12 May 2022

Grainger plc

Half year financial results
for the six months ended 31 March 2022

Net Rental Income up 23%, accelerating growth and total returns

- Adjusted Earnings up +23%
- Like-for-like rental growth of +3.5%
- Occupancy 98% (PRS)
- Dividend per share up 14%
- Four acquisitions in H1

Grainger plc, the UK's largest listed residential landlord with a £3.1bn operational portfolio and £2.4bn pipeline, today announces strong earnings growth in the first half of its financial year.

Helen Gordon, Chief Executive said:

"We have delivered a particularly strong performance for the first half of the year with Adjusted Earnings up +23%, largely driven by our acceleration of growth in Net Rental Income of +23%. This is a result of an exceptional lettings performance by the team, which also drove occupancy in our PRS portfolio to 98% combined with like-for-like rental growth of 3.5% and a record rate of lease up of our recent launches. The market has strengthened swiftly over the past six months and we have successfully capitalised on this opportunity.

"We are delivering on our growth plans which will see us double in size in the coming years, providing exceptional earnings growth and attractive high single digit total returns to shareholders. The UK rental market continues to have a hugely attractive outlook with significant demand, rental growth, yield compression, and structural drivers that favour the professional, large-scale landlord. At the same time, Grainger is in a strong position as market leader with a scalable national operating platform, fully-funded secured pipeline and fully integrated business model.

"We are well prepared for the economic challenges facing the UK today of inflation and cost of living rises. With a resilient customer base, high quality energy efficient homes, fixed debt costs, fixed delivery costs across the majority of our secured pipeline and limited direct exposure to other inflationary pressures, we are confident in the outlook for our business."

Key highlights

- +23% growth in Adjusted Earnings[1] to £46.3m (HY21: £37.5m)
- +23% growth delivered in Net Rental Income[2] to £42.8m (HY21: £34.7m)
- +3.5% like-for-like rental growth[3] in H1 across our total portfolio (HY21: 1.7%)
  - +3.5% like-for-like rental growth in our PRS portfolio (HY21: 1.0%)
  - +3.7% like-for-like rental growth in our regulated tenancy portfolio (HY21: 4.0%), which contributes 18% of our total net rental income
- 98% occupancy in our PRS portfolio at the end of March, ahead of pre-pandemic levels, reflecting the strength of our operating platform and attractiveness of our portfolio
- Residential sales profit up +7% to £31.6m (HY21: £29.4m)
  - Sales prices achieved were strong at an average of 3.6% ahead of valuations

- Total Property Return for the half year of 3.8% due to strong valuation gains of +£79m with the market value of our total property portfolio up +2.3% in the first half and EPRA Net Tangible Assets up +3% to 305p since FY21 and up +7% year-on-year, reflecting the completion and leasing performance of new assets and yield compression

Financial Highlights

Income returns	**HY21**	**HY22**	**Change**
Rental growth (like-for-like)	1.7%	3.5%	+183 bps
- PRS	1.0%	3.5%	+248 bps
- Regulated tenancies (annualised)	4.0%	3.7%	(28) bps
Net rental income *(Note 5)*	£34.7m	£42.8m	+23%
Adjusted earnings *(Note 2)*	£37.5m	£46.3m	+23%
Profit before tax *(Note 2)*[4]	£44.5m	£98.8m	+122%
Earnings per share (diluted, after tax) *(Note 9)*[4]	5.0p	10.2p	+104%
Dividend per share *(Note 10)*[5]	1.83p	2.08p	+14%

Capital returns	**HY21**	**HY22**	**Change**
Total Property Return[6]	2.4%	3.8%	+137 bps
Total Accounting Return *(Note 3)*	1.0%	3.2%	+221 bps
	FY21	**HY22**	
EPRA NTA per share *(Note 3)*	297p	305p	+3%
Net debt	£1,042m	£1,131m	+9%
Group LTV	30.4%	31.4%	+106 bps
Cost of debt (average)	3.1%	3.1%	-
Reversionary surplus	£265m	£242m	(9)%

Secured pipeline	
Total investment value	£1,022m
Total homes	4,001

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

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

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

[4] HY21 restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 24 for an explanation of prior year restatements.

[5] Dividend – The dividend of 2.08p per share (gross) amounting to £15.4m will be paid on 1 July 2022 to shareholders on the register at the close of business on 27 May 2022. Shareholders will again be offered the option to participate in a dividend re-investment plan and the last day for election is 10 June 2022 – refer also to Note 10.

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

Future reporting dates

- Capital Markets Day – 22 June 2022
- Trading Update – September 2022
- Full year results – 17 November 2022

Half year results presentation

Grainger plc will be holding a presentation of the results at 9:00am (UK time) today, 12 May 2022, which can be accessed via webcast and a telephone dial-in facility (details below), which will be followed by a live Q&A session for sell side analysts and shareholders.

Webcast details:

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

https://webcasting.brrmedia.co.uk/broadcast/6230643961bd9a4d1029096d

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

Conference call details:

Call: +44 (0)330 165 4012

Confirmation Code: 1829192

A copy of the presentation slides will also be available to download on Grainger's website (http://corporate.graingerplc.co.uk/) from 08:30am (UK time).

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Forward-looking statements disclaimer

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

Grainger's principal risks are described in more detail in its Annual Report and Accounts, set out in the Risk Management report on pages 48-51 of the 2021 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 46-48 of the 2021 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 war in Ukraine, as well as the devasting human impact, has substantially increased the geopolitical uncertainty in Europe and beyond. This has led to wider economic ramifications for society and business, with the duration and depth of the impact of the conflict being unclear. This lack of clarity is in the pre-existing context of inflationary pressures and, more recently, rising interest rates. Specifically in relation to Grainger, it is currently considered that the principal risks previously reported remain our principal risks. However, it is recognised that the Ukrainian war, the prevailing economic context and future uncertainty in that regard have arguably increased the likelihood of such risks being accelerated or becoming more acute. This would include, but is not limited to, market, development, 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 volatile and uncertain 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 – accelerating growth and total returns

Our growth strategy and focus on the mid-market build-to-rent sector is delivering strong results and is set to deliver significant earnings growth at pace and high single digit total returns over the coming years. Our market leading position, scalable national operating platform and fully-funded £1bn secured pipeline positions us strongly to capitalise on the market opportunity in this growth sector.

In the first half of the year, we delivered growth in Adjusted Earnings of 23%, driven primarily by a 23% increase in Net Rental Income, with occupancy in our PRS portfolio now at 98% and total like-for-like rental growth of 3.5% for the period.

Our fully funded secured pipeline is expected to double net rental income when those assets are fully operational and our longer term, outer pipeline could see net rental income nearly treble from FY21's level. The scalable nature of our operating platform means this will drive an acceleration in earnings, as we leverage our CONNECT platform and central capabilities.

With 5m renters in the UK and only 1.4% of these build-to-rent properties, the continuing exit of small landlords from the market presents a significant opportunity for us to grow our market share, further supported by rental growth and yield compression prospects and a landlord-friendly investment landscape when compared to other major international rental markets.

Our £2.2bn operational PRS portfolio is now 71% of our portfolio by value, and we are quickly nearing an important milestone of 10,000 operational rental homes, which is expected in the second half of this year. Our total £2.4bn pipeline will see our portfolio more than double in our target cities over the coming years, with significant delivery happening year on year, driving earnings growth.

Building on last year's delivery of 1,304 new rental homes, this year we expect to deliver another 1,174 and c.1,741 next year.

PRS market opportunity – a growth sector

The market opportunity in the UK private rented sector and build-to-rent subsector remains very compelling.

The market is large with 5m households in the UK renting privately, representing 25% of all households, with a further 3.6m young people aged 20-34 living at home with their parents, representing potential additional demand. Only 1.4% of these 5m households are purpose built, build-to-rent properties owned by professional landlords such as ourselves. The vast majority of the rental market is made up of small landlords who are selling their properties and exiting the sector at an increasingly faster pace, driven by fiscal changes and increased regulation. This presents a significant opportunity for us to increase our market share.

This structural shift in the private rented sector is underpinned by an ongoing and severe housing shortage in the UK which is systemic and not expected to change in the medium to long term.

Coupled with strong prospects for rental growth and yield compression, and a landlord friendly investment landscape when compared to other European markets, the investment case for our market is strong.

Our leadership in a growth sector

As market leader, we will continue to invest in this growth sector and retain our leading position.

Our leading operating platform, which includes our operations team, but also our investment and development teams and digital capabilities, provides us a unique competitive advantage unrivalled in the UK.

This platform is both scalable and national. We will grow significantly while leveraging our existing central cost base, delivering significant earnings growth. Our national footprint, the largest in the sector, enables us to capitalise on a wider pool of opportunities, developing clusters and increasing operational efficiencies as we grow further.

Our £1bn secured pipeline is locked in. Funding is in place. Planning permissions have been secured and 12 out of the 16 schemes have fixed price build contracts in place. This secured pipeline represents a doubling in net rental income when delivered and leased up over the next few years.

Highlights

<u>Leasing performance</u>

In our existing operational portfolio, we have successfully delivered record occupancy in our PRS portfolio of 98% and like-for-like rental growth of 3.5%, ahead of pre-pandemic levels, reflecting the attractiveness of our properties and strength of our operating platform.

In the past twelve months, we have stabilised six new assets (1,304 homes) to our portfolio and have exceeded leasing expectations across all, delivering £16m of additional net rental income and £23m of valuation gains.

<u>Pipeline delivery</u>

So far in this financial year we have launched two schemes comprising 448 new homes, representing £5m potential net rental income.

The Pin Yard in Leeds, comprising 216 homes, launched in March 2022 and is already 65% let at rents above underwriting, exceeding our expectations and currently outperforming our record lease up at The Headline in Leeds last year. Just a few weeks ago in April, we launched the first phase at Weavers Yard in Newbury, comprising a total of 232 homes, with final phases completing in 2023.

Three assets with potential net rental income (NRI) of £8m are to be delivered in the remainder of 2022, with Gilders Yard in Birmingham (158 homes, £2m NRI) launching imminently, Enigma Square in Milton Keynes (261 homes, £3m NRI) and the Copper Works in Cardiff (307 homes, £3m NRI) completing toward the end of the year.

<u>Pipeline progress (TFL)</u>

Since partnering with Transport for London in July 2019, we have successfully secured full planning consent on four schemes in London, totalling 1,204 new homes, with construction expected to commence next financial year. Planning committee has resolved to approve consent on a fifth TFL JV scheme, Cockfosters, subject to agreeing the Section 106 agreement and TFL gaining clearance from the Department for Transport for the release of the land.

<u>Acquisitions</u>

Over the first half we made four acquisitions, adding potentially c.1,131 homes to our build-to-rent, PRS pipeline and £14m of annual net rental income. Three of the four are land acquisitions, leveraging our in-house development capabilities, and the fourth is a forward funding project. Two of the four are secured projects and sit within our secured pipeline, with the other two in the planning process and therefore in our planning & legals pipeline.

- Merrick Place, Southall, London — 401 homes, potential £6m net rental income, forward funding, secured, building on our West London cluster of 959 homes
- Exmouth Junction, Exeter — 230 homes, potential £3m net rental income, direct development, secured, first scheme in Exeter

- Berewood, Hampshire — acquired the remaining interest in the land, enabling Grainger to add a further c.250 PRS homes, potential £3m net rental income, direct development, planning & legal pipeline
- 'Brook Place 2', Sheffield — c.250 homes, potential £2m net rental income, direct development, planning & legal pipeline, building on our Sheffield cluster of c.750 homes

Operational highlights

Our Customer Insight Programme continues to provide us with valuable understanding of our customers, driving decision making across the business. Our aim is to provide an even better service to our customers, enabling us to optimise rental income.

Our technology platform, CONNECT, continues to deliver value, through faster lettings, improved supply chain management, greater data and business insight, while also enabling us to deliver a better service to our customers, digitising the rental experience such as service requests and contacting the Grainger team through the MyGrainger App, part of the CONNECT platform.

Fire safety

With much of our portfolio having been built recently (post-Grenfell), and our preference often for brick facades, we have limited exposure to cladding or other fire safety remediation costs within our portfolio.

Following an extensive review of legacy development projects, we have taken a provision of £9.2m for potential fire safety remediation costs as a one-off item, excluded from adjusted earnings, which relates to a small number of legacy properties that Grainger historically had an involvement in developing and may require fire-safety related remediation works. Where appropriate, we are seeking recoveries from contractors and insurers which may reduce the overall liability over time.

The UK Government has confirmed that, as a build-to-rent, PRS landlord, we are not subject to the forthcoming 'cladding tax' known as the Residential Property Developers Tax, nor were we within the scope of the recent Building Safety Repairs Pledge which saw a number of the country's largest housebuilders pledge up to a reported £2bn.

Inflation and resilience

We are well prepared for a higher inflationary environment. Rental growth tends to track wage inflation which follows general inflation.[1] As a result, we expect our top line growth to offset the impact of any cost inflation we face.

12 of our 16 secured pipeline schemes are with fixed price contracts. 96% of our debt is hedged and our secured pipeline is fully funded.[2]

We are alert to the challenges our customers may face with the rises in cost of living, however we believe our customer base is better off than average, with 73% of renters in employment, compared to only 59% of home owners.[3] Data shows that rent as a proportion of household income remains stable.[4]

Our value-for-money, mid-market, energy-efficient properties support our customers financially, with our new, build-to-rent properties offering free super-fast broadband, gyms, and co-working spaces.

ESG

<u>Improving our existing PRS portfolio</u>

We continue to improve the energy efficiency of our PRS portfolio. We are well ahead of the national average and well prepared for future regulations. Our higher than average energy efficient properties

[1] ONS
[2] Secured and committed schemes, not including the Waterloo project which is secured but not yet committed.
[3] English Housing Survey 2020/21, published January 2022
[4] ONS, Private rental affordability

mean our customers have lower than average energy bills, helping mitigate the current rise in energy prices.

87% of our operational PRS portfolio is EPC ratings A-C, compared to the wider PRS sector which is only 42%. Of this, 53% of our operational PRS portfolio is EPC ratings A and B, compared to the wider sector which is just 2%. Current regulations require minimum EPC rating of E for new lets. It is anticipated that this will be updated with the new regulations to require a minimum EPC C rating by either 2025 or 2026, although this has not yet been confirmed. We are confident we will be there well ahead of these new regulations.

Our regulated tenancy portfolio is not affected by the current EPC minimum standards because they are not typically re-let but instead are sold when vacated, however we continue to invest in this portfolio where appropriate and are putting plans in place to bring these properties up to EPC ratings of A-C where we can.

Switching to green and renewable energy (Scope 1 and 2 emissions)

100% of our contracts for landlord energy supplies are now renewable or green energy.

Supporting our customer to reduce their emissions (Scope 3)

Our customers are responsible for their own energy supplies and we are therefore ensuring that our properties are well insulated and energy efficient, with efficient heating, hot water and electrical systems and energy efficient appliances to help them both keep their bills down and reduce their carbon emissions.

We have launched our customer campaign, 'Living a Greener Life', which is a multi-year programme of communications to educate and encourage our customers toward greener living.

We are trialling a series of potential solutions to capturing customer energy data usage, ensuring GDPR compliance.

Homes for Ukraine

We have committed to offering support for Ukrainian refugees through providing free accommodation through the Homes for Ukraine scheme, and through charitable donations to the DEC Ukrainian Appeal, to an approximate total value of £150,000.

Dividend

In line with our policy to distribute the equivalent of 50% of net rental income with a one third, two third split between the interim and final dividend payments, respectively, our interim dividend is 2.08 pence per share, up 14%.

Outlook

As we embark on our 110th year since Grainger was established in Newcastle, England and as we near 10,000 operational rental homes, we are in a strong position to continue to grow and capitalise on the market opportunity in the UK private rented sector and build-to-rent sector and remain UK market leader.

Our operating platform enables earnings accretive growth. Our fully-funded secured pipeline, strong balance sheet and robust debt capital structure underpins our future growth. The business has proven its resilience and market leadership over the past six years and will continue to do so as we deliver on our strategic growth strategy.

Helen Gordon
Chief Executive
12 May 2022

Financial review

The past six months have seen a strong recovery in occupational markets reflected in both record occupancy levels at 98% and strong like-for-like rental growth at 3.5%. These strong market conditions combined with the delivery of our pipeline schemes have driven significant growth in net rental income at 23%, with this top line growth also driving a similar magnitude of growth in adjusted earnings. With a strong pipeline of schemes to deliver over the coming years we expect to see this strong growth continue as we continue to execute on our strategy.

Valuation growth during the period was 2.3% reflecting the continuation of rental growth and yield compression. Our residential sales also had a strong half, with profits up 7% and sales prices 3.6% ahead of previous vacant possession valuations.

Our balance sheet remains in great shape with a low LTV and strong liquidity. Our secured pipeline is already fully funded and almost fully hedged in line with our policy giving us minimal exposure to interest rate rises. Following a strong half, we are increasing our interim dividend by 14% to 2.08p on a per share basis (HY21: 1.83p) in line with our dividend policy to distribute 50% of annual net rental income as a dividend, with a one-third payment at the interim stage.

While there are some challenges for consumers on the horizon most notable with the cost-of-living squeeze, our mid-market offering and customer demographic should ensure our resilience. Having weathered the pandemic period without rental growth turning negative, the current supply and demand imbalance should continue to deliver strong growth in the second half.

Highlights

Income returns	**HY21**	**HY22**	**Change**
Rental growth (like-for-like)	1.7%	3.5%	+183 bps
- PRS	1.0%	3.5%	+248 bps
- Regulated tenancies (annualised)	4.0%	3.7%	(28) bps
Net rental income *(Note 5)*	£34.7m	£42.8m	+23%
Adjusted earnings *(Note 2)*	£37.5m	£46.3m	+23%
Adjusted EPRA earnings *(Note 3)*	£9.4m	£16.8m	+79%
Profit before tax *(Note 2)*[1]	£44.5m	£98.8m	+122%
Earnings per share (diluted, after tax) *(Note 9)*[1]	5.0p	10.2p	+104%
Dividend per share *(Note 10)*	1.83p	2.08p	+14%

[1] HY21 restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 24 for an explanation of prior year restatements.

Capital returns	HY21	HY22	Change
Total Property Return	2.4%	3.8%	+137 bps
Total Accounting Return *(Note 3)*	1.0%	3.2%	+221 bps
	FY21	**HY22**	**Change**
EPRA NTA per share *(Note 3)*	297p	305p	+3%
Net debt	£1,042m	£1,131m	+9%
Group LTV	30.4%	31.4%	+106 bps
Cost of debt (average)	3.1%	3.1%	-
Reversionary surplus	£265m	£242m	(9)%

Income statement

Adjusted earnings increased by 23% to £46.3m (HY21: £37.5m) with the strong £8.1m increase in net rental income the primary driver, illustrating the inherent operating leverage in our business resulting from the benefits of our in-house platform and technology. As our pipeline continues to deliver over the coming years, we will continue to see significant growth in net rents with a good proportion of this dropping straight through to earnings.

Income statement (£m)	HY21	HY22	Change
Net rental income	34.7	42.8	+23%
Profit from residential sales	29.4	31.6	+7%
Profit from development sales	0.2	-	-
Mortgage income (CHARM) *(Note 15)*	2.4	2.4	-
Management fees	2.3	2.8	+22%
Overheads	(13.9)	(14.6)	+5%
Pre-contract costs	(0.3)	(0.3)	-
Net finance costs	(17.1)	(17.0)	(1)%
Joint ventures and associates	(0.2)	(1.4)	n/a
Adjusted earnings	**37.5**	**46.3**	**+23%**
Valuation movements	12.8	61.7	+382%
Other adjustments[1]	(5.8)	(9.2)	+59%
Profit before tax[1]	**44.5**	**98.8**	**+122%**

[1] HY21 restated following change in accounting policy as a result of the IFRIC interpretation of IAS38 relating to development costs on Software as a Service. See Note 24 for an explanation of prior year restatements. HY22 other adjustments comprise fire safety remedial works provisions in respect of legacy assets. See commentary below in 'Overheads and other expenses'.

Net rental income

Net rental income increased by 23% to £42.8m (HY21: 34.7m) with our occupancy now at 98%, with strong demand and lettings of new launches adding £6.6m of net rent.

Like-for-like rental growth across the portfolio was +3.5%, with rental growth in our PRS portfolio accelerating to +3.5% (HY21: +1.7%). Rental growth and occupancy was similar in both London and the regions, with rental growth on new lets of +4.4% and +2.7% on renewals and the regulated tenancy portfolio delivering 3.7% rental growth. Gross to net for the period on our stabilised portfolio is 25.5% which is lower than the previous period (HY21: 27.0%) due to lower levels of void and cost efficiencies.

	£m
HY21 Net rental income	**34.7**
Disposals	(1.5)
PRS investment	6.6
Rental growth	1.0
Occupancy	2.0
HY22 Net rental income	**42.8**
YoY growth	+23%

Sales

Our residential sales performance continued to be strong throughout the period with profits up by 7% to £31.6m (HY21: £29.4m) as we took advantage of ongoing strength in the residential sales market.

Vacant property sales profits in the period were up 8%, delivering £16.0m of profit (HY21: £14.8m) from £37.2m of revenue (HY21: £26.7m). The lower profit margin is a result of the sales mix with some large London sales with lower margins pulling down the average. Vacancy rates were down slightly to 6.5% (HY21: 7.3%), however pricing achieved remained very strong with sales values 3.6% ahead of previous vacant possession values. The speed of executing sales improved slightly with our keys to cash metric at 118 days (HY21: 120 days).

Sales of tenanted and other properties delivered £15.6m of profit (HY21: £14.6m) from £36.3m of revenue (HY21: £55.0m).

We have good visibility on our sales pipeline for the second half with £28.5m of sales currently in solicitors hands and we expect total sales and profit for the year to be at a similar level to FY21.

Sales

	HY21			HY22		
	Units sold	Revenue	Profit	Units sold	Revenue	Profit
		£m	£m		£m	£m
Residential sales on vacancy	73	26.7	14.8	64	37.2	16.0
Tenanted and other sales	360	55.0	14.6	123	36.3	15.6
Residential sales total	**433**	**81.7**	**29.4**	**187**	**73.5**	**31.6**
Development activity		0.2	0.2		1.8	0.0
Overall sales	**433**	**81.9**	**29.6**	**187**	**75.3**	**31.6**

Overheads and other expenses

Overheads increased by 5% in the period to £14.6m (HY21: £13.9m) reflecting some modest investment in our platform infrastructure slightly ahead of inflation to support the delivery of the 23% growth in our rents.

Following an extensive review of legacy development projects over the past 30 years, we have taken a full provision of £9.2m for potential fire-safety remediation costs as a one-off item, excluded from adjusted earnings. Where appropriate, we are seeking recoveries from contractors and insurers which may reduce the overall liability over time.

Balance sheet

Our strong business performance continues to be underpinned by strength in our balance sheet. With our LTV at 31.4% (FY21: 30.4%) and cash and available facilities of £725m we are well placed to enable the continuation of our growth strategy. With our secured pipeline already fully funded and our entire debt book near fully hedged at 96% we have minimal exposure to potential interest rate rises.

Market value balance sheet (£m)	**FY21**	**HY22**
Residential – PRS	2,024	2,115
Residential – regulated tenancies	896	863
Residential – mortgages (CHARM)	72	71
Forward Funded – PRS work in progress	244	294
Development work in progress	146	202
Investment in JVs/associates	45	47
Total investments	**3,427**	**3,592**
Net debt	(1,042)	(1,131)
Other liabilities	(35)	(58)

EPRA NRV	**2,350**	**2,403**
Deferred and contingent tax – trading assets	(142)	(139)
EPRA NTA	**2,208**	**2,264**
Deferred and contingent tax – investment assets	(59)	(72)
Fair value of fixed rate debt and derivatives	(38)	38
EPRA NDV	**2,111**	**2,230**
EPRA net asset values (pence per share)		
EPRA NRV pence per share	316	324
EPRA NTA pence per share	**297**	**305**
EPRA NDV pence per share	284	300

EPRA NTA increased by 3% from the year end to 305p per share (FY21: 297p per share) with an 11p uplift coming from valuation increases being the main driver alongside a 6p contribution from adjusted earnings, this was offset by the payment of our final dividend (3)p. EPRA NTA excludes the value of our reversionary surplus of £242m or 33p per share (FY21: £265m).

EPRA NTA movement

	£m	Pence per share
EPRA NTA at 30 September 2021	**2,208**	**297**
Adjusted earnings	46	6
Valuations (trading & investment property)	79	11
Disposals (trading assets)	(29)	(4)
Tax (current, deferred & contingent)	(6)	(1)
Legacy asset fire-safety remediation provision	(9)	(1)
Dividends	(25)	(3)
EPRA NTA at 31 March 2022	**2,264**	**305**

Property portfolio valuations

The market value of our overall property portfolio increased by +2.3% (HY21: +1.3%) over the six-month period. Our PRS portfolio saw valuation growth of 2.1% with two thirds of the uplift driven by rental growth and the remainder yield shift. Our regional PRS portfolio outperformed London marginally with 10bps yield compression on newly developed schemes in both portfolios. The regulated tenancy portfolio delivered 3.2% valuation growth, with the regions again outperforming with a 5.4% increase compared to a 2.5% increase in London.

Portfolio	Region	Capital Value £m	Rental Growth £m	Rental Growth %	Yield & Other £m	Yield & Other %	Total Valuation movement £m	Total Valuation movement %
PRS	London & SE	1,255	14	1.1%	5	0.4%	19	1.5%
	Regions	860	13	1.6%	11	1.3%	24	2.9%
	PRS Total	**2,115**	**27**	**1.3%**	**16**	**0.8%**	**43**	**2.1%**
Regulated tenancies ('Regs')	London & SE	706	18	2.5%	0	0.0%	18	2.5%
	Regions	157	8	5.4%	0	0.0%	8	5.4%
	Regs Total	**863**	**26**	**3.2%**	**0**	**0.0%**	**26**	**3.2%**
Operational Portfolio		**2,978**	**53**	**1.8%**	**16**	**0.5%**	**69**	**2.3%**
	Development	496	7	1.4%	3	0.5%	10	1.9%
Total Portfolio		**3,474**	**60**	**1.7%**	**19**	**0.6%**	**79**	**2.3%**

Financing and capital structure

We are a very well capitalised business, with a low risk, flexible capital structure. Our policy of having a fully funded secured pipeline ensures that our headroom of £725m covers our committed pipeline capex of £529m. Including this committed capex in our LTV calculation would see our LTV rise to 40%, comfortably within our LTV range of 40-45%.

Net debt increased to £1,131m (FY21: £1,042m) as we invested £151m into our pipeline during the period and paid our final dividend of £25m. This was partly offset by positive operating cashflow of £54m and asset recycling of £35m.

We secured £150m of new bank facilities from a combination of existing and new lenders during the period on the same terms as our existing facilities, lowering our average cost of debt when drawn. We have also extended £150m of facility maturities with an average overall debt maturity of 6.2 years including extension options and no significant maturities until August 2024.

Our average cost of debt remained flat compared to the full year at 3.1% (HY21 3.1%) with our fully drawn cost of debt at 2.9%. Finance costs were marginally down at £17.0m (HY21: £17.1m) as we ran a slightly lower average net debt over the period following our September equity raise.

	FY21	**HY22**
Net debt	£1,042m	£1,131m
Loan to value	30.4%	31.4%
Cost of debt (average)	3.1%	3.1%
Headroom*	£641m	£725m
Weighted average debt maturity (years)**	6.2	6.2
Hedging	100%	96%

[*] *Including £150m of new facilities.*
[**] *Including extension options*

Summary and outlook

With a strong first half performance we see this momentum continuing throughout the second half. We see the potential for delivering high single digit total returns with an increasing component from income following the delivery of our secured pipeline and REIT conversion, particularly attractive when considered on a risk-adjusted basis, as we deliver our secured pipeline and benefit from the significant growth in net rental income, capital growth as we deliver new assets, operating efficiencies and REIT conversion.

With a strong market backdrop we continue to further differentiate ourselves with our quality homes at mid-market prices and excellent customer service. With a business model and balance sheet designed for growth, we are confident that we will further extend our leadership in the build to rent market, enhancing returns and delivering for all stakeholders.

Rob Hudson
Chief Financial Officer
12 May 2022

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 as adopted for use in the UK;

- 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
12 May 2022

Rob Hudson
Chief Financial Officer
12 May 2022

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 2022 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 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK 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 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 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

12 May 2022

Consolidated income statement

For the 6 months ended 31 March	Notes	**Unaudited** **2022** **£m**	2021 (restated)[1] £m
Group revenue	4	**126.6**	101.3
Net rental income	5	**42.8**	34.7
Profit on disposal of trading property	6	**31.0**	29.8
Profit/(loss) on disposal of investment property	7	**0.6**	(0.1)
Income from financial interest in property assets	15	**3.4**	4.7
Fees and other income	8	**2.8**	2.3
Administrative expenses	2	**(14.6)**	(19.7)
Other expenses	2	**(9.5)**	(0.3)
Reversal of impairment of inventories to net realisable value	12	**1.2**	0.1
Operating profit		**57.7**	51.5
Net valuation gains on investment property	11	**59.3**	10.3
Finance costs		**(17.0)**	(17.2)
Finance income		**-**	0.1
Share of profit of associates after tax	13	**0.4**	-
Share of loss of joint ventures after tax	14	**(1.6)**	(0.2)
Profit before tax	2	**98.8**	44.5
Tax charge for the period	19	**(23.2)**	(10.2)
Profit for the period attributable to the owners of the Company		**75.6**	34.3
Basic earnings per share	9	**10.2p**	5.1p
Diluted earnings per share	9	**10.2p**	5.0p

[1] See Note 24 for an explanation of the prior period restatement

Consolidated statement of comprehensive income

For the 6 months ended 31 March	Notes	Unaudited 2022 £m	2021 (restated)[1] £m
Profit for the period	2	**75.6**	34.3
Items that will not be transferred to the consolidated income statement:			
Actuarial gain on BPT Limited defined benefit pension scheme	20	**1.6**	3.7
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges		**9.9**	7.4
Other comprehensive income and expense for the period before tax		**11.5**	11.1
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to the consolidated income statement	19	**(0.4)**	(0.7)
Tax relating to items that may be or are reclassified to the consolidated income statement	19	**(2.5)**	(1.4)
Total tax relating to components of other comprehensive income		**(2.9)**	(2.1)
Other comprehensive income and expense for the period after tax		**8.6**	9.0
Total comprehensive income and expense for the period attributable to the owners of the Company		**84.2**	43.3

[1] See Note 24 for an explanation of the prior period restatement

Consolidated statement of financial position

As at	Notes	**Unaudited 31 March 2022 £m**	Audited 30 Sept 2021 £m
ASSETS			
Non-current assets			
Investment property	11	**2,334.7**	2,179.2
Property, plant and equipment		**3.8**	1.4
Investment in associates	13	**15.9**	15.5
Investment in joint ventures	14	**30.9**	29.4
Financial interest in property assets	15	**71.1**	71.7
Retirement benefits	20	**5.3**	3.5
Deferred tax assets	19	**1.9**	3.7
Intangible assets		**0.5**	0.5
		2,464.1	2,304.9
Current assets			
Inventories – trading property	12	**614.0**	595.2
Trade and other receivables	16	**29.6**	38.5
Derivative financial assets	18	**5.4**	-
Current tax assets		**8.6**	16.0
Cash and cash equivalents		**232.3**	317.6
		889.9	967.3
Total assets		**3,354.0**	3,272.2
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	18	**1,298.8**	1,347.5
Trade and other payables	17	**2.6**	0.6
Provisions for other liabilities and charges		**1.1**	1.1
Deferred tax liabilities	19	**83.7**	69.5
		1,386.2	1,418.7
Current liabilities			
Interest-bearing loans and borrowings	18	**50.0**	-
Trade and other payables	17	**113.2**	109.8
Provisions for other liabilities and charges		**8.4**	0.2
Derivative financial instruments	18	**-**	4.5
		171.6	114.5
Total liabilities		**1,557.8**	1,533.2
NET ASSETS		**1,796.2**	1,739.0
EQUITY			
Issued share capital		**37.1**	37.1
Share premium account		**817.3**	817.3
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**4.1**	(3.3)
Retained earnings		**917.3**	867.5
TOTAL EQUITY		**1,796.2**	1,739.0

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 2020 as restated [1]		33.8	616.3	20.1	0.3	(16.6)	789.1	1,443.0
Profit for the period as restated	2, 24	-	-	-	-	-	34.3	34.3
Other comprehensive income for the period		-	-	-	-	6.0	3.0	9.0
Total comprehensive income		-	-	-	-	6.0	37.3	43.3
Purchase of own shares		-	-	-	-	-	(0.2)	(0.2)
Share-based payments charge	21	-	-	-	-	-	0.9	0.9
Dividends paid		-	-	-	-	-	(24.5)	(24.5)
Total transactions with owners recorded directly in equity		-	-	-	-	-	(23.8)	(23.8)
Balance as at 31 March 2021 as restated[1]		33.8	616.3	20.1	0.3	(10.6)	802.6	1,462.5
Profit for the period		-	-	-	-	-	75.2	75.2
Other comprehensive income for the period		-	-	-	-	7.3	1.3	8.6
Total comprehensive income		-	-	-	-	7.3	76.5	83.8
Issue of share capital	23	3.3	200.8	-	-	-	-	204.1
Award of SAYE shares		-	0.2	-	-	-	-	0.2
Purchase of own shares		-	-	-	-	-	(0.1)	(0.1)
Share-based payments charge		-	-	-	-	-	0.8	0.8
Dividends paid		-	-	-	-	-	(12.3)	(12.3)
Total transactions with owners recorded directly in equity		3.3	201.0	-	-	-	(11.6)	192.7
Balance as at 30 September 2021		**37.1**	**817.3**	**20.1**	**0.3**	**(3.3)**	**867.5**	**1,739.0**
Profit for the period	2	**-**	**-**	**-**	**-**	**-**	**75.6**	**75.6**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**7.4**	**1.2**	**8.6**
Total comprehensive income		**-**	**-**	**-**	**-**	**7.4**	**76.8**	**84.2**
Purchase of own shares		**-**	**-**	**-**	**-**	**-**	**(3.2)**	**(3.2)**
Share-based payments charge	21	**-**	**-**	**-**	**-**	**-**	**0.8**	**0.8**
Dividends paid	10	**-**	**-**	**-**	**-**	**-**	**(24.6)**	**(24.6)**
Total transactions with owners recorded directly in equity		**-**	**-**	**-**	**-**	**-**	**(27.0)**	**(27.0)**
Balance as at 31 March 2022		**37.1**	**817.3**	**20.1**	**0.3**	**4.1**	**917.3**	**1,796.2**

[1] See Note 24 for an explanation of the prior period restatement

Consolidated statement of cash flows

		Unaudited	
			2021
		2022	(restated)[1]
For the 6 months ended 31 March	Notes	**£m**	£m
Cash flow from operating activities			
Profit for the period	2	**75.6**	34.3
Depreciation and amortisation		**0.4**	0.4
Net valuation gains on investment property	11	**(59.3)**	(10.3)
Net finance costs		**17.0**	17.1
Share of loss of associates and joint ventures	13, 14	**1.2**	0.2
(Profit)/loss on disposal of investment property	7	**(0.6)**	0.1
Share-based payment charge	21	**0.8**	0.9
Income from financial interest in property assets	15	**(3.4)**	(4.7)
Tax	19	**23.2**	10.2
Cash generated from operating activities before changes in working capital		**54.9**	48.2
Decrease in trade and other receivables		**8.9**	5.8
Increase in trade and other payables		**12.0**	20.3
Increase/(decrease) in provisions for liabilities and charges		**8.2**	(0.3)
(Increase)/decrease in inventories		**(18.8)**	15.3
Cash generated from operating activities		**65.2**	89.3
Interest paid		**(22.5)**	(21.2)
Tax paid		**(2.5)**	(8.1)
Payments to defined benefit pension scheme	20	**(0.2)**	(0.2)
Net cash inflow from operating activities		**40.0**	59.8
Cash flow from investing activities			
Proceeds from sale of investment property	7	**10.3**	30.3
Proceeds from financial interest in property assets	15	**4.0**	4.3
Investment in joint ventures	14	**(2.9)**	(0.9)
Loans advanced to joint ventures	14	**(0.2)**	(0.3)
Acquisition of investment property	11	**(105.9)**	(132.5)
Acquisition of property, plant and equipment and intangible assets		**(2.8)**	(0.5)
Net cash outflow from investing activities		**(97.5)**	(99.6)
Cash flow from financing activities			
Purchase of own shares		**(3.2)**	(0.2)
Repayment of borrowings		**-**	(47.0)
Dividends paid	10	**(24.6)**	(24.5)
Net cash outflow from financing activities		**(27.8)**	(71.7)
Net decrease in cash and cash equivalents		**(85.3)**	(111.5)
Cash and cash equivalents at the beginning of the period		**317.6**	369.1
Cash and cash equivalents at the end of the period		**232.3**	257.6

[1] See Note 24 for an explanation of the prior period restatement

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.

On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board.

The Group transitioned to UK-adopted international accounting standards for the financial period beginning 1 October 2021. This change constitutes a change in accounting framework however, there is no impact or changes in accounting policies from the transition.

This condensed set of financial statements has been prepared using accounting policies consistent with UK-adopted international accounting standards, in accordance with IAS 34 Interim Financial Reporting, and in accordance with the Disclosure Guidance and Transparent Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The current period financial information presented in this document has been reviewed, not audited.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2021 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 2022 Consolidated Income Statement are the six month period ended 31 March 2021 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 30 September 2021 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2021 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.

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 consistent with the approach set out on pages 118-119 of the 2021 Annual Report and Accounts, with the exception being the Group's Residential portfolio valued by Allsop LLP. At the half year, Allsop LLP inspected 10.9% 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 and Nationwide indices (25.0% weighting each), applied on a regional IPD basis.

The Group's financial derivatives were valued as at 31 March 2022 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.

Notes to the unaudited interim financial results continued

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

New standards, amendments and interpretations in the period

The following new standards, amendments to standards and interpretations were effective for the Group in the period and have no material impact on the financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (Phase 2)

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

1c Significant judgements and estimates

Full details of critical accounting estimates are given on pages 117-120 of the 2021 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.

1d Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report on pages 48 - 51 of the 2021 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 46-47 of the 2021 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 war in Ukraine, as well as the devasting human impact, has substantially increased the geopolitical uncertainty in Europe and beyond. This has led to wider economic ramifications for society and business, with the duration and depth of the impact of the conflict being unclear. This lack of clarity is in the pre-existing context of inflationary pressures and, more recently, rising interest rates. Specifically in relation to Grainger, it is currently considered that the principal risks previously reported remain our principal risks. However, it is recognised that the Ukrainian war, the prevailing economic context and future uncertainty in that regard have arguably increased the likelihood of such risks being accelerated or becoming more acute. This would include, but is not limited to, market, development, 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 volatile and uncertain period.

Notes to the unaudited interim financial results continued

1e Going concern assessment

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future.

The going concern assessment is based on the first 18 months of the Group's viability model, covering the period from 1 April 2022 to 30 September 2023, and is based on a severe downside scenario, reflecting the following key assumptions:

- Reducing property valuations by 3% at both September 2022 and September 2023
- Reducing PRS occupancy to 80% by 30 September 2022, to 75% by 31 March 2023 and to 70% by 30 September 2023
- 10% development cost inflation
- Operating cost inflation of 10% per annum
- Credit rating downgrade to increase coupon rates on corporate bonds by 1.25% from 1 April 2022

The Directors consider these assumptions appropriate given the majority of costs are incurred under fixed price contracts, development agreements, or are under the company's control.

Financing activity that has occurred between 1 April and the date of authorisation of the interim financial statements is disclosed in Note 25. In addition to this, within the next 18 months, one bi-lateral loan facility of £40m is due to mature and this is the only refinancing assumed in the assessment period. All other 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 45% (facility maximum covenant ranges between 70% - 75%) and interest cover above 2.6x (facility minimum covenant ranges between 1.35x – 1.75x) for the 18 months to September 2023, 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 2022.

1f Forward-looking statement

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.

2. Analysis of profit before tax

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

Notes to the unaudited interim financial results continued

For the 6 months ended 31 March (unaudited)	2022				2021 (restated)[1]			
£m	Statutory	Valuation	Other adjustments	Adjusted earnings	Statutory	Valuation	Other adjustments	Adjusted earnings
Group revenue	**126.6**	**-**	**-**	**126.6**	101.3	-		101.3
Net rental income	**42.8**	**-**	**-**	**42.8**	34.7	-	-	34.7
Profit on disposal of trading property	**31.0**	**-**	**-**	**31.0**	29.8	(0.1)	-	29.7
Profit/(loss) on disposal of investment property	**0.6**	**-**	**-**	**0.6**	(0.1)	-	-	(0.1)
Income from financial interest in property assets	**3.4**	**(1.0)**	**-**	**2.4**	4.7	(2.3)	-	2.4
Fees and other income	**2.8**	**-**	**-**	**2.8**	2.3	-	-	2.3
Administrative expenses	**(14.6)**	**-**	**-**	**(14.6)**	(19.7)	-	5.8	(13.9)
Other expenses	**(9.5)**	**-**	**9.2**	**(0.3)**	(0.3)	-	-	(0.3)
Reversal of impairment of inventories to net realisable value	**1.2**	**(1.2)**	**-**	**-**	0.1	(0.1)	-	-
Operating profit	**57.7**	**(2.2)**	**9.2**	**64.7**	51.5	(2.5)	5.8	54.8
Net valuation gains on investment property	**59.3**	**(59.3)**	**-**	**-**	10.3	(10.3)	-	-
Finance costs	**(17.0)**	**-**	**-**	**(17.0)**	(17.2)	-	-	(17.2)
Finance income	**-**	**-**	**-**	**-**	0.1	-	-	0.1
Share of profit of associates after tax	**0.4**	**(0.2)**	**-**	**0.2**	-	-	-	-
Share of loss of joint ventures after tax	**(1.6)**	**-**	**-**	**(1.6)**	(0.2)	-	-	(0.2)
Profit before tax	**98.8**	**(61.7)**	**9.2**	**46.3**	44.5	(12.8)	5.8	37.5
Tax charge for the period	**(23.2)**				(10.2)			
Profit for the period attributable to the owners of the Company	**75.6**				34.3			
Diluted adjusted earnings per share				**5.0p**				4.5p

[1] See Note 24 for an explanation of the prior period restatement

Profit before tax in the adjusted columns above of £46.3m (2021: £37.5m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £8.8m (2021: £7.1m) in line with the standard rate of UK Corporation Tax of 19.0% (2021: 19.0%), divided by the weighted average number of shares as shown in Note 9. The Group's IFRS statutory earnings per share is also detailed in Note 9.

The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval prior to issuing the financial statements. The £9.2m cost in other adjustments in 2022 comprises fire safety remedial works provisions in respect of legacy assets. The £5.8m cost within other adjustments in 2021 comprises software development costs following the change in accounting policy in the prior year, with further detailed contained in note 24. Any transaction classified as other adjustments do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

Notes to the unaudited interim financial results continued

3. Segmental Information

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

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

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

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

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

March 2022 Income statement (unaudited)

For the 6 months ended 31 March 2022 **£m**	**PRS**	**Reversionary**	**Other**	**Total**
Group revenue	**50.1**	**76.0**	**0.5**	**126.6**
Segment revenue – external				
Net rental income	**34.9**	**7.7**	**0.2**	**42.8**
Profit on disposal of trading property	**-**	**31.0**	**-**	**31.0**
Profit on disposal of investment property	**0.6**	**-**	**-**	**0.6**
Income from financial interest in property assets	**-**	**2.4**	**-**	**2.4**
Fees and other income	**2.5**	**-**	**0.3**	**2.8**
Administrative expenses	**-**	**-**	**(14.6)**	**(14.6)**
Other expenses	**(0.3)**	**-**	**-**	**(0.3)**
Net finance costs	**(12.2)**	**(4.4)**	**(0.4)**	**(17.0)**
Share of trading loss of joint ventures and associates after tax	**(1.4)**	**-**	**-**	**(1.4)**
Adjusted earnings	**24.1**	**36.7**	**(14.5)**	**46.3**
Valuation movements				**61.7**
Other adjustments				**(9.2)**
Profit before tax				**98.8**

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 2022 **£m**	**PRS**	**Reversionary**	**Other**	**Total**
Adjusted earnings	**24.1**	**36.7**	**(14.5)**	**46.3**
Profit on disposal of investment property	**(0.6)**	**-**	**-**	**(0.6)**
Previously recognised profit through EPRA market value measures	**-**	**(28.9)**	**-**	**(28.9)**
Adjusted EPRA earnings	**23.5**	**7.8**	**(14.5)**	**16.8**

Notes to the unaudited interim financial results continued

March 2021 Income statement (unaudited) (restated)[1]

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				(5.8)
Profit before tax				44.5

[1] See Note 24 for an explanation of the prior period restatement

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

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

Segmental assets

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

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

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

Notes to the unaudited interim financial results continued

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

Total Accounting Return of 3.2% is calculated from the closing EPRA NTA of 304.7p per share plus the dividend of 2.08p per share for the year, divided by the opening EPRA NTA of 297.2p per share.

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

March 2022 Segment net assets (unaudited)

£m	PRS	Reversionary	Other	Total	Pence per share
Total segment net assets (statutory)	**1,522.2**	**224.9**	**49.1**	**1,796.2**	**242p**
Total segment net assets (EPRA NRV)	**1,709.3**	**642.2**	**51.6**	**2,403.1**	**324p**
Total segment net assets (EPRA NTA)	**1,675.3**	**537.3**	**51.1**	**2,263.7**	**305p**
Total segment net assets (EPRA NDV)	**1,603.8**	**537.3**	**88.8**	**2,229.9**	**300p**

March 2022 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	**2,334.7**	**-**	**2,334.7**	**-**	**2,334.7**	**-**	**2,334.7**
Investment in joint ventures and associates	**46.8**	**-**	**46.8**	**-**	**46.8**	**-**	**46.8**
Financial interest in property assets	**71.1**	**-**	**71.1**	**-**	**71.1**	**-**	**71.1**
Inventories – trading property	**614.0**	**525.3**	**1,139.3**	**-**	**1,139.3**	**-**	**1,139.3**
Cash and cash equivalents	**232.3**	**-**	**232.3**	**-**	**232.3**	**-**	**232.3**
Other assets	**55.1**	**2.5**	**57.6**	**(0.5)**	**57.1**	**5.4**	**62.5**
Total assets	**3,354.0**	**527.8**	**3,881.8**	**(0.5)**	**3,881.3**	**5.4**	**3,886.7**
Interest-bearing loans and borrowings	**(1,348.8)**	**-**	**(1,348.8)**	**-**	**(1,348.8)**	**44.9**	**(1,303.9)**
Deferred and contingent tax liabilities	**(83.7)**	**79.1**	**(4.6)**	**(138.9)**	**(143.5)**	**(84.1)**	**(227.6)**
Other liabilities	**(125.3)**	**-**	**(125.3)**	**-**	**(125.3)**	**-**	**(125.3)**
Total liabilities	**(1,557.8)**	**79.1**	**(1,478.7)**	**(138.9)**	**(1,617.6)**	**(39.2)**	**(1,656.8)**
Net assets	**1,796.2**	**606.9**	**2,403.1**	**(139.4)**	**2,263.7**	**(33.8)**	**2,229.9**

Notes to the unaudited interim financial results continued

September 2021 Segment net assets (audited)

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

September 2021 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	2,179.2	-	2,179.2	-	2,179.2	-	2,179.2
Investment in joint ventures and associates	44.9	-	44.9	-	44.9	-	44.9
Financial interest in property assets	71.7	-	71.7	-	71.7	-	71.7
Inventories – trading property	595.2	535.5	1,130.7	-	1,130.7	-	1,130.7
Cash and cash equivalents	317.6	-	317.6	-	317.6	-	317.6
Other assets	63.6	4.9	68.5	(0.5)	68.0	12.8	80.8
Total assets	3,272.2	540.4	3,812.6	(0.5)	3,812.1	12.8	3,824.9
Interest-bearing loans and borrowings	(1,347.5)	-	(1,347.5)	-	(1,347.5)	(46.7)	(1,394.2)
Deferred and contingent tax liabilities	(69.5)	66.1	(3.4)	(141.7)	(145.1)	(58.3)	(203.4)
Other liabilities	(116.2)	4.5	(111.7)	-	(111.7)	(4.5)	(116.2)
Total liabilities	(1,533.2)	70.6	(1,462.6)	(141.7)	(1,604.3)	(109.5)	(1,713.8)
Net assets	1,739.0	611.0	2,350.0	(142.2)	2,207.8	(96.7)	2,111.1

4. Group revenue

	Unaudited	
	2022	2021
	£m	£m
Gross rental income (Note 5)	**59.1**	48.3
Gross proceeds from disposal of trading property (Note 6)	**64.7**	50.7
Fees and other income (Note 8)	**2.8**	2.3
	126.6	101.3

5. Net rental income

	Unaudited	
	2022	2021
	£m	£m
Gross rental income	**59.1**	48.3
Property operating expenses	**(16.3)**	(13.6)
	42.8	34.7

Notes to the unaudited interim financial results continued

6. Profit on disposal of trading property

	Unaudited	
	2022	2021
	£m	£m
Gross proceeds from disposal of trading property	**64.7**	50.7
Selling costs	**(1.8)**	(1.0)
Net proceeds from disposal of trading property	**62.9**	49.7
Carrying value of trading property sold (Note 12)	**(31.9)**	(19.9)
	31.0	29.8

7. Profit/(loss) on disposal of investment property

	Unaudited	
	2022	2021
	£m	£m
Gross proceeds from disposal of investment property	**10.6**	31.2
Selling costs	**(0.3)**	(0.9)
Net proceeds from disposal of investment property	**10.3**	30.3
Carrying value of investment property sold (Note 11)	**(9.7)**	(30.4)
	0.6	(0.1)

8. Fees and other income

	Unaudited	
	2022	2021
	£m	£m
Property and asset management fee income	**1.7**	0.8
Other sundry income	**1.1**	1.5
	2.8	2.3

Included within other sundry income in the current period is £1.1m (2021: £0.8m) liquidated and ascertained damages (LADs) recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts.

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the 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') and Deferred Bonus Plan ('DBP'), on which the dividends are being waived.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 31 March 2022 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	Unaudited					
	31 March 2022			31 March 2021 (restated)[1]		
	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	**75.6**	**740.3**	**10.2**	34.3	673.1	5.1
Effect of potentially dilutive securities						
Share options and contingent shares		**2.8**	**-**	-	2.6	(0.1)
Diluted earnings per share						
Profit attributable to equity holders		**743.1**	**10.2**	34.3	675.7	5.0

[1] See Note 24 for an explanation of the prior period restatement

10. Dividends

The Company has announced an interim dividend of 2.08p (March 2021: 1.83p) per share which will return £15.4m (March 2021: £12.3m) of cash to shareholders. In the six months ended 31 March 2022, the final dividend for the year ended 30 September 2021 which amounted to £24.6m has been paid.

11. Investment property

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Opening balance	**2,179.2**	1,778.9
Acquisitions	**7.7**	78.0
Capital expenditure – completed assets	**0.9**	22.8
Capital expenditure – assets under construction	**97.3**	261.5
Total additions	**105.9**	362.3
Disposals (Note 7)	**(9.7)**	(38.8)
Net valuation gains	**59.3**	76.8
Closing balance	**2,334.7**	2,179.2

12. Inventories – trading property

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Opening balance	**595.2**	657.4
Additions	**49.5**	12.6
Disposals (Note 6)	**(31.9)**	(74.7)
Reversal of impairment/(impairment) of inventories to net realisable value	**1.2**	(0.1)
Closing balance	**614.0**	595.2

Notes to the unaudited interim financial results continued

13. Investment in associates

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Opening balance	**15.5**	14.7
Share of profit for the period	**0.4**	0.8
Closing balance	**15.9**	15.5

The closing balance comprises share of net assets of £1.3m (September 2021: £0.9m) and net loans due from associates of £14.6m (September 2021: £14.6m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

As at 31 March 2022, the Group's interest in active associates was as follows:

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

14. Investment in joint ventures

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Opening balance	**29.4**	27.3
Share of loss for the period	**(1.6)**	(0.3)
Further investment[1]	**2.9**	0.8
Loans advanced to joint ventures	**0.2**	1.6
Closing balance	**30.9**	29.4

[1] Grainger invested £2.9m into Connected Living London (BTR) Limited in the period (September 2021: £0.8m).

The closing balance comprises share of net assets of £9.8m (September 2021: £8.5m) and net loans due from joint ventures of £21.1m (September 2021: £20.9m). At the balance date, there is no expectation of any material credit losses on loans due.

At 31 March 2022, the Group's interest in active joint ventures was as follows:

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

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

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Opening balance	**71.7**	73.3
Cash received from the instrument	**(4.0)**	(8.8)
Amounts taken to income statement	**3.4**	7.2
Closing balance	**71.1**	71.7

Notes to the unaudited interim financial results continued

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 18.

16. Trade and other receivables

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Rent and other tenant receivables	**6.2**	5.7
Deduct: Provision for impairment	**(2.3)**	(2.3)
Rent and other tenant receivables – net	**3.9**	3.4
Contract assets	**-**	2.6
Other receivables	**21.5**	29.8
Prepayments	**4.2**	2.7
Closing balance	**29.6**	38.5

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgement or estimation due to the balance of gross rent and other tenant receivables of £6.2m (2021: £5.7m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

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

Other receivables include £5.9m (2021: £10.4m) due from land sales, which is receivable no later than September 2022.

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

17. Trade and other payables

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Current liabilities		
Deposits received	**9.4**	9.1
Trade payables	**27.5**	16.3
Lease liabilities	**0.8**	0.7
Tax and social security costs	**0.6**	4.9
Accruals	**67.8**	72.6
Deferred income	**7.1**	6.2
	113.2	109.8
Non-current liabilities		
Lease liabilities	**2.6**	0.6
	2.6	0.6
Total trade and other payables	**115.8**	110.4

Within accruals, £47.8m comprises accrued expenditure in respect of ongoing construction activities September 2021: £43.7m).

Notes to the unaudited interim financial results continued

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

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Current liabilities		
Bank loans – Pounds sterling	**50.0**	-
	50.0	-
Non-current liabilities		
Bank loans – Pounds sterling	**257.2**	306.5
Bank loans – Euro	**0.8**	0.9
Non-bank financial institution	**346.9**	346.6
Corporate bond	**693.9**	693.5
	1,298.8	1,347.5
Closing balance	**1,348.8**	1,347.5

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bond. As at 31 March 2022, unamortised costs totalled £9.6m (September 2021: £10.7m) and the outstanding discount was £2.4m (September 2021: £2.6m).

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 2022 and as at 30 September 2021.

As at 31 March 2022, the fair value of interest-bearing loans is greater than the book value by £44.9m (September 2021: £46.7m), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

Market risk

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

Fair values

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

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

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

Level 3 – unobservable inputs for the asset or liability.

Notes to the unaudited interim financial results continued

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

	Unaudited 31 March 2022		Audited 30 September 2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
CHARM	**71.1**	**-**	71.7	-
Investment property	**2,334.7**	**-**	2,179.2	-
	2,405.8	**-**	2,250.9	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**5.4**	**-**	-	4.5
	5.4	**-**	-	4.5

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

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

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

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

Assets – Level 3	**Unaudited 31 March 2022 £m**	Audited 30 Sept 2021 £m
Opening balance	**2,250.9**	1,852.2
Amounts taken to income statement	**62.7**	84.0
Other movements	**92.2**	314.7
Closing balance	**2,405.8**	2,250.9

Notes to the unaudited interim financial results continued

19. Tax

The tax charge for the period of £23.2m (2021 £10.2m) recognised in the consolidated income statement comprises:

	Unaudited	
	2022	2021
	£m	£m
Current tax		
Corporation tax on profit	**10.1**	9.9
Deferred tax		
Origination and reversal of temporary differences	**12.3**	0.3
Adjustments relating to prior periods	**0.8**	-
	13.1	0.3
Total tax charge for the period	**23.2**	10.2

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

The Group’s results for this period are taxed at an effective rate of 19.0% (September 2021: 19.0%).

In addition to the above, a deferred tax charge of £2.9m (2021: £2.1m) was recognised within other comprehensive income comprising:

	Unaudited	
	2022	2021
	£m	£m
Actuarial gain on BPT Limited pension scheme	**0.4**	0.7
Fair value movement in cash flow hedges	**2.5**	1.4
Amounts recognised in other comprehensive income	**2.9**	2.1

Deferred tax balances comprise temporary differences attributable to:

	Unaudited 31 March 2022 £m	Audited 30 Sept 2021 £m
Deferred tax assets		
Short-term temporary differences	**1.9**	2.1
Losses carried forward	**-**	0.2
Actuarial deficit on BPT Limited pension scheme	**-**	0.2
Fair value movement in derivative financial instruments	**-**	1.2
	1.9	3.7
Deferred tax liabilities		
Trading property uplift to fair value on business combinations	**(7.6)**	(7.8)
Investment property revaluation	**(68.4)**	(55.7)
Actuarial surplus on BPT Limited pension scheme	**(0.2)**	-
Short-term temporary differences	**(4.8)**	(4.6)
Fair value movement in financial interest in property assets	**(1.4)**	(1.4)
Fair value movement in derivative financial instruments	**(1.3)**	-
	(83.7)	(69.5)
Total deferred tax	**(81.8)**	(65.8)

Notes to the unaudited interim financial results continued

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

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the consolidated statement of financial position and their market value has not been recognised by the Group. This contingent tax amounts to £131.3m, calculated at 25.0% (September 2021: £133.9m) and will be realised as the properties are sold.

20. Retirement benefits

The Group retirement benefit asset increased by £1.8m to £5.3m in the six months ended 31 March 2022. This movement has arisen from changes in assumptions of £2.4m (primarily market observable discount rates), and £0.2m company contributions, offset by losses on plan assets of £0.8m. The principal actuarial assumptions used to reflect market conditions as at 31 March 2022 are as follows:

	Unaudited 31 March 2022 %	Audited 30 Sept 2021 %
Discount rate	**2.75**	2.10
Retail Price Index (RPI) inflation	**4.25**	3.70
Consumer Price Index (CPI) inflation	**3.45**	2.90
Salary increases	**4.75**	4.20
Rate of increase of pensions in payment	**5.00**	5.00
Rate of increase for deferred pensioners	**3.45**	2.90

21. Share-based payments

The Group operates a number of equity-settled, share-based compensation plan comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn Scheme ('SAYE'). The share-based payments charge recognised in the consolidated income statement for the period is £0.8m (2021: £0.9m).

22. Related party transactions

During the period ended 31 March 2022, the Group transacted with its associates and joint ventures (details of which are set out in Notes 13 and 14). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the consolidated income statement and consolidated statement of financial position are as follows:

	Unaudited			
	31 March 2022		31 March 2021	
	Fees recognised £'000	**Period end balance £'000**	Fees recognised £'000	Period end balance £'000
Connected Living London (BTR) Limited	**432**	**497**	335	835
Lewisham Grainger Holdings LLP	**159**	**1,089**	159	770
Vesta Limited Partnership	**349**	**304**	213	219
	940	**1,890**	707	1,824

	Unaudited 31 March 2022			Audited 30 September 2021		
	Interest recognised £'000	**Period end loan balance £m**	**Interest rate %**	Interest recognised £'000	Year end loan balance £m	Interest rate %
Curzon Park Limited	**-**	**18.1**	**Nil**	-	18.1	Nil
Lewisham Grainger Holdings LLP	**-**	**3.0**	**Nil**	-	2.8	Nil
Vesta LP	**-**	**14.6**	**Nil**	-	14.6	Nil
	-	**35.7**		-	35.5	

23. Issue of share capital

In September 2021, the Group issued 67,379,369 new shares at an issue price of 310.0p raising a total amount of £204.1m net of costs. The shares were issued with a nominal value of £0.05p per share. This increased share capital by £3.3m and the share premium account by £200.8m.

24. Prior period restatement

In the prior year, the IFRS Interpretations Committee published accounting guidance for configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service (SaaS). The guidance recognises differences in accounting treatment for SaaS expenditure between functionality that is broadly available to the software supplier's general customer base and functionality that is restricted to a specific user. The Committee had clarified the position that expenditure can only be capitalised to the extent a SaaS customer has the power to obtain the future economic benefits by restricting others access to those benefits, otherwise expenditure in relation to developing SaaS for use should be expensed.

Following the interpretation being published, the Group has reviewed and revised its accounting policy in relation to intangible assets which includes accounting for computer software. This has resulted in reclassifying relevant expenditure that was previously capitalised as an intangible asset and expensing this to the income statement as administrative expenses.

Notes to the unaudited interim financial results continued

The impact of this change is outlined in the following table:

	31 March 2021 (previously reported) £m	Restatement £m	31 March 2021 restated £m
Consolidated income statement impact			
Administration expenses	(13.9)	(5.8)	(19.7)
Profit before tax	50.3	(5.8)	44.5
Tax charge	(10.2)	-	(10.2)
Profit for the period attributable to the owners of the Company	40.1	(5.8)	34.3
Basic earnings per share	6.0p	(0.9)p	5.1p
Diluted earnings per share	5.9p	(0.9)p	5.0p
Consolidated statement of financial position impact			
Intangible assets	28.3	(27.5)	0.8
Deferred tax assets	5.4	1.1	6.5
Total non-current assets	2,043.8	(26.7)	2,017.1
Deferred tax liabilities	36.7	(0.6)	36.1
Total non-current liabilities	1,385.1	(0.6)	1,384.5
Net assets	1,488.3	(25.8)	1,462.5
Retained earnings	828.4	(25.8)	802.6
Total equity	1,488.3	(25.8)	1,462.5

25. Post balance sheet events

The following financing activity has taken place between 1 April 2022 and the date of authorisation of the interim financial statements:

On 14 April 2022, an existing £50m sterling bank loan facility was increased to £125m (an additional £75m), and the maturity date was extended by a further five years and remains undrawn.

On 26 April 2022, the maturity date on a £50m sterling bank loan was extended by a further five years.

On 29 April 2022, an additional £75m, three year sterling bank loan facility was agreed and remains undrawn.

On 10 May 2022, the maturity date on an additional £50m sterling bank loan was extended by a further five years.

Each facility above has 2 x 1 year extension options. Following the financing activity and taking into account the relevant extension options, our weighted average debt maturity has increased to 6.2 years.

EPRA Performance Measures – Unaudited

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

EPRA Earnings

	31 March 2022			31 March 2021 (restated)[1]		
	Earnings £m	**Shares millions**	**Pence per share**	Earnings £m	Shares millions	Pence per share
Earnings per IFRS income statement	**98.8**	**743.1**	**13.3**	44.5	675.7	6.6
Adjustments to calculate adjusted EPRA Earnings, exclude:						
i) Changes in value of investment properties, development properties held for investment and other interests	**(60.3)**	**-**	**(8.1)**	(12.6)	-	(1.8)
ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests	**(0.6)**	**-**	**(0.1)**	0.1	-	-
iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties	**(30.1)**	**-**	**(4.0)**	(28.4)	-	(4.2)
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	**-**	**-**	**-**	-	-	-
vii) Acquisition costs on share deals and non-controlling joint venture interests	**-**	**-**	**-**	-	-	-
viii) Deferred tax in respect of EPRA adjustments	**-**	**-**	**-**	-	-	-
ix) Adjustments i) to viii) in respect of joint ventures	**(0.2)**	**-**	**-**	-	-	-
x) Non-controlling interests in respect of the above	**-**	**-**	**-**	-	-	-
xi) Other adjustments in respect of adjusted earnings	**9.2**	**-**	**1.2**	5.8	-	0.8
Adjusted EPRA Earnings/Earnings per share	**16.8**	**743.1**	**2.3**	9.4	675.7	1.4
Adjusted EPRA Earnings per share after tax			**1.9**			1.1

[1] See Note 24 for an explanation of the prior period restatement

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% (2021: 19.0%).

EPRA Performance Measures - Unaudited (continued)

EPRA NRV, EPRA NTA and EPRA NDV

	31 March 2022			30 Sept 2021		
	EPRA NRV £m	**EPRA NTA £m**	**EPRA NDV £m**	EPRA NRV £m	EPRA NTA £m	EPRA NDV £m
IFRS Equity attributable to shareholders	**1,796.2**	**1,796.2**	**1,796.2**	1,739.0	1,739.0	1,739.0
Include/Exclude:						
i) Hybrid Instruments	**-**	**-**	**-**	-	-	-
Diluted NAV	**1,796.2**	**1,796.2**	**1,796.2**	1,739.0	1,739.0	1,739.0
Include:						
ii.a) Revaluation of IP (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.b) Revaluation of IPUC (if IAS 40 cost option is used)	**-**	**-**	**-**	-	-	-
ii.c) Revaluation of other non-current investments	**6.5**	**6.5**	**6.5**	6.0	6.0	6.0
iii) Revaluation of tenant leases held as finance leases	**-**	**-**	**-**	-	-	-
iv) Revaluation of trading properties	**532.9**	**394.0**	**394.0**	543.3	401.6	401.6
Diluted NAV at Fair Value	**2,335.6**	**2,196.7**	**2,196.7**	2,288.3	2,146.6	2,146.6
Exclude:						
v) Deferred tax in relation to fair value gains of IP	**71.5**	**71.5**	**-**	58.3	58.3	-
vi) Fair value of financial instruments	**(4.0)**	**(4.0)**	**-**	3.4	3.4	-
vii) Goodwill as a result of deferred tax	**-**	**-**	**-**	-	-	-
viii.a) Goodwill as per the IFRS balance sheet	**-**	**(0.5)**	**(0.5)**	-	(0.5)	(0.5)
viii.b) Intangible as per the IFRS balance sheet	**-**	**-**	**-**	-	-	-
Include:						
ix) Fair value of fixed interest rate debt	**-**	**-**	**33.7**	-	-	(35.0)
x) Revalue of intangibles to fair value	**-**	**-**	**-**	-	-	-
xi) Real estate transfer tax	**-**	**-**	**-**	-	-	-
NAV	**2,403.1**	**2,263.7**	**2,229.9**	2,350.0	2,207.8	2,111.1
Fully diluted number of shares	**742.8**	**742.8**	**742.8**	742.8	742.8	742.8
NAV pence per share	**323.5**	**304.7**	**300.2**	316.4	297.2	284.2