19 May 2017

Grainger plc

Half year results for the six months ended 31 March 2017

Grainger's strategy delivers 39% growth in adjusted earnings

Helen Gordon, CEO of Grainger, the UK's largest listed residential landlord, comments:

"I am pleased to report that the pursuit of our strategy is delivering strong results. In the first six months of the year we have increased adjusted earnings by 39% and net rental income by 11%.

"We expect this momentum to continue now that we have secured £439m of private rented sector ("PRS") investment, over half of our £850m target, and have good visibility on additional investment opportunities to meet our overall target. We are making good progress delivering our pipeline, and on average we are completing a new PRS building every two months over the next two years.

"Grainger is a focused, simpler and more efficient business. We have made changes to the way we operate in order to enhance returns, through reducing costs, simplifying processes and improving the scalability of our operating platform.

"The private rented sector growth opportunity is compelling with strong investment fundamentals. Our strategy to grow rents and simplify and focus the business puts Grainger in a strong position to deliver further sustainable income led growth."

Financial highlights – six months ended 31 March 2017

- Net rental income up 11% to £20.0m (HY16: £18.0m)
- Adjusted earnings* up 39% to £34.1m (HY16: £24.5m)
- Profit before tax up 13% to £41.2m (HY16: £36.6m)
- Dividend per share up 10% to 1.60p^ (HY16: 1.45p)
- EPRA NNNAV up 8 pence per share or 3% since the year end to 295p (FY16: 287p)
- Net debt of £791m and LTV 36.0% (FY16: £764m and 35.9%)
- Cost of debt at period end reduced to 3.6% (FY16: 3.9%)

Strategic progress

Growing rents – increased investment and returns

- We have grown net rental income by 11% to £20.0m (HY16: £18.0m), with gains through acquisitions, improved operational efficiency and rental growth. More than half of Grainger's net rental income is derived from our PRS assets.

- We have made good progress on our PRS pipeline with £439m of our £850m investment target secured, and a further £425m in the planning or legal process.

- We have materially reduced property operating expenses (“gross to net”) to 25.8% for HY17 from 29.2% for HY16 and 28.0% for FY16, through improving our processes and supply chain to increase efficiency and strengthen cost discipline.

- Like-for-like rental growth across our entire portfolio of 3.5% in the first six months, comprised 2.9% on our PRS homes and 4.3% annualised on regulated tenancy reviews.

- Our trading performance has been robust relative to the market. We have seen good overall valuation growth rates across our portfolio with our assets in the regions and outer London performing well, more than offsetting central and inner London which has been broadly flat.

- Interim dividend increased by 10% to 1.60 pence per share (HY16: 1.45p), in line with our policy to distribute 50% of annual net rental income, with one third distributed at the interim stage.

Simplifying and focusing the business

- We have reduced overheads to £13.4m, a 17% reduction from the prior year (HY16: £16.2m), and we are on track to deliver our £27.5m overhead target for FY17.

- We refinanced a £100m debt facility which reduced the average cost of debt by 23 bps.

- We have agreed a two year extension to 2022 for £450m of our syndicated bank facility, at unchanged margins, with extension options for a further two years.

- We have been actively reviewing and upgrading our systems, processes and technology to achieve greater operating efficiencies and prepare the business to service an increasing number of customers.

Good financial performance

- Adjusted earnings up 39% to £34.1m (HY16: £24.5m) through higher net rental income, lower overhead costs and lower finance costs, despite a strong prior period result (HY16) which benefited from high levels of sales ahead of the changes to stamp duty land tax.

- EPRA NNNAV and EPRA NAV up 3% and 2% respectively in the six month period to 295p and 338p (FY16: 287p and 330p), supported by a strong trading performance and robust valuation growth of 2.1% on the market value of our assets.

- Vacant residential property sales averaged 2.0% above September 2016 valuations (HY16: 6.8%), delivering £49.5m of revenue and £24.7m of profit (HY16: £62.7m and £29.6m).

Outlook

We expect a further strong trading performance in the second half of the year and lead indicators point to a robust performance for the year as a whole. We remain confident in our ability to continue to source compelling PRS investments, and we will retain our selective and disciplined approach and remain focused on returns as we move towards securing our £850m PRS investment target by 2020.

The demand for the rental market in the UK remains strong with 20% of all homes in England privately rented, the highest levels since records began in 1980. In addition, for the first time we have seen an increase in the number of households renting across the broadest age range of 25-64.[†] Coupled with an undersupply of housing, the PRS offers good growth prospects, which Grainger is in a strong position to capture, having focused on developing a scalable, efficient operating platform.

Grainger's business model is increasingly focused on driving sustainable income led shareholder returns and with our established strategy, operational platform and pipeline, we are confident in the future.

**Adjusted earnings (previously called recurring profit) is profit before tax, less valuation movements, and non-recurring items.*
^The dividend will be paid on 30 June 2017 to shareholders on the register at the close of business on 2 June 2017.
[†] English Housing Survey 2017.

FY17 reporting dates

- *Trading update and Capital Markets Day – Wednesday 27 September 2017*
- *Full year results – Thursday 30 November 2017*

Interim results presentation

Grainger will be holding a presentation for analysts and investors at 9.00am (UK time) on Friday 19th May 2017.

The presentation will also be available live via webcast and a telephone dial-in facility. In addition, a copy of the presentation slide will be available on Grainger's website, www.graingerplc.co.uk.

Webcast details

To view the webcast, please go to the following URL link. Registration is required.
Webcast URL link: http://webcasting.brrmedia.co.uk/broadcast/58b04dbe2ad960ba5fff008f

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

Conference call details

UK dial-in number:	+44 (0) 330 336 9411 or 0800 279 7204
US dial-in number:	+1 (719) 457 1036
Netherlands dial-in number:	+31 (0) 20 703 8261 or 0800 023 1436
Access code:	8587577

For further information, please contact:

Grainger

Helen Gordon / Vanessa Simms / Kurt Mueller

Telephone: +44 (0) 20 7940 9500

Carmarco

Ginny Pulbrook / Geoffrey Pelham-Lane

Telephone: +44 (0) 20 3757 4992 / 4985

Chief Executive's review

Overview

The pursuit of our strategy is delivering good results. We are growing rents, reducing costs and restructuring the business so that we are ready for the exciting opportunity presented by the growth in demand for homes to rent.

We have made good progress on developing our PRS investment pipeline; and we have prepared the business for the future through improving scalability and efficiency which will enhance returns.

Our market leading position provides us with opportunities for growth and we were recently recognised as Property Company of the Year, Landlord of the Year, Asset Manager of the Year and PRS Developer of the Year by industry peers.

Grow rents – investment

We have secured £439m of investment, over half of our £850m target. The best investment opportunities have come via forward funding and direct development schemes. These provide higher quality assets and more attractive returns, relative to the tenanted, stabilised acquisition opportunities that we have been appraising. A further £425m is in the planning or legal process, with several compelling schemes at advanced stages.

The main increase in the period came from securing a c.£42m, 242 unit build to rent scheme on the Yorkshire Post site in Leeds city centre. Construction is expected to begin in Autumn this year and we are targeting a c.7% gross yield post completion in late 2019.

We are making good headway in construction on our secured PRS schemes, where we are targeting gross yields of c.7-8% once fully let. These include:

- Clippers Quay, our £99m, 614 unit PRS scheme in Salford is approaching half way through construction, with first completions expected in late FY18.

- Our PRS phase at Berewood in Hampshire to deliver 104 homes is on track to complete this Summer.

- Construction of Argo Apartments is expected to complete in Autumn this year, which will deliver 134 PRS units in Canning Town, London. It is being acquired by our PRS REIT, GRIP, for which Grainger is the property and asset manager (supplementing co-investment returns).

- Construction has started at Finzels Reach, our 194 unit, £46m PRS build-to-rent development in Bristol, where completion is expected in FY19.

Our PRS REIT, GRIP, which is focused on investments in London and the South East, has also completed on two freehold residential tenanted acquisitions in London and Brighton, for total consideration of £24m (Grainger share £6m).

Our PRS partnership with the Royal Borough of Kensington and Chelsea (RBKC) is progressing well. We have recently completed our first units in this partnership at Hortensia Road which comprises 31 homes, and construction and pre-sales are progressing well at the Young Street site. Grainger generates development and asset management fees from this relationship and a share of the future rental income.

Simplify and focus

2016 was a transformational year for Grainger. We profitably sold our Equity Release and German businesses, improved the capital structure of the company, embarked on our PRS growth strategy and restructured our operations to focus the business, reduce costs and improve efficiency.

The benefits we have seen coming through in the first six months of the year is a testament to the strength, quality and responsiveness of our team.

Adjusted earnings have increased by 39%, with reduced finance and overhead costs the key drivers of the growth. This has been achieved alongside initiatives to prepare the business for the future through enhancing our systems, processes and supplier relationships that will underpin the scalability and efficiency of our property and asset management platform as the business grows. It is pleasing to see the sizeable reductions in property operating expenses and operational changes being made whilst maintaining our focus on financial performance.

We are pleased to report that our new Chief Operating Officer, John Kenny, started earlier this month (formerly COO of Liberty Living, a leading student housing provider). John will help drive forward further operational improvements and efficiencies in the business, building on the great work we have achieved over the past 18 months.

Build on our heritage

Grainger has a 105 year history of renting homes. We have a competitive advantage as a PRS business through being able to originate, invest in and operate PRS homes across the UK. In addition to the skills, knowledge, asset management and operational platform our heritage provides, our resilient and highly cash generative regulated tenancy portfolio supports our investment into higher-yielding PRS assets.

Residential sales in the period generated £57m of income, which was in line with our expectations and demonstrated the resilience of our assets. Our regulated tenancies had an average vacancy rate of c.6.5% for the period. Prices on the sale of vacant properties were achieved on average at 2.0% above September 2016 valuations.

Market

Demand for renting is growing and this trend is set to continue. One in five households rent today, from one in ten, ten years ago.

The UK is seeing a structural change in housing, underpinned by greater demand for flexibility and service.

This developing market and our ability to increase housing supply continues to benefit from increased Government support, most recently evidenced in the recent Housing White Paper. This paper recognised the need for a high quality rental sector to help solve the housing crisis and showed a positive shift in Government housing policy, away from policies primarily focused on home ownership. We welcome this policy shift.

Increased regulation and cost for smaller buy-to-let landlords will help support the development of a larger scale professional rental sector, where we operate.

The PRS and build to rent sector benefit from cross party political support for increasing housing supply, increasing investment in good quality homes and professionalising the rental market.

The recent Housing White Paper set out a number of changes that have the potential to support development of the private rented sector, including changes to the planning system, greater flexibility in affordable housing requirements and initiatives to ensure local authorities support and release land for housing.

The drive for longer tenancies for renters was discussed in the Conservative Government's Housing White Paper and the Labour Party Manifesto, as was a ban on letting fees to stop the practice of double charging. Grainger already provides longer term tenancies across a number of our sites and are supportive of this move. We also welcome the ban on letting fees and the protection it provides to our customers.

Outlook

Our portfolio remains resilient and continues to perform well. We expect a further strong trading performance in the second half of the year and lead indicators point to a robust valuation performance for the year as a whole. We remain confident in our ability to continue to source compelling PRS investments, and we will retain our selective and disciplined approach and remain focused on returns as we move towards securing our £850m PRS investment target by 2020.

The undersupply of housing and the growing demand for rental housing presents an exciting growth opportunity. Grainger is in a strong position to capture this opportunity, having developed a scalable, efficient operating platform.

Grainger's business model is increasingly focused on driving sustainable income led shareholder returns, and our strategy, operational infrastructure and pipeline provide us with confidence for the future.

Helen Gordon
Chief Executive
19 May 2017

Financial review

We have delivered a good set of financial results for the six month period ended 31 March 2017 through a combination of growth initiatives and decisive actions taken to reduce costs and improve operational efficiency.

These actions have significantly enhanced our income returns. We have increased adjusted earnings by 39% (£9.6m) to £34.1m (HY16: £24.5m), driven by rental growth and improving operating and finance costs. EPRA NNNAV increased by 3% to 295p (FY16: 287p), supported by the strong trading performance and valuation growth.

The Board has declared an interim dividend per share of 1.60p (+10% YoY, HY16: 1.45p) in line with our policy to distribute 50% of annual net rental income, with one third to be paid at the interim stage.

Income	**HY16**	**HY17**	**Change**
Rental growth (like for like)	4.0%	**3.5%**	-50 bps
Net rental income	£18.0m	**£20.0m**	+11%
Adjusted earnings* *(note 2)*	£24.5m	**£34.1m**	+39%
Adjusted earnings per share (after tax) *(note 2)*	4.9p	**6.6p**	+35%
Profit before tax *(note 2)*	£36.6m	**£41.2m**	+13%
Dividend per share *(note 10)*	1.45p	**1.60p**	+10%
Earnings per share (diluted) *(note 9)*	7.3p	**8.0p**	+10%

Capital	**FY16**	**HY17**	**Change**
EPRA NAV per share	330p	**338p**	+2%
EPRA NNNAV per share	287p	**295p**	+3%
Net debt	£764m	**£791m**	+4%
Group LTV	35.9%	**36.0%**	+10 bps
Cost of debt (average)	4.4%	**3.7%**	-70 bps
Cost of debt (period end)	3.9%	**3.6%**	-30 bps
Reversionary surplus	£327m	**£314m**	-4%

Income financials and reversionary surplus on a continuing operations basis.

**Adjusted earnings (previously called recurring profit) is profit before tax, less valuation movements, and non-recurring items.*

Income statement

We have successfully continued to grow our income return. Through new acquisitions, active asset management and operational improvements we have increased net rental income. Our sales performance remains resilient and we have made great strides in reducing costs across the business.

The table below summarises adjusted earnings and profit before tax (from continuing operations) for the 6 months ended 31 March 2017.

Income statement £'m	**HY16**	**HY17**	**Change**
Net rental income	18.0	20.0	+11%
Profit on sale of assets	36.4	35.0	-4%
Mortgage income (CHARM)	3.2	3.1	-3%
Management fees	3.3	2.3	-30%
Overheads	(16.2)	(13.4)	-17%
Other expenses	(0.4)	(0.4)	0%
Joint ventures	0.8	1.2	+50%
Net finance costs	(20.6)	(13.7)	-34%
Adjusted earnings*	**24.5**	**34.1**	**+39%**
Valuation movements	15.9	7.0	-56%
Derivative movements	(4.1)	0.4	+110%
Non-recurring items	0.3	(0.3)	-200%
Profit before tax	**36.6**	**41.2**	**+13%**

See note 2 to these results for the reconciliation from statutory measures.
** Adjusted earnings (previously called recurring profit) is profit before tax, less valuation movements, and non-recurring items.*

Rental income

We have grown net rental income by 11% to £20.0m for the period (HY16: £18.0m), through new investments, active asset management within our existing portfolio and increased operational efficiencies. More than half of Grainger's net rental income is now derived from our PRS assets.

Like-for-like rental growth across our entire portfolio of 3.5% in the first six months, comprised 2.9% on our PRS assets and 4.3% annualised on regulated tenancy reviews.

	£'m
HY16 Net rental income	**18.0**
Disposals	(0.7)
Acquisitions	1.0
Rental growth	0.8
Propex efficiencies	0.9
HY17 Net rental income	**20.0**
YoY growth	11%

Sales

Our sales performance continues to be resilient where we see sustained healthy levels of trading and robust pricing. On average we have been selling assets at 2% above their previous valuation, with sustained transactional levels and robust demand.

	HY16			**HY17**		
	Units sold	**Sales**	**Profit**	**Units sold**	**Sales**	**Profit**
		£'m	**£'m**		**£'m**	**£'m**
Residential sales on vacancy	174	62.7	29.6	148	49.5	24.7
Tenanted and other sales	38	5.1	2.8	55	7.3	4.0
Residential sales total	**212**	**67.8**	**32.4**	**203**	**56.8**	**28.7**
Development activity	-	13.0	4.0	-	34.6	6.3
Overall sales	**212**	**80.8**	**36.4**	**203**	**91.4**	**35.0**

Residential sales represent the majority of our overall sales and relate primarily to regulated tenancy assets sold on vacant possession. Annual reductions in sales are expected due to the natural wind down of this portfolio. Our regulated tenancy vacancy rate averaged c.6.5% over the period.

Sales over the period have performed well, in line with expectations. The reduction on last year is a reflection of an exceptionally buoyant period in 2016 ahead of the changes to stamp duty land tax.

Our development activity over the period includes our PRS partnership with the Royal Borough of Kensington and Chelsea (RBKC), where we are shortly completing the first of seven sites, Hortensia Road, along with other sales of development assets.

Operating costs

Our income return has been enhanced by the significant improvements the management team has made to the operating costs of the business. Three key areas of focus over the period have been: property operating expenses (“gross to net”), overheads and finance costs.

Property operating expenses

Through improving systems, processes and our supply chain to increase efficiency and improve cost controls, we have significantly reduced property operating expenditure as a percentage of gross rental income (“gross to net”) by 340 bps year-on-year to 25.8%. Our medium term target remains a gross to net range of 25 – 26%.

Property expenditure evolution	**FY15**	**HY16**	**FY16**	**HY17**
Property operating expenditure percentage of gross rents	30.7%	29.2%	28.0%	25.8%

Overheads

We have reduced overheads by 17% to £13.4m over the period (HY16: £16.2m), leaving the business on track to deliver our £27.5m overheads target, an overall reduction of 24%. Management believe that this is a sustainable level for its medium term growth plans.

It is worth noting that £2.3m of overheads were recovered over the period from management fees, resulting in an overall net overhead of £11.1m (HY16: £12.9m).

Finance costs

We have reduced net finance costs by 34% to £13.7m (HY16: £20.6m). At the period end, cost of debt was 3.6%, which we view as being a sustainable medium term level. This is significantly reduced from 4.5% at the end of HY16 and 3.9% at the end of FY16.

Balance sheet

We continue to secure attractive investment opportunities aligned to our PRS investment strategy, and have seen robust growth in the net asset value of the business over the period.

Market value balance sheet (£'m)	FY16	HY17
Residential – PRS	461	470
Residential – regulated tenancy	1,342	1,340
Development work in progress	105	125
Investment in JVs/associates	193	191
Total investments	**2,101**	**2,126**
Net debt	(764)	(791)
Other assets/liabilities	32	66
Discontinued (excluding loans)	11	11
EPRA NAV	**1,380**	**1,412**
EPRA NAV (pence per share)	**330**	**338**
Deferred and contingent tax	(146)	(147)
Fair value of fixed rate debt and derivatives	(34)	(30)
EPRA NNNAV	**1,200**	**1,235**
EPRA NNNAV (pence per share)	**287**	**295**
Reversionary surplus	**£327m**	**£314m**
LTV	**35.9%**	**36.0%**

A reconciliation between the statutory balance sheet and the market value balance sheets for both EPRA NAV and EPRA NNNAV is set out in note 3 of these results.

EPRA NNNAV increased by 3% in the six month period to 295p (FY16: 287p), driven by robust trading performance and valuation growth.

EPRA NNNAV does not include the reversionary surplus of £314m or 75 pence per share. £247m (59 pence per share) relates to our regulated tenancies which will be realised as they become vacant and are sold.

EPRA NNNAV is the most relevant metric for Grainger due to the contingent tax liability, 75% of which relates to our trading portfolio, predominantly our regulated tenancies, and will crystallise as our regulated tenancies are vacated and sold.

EPRA NNNAV movement

	£'m	Pence per share
EPRA NNNAV at 30 September 2016	**1,200**	**287**
Profit after tax (before derivatives)	33	8
Revaluation gains on trading stock	33	8
Disposals (trading assets)	(24)	(6)
Contingent tax	(1)	-
Dividends and other	(9)	(2)
Mark to market on fixed rate debt	3	-
EPRA NNNAV at 31 March 2017	**1,235**	**295**

Property portfolio

Our portfolio continues to perform well. The market value increased by 2.1% over the six month period. Our confidence in the valuation of our assets is supported by the 148 units that were sold over the period, achieving on average 2% above previous valuations.

This compares to 2.1% for the combined average of the Nationwide and Halifax House price indices, 1.5% according to the Office of National Statistics and 2.8% for the LSL Acadata House Price Index.

We have seen good growth in our wholly owned portfolio in the South East, Outer London and the regions, while Inner London values were broadly flat, as shown in the table below:

Regional performance	**Units**	**Investment value HY17 (£m)**	**Change since FY16**
Central & Inner London	1,570	926	0.7%
Outer London	488	175	4.6%
South East	544	130	6.3%
South West	621	166	2.0%
East and Midlands	822	135	2.9%
North West	1,133	126	2.1%
Other regions	555	63	5.2%
Total	**5,733**	**1,720**	**2.1%**

Portfolio summary

The following table shows the breakdown of Grainger's portfolio, and includes the market value and vacant possession value by portfolio type (reflecting the type of tenancy).

	No. units	Market value £'m	Vacant possession value £'m	Reversionary surplus £'m
Residential - PRS	2,079	470	508	38
Residential - regulated tenancies	3,654	1,250	1,497	247
Residential - mortgages	667	90	88	(2)
Development work in progress	-	125	125	-
Wholly-owned assets	6,400	1,935	2,218	283
Investment in JVs/associates (Grainger share)	688	259	290	31
Total investments	**7,088**	**2,194**	**2,508**	**314**
Assets held-for-sale	3	3	3	-
HY17 total	**7,091**	**2,197**	**2,511**	**314**
Assets under management	**1,482**	**590**	**664**	
Total assets under management	**8,573**	**2,787**	**3,175**	

Capital structure

Significant improvements have been made to strengthen the capital structure of the business. Grainger is a simpler and more focused business with a much lower quantum and cost of debt.

In line with our strategy, we are investing in PRS assets (£78m in the period), resulting in a 4% increase in net debt to £791m (FY16: £764m), and a marginal increase in loan to value to 36.0% (FY16: 35.9%).

Our strong cash generation, low level of gearing and incremental cost of debt of below 2%, provide us with the capacity to successfully deliver our £850m PRS investment target. Loan to value is expected to increase to between 40% and 45% as we invest.

	£'m
FY16 Net debt	**764**
Gross rent, sales and fees	(111)
Propex, overheads, tax and dividends	44
Finance costs	16
Investment	78
Movement	**27**
HY17 Net debt	**791**

Over the period, a £100m debt facility was refinanced and a two year extension to 2022 for £450m of Grainger's syndicated bank facility has been secured at the same margins (with options for a further two year extension).

Further work on our financing structure is underway, and we have made good progress in appraising new funding options for our PRS portfolio, which will provide us with longer term financing suitable for these investment assets.

	FY16	HY17
Net debt	£764m	£791m
Consolidated LTV	35.9%	36.0%
Headroom	£321m	£283m
Cost of debt (average)	4.4%	3.7%
Cost of debt (period end)	3.9%	3.6%
Hedging	87%	85%

Summary

We continue to make positive progress in growing net rental income, which is enhanced through actions we are taking to reduce costs and improve efficiencies. In particular, we are pleased with the significant improvements made to property operating expenses, overheads and finance costs.

We remain confident in both the ability of Grainger to continue to deliver value to shareholders, alongside a resilient property portfolio that continues to both rent and sell well.

Vanessa Simms
Chief Financial Officer
19 May 2017

Statement of Directors' responsibilities

The directors 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.

The directors of Grainger plc are listed in the Grainger plc Annual Report and Accounts for the year ended 30 September 2016 and on the Grainger website: www.graingerplc.co.uk.

The following changes have been made since 30 September 2016: Mark Clare and Justin Read were appointed as non-executive Chairman and non-executive director respectively on 13 February 2017. Margaret Ford retired from the board on 8 February 2017.

Helen Gordon
Chief Executive Officer
19 May 2017

Vanessa Simms
Chief Finance Officer
19 May 2017

Independent Review Report to Grainger plc

Introduction

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 2017 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

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 IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* 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.

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Bill Holland
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

19 May 2017

Condensed Consolidated Income Statement

For the 6 months ended 31 March	Notes	Unaudited 2017 £m	 2016 £m
Group Revenue	4	**117.2**	109.0
Net rental income	5	**20.0**	18.0
Profit on disposal of trading property	6	**34.1**	36.1
Profit on disposal of investment property	7	**0.9**	0.3
Income from financial interest in property assets	15	**3.4**	4.5
Fees and other income	8	**2.3**	4.1
Administrative expenses		**(13.4)**	(16.2)
Other expenses		**(0.7)**	(0.8)
Impairment of inventories to net realisable value		**(1.8)**	(0.2)
(Impairment)/reversal of impairment of joint venture	14	**(2.2)**	0.4
Operating profit before net valuation gains on investment property		**42.6**	46.2
Net valuation gains on investment property	11	**9.6**	7.9
Operating profit after net valuation gains on investment property		**52.2**	54.1
Change in fair value of derivatives	23	**0.4**	(4.1)
Finance costs		**(14.8)**	(21.7)
Finance income		**1.1**	1.0
Share of profit of associates after tax	13	**2.3**	5.5
Share of profit of joint ventures after tax	14	**-**	1.8
Profit before tax - continuing operations	2	**41.2**	36.6
Tax charge for the period - continuing operations	18	**(7.5)**	(6.2)
Profit for the period - continuing operations		**33.7**	30.4
Discontinued operations			
Loss after tax for the period for discontinued operations		**(0.2)**	(2.8)
Profit for the period attributable to the owners of the company		**33.5**	27.6
Basic Earnings per share	9	**8.1p**	6.7p
Diluted Earnings per share	9	**8.0p**	6.6p
Basic Earnings per share - continuing operations only	9	**8.1p**	7.3p
Diluted Earnings per share - continuing operations only	9	**8.1p**	7.3p

Condensed Consolidated Statement of Other Comprehensive Income

For the 6 months ended 31 March	Notes	Unaudited 2017 £m	2016 £m
Profit for the period – continuing operations		**33.7**	30.4
Items that will not be transferred to the consolidated income statement:			
Actuarial gain/(loss) on BPT defined benefit pension scheme	20	**4.7**	(1.3)
Items that may be or are reclassified to the consolidated income statement:			
Fair value movement on financial interest in property assets	15	**(0.4)**	0.6
Exchange differences on translating foreign operations		**-**	(0.8)
Exchange adjustments recycled on disposal of foreign operations		**-**	(1.7)
Changes in fair value of cash flow hedges		**7.2**	(2.6)
Other comprehensive income and expense for the period before tax		**11.5**	(5.8)
Tax relating to components of other comprehensive income:			
Tax related to items that will not be reclassified to the consolidated income statement	18	**(2.0)**	0.2
Other comprehensive income and expense for the period after tax – continuing operations		**9.5**	(5.6)
Loss after tax – discontinued operations		**(0.2)**	(2.8)
Total other comprehensive income and expense for the period attributable to the owners of the Company		**43.0**	22.0

Included within the Condensed Consolidated Statement of Other Comprehensive Income is a credit of £0.2m (2016: a charge of £0.3m) in respect of associates and joint ventures.

Condensed Consolidated Statement of Financial Position

As at 31 March 2017	Notes	**Unaudited March 2017 £m**	Audited Sept 2016 £m
Non-current assets			
Investment property	11	**308.9**	261.3
Property, plant and equipment		**0.9**	1.1
Investment in associates	13	**114.3**	105.1
Investment in joint ventures	14	**68.8**	78.9
Financial interest in property assets	15	**89.8**	93.1
Deferred tax assets	18	**5.3**	8.6
Intangible assets		**2.3**	2.1
		590.3	550.2
Current assets			
Inventories – trading property	12	**878.5**	904.3
Trade and other receivables	16	**99.5**	64.0
Derivative financial instruments	23	**1.8**	0.3
Cash and cash equivalents		**81.2**	90.7
Assets classified as held-for-sale		**3.3**	3.4
		1,064.3	1,062.7
Total assets		**1,654.3**	1,612.9
Non-current liabilities			
Interest-bearing loans and borrowings	17	**863.5**	744.7
Retirement benefits	20	**0.4**	5.2
Provisions for other liabilities and charges		**1.4**	1.4
Deferred tax liabilities	18	**30.1**	30.2
		895.4	781.5
Current liabilities			
Interest-bearing loans and borrowings	17	**(1.2)**	99.0
Trade and other payables	19	**39.3**	38.4
Provisions for other liabilities and charges		**0.7**	0.9
Current tax liabilities	18	**6.6**	4.8
Derivative financial instruments	23	**7.3**	13.1
		52.7	156.2
Total liabilities		**948.1**	937.7
Net assets		**706.5**	675.2
Capital and reserves attributable to the owners of the Company			
Issued share capital	21	**20.9**	20.9
Share premium		**110.9**	110.8
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(6.1)**	(12.0)
Available-for-sale reserve		**6.9**	7.3
Retained earnings		**553.4**	527.7
Equity attributable to the owners of the Company		**706.4**	675.1
Non-controlling interests		**0.1**	0.1
Total equity		**706.5**	675.2

Consolidated Statement of Changes in Equity

For the 6 months ended 31 March 2017	Notes	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Available for sale reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance as at 1 October 2016 (audited)		**20.9**	**110.8**	**20.1**	**0.3**	**(12.0)**	**7.3**	**527.7**	**0.1**	**675.2**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**33.5**	**-**	**33.5**
Actuarial gain on BPT defined benefit pension scheme	20	**-**	**-**	**-**	**-**	**-**	**-**	**4.7**	**-**	**4.7**
Fair value movement on financial interest in property assets	15	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Changes in fair value of cash flow hedges	23	**-**	**-**	**-**	**-**	**7.2**	**-**	**-**	**-**	**7.2**
Tax relating to components of other comprehensive income	18	**-**	**-**	**-**	**-**	**(1.3)**	**-**	**(0.7)**	**-**	**(2.0)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**5.9**	**(0.4)**	**37.5**	**-**	**43.0**
Award of SAYE shares		**-**	**0.1**	**-**	**-**	**-**	**-**	**-**	**-**	**0.1**
Share-based payments charge		**-**	**-**	**-**	**-**	**-**	**-**	**0.9**	**-**	**0.9**
Dividends paid	10	**-**	**-**	**-**	**-**	**-**	**-**	**(12.7)**	**-**	**(12.7)**
Balance as at 31 March 2017 (unaudited)		**20.9**	**110.9**	**20.1**	**0.3**	**(6.1)**	**6.9**	**553.4**	**0.1**	**706.5**

Consolidated Statement of Changes in Equity

For the 6 months ended 31 March 2016 and 30 September 2016	Notes	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Available for sale reserve £m	Retained earnings £m	Non-controlling interest £m	Total equity £m
Balance as at 1 October 2015 (audited)		20.9	110.7	20.1	0.3	(3.5)	4.6	411.7	0.1	564.9
Profit for the period		-	-	-	-	-	-	27.6	-	27.6
Actuarial loss on BPT defined benefit pension scheme		-	-	-	-	-	-	(1.3)	-	(1.3)
Fair value movement on financial interest in property assets		-	-	-	-	-	0.6	-	-	0.6
Exchange adjustments on retranslation of foreign operations		-	-	-	-	-	-	(0.8)	-	(0.8)
Exchange differences recycled on disposal of foreign operations		-	-	-	-	-	-	(1.7)	-	(1.7)
Changes in fair value of cash flow hedges		-	-	-	-	(2.6)	-	-	-	(2.6)
Tax relating to components of other comprehensive income		-	-	-	-	-	-	0.2	-	0.2
Total comprehensive income for the period		-	-	-	-	(2.6)	0.6	24.0	-	22.0
Purchase of own shares		-	-	-	-	-	-	(0.5)	-	(0.5)
Share-based payments charge		-	-	-	-	-	-	1.0	-	1.0
Dividends paid		-	-	-	-	-	-	(8.7)	-	(8.7)
Balance as at 31 March 2016 (unaudited)		20.9	110.7	20.1	0.3	(6.1)	5.2	427.5	0.1	578.7
Profit for the period		-	-	-	-	-	-	107.7	-	107.7
Actuarial loss on BPT Limited defined benefit pension scheme		-	-	-	-	-	-	(2.8)	-	(2.8)
Fair value movement on financial interest in property assets		-	-	-	-	-	2.3	-	-	2.3
Exchange adjustments offset in reserves		-	-	-	-	-	-	1.9	-	1.9
Exchange differences recycled on disposal of foreign operations		-	-	-	-	-	-	(2.6)	-	(2.6)
Changes in fair value of cash flow hedges		-	-	-	-	(6.9)	-	-	-	(6.9)
Tax relating to components of other comprehensive income		-	-	-	-	1.0	(0.2)	1.2	-	2.0
Total comprehensive income for the period		-	-	-	-	(5.9)	2.1	105.4	-	101.6
Purchase of own shares		-	-	-	-	-	-	(0.1)	-	(0.1)
Award of SAYE shares		-	0.1	-	-	-	-	-	-	0.1
Share-based payments charge		-	-	-	-	-	-	0.9	-	0.9
Dividends paid		-	-	-	-	-	-	(6.0)	-	(6.0)
Balance as at 1 October 2016 (audited)		20.9	110.8	20.1	0.3	(12.0)	7.3	527.7	0.1	675.2

Condensed Consolidated Statement of Cash Flows

For the 6 months ended 31 March	Notes	Unaudited **2017** **£m**	 2016 £m
Cash flow from operating activities			
Profit for the period		**33.5**	27.6
Depreciation and amortisation		**0.4**	0.3
Net valuation gains on investment property	11	**(9.6)**	(3.3)
Net finance costs		**13.7**	40.3
Profit on disposal of discontinued operation		**-**	(8.6)
Share of profit of associates and joint ventures	13,14	**(2.3)**	(7.3)
Share-based payment charge	22	**0.9**	1.0
Change in fair value of derivatives	23	**(0.4)**	4.1
Profit on disposal of investment properties	7	**(0.9)**	(0.3)
Interest income from financial interest in property assets	15	**(3.4)**	(4.5)
Impairment/(reversal of impairment) of joint venture	14	**2.2**	(0.4)
Tax	18	**7.6**	7.1
Operating profit before changes in working capital		**41.7**	56.0
Increase in trade and other receivables		**(8.0)**	(6.7)
Decrease in trade and other payables		**(1.8)**	(3.1)
Decrease in provisions for liabilities and charges		**(0.2)**	(0.1)
Decrease in inventories		**2.9**	6.1
Cash generated from operations		**34.6**	52.2
Interest paid		**(15.0)**	(22.7)
Tax (paid)/received	18	**(4.6)**	0.9
Payments to defined benefit pension scheme	20	**(0.3)**	(0.3)
Net cash inflow from operating activities		**14.7**	30.1
Cash flow from investing activities			
Proceeds from sale of investment property		**3.4**	6.0
Proceeds from financial interest in property assets	15	**6.3**	4.7
Net proceeds from disposal of discontinued operations		**-**	69.8
Interest received		**0.1**	0.4
Distributions received	13,14	**2.5**	0.7
Investment in associates and joint ventures	13,14	**(1.6)**	(16.5)
Acquisition of investment property	11	**(40.4)**	(33.6)
Acquisition of property, plant and equipment and intangible assets		**(0.5)**	(1.0)
Net cash (outflow)/inflow from investing activities		**(30.2)**	30.5
Cash flows from financing activities			
Award of SAYE options		**0.1**	-
Purchase of own shares		**-**	(0.5)
Proceeds from new borrowings		**220.0**	136.6
Purchase of interest rate caps		**-**	(1.0)
Payment of loan settlement costs		**-**	(11.7)
Repayment of borrowings		**(201.4)**	(185.4)
Dividends paid	10	**(12.7)**	(8.7)
Net cash inflow/(outflow) from financing activities		**6.0**	(70.7)

Condensed Consolidated Statement of Cash Flows continued

For the 6 months ended 31 March	Notes	Unaudited 2017 £m	2016 £m
Net decrease in cash and cash equivalents		**(9.5)**	(10.1)
Cash and cash equivalents at the beginning of the period		**90.7**	88.8
Net exchange movements on cash and cash equivalents		**-**	0.2
Cash and cash equivalents at the end of the period		**81.2**	78.9
Cash and cash equivalents are shown as:			
Cash and cash equivalents – Consolidated statement of financial position		**81.2**	65.7
Cash and cash equivalents – Disposal group-assets classified as held-for-sale		**-**	13.2
Cash and cash equivalents at the end of the period		**81.2**	78.9

The Condensed Consolidated Statement of Cash flows above includes cash flows from both continuing and discontinued operations.

Notes to the unaudited condensed 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 2016 which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2016 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 2017 Consolidated Income Statement are the six month period ended 31 March 2016 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 30 September 2016 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2016 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 preliminary 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 2017 by external consultants, using a discounted cash flow model and quoted market information.

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 2016 and later periods are disclosed on page 102 of the Annual Report and Accounts for the year ended 30 September 2016. There is no material impact from the adoption of these IFRS's, IFRIC interpretations and amendments in this condensed consolidated interim financial information.

1c. Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report on pages 30 – 33 of the 2016 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 28 – 29 of the Annual Report for September 2016. 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.

1e. Significant judgements and estimates

Full details of critical accounting estimates are given on pages 103 – 108 of the Annual Report for the year ended 30 September 2016. There has been no significant change made in the period ended 31 March 2017.

Notes to the unaudited condensed interim finance results (continued)

2. Analysis of profit before tax-continuing operations

The results for the six months ended 31 March 2017 and 2016 respectively have been affected by valuation movements and non-recurring items. The table below provides further analysis of the Condensed Consolidated Income Statement showing the results of trading activities separately from these other items.

For the 6 months ended 31 March	2017				2016			
£m	**Statutory**	**Valuation**	**Non-recurring**	**Adjusted earnings**	Statutory	Valuation	Non - recurring	Adjusted earnings
Group revenue	**117.2**	**-**	**-**	**117.2**	109.0	-	-	109.0
Net rental income	**20.0**	**-**	**-**	**20.0**	18.0	-	-	18.0
Profit on disposal of trading property	**34.1**	**-**	**-**	**34.1**	36.1	-	-	36.1
Profit on disposal of investment property	**0.9**	**-**	**-**	**0.9**	0.3	-	-	0.3
Income from financial interest in property assets	**3.4**	**(0.3)**	**-**	**3.1**	4.5	(1.3)	-	3.2
Fees and other income	**2.3**	**-**	**-**	**2.3**	4.1	-	(0.8)	3.3
Administrative expenses	**(13.4)**	**-**	**-**	**(13.4)**	(16.2)	-	-	(16.2)
Other expenses	**(0.7)**	**-**	**0.3**	**(0.4)**	(0.8)	-	0.4	(0.4)
Impairment of inventories to net realisable value	**(1.8)**	**1.8**	**-**	**-**	(0.2)	0.2	-	-
(Impairment)/reversal of impairment of joint venture	**(2.2)**	**2.2**	**-**	**-**	0.4	(0.4)	-	-
Operating profit before net valuation gains on investment property	**42.6**	**3.7**	**0.3**	**46.6**	46.2	(1.5)	(0.4)	44.3
Net valuation gains on investment property	**9.6**	**(9.6)**	**-**	**-**	7.9	(7.9)	-	-
Operating profit after net valuation gains on investment property	**52.2**	**(5.9)**	**0.3**	**46.6**	54.1	(9.4)	(0.4)	44.3
Change in fair value of derivatives	**0.4**	**(0.4)**	**-**	**-**	(4.1)	4.1	-	-
Finance costs	**(14.8)**	**-**	**-**	**(14.8)**	(21.7)	-	0.1	(21.6)
Finance income	**1.1**	**-**	**-**	**1.1**	1.0	-	-	1.0
Share of profit of associates after tax	**2.3**	**(1.1)**	**-**	**1.2**	5.5	(4.8)	-	0.7
Share of profit of joint ventures after tax	**-**	**-**	**-**	**-**	1.8	(1.7)	-	0.1
Profit before tax – continuing operations	**41.2**	**(7.4)**	**0.3**	**34.1**	36.6	(11.8)	(0.3)	24.5
Tax charge for the year – continuing operations	**(7.5)**				(6.2)			
Profit after tax – continuing operations	**33.7**				30.4			
Loss before tax – discontinued operations	**(0.1)**				(1.9)			
Tax charge – discontinued operations	**(0.1)**				(0.9)			
Profit for the year attributable to the owners of the company	**33.5**				27.6			
Diluted earnings per share - adjusted				**6.6p**				4.7p

Notes to the unaudited condensed interim finance results (continued)

Non-Recurring

Non-recurring items comprise restructuring costs of £0.3m (2016 £0.4m). Non-recurring items in 2016 also included £0.1m related to accelerated write off of loan costs after refinancing the bank syndicate and income of £0.8m from a claim against a contractor.

3. Segmental information

IFRS 8 'Operating Segments' (IFRS 8) requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker (CODM) so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM is the Chief Executive Officer. The significant segments for continuing operations are outlined below. The title 'Other' has been included in the tables below to reconcile the segments to the figures reviewed by the CODM. The key operating performance measure of profit or loss used by the CODM is on adjusted earnings, being profit before tax, valuation and non-recurring items. The CODM reviews by segment two key statement of financial position measures of net asset value. These are EPRA Net Asset Value and EPRA Triple Net Asset Value.

2017 Income Statement – Continuing Operations (unaudited)

£m	Residential	Development	Funds	Other	Total
Group revenue					
Segment revenue – external	**80.3**	**34.9**	**2.0**	**-**	**117.2**
Net rental income	**19.9**	**0.1**	**-**	**-**	**20.0**
Profit on disposal of trading property	**27.8**	**6.3**	**-**	**-**	**34.1**
Profit on disposal of investment property	**0.9**	**-**	**-**	**-**	**0.9**
Income from financial interest in property assets	**-**	**-**	**-**	**3.1**	**3.1**
Fees and other income	**0.1**	**0.2**	**2.0**	**-**	**2.3**
Administrative expenses	**(2.8)**	**(0.9)**	**(0.3)**	**(9.4)**	**(13.4)**
Other expenses	**(0.3)**	**-**	**-**	**(0.1)**	**(0.4)**
Operating profit/(loss) before interest and trading from joint ventures and associates	**45.6**	**5.7**	**1.7**	**(6.4)**	**46.6**
Net finance costs	**(14.1)**	**1.1**	**(0.7)**	**-**	**(13.7)**
Share of trading profit from joint ventures and associates after tax	**-**	**-**	**1.2**	**-**	**1.2**
Adjusted earnings	**31.5**	**6.8**	**2.2**	**(6.4)**	**34.1**
Valuation movements					**7.4**
Net non-recurring items					**(0.3)**
Profit before tax – continuing operations					**41.2**

Notes to the unaudited condensed interim finance results (continued)

2016 Income Statement – Continuing Operations (unaudited)

£m	Residential	Development	Funds	Other	Total
Group revenue					
Segment revenue – external	92.3	13.2	2.7	0.8	109.0
Net rental income	17.9	0.1	-	-	18.0
Profit on disposal of trading property	32.1	4.0	-	-	36.1
Profit on disposal of investment property	0.3	-	-	-	0.3
Income from financial interest in property assets	-	-	-	3.2	3.2
Fees and other income	0.4	0.2	2.7	-	3.3
Administrative expenses	(4.3)	(0.9)	(1.4)	(9.6)	(16.2)
Other expenses	(0.2)	(0.1)	-	(0.1)	(0.4)
Operating profit/(loss) before interest and trading from joint ventures and associates	46.2	3.3	1.3	(6.5)	44.3
Net finance costs	(18.6)	(0.6)	(0.7)	(0.7)	(20.6)
Share of trading profit from joint ventures and associates after tax	-	-	0.8	-	0.8
Adjusted earnings	27.6	2.7	1.4	(7.2)	24.5
Valuation movements					11.8
Net non-recurring items					0.3
Profit before tax – continuing operations					36.6

Segmental assets

The majority of the Group's properties are classified as trading stock and are therefore shown in the statutory statement of financial position at the lower of cost and net realisable value. This does not reflect the market value of the assets and, accordingly, the Group's key statement of financial position measures of net asset value include trading stock at market value. The two principal net asset value measures reviewed by the CODM are EPRA NAV and EPRA NNNAV.

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 is added back to statutory net assets.

Notes to the unaudited condensed interim finance results (continued)

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 2017 Reconciliation of NAV measures (Unaudited)

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NAV balance sheet	Deferred and contingent tax	Derivatives	EPRA NNNAV balance sheet
Investment property	**308.9**	**-**	**308.9**	**-**	**-**	**308.9**
Property, plant and equipment	**0.9**	**-**	**0.9**	**-**	**-**	**0.9**
Investment in associates	**114.3**	**1.0**	**115.3**	**-**	**(1.0)**	**114.3**
Investment in joint ventures	**68.8**	**7.3**	**76.1**	**(6.9)**	**(0.4)**	**68.8**
Financial interest in property assets	**89.8**	**-**	**89.8**	**-**	**-**	**89.8**
Deferred tax asset	**5.3**	**(1.2)**	**4.1**	**-**	**6.2**	**10.3**
Intangible assets	**2.3**	**-**	**2.3**	**-**	**-**	**2.3**
Inventories – trading property	**878.5**	**658.5**	**1,537.0**	**-**	**-**	**1,537.0**
Trade and other receivables	**99.5**	**-**	**99.5**	**-**	**-**	**99.5**
Derivative financial instruments	**1.8**	**(1.8)**	**-**	**-**	**1.8**	**1.8**
Cash and cash equivalents	**81.2**	**-**	**81.2**	**-**	**-**	**81.2**
Assets classified as held-for-sale	**3.3**	**-**	**3.3**	**-**	**-**	**3.3**
Value of own shares held	**-**	**6.8**	**6.8**	**-**	**-**	**6.8**
Total assets	**1,654.6**	**670.6**	**2,325.2**	**(6.9)**	**6.6**	**2,324.9**
Interest-bearing loans and borrowings	**(862.3)**	**-**	**(862.3)**	**-**	**(29.5)**	**(891.8)**
Retirement benefits	**(0.4)**	**-**	**(0.4)**	**-**	**-**	**(0.4)**
Provisions for other liabilities and charges	**(2.1)**	**-**	**(2.1)**	**-**	**-**	**(2.1)**
Deferred and contingent tax liabilities	**(30.1)**	**28.3**	**(1.8)**	**(140.2)**	**-**	**(142.0)**
Trade and other payables	**(39.3)**	**-**	**(39.3)**	**-**	**-**	**(39.3)**
Current tax liabilities	**(6.6)**	**-**	**(6.6)**	**-**	**-**	**(6.6)**
Derivative financial instruments	**(7.3)**	**7.3**	**-**	**-**	**(7.3)**	**(7.3)**
Total liabilities	**(948.1)**	**35.6**	**(912.5)**	**(140.2)**	**(36.8)**	**(1,089.5)**
Net assets	**706.5**	**706.2**	**1,412.7**	**(147.1)**	**(30.2)**	**1,235.4**

Notes to the unaudited condensed interim finance results (continued)

March 2017 Segment net assets (Unaudited)

£m	Continuing Residential	Continuing Development	Continuing Funds	Continuing Other	Total	Pence per share
Total segment net asset (statutory)	**361.0**	**132.8**	**105.9**	**106.8**	**706.5**	**-**
Total segment net assets (EPRA NAV)	**1,055.3**	**125.3**	**114.0**	**118.1**	**1,412.7**	**338**
Total segment net assets (EPRA NNNAV)	**913.7**	**126.6**	**106.0**	**89.1**	**1,235.4**	**295**

'Other' includes CHARM assets.

September 2016 Reconciliation of NAV measure (audited)

£m	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NAV balance sheet	Deferred and contingent tax	Derivatives	EPRA NNNAV balance sheet
Investment property	261.3	-	261.3	-	-	261.3
Property, plant and equipment	1.1	-	1.1	-	-	1.1
Investment in associates	105.1	1.4	106.5	-	(1.4)	105.1
Investment in joint ventures	78.9	7.2	86.1	(6.9)	(0.3)	78.9
Financial interest in property assets	93.1	-	93.1	-	-	93.1
Deferred tax asset	8.6	(2.5)	6.1	-	7.0	13.1
Intangible assets	2.1	-	2.1	-	-	2.1
Inventories – trading property	904.3	649.4	1,553.7	-	-	1,553.7
Trade and other receivables	64.0	-	64.0	-	-	64.0
Derivative financial instruments	0.3	(0.3)	-	-	0.3	0.3
Cash and cash equivalents	90.7	-	90.7	-	-	90.7
Assets classified as held-for-sale	3.4	-	3.4	-	-	3.4
Value of own shares held	-	7.5	7.5	-	-	7.5
Total assets	1,612.9	662.7	2,275.6	(6.9)	5.6	2,274.3
Interest-bearing loans and borrowings	(843.7)	-	(843.7)	-	(26.8)	(870.5)
Retirement benefits	(5.2)	-	(5.2)	-	-	(5.2)
Provisions for other liabilities and charges	(2.3)	-	(2.3)	-	-	(2.3)
Deferred and contingent tax liabilities	(30.2)	28.5	(1.7)	(138.8)	-	(140.5)
Trade and other payables	(38.4)	-	(38.4)	-	-	(38.4)
Current tax liabilities	(4.8)	-	(4.8)	-	-	(4.8)
Derivative financial instruments	(13.1)	13.1	-	-	(13.1)	(13.1)
Total liabilities	(937.7)	41.6	(896.1)	(138.8)	(39.9)	(1,074.8)
Net assets	675.2	704.3	1,379.5	(145.7)	(34.3)	1,199.5

Notes to the unaudited condensed interim finance results (continued)

September 2016 Segment net assets (audited)

£m	Continuing				Total	Pence per share
	Residential	Development	Funds	Other		
Total segment net asset (statutory)	363.4	96.9	116.6	98.3	675.2	-
Total segment net assets (EPRA NAV)	1,048.7	89.5	124.9	116.4	1,379.5	330
Total segment net assets (EPRA NNNAV)	908.5	90.8	116.6	83.6	1,199.5	287

'Other' includes CHARM assets.

4. Group revenue

	Unaudited	
	2017	2016
	£m	£m
Gross rental income	**26.9**	25.5
Gross proceeds from disposal of trading property	**88.0**	79.4
Fees and other income	**2.3**	4.1
	117.2	109.0

5. Net rental income

	Unaudited	
	2017	2016
	£m	£m
Gross rental income	**26.9**	25.5
Property repair and maintenance costs	**(6.9)**	(7.5)
	20.0	18.0

6. Profit on disposal of trading property

	Unaudited	
	2017	2016
	£m	£m
Proceeds from disposal of trading property	**72.6**	79.4
Revenue from construction contract	**15.4**	-
Gross proceeds from disposal of trading property	**88.0**	79.4
Selling costs	**(1.5)**	(1.7)
Net proceeds from disposal of trading property	**86.5**	77.7
Carrying value of trading property sold	**(42.9)**	(41.6)
Carrying value of construction contract expenses	**(9.5)**	-
	34.1	36.1

Notes to the unaudited condensed interim finance results (continued)

7. Profit on disposal of investment property

	Unaudited	
	2017	2016
	£m	£m
Gross proceeds from disposal of investment property	**3.4**	1.4
Selling costs	**(0.1)**	-
Net proceeds from disposal of investment property	**3.3**	1.4
Carrying value of investment property sold	**(2.4)**	(1.1)
	0.9	0.3

8. Fees and other income

	Unaudited	
	2017	2016
	£m	£m
Property and asset management fee income	**2.3**	3.3
Other income	**-**	0.8
	2.3	4.1

Prior year other income includes £0.8m of non-recurring income which relates to the recovery of a claim made against a contractor.

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 Scheme ('LTIS'), Deferred Bonus Plan ('DBP') and SAYE schemes.

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 LTIS and DBP, based upon the number of shares that would be issued if 31 March 2017 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.

Notes to the unaudited condensed interim finance results (continued)

	Unaudited					
	31 March 2017			31 March 2016		
	Profit for the year £m	**Weighted average number of shares (thousands)**	**Earnings per share pence**	Profit for the year £m	Weighted average number of shares (thousands)	Earnings per share pence
Basic earnings per share – continuing and discontinued operations						
Profit attributable to equity holders	**33.5**	**415.4**	**8.1**	27.6	413.9	6.7
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.2**	**(0.1)**	-	3.5	(0.1)
Diluted earnings per share – continuing and discontinued operations						
Profit attributable to equity holders	**33.5**	**417.6**	**8.0**	27.6	417.4	6.6
Basic earnings per share – continuing operations only						
Profit attributable to equity holders	**33.7**	**415.4**	**8.1**	30.4	413.9	7.3
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2.2**	**-**	-	3.5	-
Diluted earnings per share – continuing operations only						
Profit attributable to equity holders	**33.7**	**417.6**	**8.1**	30.4	417.4	7.3

10. Dividends

The Company has announced an interim dividend of 1.60p (March 2016: 1.45p) per share which will return £6.7m (March 2016: £6.0m) of cash to shareholders. In the six months ended 31 March 2017, the final proposed dividend for the year ended 30 September 2016 which amounted to £12.7m has been paid.

<u>Notes to the unaudited condensed interim finance results (continued)</u>

11. Investment property

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Opening balance at 1 October	**261.3**	357.8
Additions	**40.4**	79.5
Disposals – continuing operations	**(2.4)**	(2.4)
Disposals – discontinued operations	**-**	(9.2)
Business disposal	**-**	(188.3)
Net transfer to assets classified as held-for-sale	**-**	(3.1)
Net valuation gains – continuing operations	**9.6**	20.3
Net valuation gains – discontinued operations	**-**	(0.9)
Exchange adjustments	**-**	7.6
Closing balance	**308.9**	261.3

12. Inventories

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Residential trading property	**802.8**	818.8
Development trading property	**75.7**	85.5
	878.5	904.3

13. Investment in associates

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Opening balance at 1 October	**105.1**	108.4
Share of profit for the period – continuing	**2.3**	9.8
Share of profit for the period – discontinued	**-**	0.2
Dividends received	**-**	(7.5)
Loans advanced to associates	**6.6**	10.5
Exchange adjustments	**-**	0.6
Share of change in fair value of cash flow hedges taken through other comprehensive income	**0.3**	(0.8)
Disposal	**-**	(16.1)
Closing balance	**114.3**	105.1

Notes to the unaudited condensed interim finance results (continued)

13. Investment in associates (continued)

As at 31 March 2017, the Group's interest in associates was as follows:

	% of ordinary share capital/ equity held	**Country of incorporation**
GRIP REIT PLC	24.9	UK
Vesta LP	15.0	UK

14. Investment in joint ventures

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Opening balance at 1 October	**78.9**	70.8
Share of profit for the period – continuing	**-**	5.1
Dividends received	**(2.5)**	-
(Impairment)/reversal of impairment	**(2.2)**	14.1
Loan interest (received)/paid	**(0.3)**	0.1
Loans advanced to joint ventures	**1.0**	5.5
Loans repaid by joint ventures	**(6.0)**	(16.7)
Share of change in fair value of cash flow hedges taken through other comprehensive income	**(0.1)**	-
Closing balance	**68.8**	78.9

The closing balance comprises share of net assets of £52.4m (2016: £55.0m) and net loans due from joint ventures of £16.4m (2016: £23.9m).

As at 31 March 2017, the Group's interest in joint ventures was as follows:

	% of ordinary share capital held	**Country of incorporation**
Curzon Park Limited	50	United Kingdom
King Street Developments (Hammersmith) Limited	50	United Kingdom
Walworth Investment Properties Limited	50	United Kingdom
CCZ a.s.	50	Czech Republic
CCY a.s.	50	Czech Republic
Prazsky Projekt a.s.	50	Czech Republic

Notes to the unaudited condensed interim finance results (continued)

15. Financial interest in property assets

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Opening balance at 1 October	**93.1**	93.7
Cash received from the instrument	**(6.3)**	(9.3)
Amounts taken to income statement	**3.4**	5.8
Amounts taken to other comprehensive income before tax	**(0.4)**	2.9
Closing balance	**89.8**	93.1

Amounts taken to the income statement in respect of the six months ended 31 March 2017 was £3.4m (31 March 2016: £4.5m).

Financial interest in property assets relates to the CHARM portfolio, which is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee. It is accounted for under IAS 39 in accordance with the designation available-for-sale financial assets and is valued at fair value. The fair value of the Group's interest has decreased and this decrease of £0.4m since September 2016 has been recognised in the statement of other comprehensive income available for sale reserve. £2.9m was taken to other comprehensive income in the year ended September 2016.

16. Trade and other receivables

	31 March 2017 (unaudited)	30 Sept 2016 (audited)
	£m	£m
Rent and other tenant receivables	**3.1**	3.1
Deduct: Provision for impairment of trade receivables	**(0.5)**	(0.5)
Rent and other tenant receivables – net	**2.6**	2.6
Amounts recoverable on contracts	**70.9**	50.5
Other receivables	**16.8**	4.2
Prepayments	**9.2**	6.7
	99.5	64.0

Notes to the unaudited condensed interim finance results (continued)

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

	31 March 2017 (unaudited) £m	30 Sept 2016 (audited) £m
Current liabilities		
Bank loans	**(1.7)**	(1.5)
Non-bank financial institution	**1.1**	101.1
Corporate bond	**(0.6)**	(0.6)
	(1.2)	99.0
Non-current liabilities		
Bank loans	**582.5**	447.7
Non-bank financial institution	**7.6**	23.9
Corporate bond	**273.4**	273.1
	863.5	744.7
Total interest-bearing loans and borrowings	**862.3**	843.7

17. Interest-bearing loans and borrowings and financial risk management – 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 2017 and as at 30 September 2016.

As at 31 March 2017, the fair value of interest bearing loans is greater by £29.5m (September 2016: £26.8m) than the book value, but there is no requirement under IAS 39 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

Market risk

The Group is exposed to market risk through interest rates, foreign exchange fluctuations, the availability of credit and house price movements relating to the Tricomm Housing portfolio and the CHARM portfolio. The Group internally measures its market risk exposure by running sensitivity analyses using a 1% per cent movement in interest rates as a reasonable possible change.

As at 31 March 2017, 85% (September 2016: 87%) of the group's borrowings were economically hedged to fixed or capped rate. Based on the Group's interest profile on the date of 31 March 2017, a +/- 1% change in interest rates would decrease/increase profits by £2.0m (September 2016: £1.8m). Based on a 19.5% effective tax rate the effect on equity of a 1% change would be £11.3m (September 2016: £14.5m). Interest rate swaps protect against interest rate movements. Where the Group's swaps qualify as effective hedges under IAS 39, movements on these swaps are recognised directly in other comprehensive income.

Notes to the unaudited condensed interim finance results (continued)

Fair value

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.

See pages 142 – 143 of the Annual Report and Accounts for September 2016 for details about definitions used for specific Grainger assets and liabilities. Fair value for swaps and other liabilities fall within Level 2. The CHARM portfolio (note 15) the Tricomm Housing portfolio, and investment property fall within Level 3. See note 15 for movement in financial interest in property assets and note 11 for movement in investment property.

	31 March 2017 (unaudited)		30 Sept 2016 (audited)	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Level 3				
Financial interest in property assets	**89.8**	**-**	93.1	-
Investment property	**308.9**	**-**	261.3	-
	398.7	**-**	354.4	-
Level 2				
Interest rate swaps – in cash flow hedge accounting relationships	**1.2**	**7.3**	-	13.1
Interest rate caps – not in cash flow hedge accounting relationships	**0.6**	**-**	0.3	-
Assets classified as held-for-sale	**3.3**	**-**	3.4	-
	5.1	**7.3**	3.7	13.1

Notes to the unaudited condensed interim finance results (continued)

18. Tax

£m	Unaudited As at 30 Sept 2016 (audited)	Payments in the period	Movements recognised in income	Movements recognised in other comprehensive income	As at 31 March 2017
Current tax	**4.8**	**(4.6)**	**6.4**	**-**	**6.6**
Deferred tax					
Trading property uplift to fair value on business combinations	**11.4**	**-**	**(0.4)**	**-**	**11.0**
Investment property revaluation	**17.0**	**-**	**0.3**	**-**	**17.3**
Accelerated capital allowances	**(0.2)**	**-**	**-**	**-**	**(0.2)**
Short-term timing differences	**(4.5)**	**-**	**1.3**	**-**	**(3.2)**
Actuarial deficit on BPT Limited pension scheme	**(1.0)**	**-**	**-**	**0.7**	**(0.3)**
Equity component of available-for-sale financial asset	**1.4**	**-**	**-**	**-**	**1.4**
Fair value movement in cash flow hedges and exchange	**(2.5)**	**-**	**-**	**1.3**	**(1.2)**
	21.6	**-**	**1.2**	**2.0**	**24.8**
Total tax - movement	**26.4**	**(4.6)**	**7.6**	**2.0**	**31.4**

The total tax charge for the period of £7.6m (2016: £7.1m) comprises:

	Unaudited **2017** **£m**	 2016 £m
UK Tax	**7.5**	7.3
Overseas Tax (discontinued)	**0.1**	(0.2)
	7.6	7.1

The main rate of Corporation tax in the UK fell from 20% to 19% from 1 April 2017 and will fall to 17% from 1 April 2020. Accordingly the Group's results for this accounting period are taxed at an effective rate of 19.5%. Deferred tax has been predominantly calculated at a rate of 17% (September 2016: 17%).

Deferred tax balances are disclosed as follows:

	31 March 2017 (unaudited) £m	30 Sept 2016 (audited) £m
Deferred tax assets: non-current assets	**5.3**	8.6
Deferred tax liabilities: non-current liabilities	**(30.1)**	(30.2)
Deferred tax	**(24.8)**	(21.6)

Notes to the unaudited condensed interim finance results (continued)

19. Trade and other payables

	31 March 2017 (unaudited) £m	30 Sept 2016 (audited) £m
Deposits received	**3.0**	2.6
Trade payables	**13.1**	16.0
Tax and social security costs	**4.0**	0.2
Accruals	**17.1**	18.2
Deferred income	**2.1**	1.4
	39.3	38.4

Deferred income includes £2.1m (2016: £1.4m) of rent received in advance.

20. Retirement benefits

The Group retirement benefit liability decreased by £4.8m to £0.4m in the six months ended 31 March 2017. The Group obtained an updated valuation of the assets and liabilities of the pension scheme for the purposes of the interim financial statements. The brought forward deficit of £5.2m was reduced by £0.2m of contributions and by £4.7m of actuarial gains and increased by £0.1m interest charged to the income statement. The assumptions used by the actuary reflect the market conditions as at 31 March 2017. Demographic and life expectancy assumptions are unchanged from the previous year end.

Assumptions

	31 March 2017 (unaudited)	**30 Sept 2016 (audited)**
Discount rate	**2.50%**	2.25%
Retail Price Index (RPI) Inflation	**2.85%**	3.10%
Consumer Price Index (CPI) Inflation	**1.85%**	2.10%
Salary increases	**3.35%**	3.60%
Rate of increase of pension payment	**5.00%**	5.00%
Rate of increase for deferred pensioners	**1.85%**	2.10%

21. Capital

As at 31 March 2017 there were 416,944,132 ordinary shares and 1,506,300 treasury shares in issue. The increase since September 2016 of 75,897 relate to the exercise of SAYE options.

22. Share based payment arrangements

The Group operates an 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’). Accounting for these schemes is consistent with the accounting described in the full year annual report in the year to 30 September 2016. The share based payments charge recognised in the income statement for the period is £0.9m (2016: £1.0m).

Notes to the unaudited condensed interim finance results (continued)

23. Derivative financial instruments

	31 March 2017 (unaudited)		30 Sept 2016 (audited)	
	Assets £m	**Liabilities £m**	**Assets £m**	**Liabilities £m**
Interest rate derivatives – in cash flow hedge accounting relationships	**1.2**	**7.3**	-	13.1
Interest rate derivatives – not in cash flow hedge accounting relationships	**0.6**	**-**	0.3	-
	1.8	**7.3**	0.3	13.1

In accordance with IAS 39, the Group has reviewed its interest rate hedges. In the absence of hedge accounting, movements in fair value have been taken directly to the income statement. However, where derivatives qualify for cash flow hedge accounting, the movement in fair value is taken to other comprehensive income through the cash flow hedge reserve. During the 6 months ended 31 March 2017 there was a credit to the cash flow hedge reserve of £7.2m net of tax (six months to 31 March 2016 a debit of £2.6m) in respect of derivatives.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a credit through the income statement of £0.4m (March 2016: charge of £4.1m).

24. Related party transactions

During the period ended 31 March 2017 the Group transacted with its joint ventures and associates (details of which are set out in notes 13 and 14). The related party transactions recognised in the Income Statement and Statement of Financial Position are as follows:

The Group provides a number of services to its joint ventures and associates including property and asset management services. The fees earned and outstanding in respect of these services are set out below:

	Unaudited			
	31 March 2017		31 March 2016	
	Fees recognised £'000	**Period end balance £'000**	Fees recognised £'000	Period end balance £'000
GRIP REIT PLC	**1,897**	**1,727**	1,805	1,687
Grainger Stuttgart Portfolios	**-**	**-**	288	-
Walworth Investment Properties Limited	**20**	**20**	20	20
	1,917	**1,747**	2,113	1,707

Notes to the unaudited condensed interim finance results (continued)

The interest earned on loans and balances outstanding are set out below:

	Unaudited					
	31 March 2017 Interest recognised	**31 March 2017 Period end loan balance**	**31 March 2017 Interest Rate**	31 March 2016 Interest recognised	30 Sept 2016 Period end loan balance (audited)	30 Sept 2016 Interest Rate (audited)
	£'000	**£m**	**%**	£'000	£m	%
GRIP REIT PLC	**375**	**22.7**	**Nil and 4.75**	423	19.9	Nil and 4.75
Czech Republic combined	**58**	**(3.4)**	**4.00**	-	(3.6)	4.00
Curzon Park Limited*	**-**	**21.9**	**Nil**	-	19.5	Nil
King Street Development (Hammersmith) Limited *	**-**	**8.2**	**Nil**	-	6.8	Nil
Walworth Investment Properties Limited	**156**	**-**	**7.00**	226	6.7	7.00
Vesta LP	**-**	**0.1**	**Nil**	-	0.1	Nil
	589	**49.5**		649	49.4	

* The amount disclosed above is the gross loan amount. Some provisions have been made against the loans.