**16 May 2019**

# Grainger plc

## Half year results for the six months ended 31 March 2019

## Delivering growth through operational excellence: Strong performance, with a step change in net rental income

Helen Gordon, Chief Executive of Grainger, the UK's largest listed residential landlord, said:

"I am pleased to report a period of strong performance, in which we delivered +33% growth in net rental income, supported by like-for-like rental growth up +3.7%, and a +7% increase in profit before tax.

"We continue to successfully execute our strategy to invest in high quality new rental homes for the mid-market across the UK in target cities, with an operational portfolio of over 8,400 rental homes and a further c.8,200 new homes in our pipeline. Our strategy is designed to enhance shareholder returns by delivering a step change in our net rental income and thereby support strong dividend growth.

"Following the successful acquisition of GRIP in December, a PRS portfolio of c.1,700 rental homes in London, we have achieved a significant increase in net rental income. The integration of GRIP is ahead of plan and is beginning to deliver strong results. This major acquisition along with our pipeline of PRS development projects will see our net rental income more than double over the coming years, delivering strong future dividend growth.

"Our leading position in the private rented sector (PRS) was bolstered by our selection by Transport for London as their PRS partner to develop over 3,000 new homes across an initial number of seed sites in London. In addition to the TfL sites, our PRS investment pipeline will deliver over 5,200 new homes, of which £760m is secured and committed with a further £465m in the planning or legals stages.

"Our recently completed development, Clippers Quay in Greater Manchester, has seen strong lettings performance since its launch in November 2018. The first phase of 135 apartments was fully let in 4.5 months, with rents achieved +6.3% above ERV and a customer rating of 4.9 stars out of five."

### Key headlines

- Net rental income[1] up +33% to £29.1m (HY18: £21.8m), with a repositioned income profile toward rental income and less reliance on sales
- +3.7% like-for-like rental growth[2] across our entire portfolio (HY18: 4.1%)
- Adjusted earnings[3] were down slightly to £38.3m (HY18: £40.9m) due to timing on sales and reduced development profits as previously indicated.
- Profit before tax[3] increased +7% to £54.3m (HY18: £50.6m)
- Interim dividend per share increased +10% to 1.73p per share[4] (HY18: 1.57p[5])
- Integration of GRIP ahead of plan and delivering results with operational efficiency targets achieved (32% gross to net improved to 26%), £4m overheads savings secured, +3.4% rental growth delivered and portfolio valuation uplift of £4.1m on the purchase price.

- Market value of our portfolio has risen +0.6%, with strong growth in the regions, particularly in the South East, and East and Midlands, +2.7% and +2.6% respectively.
- EPRA NNNAV[6] of 271p per share at the period end was stable compared with 270p per share post rights issue (FY18: 286pps restated for the bonus adjustment of the rights issue). Uplifts in earnings and valuations were largely offset by the payment of the final dividend (3.18pps) and the write off of goodwill.
- Significant positive structural drivers continue to support a professionalised, large scale PRS, with a growing trend of private landlords exiting the sector.

**Growing rents – increasing net rental income returns and securing new investments**

- In addition to overall net rental income increasing +33%, we achieved strong like-for-like rental growth across our entire portfolio of +3.7% (HY18: 4.1%), with +3.4% growth on our PRS homes (HY18: 3.2%) and +4.4% annualised growth on regulated tenancy rent reviews (HY18: 5.5%).
- Our secured PRS pipeline now stands at £760m[7]. We have a further £465m of investment opportunities in the planning or legals stages, and over 3,000 new homes via our partnership with TfL, representing an estimated c.£600m investment by Grainger.
- We maintained our gross to net (property operating costs ratio) at 26.2% (FY18: 26.0%, HY18: 25.9%).
- Occupancy within our PRS portfolio remains high, increasing 50bps to 97.5% (FY18: 97.0%).
- +10% growth in our interim dividend to 1.73p per share (HY18: 1.57p), supported by the growth in net rental income over the period.

**Simplified and focused – a platform ready for growth**

- Our strategic focus to simplify and focus our business and build scalability in our operational platform continues to serve us well.
- The acquisition of GRIP further simplifies our business and provides Grainger with the full benefit of its pipeline in London and the South East. The integration of the portfolio is well advanced and delivering strong results.
- Overheads for the Group remain stable as we continue to keep costs under tight control at £13.8m for the half year (HY18: £13.5m) and we are investing in our technology platform to enhance the scalability of our platform further.
- Improved financial reporting – following the repositioning of our investment portfolio and income profile, we have revised our segmental reporting to reflect our PRS and regulated tenancy portfolios.

**Strong financial performance**

- Net rental income up +33% to £29.1m (HY18: £21.8m)
- +3.7% like-for-like rental growth across our entire portfolio (HY18: 4.1%)
- Adjusted earnings were down slightly to £38.3m (HY18: £40.9m) due to timing on sales and reduced development profits as previously indicated.
- Profit before tax increased +7% to £54.3m (HY18: £50.6m)
- EPRA NNNAV of 271p per share at the period end was stable compared with 270p per share post rights issue (FY18: 286pps restated for the bonus adjustment of the rights issue). Uplifts in earnings and valuations were largely offset by the payment of the final dividend (3.18pps) and the write off of goodwill.

### Regulated portfolio performing well and sales resilient

- Valuations and achieved sales prices from our regulated tenancy portfolio were solid.
- The market value of our regulated tenancy portfolio rose by +0.3% (HY18: 0.8%).
- Year to date, we have been selling vacant residential properties 0.4% ahead of previous valuations (FY18 vacant possession value).
- Sales velocity remains strong with our 'keys to cash' metric measuring 112 days, the same as in September last year when we reported our full year results.
- A lower opening sales pipeline from a strong finish last year, reducing development activity and seasonality with weighting toward the second half, led to a reduced number of properties available for sale in the first half of the year, resulting in a lower profit from sales of £31.3m (HY18: £38.9m).
- We remain confident in our ability to deliver a robust sales performance for the full year due to a strong sales pipeline[8] as at 30 April 2019 of £128m (30 April 2018: £127m), providing good visibility for the second half.

### Financing and capital structure

- Average cost of debt stood at 3.2% for the first half of the year, reflecting our flexible capital structure and the tenor of the financing terms.
- Net debt[9] of £1,080m reflecting our continuing investment into PRS assets, including the consolidation of 100% of GRIP's debt post the acquisition (FY18: £866m, HY18: £912m)
- Loan to value[9] of 37.2% (FY18: 37.1%, HY18: 39.0%)

### Outlook

The investment case for a professionalised, large-scale PRS remains strong, with growing positive structural drivers, and Grainger is in a leading position to benefit.

Over 2019 we will deliver a number of our early investments from our pipeline, namely Clippers Quay in Greater Manchester, Gunhill in Hampshire, Finzels Reach in Bristol and Eccy Village in Sheffield (1,152 homes). From this year, our pipeline of PRS development schemes will begin to deliver at scale.

Grainger's fully integrated business and operational platform are designed for growth, and as we grow there will be further opportunities to enhance shareholder returns and profitability through operational leverage. Our investment in technology will support this further.

We are in a strong position to deliver a good performance in the second half of the year and a positive overall result. The acquisition of GRIP significantly accelerated our growth strategy to enhance shareholder returns and we have repositioned the income profile of the business. We expect our pipeline to more than double our net rental income over coming years and will directly lead to sustainable dividend growth.

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

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

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

*[4] Dividend – The dividend of 1.73p per share (gross) amounting to £10.6m will be paid on 5 July 2019 to shareholders on the register at the close of business on 31 May 2019. Shareholders will again be offered the option to participate in a dividend re-investment plan and the last day for election is 14 June 2019 – refer also to Note 10.*

*[5] Comparative pence per share measure has been restated by a bonus adjustment factor of 1.1066 following the rights issue in December 2018.*

*[6] Refer to Note 3 for reconciliation of EPRA measures and EPRA performance measures section at the end of this document.*

*[7] PRS pipeline has been restated from a cumulative investment figure since 2016 to remaining development investment projects to be delivered.*

*[8] Completed sales, contracts exchanged, with solicitors and available for sale.*

*[9] Refer to Note 18 for net debt and LTV calculations.*

**Future reporting dates**

- Trading update – September 2019
- Full year results – 27 November 2019

**Half year results presentation**

Grainger plc will be holding a presentation of the results at 8:45am (UK time) today, 16 May 2019 and will be broadcast live via webcast and a telephone dial-in facility (details below).

***Webcast details:***

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

http://webcasting.brrmedia.co.uk/broadcast/5c9a4c22ec650d01c34f4607

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

***Conference call details:***

Call: +44 (0)330 336 9125

Confirmation Code: 3593262

A copy of the presentation slides will also be available to download on Grainger's website (http://corporate.graingerplc.co.uk/) from 8:30am (UK time).

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## Chief Executive's review

### Overview

Grainger remains committed to delivering strong, sustainable shareholder returns through investing in high quality rental homes in the UK for the mid-market. Our strategy to grow rents, simplify and focus the business and build on our experience as a responsible landlord continues to deliver strong results.

We have delivered a strong performance over the first half of this financial year. We have accelerated our growth strategy which will enhance shareholder returns through the acquisition of GRIP and wider PRS pipeline. We have bolstered our strong investment pipeline with the successful appointment by TfL as their PRS partner to deliver over 3,000 new homes in London. Our integrated business model will deliver operational leverage as we grow, further enhancing shareholder returns, and our investment in technology will further underpin operational leverage and profitability over time.

Financial performance over the past six months has equally been strong. We have increased net rental income by a third (+33%), delivered growth in profit before tax of +7% and achieved like-for-like rental growth of +3.7%.

Our total operational portfolio consists of c.8,400 rental homes of which c.4,900 are in our PRS portfolio and c.3,500 are regulated tenancies. Our pipeline now totals £1,825m with £760m of secured PRS projects, a further £465m of schemes within the planning or legal process and an estimated c.£600m through our PRS partnership with TfL. Together, our pipeline will see us deliver over 8,200 new rental homes. Once completed, these new investments will more than double our net rental income and provide us with sustainable dividend growth of the same scale.

The strong levels of cash generation from our regulated tenancy portfolio and asset recycling programme, along with our strong capital structure, enables us to internally fund our current pipeline, putting us in a strong position to deliver on our growth plans.

In a country with a shortage of housing and severe housing affordability challenges, we believe our commitment to investing in mid-market rental housing in the UK is the right one and socially-compelling.

Our Environmental, Social and Governance (ESG) credentials are well recognised externally with our FTSE4Good listing, our #3 ranking in the Global Real Estate Sustainability Benchmark, our Gold Award for Best Practice Sustainability Reporting by EPRA, our B-rating within the CDP Programme for climate change management and our recent 'Prime' rating by ISS-oekom for corporate responsibility.

### Key highlights

We have had a number of achievements over the first half of our financial year.

<u>GRIP integration ahead of plan and delivering results</u>

The integration of GRIP, a 1,700 PRS home portfolio predominantly located in London, is ahead of plan and already delivering strong results.

We swiftly implemented operational improvements on day one, improving gross to net leakage from 32% down to below 26%. The market value of the GRIP portfolio increased by £4.1m from the purchase price and we have achieved rental growth of +3.4%, supported by value-add initiatives.

We voluntarily exited GRIP from the REIT regime and delisted it from the Jersey stock exchange. This has enabled us to secure overheads savings of c.£4m per annum, and we plan to refinance the debt from the portfolio this summer in order to reduce the cost of debt and extend maturities.

Following the acquisition S&P increased the Group's credit rating to BB+.

New PRS investments

The most significant achievement over the period, in respect of new PRS investment opportunities, was the selection by TfL as their PRS partner to deliver over 3,000 homes across a number of well-located seed sites in London.

In addition, we conditionally agreed to acquire two further schemes during the period, Hale Wharf in Tottenham Hale, North London (108 homes, c.£41m) and 373 PRS homes at Exchange Square in Birmingham for £77m, supplementing our growing portfolio in these target locations.

Pipeline progress

Construction has successfully completed at Clippers Quay in Greater Manchester (614 homes) and leasing continues to exceed expectations. Following the success of pre-leasing 54% of the first phase (135 units), it is now fully let in 4.5 months. We are actively leasing the second phase of 155 homes and will shortly be launching the third phase. Across the scheme, we are achieving rents +6.3% above ERV and lettings velocity is also ahead of underwriting.

Leasing at Gunhill (107), our PRS scheme at our Wellesley project in Hampshire, is performing strongly and ahead of underwriting with rents +10.3% above underwriting.

We will shortly be launching our PRS scheme at Finzels Reach in Bristol (known as "Hawkins & George", 194 homes) where we are already receiving strong early interest from potential customers.

Later in the year, we expect construction to complete at Eccy Village (renamed Brook Place) in Sheffield (237 PRS homes).

Our scheme at Hale Wharf in Tottenham Hale, North London which we had agreed to acquire on a conditional basis in December 2018 from Waterside Places, has seen significant progress with these conditions now met and construction having commenced.

Construction has also commenced on our direct development scheme in Newbury, West Berkshire (232 PRS homes).

Strong operational performance

We have achieved strong like-for-like rental growth of +3.7% on our stabilised, let portfolio. Gross to net leakage remains tightly managed at 26.2%. We have increased the occupancy within our PRS portfolio by 50 bps to 97.5%. We have strong customer retention. On average our customers stay with us 32 months.

Political update

In April the Government announced proposals to abolish Section 21 no-fault evictions, but also strengthen grounds for possession and expedite the court process for landlord-tenant disputes. This proposal is targeted predominantly at the private landlord and buy-to-let market, and we have cautiously welcomed the proposals subject to all three aspects being delivered simultaneously.

We maintain an open and constructive dialogue with the Conservative Government, Labour Party and the Mayor of London's office, extolling the benefits that a professional rental market can bring to the UK, including the creation of new homes for key workers, job creation, and facilitating better productivity and labour mobility.

## Outlook – Leading in a growth market

The actions we have taken over the past few years puts Grainger in a strong position to deliver sustainable growth that will enhance shareholder returns, backed by strong structural market tailwinds.

We have successfully assembled a pipeline of attractive investments that will generate market-leading returns and more than double our net rental income allowing us to sustainably grow our dividend for years to come.

This year we will complete, launch and lease up a number of new, exciting schemes in Manchester, Bristol, Hampshire and Sheffield. From this year forward, completed schemes from our pipeline will begin to meaningfully contribute to earnings, further enhancing the income profile of the business with greater recurring rental income in line with our stated strategy.

Our successful selection by TfL as their PRS partner will support further long-term growth by supplementing our pipeline from 2021 onward when we are targeting construction commencing on some of the first TfL sites.

As our pipeline now begins to deliver and materially enhance net rental income, we will begin to reap the benefits of operational leverage, having put in place a strong platform for growth.

**Helen Gordon**
Chief Executive
16 May 2019

## Financial review

Since setting out our strategy in January 2016, we have been working toward transitioning Grainger to a business more reliant on recurring rental income through investing in the PRS, with the aim of enhancing shareholder returns.

The past six months have seen us accelerate this growth strategy, and I am pleased to report that we have repositioned the income profile of the business through the acquisition of GRIP, a 1,700 home PRS portfolio. The integration of this portfolio, following the acquisition on 20 December 2018, is ahead of plan and already delivering results.

Boosted with the additional income from GRIP for part of the period, I am also pleased to report strong operational performance with a significant increase in net rental income and continued market-leading like-for-like rental growth. Starting this year, we begin to see our pipeline of new investments complete and materially enhance our net rental income, underpinning strong future dividend growth.

Grainger benefits from strong cash generation through sales from our regulated tenancy portfolio and the liquidity of our assets allows us to actively manage our portfolio through asset recycling. Together with headroom, we are able to fund our current pipeline through existing operations.

The £1,825m pipeline we have assembled over the past few years, most recently through our new partnership with TfL, is targeted to deliver a five-fold increase in net rental income from the level at the start of our strategy, representing a fundamental transformation for Grainger. As we grow we will benefit further from operational leverage and through this transformation we will enhance shareholder returns over the coming years.

### Highlights

| **Income returns** | **HY18** | **HY19** | **Change** |
|---|---:|---:|---:|
| Rental growth (like-for-like) | 4.1% | 3.7% | (40) bps |
| - PRS | 3.2% | 3.4% | +20 bps |
| - Regulated tenancies (annualised) | 5.5% | 4.4% | (110) bps |
| Net rental income *(Note 5)* | £21.8m | £29.1m | +33% |
| Adjusted earnings *(Note 2)* | £40.9m | £38.3m | (6)% |
| Adjusted EPS (diluted, after tax) *(Note 2)* | 7.2p | 5.7p | (21)% |
| Profit before tax *(Note 2)* | £50.6m | £54.3m | +7% |
| Dividend per share *(Note 10)* | 1.57p | 1.73p | +10% |
| Earnings per share (diluted, after tax) *(Note 9)* | 9.1p | 9.0p | (1)% |

| Capital returns | FY18 | HY19 | Change |
|---|---|---|---|
| EPRA NAV per share *(Note 3)* | 314p | | |
| **EPRA NAV post rights issue per share** | **292p** | **294p** | **+1%** |
| EPRA NNNAV per share *(Note 3)* | 286p | | |
| **EPRA NNNAV post rights issue per share** | **270p** | **271p** | **+0%** |
| Net debt *(Note 18)* | £866m | £1,080m | +25% |
| Group LTV *(Note 18)* | 37.1% | 37.2% | +10 bps |
| Cost of debt (average) | 3.4% | 3.2% | (20) bps |
| Reversionary surplus | £277m | £331m | +19% |

**Income statement**

Our income statement has seen a significant transition following the acquisition of GRIP with a greater reliance on stable, recurring rental income rather than profit from sales. We remain focused on cost control as we look to benefit from the inherent operational leverage within our well-established platform as our pipeline delivers.

During the six months, we delivered an increase in net rental income of +33% to £29.1m. Importantly the full impact of the GRIP acquisition is still to come, as we only benefited from just over three months contribution in the period. Taking account of the full impact of GRIP, annualised passing rent now stands at £67m, compared to our net rental income at FY18 of £43.8m. Adjusted earnings were down slightly to £38.3m (HY18: £40.9m) due to timing on sales and reduced development profits as we transition towards a rental income led business.

| Income statement (£m) | HY18 | HY19 | Change |
|---|---|---|---|
| Net rental income | 21.8 | 29.1 | +33% |
| Profit from sales – residential | 32.3 | 26.5 | (18)% |
| Profit from sales – development | 6.6 | 4.8 | (27)% |
| Mortgage income (CHARM) *(Note 15)* | 2.9 | 2.8 | (3)% |
| Management fees | 2.8 | 2.2 | (21)% |
| Joint ventures and associates | 1.5 | 1.8 | +20% |
| Overheads | (13.5) | (13.8) | +2% |
| Pre-contract costs | (0.3) | (0.6) | +100% |
| Net finance costs | (13.2) | (14.5) | +10% |
| **Adjusted earnings** | **40.9** | **38.3** | **(6)**% |
| Valuation movements | 9.8 | 31.7 | |
| Derivative movements | (0.1) | - | |
| Other adjustments* | - | (15.7) | |
| **Profit before tax** | **50.6** | **54.3** | **+7**% |

** See further details below.*

## Rental income

The strong structural drivers in the PRS continue to underpin good rental growth. With a £1,343m operational PRS portfolio and a pipeline of £1,825m we are well placed to benefit from these structural market tailwinds. On top of the structural drivers, our targeted portfolio, strong customer offering, and efficient platform mean we continue to outperform the market, and the like-for-like rental growth we are able to achieve is a testament to this.

The GRIP acquisition has delivered a step change in our rental income profile. Gross rental income increased to £39.4m (HY18: £29.4m) and net rental income is up +33% to £29.1m (HY18: £21.8m), with just over three months of the rental income from GRIP combined with strong underlying rental growth.

In the six-month period, we delivered like-for-like rental growth across the portfolio of +3.7%. In our PRS portfolio, we secured like-for-like rental growth of +3.4%, ahead of the market of +2.1% (average based on ONS, Countrywide and HomeLet). At the same time, we secured +4.4% annualised growth on regulated tenancy rent reviews.

The increasing strength of our income profile combined with a strong cost focus supports enhanced returns. Our gross to net (property operating costs ratio) was 26.2% (HY18: 25.9%). Grainger's net rental income is broadly split (65%:35%) between PRS and regulated tenancies for the half year, a step change on our previous year end position which was c.50:50.

| | **£m** |
|---|---:|
| **HY18 Net rental income** | **21.8** |
| Disposals | (0.7) |
| Acquisitions (inc GRIP) | 6.9 |
| Rental growth | 1.1 |
| **HY19 Net rental income** | **29.1** |
| YoY growth | +33% |

## Sales

We have delivered a strong performance from sales activities, with profit of £31.3m (HY18: £38.9m). Vacant sales performance remained robust with sales prices achieved slightly ahead of previous valuations and sales velocity remained consistent. We saw lower volumes of vacant properties available for sale due to a strong performance at the end of last year, and reduced development activity, reflecting the completion of our contract with RBKC. We remain confident in the outlook for the full year.

*Residential sales*

Sales of tenanted and other properties have delivered £52.3m revenue (HY18: £25.6m) and £13.0m profit in HY19 (HY18: £13.5m). These sales provide capital for recycling into PRS investments, helping us accelerate our strategic transition.

Vacant property sales delivered £28.2m revenue (HY18: £38.3m) and £13.5m profit (HY18: £18.8m). Following a strong close to FY18, we started the year with a lower pipeline than the prior year. Pricing however remained robust with vacant residential sales completing slightly ahead of September 2018 vacant possession values. Sales velocity remained consistent with rolling underlying annual keys to cash of 112 days, in line with FY18.

*Development activity*

Development activity generated £11.9m of revenue and a £4.8m of profit in the first half, 27% below the prior year (HY18: £6.6m) as our development for sale activities wind down. Profits in the period relate to the completion of our development partnership with RBKC.

**Sales**

| | HY18 | | | HY19 | | |
|---|---|---|---|---|---|---|
| | **Units sold** | **Revenue** | **Profit** | **Units sold** | **Revenue** | **Profit** |
| | | **£m** | **£m** | | **£m** | **£m** |
| Residential sales on vacancy | 99 | 38.3 | 18.8 | 80 | 28.2 | 13.5 |
| Tenanted and other sales | 104 | 25.6 | 13.5 | 277 | 52.3 | 13.0 |
| **Residential sales total** | **203** | **63.9** | **32.3** | **357** | **80.5** | **26.5** |
| Development activity | - | 41.5 | 6.6 | - | 11.9 | 4.8 |
| **Overall sales** | **203** | **105.4** | **38.9** | **357** | **92.4** | **31.3** |

**Valuation movement**

Profit before tax benefitted from a positive movement in valuations of +£31.7m.

**Other adjustments**

Other adjustments that are one-off in nature for the period were £15.7m. This relates to the goodwill write off and associated transaction costs incurred in relation to the acquisition of GRIP.

**Financing and capital structure**

With an LTV of 37.2%, an average cost of debt of 3.2% and a business model that generates significant cash flows to fund our PRS pipeline, Grainger's capital structure offers a robust yet flexible platform from which to execute our growth strategy.

*Cashflow and investment*

We generated £103m of cash from operations in the six months ended 31 March 2019 and invested £98m into our property portfolio in the period, comprising £91m into our secured PRS investment pipeline, £3m into development and refurbishment activities and £4m into regulated tenancy acquisitions.

Net debt increased to £1,080m (FY18: £866m, HY18: £912m) reflecting the consolidation of 100% of GRIP's debt post the acquisition and continued investment in our pipeline. Group loan to value was 37.2% (FY18: 37.1%, HY18: 39.0%).

With respect to our £760m secured pipeline, total spend up to 31 March 2019 was £271m.

*Finance costs*

Our overall finance cost was higher than the prior year at £14.5m (HY18: £13.2m) due to the consolidation of the £217.0m GRIP debt facilities. However, the average cost of debt reduced for the first half at 3.2%, down 20bps from FY18. Our marginal cost of debt on our headroom is 1.8%.

*Capital structure*

Following the consolidation of GRIP the capital structure remains in a similar position to prior to the deal, and provides us with significant capacity to fund our pipeline.

| | **HY18** | **FY18** | **HY19** |
|---|---|---|---|
| Net debt | £912m | £866m | £1,080m |
| Loan to value | 39.0% | 37.1% | 37.2% |
| Cost of debt (average) | 3.5% | 3.4% | 3.2% |
| Incremental cost of debt | < 2% | < 2% | 1.6% |
| Interest cover | 4.1x | 4.5x | 4.2x |
| Headroom | £271m | £388m | £395m |
| Weighted average facility maturity^ | 4.7 | 6.1 | 5.0 |
| Hedging | 81% | 91% | 91% |

^ *Including extension options; excluding these options it is 3.9 years (HY18), 5.7 years (FY18) and 4.7 years (HY19).*

**Balance sheet**

Following the transformational GRIP acquisition, the business is now a predominantly PRS business with our operational PRS portfolio worth £1,343m, comprising 4,893 homes, while our regulated tenancy portfolio has a market value of £1,077m, comprising 2,986 homes.

| Market value balance sheet (£m) | FY18 | HY19 |
| --- | --- | --- |
| Residential – PRS | 591 | 1,343 |
| Residential – regulated tenancies | 1,107 | 1,077 |
| Residential – mortgages (CHARM) | 82 | 80 |
| Forward Funded – PRS under development | 198 | 217 |
| Development work in progress | 100 | 119 |
| Investment in JVs/associates | 146 | 25 |
| **Total investments** | **2,224** | **2,861** |
| Net debt | (866) | (1,080) |
| Other assets/liabilities | 99 | 20 |
| **EPRA NAV** | **1,457** | **1,801** |
| Deferred and contingent tax – trading assets | (109) | (102) |
| Deferred and contingent tax – investment assets | (22) | (12) |
| Fair value of fixed rate debt and derivatives | (2) | (22) |
| **EPRA NNNAV** | **1,324** | **1,665** |
| EPRA NAV (pence per share) | 314 | |
| **EPRA NAV – post rights issue (pence per share)** | **292** | **294** |
| EPRA NNNAV (pence per share) | 286 | |
| **EPRA NNNAV – post rights issue (pence per share)** | **270** | **271** |
| **LTV** | **37.1%** | **37.2%** |

EPRA NNNAV was 271p per share (FY18: 286pps) at the half year end. The opening FY18 NAV has been restated to reflect the bonus adjustment factor of the rights issue with the potential dilution for those who didn't participate resulting in a post rights EPRA NNNAV of 270p per share. The modest valuation growth in the period was offset by the write-off of goodwill on the GRIP acquisition and the final FY18 dividend payment (3.18pps).

EPRA NNNAV includes deferred and contingent tax liabilities associated with revaluations of our portfolio, which will crystallise over time as we dispose of assets.

Our EPRA NAV and NNNAV measures, however, exclude a reversionary surplus of £331m (54pps). This is the difference between the market value of our assets whilst they are tenanted and the value we could realise if they became vacant today and were sold.

The following table shows the movement in EPRA NNNAV in the period.

**EPRA NNNAV movement**

| | £m | Pence per share |
|---|---|---|
| **EPRA NNNAV at 30 September 2018** | **1,324** | **286** |
| Rights issue (net proceeds) | 335 | (16) |
| **Adjusted NNNAV at 30 September 2018** | **1,659** | **270** |
| Adjusted earnings | 38 | 6 |
| Revaluations (trading & investment property) | 34 | 6 |
| Disposals (trading assets) | (21) | (3) |
| Tax (current, deferred & contingent) | 6 | 1 |
| Derivatives / other | (20) | (3) |
| Dividends | (15) | (3) |
| GRIP goodwill and acquisition costs | (16) | (3) |
| **EPRA NNNAV at 31 March 2019** | **1,665** | **271** |

**Dividend**

In line with our policy to distribute 50% of annual net rental income, with a one-third payment at the interim stage, our interim dividend has increased by +10% to 1.73p on a per share basis (HY18: 1.57pps[5]).

**Property portfolio**

Our portfolio has transitioned significantly in the past few years, and now more than half of our assets are within our PRS portfolio by value. This transition will continue as our pipeline of PRS schemes complete and add to our portfolio, and as our regulated tenancy portfolio unwinds and funds our investment into our pipeline.

**Portfolio summary – property assets**

| **31 March 2019** | **No. units** | **Market value £m** | **Vacant possession value £m** | **Reversionary surplus £m** |
|---|---|---|---|---|
| Residential – PRS | 4,893 | 1,343 | 1,472 | 129 |
| Residential – regulated tenancies | 2,986 | 1,077 | 1,279 | 202 |
| Residential – mortgages (CHARM) | 552 | 80 | 80 | - |
| Forward Funded – PRS work in progress | - | 217 | 217 | - |
| Development work in progress | - | 119 | 119 | - |
| **Total investments** | **8,431** | **2,836** | **3,167** | **331** |

*Property portfolio valuations*

The value of our portfolio has proven resilient, with the market value increasing by +0.6% over the six month period (FY18: +1.6%, HY18: +0.9%). This compares favourably with the major house price indices with Halifax down -0.2% and Nationwide down -0.1% over the same period. The resilience of our portfolio is due to the strong locations and attractiveness of our properties and their low volatility price point (average property price is £349k).

As illustrated in the table below, we have seen relatively flat valuations in Central and Inner London, some positive movement in Outer London of +0.5%, modest growth of +1.4% in the North West, and between +2 and +3% growth in the South East, and East and Midlands.

| Regional performance | Units | Market value HY19 £m | Change since FY18 |
|---|---|---|---|
| Central and Inner London | 2,335 | 1,217 | 0.0% |
| Outer London | 964 | 386 | +0.5% |
| South East | 944 | 214 | +2.7% |
| South West | 554 | 162 | +0.6% |
| East and Midlands | 741 | 128 | +2.6% |
| North West | 1,858 | 254 | +1.4% |
| Other regions | 483 | 59 | +0.6% |
| **Total** | **7,879** | **2,420** | **+0.6%** |

*The table above includes PRS and regulated tenancy assets only. It excludes 552 units and £80m of market value relating to mortgages (CHARM).*

**Summary and outlook**

We have repositioned the income profile of Grainger, as we had set out in our strategy in January 2016.

Our market has significant positive structural growth drivers and we are in a leading position to benefit from this. The pipeline we have assembled will see us deliver the right product, in the right locations, at the right price. This will more than double our net rental income over the coming years and enhance shareholder returns as we benefit from a greater resilient and sustainable income profile.

The acquisition of GRIP accelerated our growth strategy, supporting strong growth in net rental income. Its integration is ahead of plan and delivering results. Our balance sheet is strong and our capital structure is well positioned to support our growth plans.

Through our £1,825m pipeline we have good visibility on the significant increase in rental income to be delivered over the next few years, driving strong earnings and dividend growth in the coming years. Together, our regulated tenancy portfolio, asset recycling programme and capital structure, enable us to internally fund our pipeline. As we grow the business, shareholder returns will be further enhanced through operational leverage.

Grainger is on track to strengthen its market leading position in the UK's private rented sector and deliver market leading returns.

**Vanessa Simms**
Chief Financial Officer
16 May 2019

**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 by the EU;

- 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
16 May 2019

**Vanessa Simms**
Chief Financial Officer
16 May 2019

## 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 2019 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 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU 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.

### The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### 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 1a, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. 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 by the EU

### 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
E14 5GL

16 May 2019

## Consolidated income statement

| For the 6 months ended 31 March | Notes | Unaudited<br>**2019**<br>**£m** | <br>2018<br>£m |
|---|---|---|---|
| **Group revenue** | 4 | **107.0** | 135.3 |
| Net rental income | 5 | **29.1** | 21.8 |
| Profit on disposal of trading property | 6 | **29.5** | 38.7 |
| Profit on disposal of investment property | 7 | **1.8** | 0.6 |
| Income from financial interest in property assets | 15 | **2.7** | 3.9 |
| Fees and other income | 8 | **2.2** | 2.8 |
| Administrative expenses | | **(13.8)** | (13.5) |
| Other expenses | | **(3.6)** | (0.3) |
| Impairment of goodwill | 24 | **(12.7)** | - |
| Impairment of inventories to net realisable value | | **(0.1)** | (0.1) |
| Reversal of impairment of joint venture | 14 | **9.8** | 2.4 |
| **Operating profit** | | **44.9** | 56.3 |
| Net valuation gains on investment property | 11 | **22.1** | 5.4 |
| Change in fair value of derivatives | | **-** | (0.1) |
| Finance costs | | **(15.0)** | (14.4) |
| Finance income | | **0.5** | 1.2 |
| Share of profit of associates after tax | 13 | **0.5** | 1.5 |
| Share of profit of joint ventures after tax | 14 | **1.3** | 0.7 |
| **Profit before tax** | 2 | **54.3** | 50.6 |
| Tax charge for the period | 19 | **(5.0)** | (8.5) |
| **Profit for the period attributable to the owners of the Company** | | **49.3** | 42.1 |
| **Basic earnings per share (2018 restated, Note 1f)** | 9 | **9.0p** | 9.1p |
| **Diluted earnings per share (2018 restated, Note 1f)** | 9 | **9.0p** | 9.1p |

## Consolidated statement of comprehensive income

| | | **Unaudited** | |
|---|---|---|---|
| | | **2019** | 2018 |
| For the 6 months ended 31 March | Notes | **£m** | £m |
| **Profit for the period** | 2 | **49.3** | 42.1 |
| *Items that will not be transferred to the consolidated income statement:* | | | |
| Actuarial loss on BPT Limited defined benefit pension scheme | 20 | **(1.5)** | (0.9) |
| *Items that may be or are reclassified to the consolidated income statement:* | | | |
| Fair value movement on financial interest in property assets | 15 | **-** | (0.1) |
| Changes in fair value of cash flow hedges | | **(9.2)** | 1.2 |
| **Other comprehensive income and expense for the period before tax** | | **(10.7)** | 0.2 |
| *Tax relating to components of other comprehensive income:* | | | |
| Tax relating to items that will not be transferred to the consolidated income statement | 19 | **0.3** | 0.2 |
| Tax relating to items that may be or are reclassified to the consolidated income statement | 19 | **1.7** | (0.2) |
| **Total tax relating to components of other comprehensive income** | | **2.0** | - |
| **Other comprehensive income and expense for the period after tax** | | **(8.7)** | 0.2 |
| **Total comprehensive income and expense for the period attributable to the owners of the Company** | | **40.6** | 42.3 |

## Consolidated statement of financial position

| As at | Notes | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | 11 | **1,456.4** | 589.7 |
| Property, plant and equipment | | **0.2** | 0.3 |
| Investment in associates | 13 | **7.6** | 134.0 |
| Investment in joint ventures | 14 | **17.4** | 11.6 |
| Financial interest in property assets | 15 | **80.1** | 82.2 |
| Retirement benefits | 20 | **-** | 0.9 |
| Deferred tax assets | 19 | **4.9** | 3.4 |
| Intangible assets | | **8.6** | 4.7 |
| | | **1,575.2** | 826.8 |
| **Current assets** | | | |
| Inventories – trading property | 12 | **712.3** | 799.3 |
| Trade and other receivables | 16 | **77.3** | 150.4 |
| Derivative financial instruments | 18 | **0.9** | 4.4 |
| Cash and cash equivalents | | **141.0** | 109.3 |
| | | **931.5** | 1,063.4 |
| **Total assets** | | **2,506.7** | 1,890.2 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 18 | **1,210.6** | 960.1 |
| Retirement benefits | 20 | **0.4** | - |
| Provisions for other liabilities and charges | | **1.2** | 1.3 |
| Deferred tax liabilities | 19 | **25.4** | 29.9 |
| | | **1,237.6** | 991.3 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 18 | **-** | 1.1 |
| Trade and other payables | 17 | **68.2** | 70.7 |
| Provisions for other liabilities and charges | | **0.9** | 0.7 |
| Current tax liabilities | | **10.4** | 7.4 |
| Derivative financial instruments | 18 | **10.5** | 3.4 |
| | | **90.0** | 83.3 |
| **Total liabilities** | | **1,327.6** | 1,074.6 |
| **NET ASSETS** | | **1,179.1** | 815.6 |
| **EQUITY** | | | |
| Issued share capital | | **30.6** | 20.9 |
| Share premium account | | **436.2** | 111.4 |
| Merger reserve | | **20.1** | 20.1 |
| Capital redemption reserve | | **0.3** | 0.3 |
| Cash flow hedge reserve | | **(7.0)** | 0.5 |
| Available-for-sale reserve | | **-** | 6.0 |
| Retained earnings | | **695.8** | 656.4 |
| **Equity attributable to the owners of the Company** | | **1,176.0** | 815.6 |
| Non-controlling interests | | **3.1** | - |
| **TOTAL EQUITY** | | **1,179.1** | 815.6 |

## Consolidated statement of changes in equity

| | Notes | Issued share capital £m | Share premium account £m | Merger reserve £m | Capital redemption reserve £m | Cash flow hedge reserve £m | Available-for-sale reserve £m | Retained earnings £m | Non-controlling interests £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 October 2017** | | 20.9 | 111.1 | 20.1 | 0.3 | (2.1) | 6.5 | 588.5 | - | 745.3 |
| Profit for the period | 2 | - | - | - | - | - | - | 42.1 | - | 42.1 |
| Other comprehensive income/(loss) for the period | | - | - | - | - | 1.0 | (0.1) | (0.7) | - | 0.2 |
| Total comprehensive income | | - | - | - | - | 1.0 | (0.1) | 41.4 | - | 42.3 |
| Award of SAYE shares | | - | 0.2 | - | - | - | - | - | - | 0.2 |
| Purchase of own shares | | - | - | - | - | - | - | (0.2) | - | (0.2) |
| Share-based payments charge | 21 | - | - | - | - | - | - | 0.8 | - | 0.8 |
| Dividends paid | | - | - | - | - | - | - | (13.6) | - | (13.6) |
| Total transactions with owners recorded directly in equity | | - | 0.2 | - | - | - | - | (13.0) | - | (12.8) |
| **Balance as at 31 March 2018** | | 20.9 | 111.3 | 20.1 | 0.3 | (1.1) | 6.4 | 616.9 | - | 774.8 |
| Profit for the period | | - | - | - | - | - | - | 45.3 | - | 45.3 |
| Other comprehensive income/(loss) for the period | | - | - | - | - | 1.6 | (0.4) | 1.2 | - | 2.4 |
| Total comprehensive income | | - | - | - | - | 1.6 | (0.4) | 46.5 | - | 47.7 |
| Award of SAYE shares | | - | 0.1 | - | - | - | - | - | - | 0.1 |
| Purchase of own shares | | - | - | - | - | - | - | (0.1) | - | (0.1) |
| Share-based payments charge | | - | - | - | - | - | - | 0.3 | - | 0.3 |
| Dividends paid | | - | - | - | - | - | - | (7.2) | - | (7.2) |
| Total transactions with owners recorded directly in equity | | - | 0.1 | - | - | - | - | (7.0) | - | (6.9) |
| **Balance as at 30 September 2018** | | **20.9** | **111.4** | **20.1** | **0.3** | **0.5** | **6.0** | **656.4** | **-** | **815.6** |
| Profit for the period | 2 | **-** | **-** | **-** | **-** | **-** | **-** | **49.3** | **-** | **49.3** |
| Other comprehensive loss for the period | | **-** | **-** | **-** | **-** | **(7.5)** | **-** | **(1.2)** | **-** | **(8.7)** |
| Total comprehensive income | | **-** | **-** | **-** | **-** | **(7.5)** | **-** | **48.1** | **-** | **40.6** |
| Issue of share capital | 23 | **9.7** | **324.8** | **-** | **-** | **-** | **-** | **-** | **-** | **334.5** |
| Purchase of own shares | | **-** | **-** | **-** | **-** | **-** | **-** | **(0.9)** | **-** | **(0.9)** |
| Share-based payments charge | 21 | **-** | **-** | **-** | **-** | **-** | **-** | **0.9** | **-** | **0.9** |
| Acquisition of non-controlling interests | 24 | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **3.1** | **3.1** |
| Transfer of available-for-sale reserve | 1b | **-** | **-** | **-** | **-** | **-** | **(6.0)** | **6.0** | **-** | **-** |
| Dividends paid | 10 | **-** | **-** | **-** | **-** | **-** | **-** | **(14.7)** | **-** | **(14.7)** |
| Total transactions with owners recorded directly in equity | | **9.7** | **324.8** | **-** | **-** | **-** | **(6.0)** | **(8.7)** | **3.1** | **322.9** |
| **Balance as at 31 March 2019** | | **30.6** | **436.2** | **20.1** | **0.3** | **(7.0)** | **-** | **695.8** | **3.1** | **1,179.1** |

## Consolidated statement of cash flows

| For the 6 months ended 31 March | Notes | Unaudited<br>**2019**<br>**£m** | <br>2018<br>£m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the period | | **49.3** | 42.1 |
| Depreciation and amortisation | | **0.4** | 0.4 |
| Impairment of goodwill | 24 | **12.7** | - |
| Net valuation gains on investment property | 11 | **(22.1)** | (5.4) |
| Net finance costs | | **14.5** | 13.2 |
| Share of profit of associates and joint ventures | 13,14 | **(1.8)** | (2.2) |
| Profit on disposal of investment property | 7 | **(1.8)** | (0.6) |
| Share-based payment charge | 21 | **0.9** | 0.8 |
| Change in fair value of derivatives | | **-** | 0.1 |
| Reversal of impairment of joint venture | 14 | **(9.8)** | (2.4) |
| Income from financial interest in property assets | 15 | **(2.7)** | (3.9) |
| Tax | 19 | **5.0** | 8.5 |
| Cash generated from operating activities before changes in working capital | | **44.6** | 50.6 |
| Decrease/(increase) in trade and other receivables | | **73.9** | (3.5) |
| (Decrease)/increase in trade and other payables | | **(10.5)** | 13.6 |
| (Decrease)/increase in provisions for liabilities and charges | | **(0.1)** | 0.1 |
| Decrease in inventories | | **15.5** | 22.7 |
| Cash generated from operating activities | | **123.4** | 83.5 |
| Interest paid | | **(16.9)** | (16.0) |
| Tax paid | | **(8.4)** | (7.3) |
| Payments to defined benefit pension scheme | 20 | **(0.3)** | (0.3) |
| Net cash inflow from operating activities | | **97.8** | 59.9 |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiary net of cash acquired | 24 | **(350.9)** | - |
| Proceeds from sale of investment property | | **26.4** | 2.2 |
| Proceeds from financial interest in property assets | 15 | **4.8** | 4.3 |
| Dividends received | 13,14 | **-** | 0.5 |
| Investment in associates and joint ventures | 13,14 | **-** | (5.2) |
| Loans advanced to associates and joint ventures | 13,14 | **(1.4)** | (2.0) |
| Loans repaid by associates and joint ventures | 13,14 | **5.7** | 6.2 |
| Acquisition of investment property | 11 | **(96.9)** | (110.4) |
| Acquisition of property, plant and equipment and intangible assets | | **(4.1)** | (0.9) |
| Net cash outflow from investing activities | | **(416.4)** | (105.3) |
| **Cash flow from financing activities** | | | |
| Net proceeds from issue of share capital | 23 | **334.5** | - |
| Awards of SAYE options | | **-** | 0.2 |
| Purchase of own shares | | **(0.9)** | (0.2) |
| Proceeds from new borrowings | | **84.7** | 285.0 |
| Payment of loan costs | | **(0.5)** | (2.1) |
| Repayment of borrowings | | **(52.8)** | (216.3) |
| Dividends paid | 10 | **(14.7)** | (13.6) |
| Net cash inflow from financing activities | | **350.3** | 53.0 |
| **Net increase in cash and cash equivalents** | | **31.7** | 7.6 |
| Cash and cash equivalents at the beginning of the period | | **109.3** | 88.9 |
| **Cash and cash equivalents at the end of the period** | | **141.0** | 96.5 |

**Notes to the unaudited interim financial results**

## 1. Accounting policies

### 1a Basis of preparation

These condensed interim financial statements are unaudited and do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. This condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Finance Conduct Authority and International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union. The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2018 which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

With the exception of the changes detailed in Note 1b, the accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2018 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 2019 Consolidated Income Statement are the six month period ended 31 March 2018 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 30 September 2018 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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

All property assets are subject to a Directors' valuation at the half year end, supported by an independent external valuation on a sample basis. The Group's financial derivatives were valued as at 31 March 2019 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.

Taxation is calculated based upon the best estimate of the weighted average corporation tax rate expected for the full year.

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

**New standards and interpretations in the year**

New standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 October 2017 and later periods are disclosed on page 94-96 of the Annual Report and Accounts for the year ended 30 September 2018.

**Notes to the unaudited interim financial results continued**

**IAS 40 Investment Property** - The amendment to IAS 40 that widened the scope for transfers to and from investment property was effective for the Group from 1 October 2018. The Group has assessed its property classifications across its entire portfolio at the effective date and concluded that trading property with a cost of £71.5m and market value of £73.4m be reclassified as investment property. Further details are shown in Note 11.

**IFRS 9 Financial Instruments** - IFRS 9, which replaced IAS 39 Financial Instruments: Recognition and Measurement, was effective for the Group from 1 October 2018. The abolishment of the available-for-sale financial asset classification has resulted in CHARM being classified as fair value through profit and loss (FVTPL). This does not impact the carrying value of CHARM on the consolidated statement of financial position, but does impact the attribution of movements in fair value which are now taken through the consolidated income statement in full. As a result, the £6.0m opening balance of the available-for-sale reserve was transferred to retained earnings in the period.

There are no material impacts from the adoption of IFRS 9 in relation to hedge accounting or impairment provisions against trade receivables in respect of expected credit losses.

**IFRS 15 Revenue from Contracts with Customers** - there has been no transitional impact or material impact on the Group following IFRS 15 becoming effective from 1 October 2018. Additional disclosures as required by the standard will be presented in the Group's 2019 annual report and accounts.

**New standards not yet effective**

**IFRS 16 Leases** - IFRS 16, which is effective for the Group from 1 October 2019, is expected to have an immaterial impact on the overall net assets and the consolidated income statement of the Group on adoption. As a lessor, the Group's position is substantially unchanged. As a lessee of office space, the asset and corresponding lease liability will be presented in the statement of financial position and in the notes to the financial statements upon adoption of the standard.

## 1c Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report on pages 34-36 of the 2018 Annual Report and Accounts.

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

Risks are outlined on pages 32-33 of the 2018 Annual Report and Accounts. There have been no significant updates to risk, or failures of control, within the reporting period.

## 1d Forward-looking statements

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

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

**Notes to the unaudited interim financial results continued**

## 1e Significant judgements and estimates

Full details of critical accounting estimates are given on pages 96-100 of the 2018 Annual Report and Accounts. New critical accounting estimates in the period were:

### Business combination

In line with the Group's accounting policy on business combinations, the Group considers at the time of the transaction whether the acquisition represents the acquisition of a business under IFRS 3 Business Combinations or the acquisition of an asset. The Group accounts for a business combination when an integrated set of activities are acquired in addition to the property. This gives consideration to what constitutes a business in its own right and involves looking through the corporate wrapper. In order to be defined as a business, the entity should be capable of being conducted and managed separately and the pure legal form is not necessarily a determining factor in its own right.

The Group has assessed this in relation to the acquisition of GRIP REIT plc ('GRIP') and concluded the acquisition constitutes a business combination. The acquisition and related transaction costs have therefore been accounted for in accordance with IFRS 3 in these financial statements.

### Goodwill arising on business combination

As the GRIP acquisition has been categorised as a business combination, any premium paid over the fair value of the assets acquired is treated as goodwill.

Goodwill has been assessed for impairment on acquisition. As no definitive and measurable portfolio premium can be ascribed to the combined value of the properties, an impairment charge for the goodwill recognised of £12.7m has been taken to the consolidated income statement.

### Valuation of assets

Valuations for the GRIP portfolio at 30 September 2018 and 31 December 2018, being GRIP's year end, were performed by CBRE Limited. To align GRIP with the Group's portfolio, the valuation of certain GRIP residential properties will be transitioned from CBRE Limited to Allsop LLP where appropriate.

## 1f Prior period restatement

Following the rights issue completed in December 2018, pence per share comparatives have been restated using a bonus adjustment factor of 1.1066. This is based on the ratio of a mid-market share price of 255.3 pence per share on 30 November 2018, the business day before the shares started trading ex-rights and the theoretical ex-rights price at that date of 230.7 pence per share. Restated comparatives include diluted earnings per share - adjusted (Note 2), EPRA NAV and EPRA NNNAV (Note 3), earnings per share (Note 9) and dividends (Note 10).

## Notes to the unaudited interim financial results continued

### 2. Analysis of profit before tax

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

| For the 6 months ended 31 March (Unaudited) | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| £m | **Statutory** | **Valuation** | **Other adjustments** | **Adjusted earnings** | Statutory | Valuation | Other adjustments | Adjusted earnings |
| **Group revenue** | **107.0** | **-** | **-** | **107.0** | 135.3 | - | - | 135.3 |
| Net rental income | **29.1** | **-** | **-** | **29.1** | 21.8 | - | - | 21.8 |
| Profit on disposal of trading property | **29.5** | **-** | **-** | **29.5** | 38.7 | (0.4) | - | 38.3 |
| Profit on disposal of investment property | **1.8** | **-** | **-** | **1.8** | 0.6 | - | - | 0.6 |
| Income from financial interest in property assets | **2.7** | **0.1** | **-** | **2.8** | 3.9 | (1.0) | - | 2.9 |
| Fees and other income | **2.2** | **-** | **-** | **2.2** | 2.8 | - | - | 2.8 |
| Administrative expenses | **(13.8)** | **-** | **-** | **(13.8)** | (13.5) | - | - | (13.5) |
| Other expenses | **(3.6)** | **-** | **3.0** | **(0.6)** | (0.3) | - | - | (0.3) |
| Impairment of goodwill | **(12.7)** | **-** | **12.7** | **-** | | | | |
| Impairment of inventories to net realisable value | **(0.1)** | **0.1** | **-** | **-** | (0.1) | 0.1 | - | - |
| Reversal of impairment of joint venture | **9.8** | **(9.8)** | **-** | **-** | 2.4 | (2.4) | - | - |
| **Operating profit** | **44.9** | **(9.6)** | **15.7** | **51.0** | 56.3 | (3.7) | - | 52.6 |
| Net valuation gains on investment property | **22.1** | **(22.1)** | **-** | **-** | 5.4 | (5.4) | - | - |
| Change in fair value of derivatives | **-** | **-** | **-** | **-** | (0.1) | 0.1 | - | - |
| Finance costs | **(15.0)** | **-** | **-** | **(15.0)** | (14.4) | - | - | (14.4) |
| Finance income | **0.5** | **-** | **-** | **0.5** | 1.2 | - | - | 1.2 |
| Share of profit of associates after tax | **0.5** | **-** | **-** | **0.5** | 1.5 | (0.5) | - | 1.0 |
| Share of profit of joint ventures after tax | **1.3** | **-** | **-** | **1.3** | 0.7 | (0.2) | - | 0.5 |
| **Profit before tax** | **54.3** | **(31.7)** | **15.7** | **38.3** | 50.6 | (9.7) | - | 40.9 |
| Tax charge for the period | **(5.0)** | | | | (8.5) | | | |
| **Profit for the period attributable to the owners of the Company** | **49.3** | | | | 42.1 | | | |
| **Diluted earnings per share – adjusted (2018 restated) Note 1f** | | | | **5.7p** | | | | 7.2p |

**Notes to the unaudited interim financial results continued**

Income from financial interest in property assets ('CHARM') comprises income from the asset calculated at the effective interest rate, shown as adjusted earnings, and any movements in future cash flow projections related to the asset, are shown within valuations. Further details are shown in Note 15.

Profit before tax in the adjusted columns above of £38.3m (2018: £40.9m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £7.3m (2018: £7.8m) in line with the current standard UK corporation tax rate of 19.0% (2018: 19.0%), divided by the weighted average number of diluted shares as shown in Note 9.

Other adjustments in 2019 comprise £12.7m goodwill written off and £3.0m transaction costs and subsequent structuring costs in relation to the acquisition of GRIP.

## 3. Segmental Information

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

Following the acquisition of GRIP in December 2018, the provision of management information relating to segmental reporting has been amended. The amended format improves clarity of reporting, separating the previous Residential segment to enable visibility of performance between PRS and Reversionary segments, aligned to the management of the organisation. The PRS segment includes stabilised PRS assets as well as PRS under construction due to direct development and forward funding arrangements, both for wholly owned assets and the Group's interest in joint ventures and associates as relevant. The Reversionary segment includes regulated tenancies, as well as CHARM. The Development segment that included legacy strategic land and development arrangements is reported in the Other segment, 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 CODM reviews by segment two key statement of financial position measures of net asset value. These are EPRA Net Asset Value ('EPRA NAV') and EPRA Triple Net Asset Value ('EPRA NNNAV').

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

## Notes to the unaudited interim financial results continued

### March 2019 Income statement (unaudited)

| For the 6 months ended 31 March 2019<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| **Group revenue** | | | | |
| **Segment revenue – external** | **33.6** | **60.7** | **12.7** | **107.0** |
| Net rental income | **18.8** | **10.3** | **-** | **29.1** |
| Profit on disposal of trading property | **1.6** | **23.1** | **4.8** | **29.5** |
| Profit on disposal of investment property | **1.8** | **-** | **-** | **1.8** |
| Income from financial interest in property assets | **-** | **2.8** | **-** | **2.8** |
| Fees and other income | **1.4** | **0.1** | **0.7** | **2.2** |
| Administrative expenses | **-** | **-** | **(13.8)** | **(13.8)** |
| Other expenses | **(0.6)** | **-** | **-** | **(0.6)** |
| Net finance costs | **(8.2)** | **(5.8)** | **(0.5)** | **(14.5)** |
| Share of trading profit of joint ventures and associates after tax | **0.5** | **-** | **1.3** | **1.8** |
| **Adjusted earnings** | **15.3** | **30.5** | **(7.5)** | **38.3** |
| Valuation movements | | | | **31.7** |
| Other adjustments | | | | **(15.7)** |
| **Profit before tax** | | | | **54.3** |

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

| For the 6 months ended 31 March 2019<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| **Adjusted earnings** | **15.3** | **30.5** | **(7.5)** | **38.3** |
| Profit on disposal of investment property | **(1.8)** | **-** | **-** | **(1.8)** |
| Previously recognised profit through EPRA NAV / EPRA NNNAV | **-** | **(21.8)** | **-** | **(21.8)** |
| **Adjusted EPRA earnings** | **13.5** | **8.7** | **(7.5)** | **14.7** |

### March 2018 Income statement (unaudited) – restated

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

| For the 6 months ended 31 March 2018<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| **Group revenue** | | | | |
| **Segment revenue – external** | 18.9 | 73.8 | 42.6 | 135.3 |
| Net rental income | 11.4 | 10.4 | - | 21.8 |
| Profit on disposal of trading property | - | 31.7 | 6.6 | 38.3 |
| Profit on disposal of investment property | 0.6 | - | - | 0.6 |
| Income from financial interest in property assets | - | 2.9 | - | 2.9 |
| Fees and other income | 2.2 | 0.1 | 0.5 | 2.8 |
| Administrative expenses | - | - | (13.5) | (13.5) |
| Other expenses | (0.3) | - | | (0.3) |
| Net finance costs | (5.2) | (7.1) | (0.9) | (13.2) |
| Share of trading profit of joint ventures and associates after tax | 1.5 | - | - | 1.5 |
| **Adjusted earnings** | 10.2 | 38.0 | (7.3) | 40.9 |
| Valuation movements | | | | 9.7 |
| Other adjustments | | | | - |
| **Profit before tax** | | | | 50.6 |

## Notes to the unaudited interim financial results continued

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

| For the 6 months ended 31 March 2018<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| **Adjusted earnings** | 10.2 | 38.0 | (7.3) | 40.9 |
| Profit on disposal of investment property | (0.6) | - | - | (0.6) |
| Previously recognised profit through EPRA NAV / EPRA NNNAV | - | (27.8) | - | (27.8) |
| **Adjusted EPRA earnings** | 9.6 | 10.2 | (7.3) | 12.5 |

### Segmental assets

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

EPRA NAV is the 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 NNNAV reverses some of the adjustments made between statutory net assets and EPRA NAV. 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 property revaluations is also reversed. In addition, adjustments are made to net assets to reflect the fair value, net of deferred tax, of the Group's fixed rate debt and to deduct from net assets the contingent tax calculated by applying the expected rate of tax to the adjustment 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.

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

### March 2019 Segment net assets (unaudited)

| **£m** | **PRS** | **Reversionary** | **Other** | **Total** | **Pence per share** |
|---|---|---|---|---|---|
| Total segment net assets (statutory) | **915.6** | **233.8** | **29.7** | **1,179.1** | - |
| Total segment net assets (EPRA NAV) | **1,027.4** | **728.8** | **44.9** | **1,801.1** | **294** |
| Total segment net assets (EPRA NNNAV) | **997.4** | **644.4** | **22.9** | **1,664.7** | **271** |

## Notes to the unaudited interim financial results continued

### March 2019 Reconciliation of EPRA NAV measures (unaudited)

| £m | Statutory balance sheet | Adjustments to market value, deferred tax and derivatives | EPRA NAV balance sheet | Deferred and contingent tax | Derivatives/ fixed rate debt | EPRA NNNAV balance sheet |
|---|---|---|---|---|---|---|
| Investment property | **1,456.4** | **-** | **1,456.4** | **-** | **-** | **1,456.4** |
| Investment in joint ventures and associates | **25.0** | **-** | **25.0** | **-** | **-** | **25.0** |
| Financial interest in property assets | **80.1** | **-** | **80.1** | **-** | **-** | **80.1** |
| Inventories – trading property | **712.3** | **587.3** | **1,299.6** | **-** | **-** | **1,299.6** |
| Cash and cash equivalents | **141.0** | **-** | **141.0** | **-** | **-** | **141.0** |
| Other assets | **91.9** | **3.7** | **95.6** | **-** | **5.4** | **101.0** |
| **Total assets** | **2,506.7** | **591.0** | **3,097.7** | **-** | **5.4** | **3,103.1** |
| Interest-bearing loans and borrowings | **(1,210.6)** | **-** | **(1,210.6)** | **-** | **(16.7)** | **(1,227.3)** |
| Deferred and contingent tax liabilities | **(25.4)** | **20.5** | **(4.9)** | **(114.6)** | **-** | **(119.5)** |
| Other liabilities | **(91.6)** | **10.5** | **(81.1)** | **-** | **(10.5)** | **(91.6)** |
| **Total liabilities** | **(1,327.6)** | **31.0** | **(1,296.6)** | **(114.6)** | **(27.2)** | **(1,438.4)** |
| **Net assets** | **1,179.1** | **622.0** | **1,801.1** | **(114.6)** | **(21.8)** | **1,664.7** |

September 2018 Segment net assets (audited) – restated

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

| £m | PRS | Reversionary | Other | Total | Pence per share restated (Note 1f) |
|---|---|---|---|---|---|
| Total segment net assets (statutory) | 486.0 | 244.3 | 85.3 | 815.6 | - |
| Total segment net assets (EPRA NAV) | 607.6 | 754.7 | 94.8 | 1,457.1 | 314 |
| Total segment net assets (EPRA NNNAV) | 564.6 | 666.9 | 92.2 | 1,323.7 | 286 |

September 2018 Reconciliation of EPRA NAV measures (audited)

| £m | Statutory balance sheet | Adjustments to market value, deferred tax and derivatives | EPRA NAV balance sheet | Deferred and contingent tax | Derivatives/ fixed rate debt | EPRA NNNAV balance sheet |
|---|---|---|---|---|---|---|
| Investment property | 589.7 | - | 589.7 | - | - | 589.7 |
| Investment in joint ventures and associates | 145.6 | 0.4 | 146.0 | - | (0.4) | 145.6 |
| Financial interest in property assets | 82.2 | - | 82.2 | - | - | 82.2 |
| Inventories – trading property | 799.3 | 607.1 | 1,406.4 | - | - | 1,406.4 |
| Cash and cash equivalents | 109.3 | - | 109.3 | - | - | 109.3 |
| Other assets | 164.1 | 2.7 | 166.8 | - | 4.9 | 171.7 |
| Total assets | 1,890.2 | 610.2 | 2,500.4 | - | 4.5 | 2,504.9 |
| Interest-bearing loans and borrowings | (961.2) | - | (961.2) | - | (3.4) | (964.6) |
| Deferred and contingent tax liabilities | (29.9) | 27.9 | (2.0) | (131.1) | - | (133.1) |
| Other liabilities | (83.5) | 3.4 | (80.1) | - | (3.4) | (83.5) |
| Total liabilities | (1,074.6) | 31.3 | (1,043.3) | (131.1) | (6.8) | (1,181.2) |
| Net assets | 815.6 | 641.5 | 1,457.1 | (131.1) | (2.3) | 1,323.7 |

## Notes to the unaudited interim financial results continued

### 4. Group revenue

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| Gross rental income (Note 5) | **39.4** | 29.4 |
| Gross proceeds from disposal of trading property (Note 6) | **65.4** | 103.1 |
| Fees and other income (Note 8) | **2.2** | 2.8 |
| | **107.0** | 135.3 |

### 5. Net rental income

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| Gross rental income | **39.4** | 29.4 |
| Property operating expenses | **(10.3)** | (7.6) |
| | **29.1** | 21.8 |

### 6. Profit on disposal of trading property

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| Proceeds from disposal of trading property | **61.1** | 77.8 |
| Revenue from construction contract | **4.3** | 25.3 |
| Gross proceeds from disposal of trading property | **65.4** | 103.1 |
| Selling costs | **(1.2)** | (1.6) |
| Net proceeds from disposal of trading property | **64.2** | 101.5 |
| Carrying value of trading property sold | **(31.2)** | (43.1) |
| Carrying value of construction contract expenses | **(3.5)** | (19.7) |
| | **29.5** | 38.7 |

Amounts relating to the construction contract included in the above table relate to the Group's development of properties in the arrangement with the Royal Borough of Kensington and Chelsea. The Group managed and funded the construction of a number of sites and received a developer's priority return at a fixed rate margin recoverable from the sale of completed residential units to third parties. The construction contract is accounted for as a cost plus contract in line with IFRS 15 Revenue from Contracts with Customers, with construction concluding in 2019.

### 7. Profit on disposal of investment property

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| Gross proceeds from disposal of investment property | **27.0** | 2.3 |
| Selling costs | **(0.6)** | (0.1) |
| Net proceeds from disposal of investment property | **26.4** | 2.2 |
| Carrying value of investment property sold (Note 11) | **(24.6)** | (1.6) |
| | **1.8** | 0.6 |

## Notes to the unaudited interim financial results continued

### 8. Fees and other income

| | Unaudited | |
|---|---|---|
| | **2019** | 2018 |
| | **£m** | £m |
| Property and asset management fee income | **2.1** | 2.5 |
| Other sundry income | **0.1** | 0.3 |
| | **2.2** | 2.8 |

### 9. Earnings per share

#### Basic

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

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 31 March 2019 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

| | Unaudited | | | | | |
|---|---|---|---|---|---|---|
| | **31 March 2019** | | | 31 March 2018<br>Restated (Note 1f) | | |
| | **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 | **49.3** | **545.8** | **9.0** | 42.1 | 460.5 | 9.1 |
| **Effect of potentially dilutive securities** | | | | | | |
| Share options and contingent shares | **-** | **2.7** | **-** | - | 2.7 | - |
| **Diluted earnings per share** | | | | | | |
| Profit attributable to equity holders | **49.3** | **548.5** | **9.0** | 42.1 | 463.2 | 9.1 |

### 10. Dividends

The Company has announced an interim dividend of 1.73p (March 2018 restated - Note 1f: 1.57p) per share which will return £10.6m (March 2018: £7.2m) of cash to shareholders. In the six months ended 31 March 2019, the final dividend for the year ended 30 September 2018 which amounted to £14.7m has been paid.

## Notes to the unaudited interim financial results continued

### 11. Investment property

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Opening balance | **589.7** | 391.0 |
| Additions | **96.9** | 179.7 |
| Acquired through business combination (Note 24) | **700.8** | - |
| Transfer from inventories | **71.5** | - |
| Disposals (Note 7) | **(24.6)** | (3.6) |
| Net valuation gains | **22.1** | 22.6 |
| **Closing balance** | **1,456.4** | 589.7 |

### 12. Inventories

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Opening balance | **799.3** | 841.3 |
| Additions | **19.3** | 77.6 |
| Transfer to investment property | **(71.5)** | - |
| Disposals | **(34.7)** | (119.1) |
| Impairment of inventories to net realisable value | **(0.1)** | (0.5) |
| **Closing balance** | **712.3** | 799.3 |

### 13. Investment in associates

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| **Opening balance** | **134.0** | 123.2 |
| Share of profit for the period | **0.5** | 7.2 |
| Dividends received | **-** | (2.2) |
| Further investment[1] | **-** | 5.2 |
| Investment eliminated on consolidation following acquisition | **(109.7)** | - |
| Loan eliminated on consolidation following acquisition | **(18.2)** | - |
| Loans advanced to associates | **1.0** | 5.2 |
| Loans repaid by associates | **-** | (4.9) |
| Share of change in fair value of cash flow hedges taken through other comprehensive income | **-** | 0.3 |
| **Closing balance** | **7.6** | 134.0 |

[1] There were no additional amounts invested by the Group in GRIP in the period prior to its acquisition in December 2018 (2017: £5.2m).

The closing balance comprises share of net assets of £nil (September 2018: £109.2m) and net loans due from associates of £7.6m (September 2018: £24.8m).

The investment eliminated on consolidation following acquisition of £109.7m represents the Group's share of net assets in GRIP which became a subsidiary of Grainger on 20 December 2018 (see Note 24).

## Notes to the unaudited interim financial results continued

As at 31 March 2019, the Group's interest in associates was as follows:

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

## 14. Investment in joint ventures

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Opening balance | **11.6** | 74.4 |
| Share of profit for the period | **1.3** | 0.6 |
| Dividends received | **-** | (0.1) |
| Reversal of impairment | **9.8** | 5.5 |
| Loans advanced to joint ventures | **0.4** | 0.2 |
| Loans repaid by joint ventures | **(5.7)** | (9.1) |
| Disposal | **-** | (60.0) |
| Share of change in fair value of cash flow hedges taken through other comprehensive income | **-** | 0.1 |
| **Closing balance** | **17.4** | 11.6 |

The closing balance comprises share of net assets of £1.1m (September 2018: net liabilities of £0.2m) and net loans due from joint ventures of £16.3m (September 2018: £11.8m).

At 31 March 2019, the Group's interest in joint ventures was as follows:

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

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

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Opening balance | **82.2** | 86.1 |
| Cash received from the instrument | **(4.8)** | (9.9) |
| Amounts taken to income statement | **2.7** | 6.5 |
| Amounts taken to other comprehensive income before tax | **-** | (0.5) |
| **Closing balance** | **80.1** | 82.2 |

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

It is considered to be a Level 3 financial asset as defined by IFRS 13. The financial asset is included in the fair value hierarchy within Note 18.

## Notes to the unaudited interim financial results continued

### 16. Trade and other receivables

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Rent and other tenant receivables | **2.9** | 2.3 |
| Deduct: Provision for impairment | **(1.0)** | (0.5) |
| Rent and other tenant receivables – net | **1.9** | 1.8 |
| Amounts recoverable on contracts | **34.8** | 112.0 |
| Other receivables | **38.9** | 34.8 |
| Prepayments | **1.7** | 1.8 |
| | **77.3** | 150.4 |

Amounts recoverable on contracts primarily relate to the receivables on the arrangement with the Royal Borough of Kensington and Chelsea (Note 6).

Other receivables include £25.8m (September 2018: £15.6m) due from land and property sales, receivable by no later than July 2019.

### 17. Trade and other payables

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Deposits received | **7.0** | 3.1 |
| Trade payables | **18.4** | 20.6 |
| Tax and social security costs | **1.1** | 0.5 |
| Accruals | **38.0** | 44.4 |
| Deferred income | **3.7** | 2.1 |
| | **68.2** | 70.7 |

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

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| **Current liabilities** | | |
| Non-bank financial institution | **-** | 1.1 |
| | **-** | 1.1 |
| **Non-current liabilities** | | |
| Bank loans – Pounds Sterling | **790.1** | 533.4 |
| Bank loans – Euro | **0.9** | 0.9 |
| Non-bank financial institution | **73.4** | 79.8 |
| Corporate bond | **346.2** | 346.0 |
| | **1,210.6** | 960.1 |
| **Total interest-bearing loans and borrowings** | **1,210.6** | 961.2 |

The above analyses of loans and borrowings are net of unamortised costs and the discount on issuance of the corporate bond. As at 31 March 2019, unamortised cost totalled £10.8m (September 2018: £10.9m) and the outstanding discount was £1.3m (September 2018: £1.4m).

## Notes to the unaudited interim financial results continued

### 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 2019 and as at 30 September 2018.

As at 31 March 2019, the fair value of interest-bearing loans is greater than the book value by £16.7m (September 2018: £3.4m), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at amortised cost in the consolidated statement of financial position.

### Net debt

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

| | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Gross debt | **1,210.6** | 961.2 |
| Cash (excluding restricted cash) | **(131.0)** | (94.9) |
| **Net debt** | **1,079.6** | 866.3 |
| Market value of properties | **2,756.0** | 1,996.1 |
| Other property related assets | **145.6** | 336.2 |
| **Total market value of properties and property related assets** | **2,901.6** | 2,332.3 |
| **LTV** | **37.2%** | 37.1% |

### Market risk

The Group is exposed to market risk through interest rates, foreign exchange fluctuations, 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 2019** | | Audited 30 September 2018 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | **£m** | **£m** | £m | £m |
| Level 3 | | | | |
| CHARM | **80.1** | **-** | 82.2 | - |
| Investment property | **1,456.4** | **-** | 589.7 | - |
| | **1,536.5** | **-** | 671.9 | - |
| Level 2 | | | | |
| Interest rate swaps – in cash flow hedge accounting relationships | **0.9** | **10.5** | 4.2 | 3.4 |
| Interest rate caps – not in cash flow hedge accounting relationships | **-** | **-** | 0.2 | - |
| | **0.9** | **10.5** | 4.4 | 3.4 |

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

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

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

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

| Assets – Level 3 | **Unaudited 31 March 2019 £m** | Audited 30 Sept 2018 £m |
|---|---|---|
| Opening balance | **671.9** | 477.1 |
| Acquired through business combination (Note 24) | **700.8** | - |
| Amounts taken to income statement | **24.8** | 29.1 |
| Other movements | **139.0** | 165.7 |
| **Closing balance** | **1,536.5** | 671.9 |

## Notes to the unaudited interim financial results continued

### 19. Tax

The tax charge for the period of £5.0m (2018: £8.5m) recognised in the consolidated income statement comprises:

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| **Current tax** | | |
| Corporation tax on profit | **11.5** | 9.6 |
| Adjustments relating to prior periods | **(0.2)** | 0.4 |
| | **11.3** | 10.0 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(6.3)** | (1.5) |
| | **(6.3)** | (1.5) |
| **Total tax charge for the period in the consolidated income statement** | **5.0** | 8.5 |

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

In addition to the above, a deferred tax credit of £2.0m (2018: £nil) was recognised within other comprehensive income comprising:

| | Unaudited 2019 £m | 2018 £m |
|---|---|---|
| **Deferred tax** | | |
| Actuarial deficit on BPT Limited pension scheme | **(0.3)** | (0.2) |
| Fair value movement in cash flow hedges and exchange adjustments | **(1.7)** | 0.2 |
| **Amounts recognised in other comprehensive income** | **(2.0)** | - |

Deferred tax balances comprise temporary differences attributable to:

| | Unaudited 31 March 2019 £m | Audited 30 Sept 2018 £m |
|---|---|---|
| **Deferred tax assets** | | |
| Short-term temporary differences | **2.7** | 3.1 |
| Actuarial deficit on BPT Limited pension scheme | **0.6** | 0.3 |
| Fair value movement in derivative financial instruments and cumulative exchange adjustments | **1.6** | - |
| | **4.9** | 3.4 |
| **Deferred tax liabilities** | | |
| Trading property uplift to fair value on business combinations | **(8.9)** | (9.3) |
| Investment property revaluation | **(11.6)** | (18.6) |
| Short-term temporary differences | **(3.7)** | (0.8) |
| Equity component of available-for-sale financial asset | **-** | (1.1) |
| Fair value movement on financial interest in property assets | **(1.2)** | - |
| Fair value movement in derivative financial instruments and cumulative exchange adjustments | **-** | (0.1) |
| | **(25.4)** | (29.9) |
| **Total deferred tax** | **(20.5)** | (26.5) |

## Notes to the unaudited interim financial results continued

Deferred tax has been predominantly calculated at a rate of 17% (September 2018: 17%) in line with changes to the main rate of corporation tax from 1 April 2020 which have been substantively enacted.

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the statement of financial position and their market value has not been recognised by the Group. This contingent tax amounts to £99.8m (September 2018: £103.2m).

### 20. Retirement benefits

The Group retirement benefit asset decreased by £1.3m to a liability of £0.4m in the six months ended 31 March 2019. The Group obtained an updated valuation of the assets and liabilities of the pension scheme for the purposes of the annual financial statements. The movement has arisen from changes in assumptions of £1.5m (primarily market observable discount rates) and a £0.1m loss on plan assets, reduced by £0.3m company contributions. The principal actuarial assumptions used to reflect market conditions as at 31 March 2019 are as follows:

| | **Unaudited 31 March 2019 %** | Audited 30 Sept 2018 % |
|---|---|---|
| Discount rate | **2.45** | 2.80 |
| Retail Price Index (RPI) inflation | **3.20** | 3.05 |
| Consumer Price Index (CPI) inflation | **2.20** | 2.05 |
| Salary increases | **3.70** | 3.55 |
| Rate of increase of pensions in payment | **5.00** | 5.00 |
| Rate of increase for deferred pensioners | **2.20** | 2.05 |

### 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 income statement for the period is £0.9m (2018: £0.8m).

### 22. Related party transactions

During the period ended 31 March 2019, the Group transacted with its associates and joint ventures (details of which are set out in Notes 13 and 14). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the income statement and statement of financial position are as follows:

| | **Unaudited** | | | |
|---|---|---|---|---|
| | **31 March 2019** | | 31 March 2018 | |
| | **Fees recognised £'000** | **Period end balance £'000** | Fees recognised £'000 | Period end balance £'000 |
| GRIP REIT PLC[1] | **840** | **-** | 1,959 | 1,190 |
| Vesta Limited Partnership | **528** | **528** | 264 | - |
| Lewisham Grainger Holdings Limited | **155** | **155** | - | - |
| Walworth Investment Properties Limited | **-** | **-** | 20 | 20 |
| | **1,523** | **683** | 2,243 | 1,210 |

## Notes to the unaudited interim financial results continued

| | Unaudited | | | Audited | | |
|---|---|---|---|---|---|---|
| | **31 March 2019 Interest recognised £'000** | **31 March 2019 Period end loan balance £m** | **31 March 2019 Interest rate %** | 31 March 2018 Interest recognised £'000 | 30 Sept 2018 Period end loan balance £m | 30 Sept 2018 Interest rate % |
| GRIP REIT PLC[1] | **125** | **-** | **Nil and 4.75** | 367 | 18.2 | Nil and 4.75 |
| Vesta Limited Partnership | **-** | **7.6** | **Nil** | - | 6.6 | Nil |
| Lewisham Grainger Holdings Limited | **-** | **0.3** | **Nil** | - | - | - |
| Curzon Park Limited[2] | **-** | **16.3** | **Nil** | - | 21.9 | Nil |
| Helical Grainger (Holdings) Limited | **-** | **-** | **Nil** | - | 7.5 | Nil |
| King Street Developments (Hammersmith) Limited[3] | **-** | **-** | **Nil** | - | 0.3 | Nil |
| CCZ a.s. | **(6)** | **(0.3)** | **4.00** | (6) | (0.4) | 4.00 |
| | **119** | **23.9** | | 361 | 54.1 | |

1 Related party transactions in relation fees and interest received from GRIP relate to the period prior to acquisition on 20 December 2018.

2 The amount disclosed above is the gross loan amount. A provision was made against the loan in the prior period but has since been reversed.

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

### 23. Issue of share capital

In December 2018, the Group completed a 7 for 15 rights issue at an issue price of 178.0p raising a total amount of £334.5m net of costs. The rights issue increased the number of shares in issue by 194,758,491 shares, with shares being issued with a nominal value of £0.05 per share. This increased issued share capital by £9.7m and the share premium account by £324.8m.

### 24. Business combinations

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

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

For the period 20 December 2018 to 31 March 2019, GRIP contributed revenue of £8.7m and profit of £10.0m to the Group's results. If the acquisition had occurred on 1 October 2018, the consolidated revenue would have been £113.7m and consolidated profit would have been £67.0m for the 6 months ended 31 March 2019.

## Notes to the unaudited interim financial results continued

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

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

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

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

Goodwill arising from the acquisition has been recognised as follows:

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

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

## Notes to the unaudited interim financial results continued

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

At 31 March 2019, there remained a 10% non-controlling interest in GRIP Unit Trust 6, a wholly-owned subsidiary of the Group, held by BY Development Limited. This interest is shown separately in the consolidated statement of financial position. On 13 May 2019, the 10% non-controlling interest was acquired by the Group for £3.1m.

## EPRA Performance Measures - Unaudited

### EPRA Earnings

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares millions** | **Pence per share** | Earnings £m | Shares millions | Pence per share |
| **Earnings per IFRS income statement** | **54.3** | **548.5** | **9.9** | 50.6 | 463.1 | 10.9 |
| Adjustments to calculate adjusted EPRA Earnings, exclude: | | | | | | |
| i) Changes in value of investment properties, development properties held for investment and other interests | **(22.0)** | **-** | **(4.0)** | (6.4) | - | (1.4) |
| ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | **(1.8)** | **-** | **(0.3)** | (0.6) | - | (0.1) |
| iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | **(21.7)** | **-** | **(3.9)** | (28.1) | - | (6.1) |
| iv) Tax on profits or losses on disposals | **-** | **-** | **-** | - | - | - |
| v) Negative goodwill/goodwill impairment | **-** | **-** | **-** | - | - | - |
| vi) Changes in fair value of financial instruments and associated close-out costs | **-** | **-** | **-** | 0.1 | - | - |
| vii) Acquisition costs on share deals and non-controlling joint venture interests | **15.7** | **-** | **2.9** | - | - | - |
| viii) Deferred tax in respect of EPRA adjustments | **-** | **-** | **-** | - | - | - |
| ix) Adjustments i) to viii) in respect of joint ventures | **(9.8)** | **-** | **(1.8)** | (3.1) | - | (0.7) |
| x) Minority interests in respect of the above | **-** | **-** | **-** | - | - | - |
| **Adjusted EPRA Earnings/Earnings per share** | **14.7** | **548.5** | **2.8** | 12.5 | 463.1 | 2.6 |

### EPRA NAV

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares millions** | **NAV pence per share** | Net assets £m | Shares millions | NAV pence per share |
| **NAV from the financial statements** | **1,179.1** | **613.6** | **192** | 815.6 | 463.5 | 176 |
| **Include:** | | | | | | |
| i.a) Revaluation of investment property | **-** | **-** | **-** | - | - | - |
| i.b) Revaluation of investment property under construction | **-** | **-** | **-** | - | - | - |
| i.c) Revaluation of other non-current investments | **6.2** | **-** | **1** | 7.0 | - | 1 |
| ii) Revaluation of tenant leases held as finance leases | **-** | **-** | **-** | - | - | - |
| iii) Revaluation of trading properties | **587.3** | **-** | **96** | 607.1 | - | 131 |
| **Exclude:** | | | | | | |
| iv) Fair value of financial instruments | **8.0** | **-** | **1** | (0.8) | - | - |
| v.a) Deferred tax | **20.5** | **-** | **4** | 27.9 | - | 6 |
| v.b) Goodwill as a result of deferred tax | **-** | **-** | **-** | - | - | |
| **Include/exclude:** | | | | | | |
| Adjustments i) to v) above in respect of joint venture interests | **-** | **-** | **-** | 0.3 | - | - |
| **EPRA NAV/EPRA NAV per share** | **1,801.1** | **613.6** | **294** | 1,457.1 | 463.5 | 314 |
| Rights issue | **-** | **-** | **-** | 334.5 | 150.1 | (22) |
| **EPRA NAV/EPRA NAV per share post rights issue** | **1,801.1** | **613.6** | **294** | 1,791.6 | 613.6 | 292 |

## EPRA Performance Measures (continued)

### EPRA NNNAV

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Net assets £m** | **Shares millions** | **NNNAV pence per share** | Net assets £m | Shares millions | NNNAV pence per share |
| **EPRA NAV** | **1,801.1** | **613.6** | **294** | 1,457.1 | 463.5 | 314 |
| **Include:** | | | | | | |
| i) Fair value of financial instruments | **(8.0)** | **-** | **(1)** | 0.5 | - | - |
| ii) Fair value of debt | **(13.8)** | **-** | **(2)** | (2.8) | - | - |
| iii) Deferred tax | **(114.6)** | **-** | **(20)** | (131.1) | - | (28) |
| **EPRA NNNAV/EPRA NNNAV per share** | **1,664.7** | **613.6** | **271** | 1,323.7 | 463.5 | 286 |
| Rights issue | **-** | **-** | **-** | 334.5 | 150.1 | (16) |
| **EPRA NNNAV/EPRA NNNAV per share post rights issue** | **1,664.7** | **613.6** | **271** | 1,658.2 | 613.6 | 270 |