventures and associates	42.0	-	42.0	-	42.0	-	42.0
Financial interest in property assets	73.3	-	73.3	-	73.3	-	73.3
Inventories – trading property	657.4	533.4	1,190.8	-	1,190.8	-	1,190.8
Cash and cash equivalents	369.1	-	369.1	-	369.1	-	369.1
Other assets	70.0	3.5	73.5	(22.5)	51.0	35.2	86.2
Total assets	2,990.7	536.9	3,527.6	(22.5)	3,505.1	35.2	3,540.3
Interest-bearing loans and borrowings	(1,391.9)	-	(1,391.9)	-	(1,391.9)	(48.7)	(1,440.6)
Deferred and contingent tax liabilities	(36.7)	32.3	(4.4)	(109.2)	(113.6)	(24.5)	(138.1)
Other liabilities	(99.1)	20.6	(78.5)	-	(78.5)	(20.6)	(99.1)
Total liabilities	(1,527.7)	52.9	(1,474.8)	(109.2)	(1,584.0)	(93.8)	(1,677.8)
Net assets	1,463.0	589.8	2,052.8	(131.7)	1,921.1	(58.6)	1,862.5

Notes to the unaudited interim financial results continued

4. Group revenue

	Unaudited 2021 £m	2020 £m
Gross rental income (Note 5)	**48.3**	50.0
Gross proceeds from disposal of trading property (Note 6)	**50.7**	33.7
Fees and other income (Note 8)	**2.3**	3.2
	101.3	86.9

5. Net rental income

	Unaudited 2021 £m	2020 £m
Gross rental income	**48.3**	50.0
Property operating expenses	**(13.6)**	(13.0)
	34.7	37.0

6. Profit on disposal of trading property

	Unaudited 2021 £m	2020 £m
Proceeds from disposal of trading property	**50.7**	33.7
Selling costs	**(1.0)**	(0.6)
Net proceeds from disposal of trading property	**49.7**	33.1
Carrying value of trading property sold	**(19.9)**	(11.0)
	29.8	22.1

7. (Loss)/profit on disposal of investment property

	Unaudited 2021 £m	2020 £m
Gross proceeds from disposal of investment property	**31.2**	9.2
Selling costs	**(0.9)**	(0.3)
Net proceeds from disposal of investment property	**30.3**	8.9
Carrying value of investment property sold	**(30.4)**	(8.2)
	(0.1)	0.7

8. Fees and other income

	Unaudited 2021 £m	2020 £m
Property and asset management fee income	**0.8**	1.3
Other sundry income	**1.5**	1.9
	2.3	3.2

Included within other sundry income is £0.8m (2020: £0.2m) liquidated and ascertained damages (LADs) recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts. In the prior period, £1.6m was recorded in other sundry income in relation to the settlement of historic legal matters with respect to the Group’s interest in the Czech Republic.

Notes to the unaudited interim financial results continued

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 period, 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'), Deferred Bonus Plan ('DBP') and Save As You Earn ('SAYE') schemes, 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 31 March 2021 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

		Unaudited				
	31 March 2021			31 March 2020		
	Profit for the period £m	**Weighted average number of shares (millions)**	**Earnings per share (pence)**	Profit for the period £m	Weighted average number of shares (millions)	Earnings per share (pence)
Basic earnings per share						
Profit attributable to equity holders	**40.1**	**673.1**	**6.0**	40.1	625.6	6.4
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.6**	**(0.1)**	-	2.4	-
Diluted earnings per share						
Profit attributable to equity holders	**40.1**	**675.7**	**5.9**	40.1	628.0	6.4

10. Dividends

The Company has announced an interim dividend of 1.83p (March 2020: 1.83p) per share which will return £12.3m (March 2020: £12.3m) of cash to shareholders. In the six months ended 31 March 2021, the final dividend for the year ended 30 September 2020 which amounted to £24.5m has been paid.

11. Investment property

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**1,778.9**	1,574.6
Acquisitions	**14.5**	37.7
Capital expenditure – completed assets	**5.1**	11.4
Capital expenditure – assets under construction	**112.9**	146.2
Total additions	**132.5**	195.3
Transfer from inventories (Note 12)	**-**	13.1
Disposals	**(30.4)**	(33.9)
Net valuation gains	**10.3**	29.8
Closing balance	**1,891.3**	1,778.9

Notes to the unaudited interim financial results continued

12. Inventories

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**657.4**	700.0
Additions	**4.4**	14.5
Transfer to investment property (Note 11)	**-**	(13.1)
Disposals	**(19.8)**	(43.3)
Reversal of impairment/(impairment) of inventories to net realisable value	**0.1**	(0.7)
Closing balance	**642.1**	657.4

13. Investment in associates

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**14.7**	11.7
Share of profit for the period	**-**	0.1
Loans advanced to associates	**-**	2.9
Closing balance	**14.7**	14.7

The closing balance comprises share of net assets of £0.1m (September 2020: £0.1m) and net loans due from associates of £14.6m (September 2020: £14.6m). At the balance sheet date, there is no expectation of credit losses on loans due.

As at 31 March 2021, 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

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**27.3**	21.6
Share of loss for the period	**(0.2)**	(1.6)
Further investment[1]	**0.9**	5.5
Loans advanced to joint ventures	**0.3**	1.8
Closing balance	**28.3**	27.3

[1] Grainger invested £0.9m into Connected Living London (BTR) Limited in the period (September 2020: £5.5m).

The closing balance comprises share of net assets of £8.7m (September 2020: £8.0m) and net loans due from joint ventures of £19.6m (September 2020: £19.3m).

At 31 March 2021, 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

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

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**73.3**	76.4
Cash received from the instrument	**(4.3)**	(8.3)
Amounts taken to income statement	**4.7**	5.2
Closing balance	**73.7**	73.3

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

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

16. Intangible assets

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Opening balance	**22.5**	11.2
Additions	**5.8**	12.0
Amortisation	**-**	(0.7)
Closing balance	**28.3**	22.5

17. Trade and other receivables

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Rent and other tenant receivables	**7.1**	4.8
Deduct: Provision for impairment	**(2.9)**	(2.4)
Rent and other tenant receivables – net	**4.2**	2.4
Contract assets	**-**	3.3
Other receivables	**19.4**	23.0
Prepayments	**1.9**	2.6
Closing balance	**25.5**	31.3

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgment or estimation due to the balance of gross rent and other tenant receivables of £7.0m (2020: £4.8m). Assumptions used in the forward-looking assessment are continually reviewed in respect of Covid-19 to take into account likely rent deferrals.

Other receivables include £3.7m (2020: £9.3m) due from land sales, which is receivable no later than March 2022.

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

Notes to the unaudited interim financial results continued

18. Trade and other payables

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Current liabilities		
Deposits received	**7.3**	7.2
Trade payables	**16.8**	16.4
Lease liabilities	**0.9**	0.9
Tax and social security costs	**0.5**	0.5
Accruals	**59.1**	44.2
Deferred income	**3.9**	4.1
	88.5	73.3
Non-current liabilities		
Lease liabilities	**1.0**	1.3
	1.0	1.3
Total trade and other payables	**89.5**	74.6

Within accruals, £44.2m comprises accrued expenditure in respect of ongoing construction activities (September 2020: £28.4m).

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

	Unaudited 31 March 2021 £m	Audited 30 Sept 2020 £m
Non-current liabilities		
Bank loans – Pounds Sterling	**306.0**	352.2
Bank loans – Euro	**0.9**	0.9
Non-bank financial institution	**346.2**	346.2
Corporate bond	**693.1**	692.6
	1,346.2	1,391.9
Total interest-bearing loans and borrowings	**1,346.2**	1,391.9

During the prior year, the Group issued a new ten-year £350.0m corporate bond at 3.0% due July 2030.

The above analyses of loans and borrowings are net of unamortised costs and the discount on issuance of the corporate bonds. As at 31 March 2021, unamortised cost totalled £11.9m (September 2020: £13.1m) and the outstanding discount was £2.7m (September 2020: £2.9m).

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 31 March 2021 and as at 30 September 2020.

As at 31 March 2021, the fair value of interest-bearing loans is greater than the book value by £49.3m (September 2020: £48.7m), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at amortised cost in the consolidated statement of financial position.

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.

Notes to the unaudited interim financial results continued

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:

	Unaudited 31 March 2021		Audited 30 September 2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
CHARM	**73.7**	**-**	73.3	-
Investment property	**1,891.3**	**-**	1,778.9	-
	1,965.0	**-**	1,852.2	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**-**	**13.2**	-	20.6
	-	**13.2**	-	20.6

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

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

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

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

Assets – Level 3	**Unaudited 31 March 2021 £m**	Audited 30 Sept 2020 £m
Opening balance	**1,852.2**	1,651.0
Amounts taken to income statement	**15.0**	34.6
Other movements	**97.8**	166.6
Closing balance	**1,965.0**	1,852.2

Notes to the unaudited interim financial results continued

20. Tax

The tax charge for the period of £10.2m (2020: £9.5m) recognised in the consolidated income statement comprises:

	Unaudited	
	2021	2020
	£m	£m
Current tax		
Corporation tax on profit	**9.9**	9.4
	9.9	9.4
Deferred tax		
Origination and reversal of temporary differences	**0.3**	0.1
	0.3	0.1
Total tax charge for the period in the consolidated income statement	**10.2**	9.5

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

In addition to the above, a deferred tax charge of £2.1m (2020: deferred tax credit of £0.4m) was recognised within other comprehensive income comprising:

	Unaudited	
	2021	2020
	£m	£m
Deferred tax		
Actuarial gain/(loss) on BPT Limited pension scheme	**0.7**	(0.1)
Fair value movement in cash flow hedges and exchange adjustments	**1.4**	(0.3)
Amounts recognised in other comprehensive income	**2.1**	(0.4)

Deferred tax balances comprise temporary differences attributable to:

	Unaudited	Audited
	31 March	30 Sept
	2021	2020
	£m	£m
Deferred tax assets		
Short-term temporary differences	**1.1**	1.1
Losses carried forward	**1.2**	1.5
Actuarial deficit on BPT Limited pension scheme	**0.5**	1.2
Fair value movement in derivative financial instruments and cumulative exchange adjustments	**2.6**	4.0
	5.4	7.8
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(7.2)**	(7.9)
Investment property revaluation	**(25.5)**	(25.0)
Short-term temporary differences	**(2.9)**	(2.6)
Fair value movement in financial interest in property assets	**(1.1)**	(1.2)
	(36.7)	(36.7)
Total deferred tax	**(31.3)**	(28.9)

Deferred tax has been predominantly calculated at a rate of 19% (September 2020: 19%) in line with the enacted main rate of corporation tax.

Notes to the unaudited interim financial results continued

At the date of approval of these interim financial statements, the government has announced that it intends to increase the UK corporation tax rate from 19% to 25% (effective 1 April 2023), but has not yet legislated for this change. Any changes in corporation tax rates, once enacted, will impact the company's future current tax charge and deferred tax balances will be remeasured accordingly at the higher rate of tax.

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 £100.2m, calculated at 19% (2020: £101.3m, calculated at 19%) and will be realised as the properties are sold.

21. Retirement benefits

The Group retirement benefit liability decreased by £3.9m to an asset of £1.5m in the six months ended 31 March 2021. The movement has arisen from changes in assumptions of £2.6m (primarily market observable discount rates), £1.1m gain on plan assets, and £0.2m company contributions. The principal actuarial assumptions used to reflect market conditions as at 31 March 2021 are as follows:

	Unaudited 31 March 2021 %	Audited 30 Sept 2020 %
Discount rate	**2.10**	1.50
Retail Price Index (RPI) inflation	**3.45**	3.05
Consumer Price Index (CPI) inflation	**2.65**	2.25
Salary increases	**3.95**	3.55
Rate of increase of pensions in payment	**5.00**	5.00
Rate of increase for deferred pensioners	**2.65**	2.25

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 income statement for the period is £0.9m (2020: £1.0m).

Notes to the unaudited interim financial results continued

23. Related party transactions

During the period ended 31 March 2021, 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 administration, development, property and asset management services for which the Group receives fee income. The related party transactions recognised in the income statement and statement of financial position are as follows:

	Unaudited			
	31 March 2021		31 March 2020	
	Fees recognised £'000	**Period end balance £'000**	Fees recognised £'000	Period end balance £'000
Vesta Limited Partnership	**213**	**219**	67	21
Connected Living London (BTR) Limited	**335**	**835**	384	384
Lewisham Grainger Holdings LLP	**159**	**770**	186	341
	707	**1,824**	637	746

	Unaudited				Audited	
	31 March 2021 Interest recognised £'000	**31 March 2021 Period end loan balance £m**	**31 March 2021 Interest rate %**	30 Sept 2020 Interest recognised £'000	30 Sept 2020 Period end loan balance £m	30 Sept 2020 Interest rate %
Vesta Limited Partnership	**-**	**14.6**	**Nil**	-	14.6	Nil
Lewisham Grainger Holdings LLP	**-**	**2.6**	**Nil**	-	2.3	Nil
Curzon Park Limited	**-**	**17.0**	**Nil**	-	17.0	Nil
	-	**34.2**		-	33.9	

24. Issue of share capital

In February 2020, the Group issued 61,200,000 new shares at an issue price of 305.0p raising a total amount of £182.5m net of costs. The shares were issued with a nominal value of £0.05p per share. This increased share capital by £3.1m and the share premium account by £179.4m.

25. Post balance sheet events

On 13 May 2021, the Group agreed to forward fund and acquire a PRS, build-to-rent development in Becketwell, Derby, comprising 259 private rental homes for £38m.

EPRA Performance Measures - Unaudited

EPRA Earnings

The European Public Real Estate Association (EPRA) is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Group is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations ('EPRA BPR') guidelines. The most recent guidelines, updated in October 2019, have been adopted by the Group.

	31 March 2021			31 March 2020		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**50.3**	**675.7**	**7.4**	49.6	628.0	7.9
Adjustments to calculate adjusted EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**(12.6)**	**-**	**(1.8)**	(15.0)	-	(2.4)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**0.1**	**-**	**-**	(0.7)	-	(0.1)
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(28.4)**	**-**	**(4.2)**	(17.1)	-	(2.7)
iv) Tax on profits or losses on disposals	**-**	**-**	**-**	-	-	-
v) Negative goodwill/goodwill impairment	**-**	**-**	**-**	-	-	-
vi) Changes in fair value of financial instruments and associated close-out costs	**-**	**-**	**-**	0.3	-	-
vii) Acquisition costs on share deals and non-controlling joint venture interests	**-**	**-**	**-**	-	-	-
viii) Deferred tax in respect of EPRA adjustments	**-**	**-**	**-**	-	-	-
ix) Adjustments i) to viii) in respect of joint ventures	**-**	**-**	**-**	(1.1)	-	(0.2)
x) Non-controlling interests in respect of the above	**-**	**-**	**-**	-	-	-
xi) Other adjustments in respect of adjusted earnings	**-**	**-**	**-**	-	-	-
Adjusted EPRA Earnings/Earnings per share	**9.4**	**675.7**	**1.4**	16.0	628.0	2.5
Adjusted EPRA Earnings per share after tax			**1.1**			2.0

Adjusted EPRA Earnings have been divided by the average number of shares shown in Note 9 to these financial statements to calculate earnings per share. Adjusted EPRA Earnings per share after tax is calculated using the standard rate of UK Corporation Tax of 19.0% (2019: 19.0%).

EPRA Performance Measures - Unaudited (continued)

EPRA NRV, EPRA NTA and EPRA NDV

	31 March 2021			30 Sept 2020		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,488.3**	**1,488.3**	**1,488.3**	1,463.0	1,463.0	1,463.0
Include/Exclude:						
i) Hybrid Instruments	**-**	**-**	**-**	-	-	-
Diluted NAV	**1,488.3**	**1,488.3**	**1,488.3**	1,463.0	1,463.0	1,463.0
Include:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.b) Revaluation of IPUC (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.c) Revaluation of other non-current investments	**5.3**	**5.3**	**5.3**	7.4	7.4	7.4
iii) Revaluation of tenant leases held as finance leases	**-**	**-**	**-**	-	-	-
iv) Revaluation of trading properties	**534.6**	**427.1**	**427.1**	541.3	432.1	432.1
Diluted NAV at Fair Value	**2,028.2**	**1,920.7**	**1,920.7**	2,011.7	1,902.5	1,902.5
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**25.3**	**25.3**	**-**	24.4	24.4	-
vi) Fair value of financial instruments	**10.6**	**10.6**	**-**	16.7	16.7	-
vii) Goodwill as a result of deferred tax	**-**	**-**	**-**	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	**-**	**(0.5)**	**(0.5)**	-	(0.5)	(0.5)
viii.b) Intangible as per the IFRS balance sheet	**-**	**(27.8)**	**-**	-	(22.0)	-
Include:						
ix) Fair value of fixed interest rate debt	**-**	**-**	**(39.9)**	-	-	(39.5)
x) Revalue of intangibles to fair value	**-**	**-**	**-**	-	-	-
xi) Real estate transfer tax	**-**	**-**	**-**	-	-	-
NAV	**2,064.1**	**1,928.3**	**1,880.3**	2,052.8	1,921.1	1,862.5
Fully diluted number of shares	**675.3**	**675.3**	**675.3**	675.3	675.3	675.3
NAV pence per share	**306**	**286**	**279**	304	285	276