19 May 2016

Grainger plc

("Grainger", the "Group" or the "Company")

Half year results for the six months ended 31 March 2016

Strong performance during a transformational period and significant progress against strategic targets

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

"Grainger has performed strongly in the first six months of the year. Good progress has been made against our key strategic targets of growing rental income, simplifying and focusing the business and improving operational performance.

"In the past six months we have secured £268m of investment into the private rented sector, nearly a third of our £850m target, with a further £398m in advanced stages. We have identified cost savings that will reduce our overheads by almost a quarter and will be realised fully in our next financial year. The board is pleased to announce our new dividend policy which is aligned to growing net rental income and will materially increase distributions to our shareholders."

Highlights

Strong financial performance

- Net rental income up 13% to £18.0m.
- Recurring profit up 13% to £25.4m.
- EPRA NNNAV growth of 8% to 283p per share.

Significant strategic progress

- Private rented sector (PRS) pipeline ahead of plan, with £268m of our £850m investment target secured.
- Operating cost savings of 24%, £8.6m, identified and to be fully realised in FY17.
- New dividend policy linked to net rental income, 1.45p interim dividend and an expected full year dividend of around 4p, representing c.50% growth from FY15.

Growing rents – increased performance and investment

- Rental increases for private rented sector (PRS) assets averaged 5.4% on new lets (excluding refurbishments) and 3.1% on renewals in the six months ended 31 March 2016. Regulated tenancy increases, where biennial rent reviews have been completed, averaged 3.7%.

- The secured PRS pipeline of £268m includes the refocus of our development schemes where appropriate to PRS and benefits from £41m invested in tenanted units and the £99m forward funding agreement for Clippers Quay, a build to rent PRS development in Salford.

Simplifying and focusing the business

- Profitable and EPRA NNNAV accretive exits from the equity release division (completed on 18 May) and Germany which combined will deliver a c.£500m reduction in net debt.

- Post period end disposal of non-core development land for £8.0m, delivering a profit on sale of £5.8m.

- Operational review has identified a minimum of £8.6m in overhead cost savings relative to September 2015 outturn of £36.1m, representing a reduction of 24%, which will reduce the 2017 overhead cost to £27.5m.

Strong financial performance

- EPRA NNNAV and EPRA NAV increased by 8% and 3% respectively since September 2015 to 283p and 329p (September 2015: 263p and 319p). The strong EPRA NNNAV performance has benefitted from the positive trading performance, good value growth, accretion from strategic disposals and reduced tax liabilities associated with lower corporation tax rates.

- Recurring profit from continuing operations* up 13% to £25.4m (HY15: £22.5m).

- Prices on sale of vacant properties averaging 6.8% above latest September 2015 valuations (HY15: 6.6%) delivering revenue of £66.2m and profit of £29.7m (HY15: £50.6m and £27.8m), helped by high levels of activity and volumes ahead of the changes to stamp duty land tax (SDLT).

- £13.0m revenue and £4.0m profit from development sales are ahead of expectations, which reflects a strong performance from the final phase of our Macaulay Walk, Clapham scheme (HY15: £27.0m and £8.6m).

- Profit before tax on continuing operations of £36.6m (HY15: £21.1m), supported by positive movements on valuations and derivatives.

- Net debt of £1,059m (FY15: £1,138m) and loan to value of 43.0% (FY15: 45.5%). Pro forma net debt of £696m and LTV of 33% reflecting the equity release and Germany disposals.

Dividend guidance

- New materially increased distribution policy, aligned to the rental growth strategy; during our strategic transition, the equivalent of 50% of net rental income will be distributed, with around one third of the payment declared at the interim results.

- Interim dividend^ of 1.45 pence per share (HY15: 0.64p), and an estimated total dividend for the year around 4p (FY15: 2.75p).

Outlook

Market conditions have been strong in the first half. The market value of our assets grew by 4.7%, once again outperforming the combined average of the Nationwide and Halifax house price indices (4.1%), and sales from our continuing operations, both our regulated tenancy sales on vacancy and development, have been very strong.

The second half has started well, helped by £5.8m of profit from a development land sale in Basingstoke, in line with our strategy to exit non-core development assets. Although sales on vacancy are expected to be first half weighted due to high levels of activity before the SDLT changes on 1 April, we expect recurring profit for the full year to be ahead of management expectations.

The significant cash generated through strategic disposals increases the pace at which we can transform the shape of the business to deliver improved and sustainable, rental income led, shareholder returns. We are actively considering, bidding on, and securing a number of compelling PRS investment opportunities, and will provide updates on these opportunities as they are secured.

* Continuing operations, i.e. excludes Retirement Solutions (excluding Charm) and Germany sales. 2015 restated.
^ The dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 2 June 2016.

Interim results presentation

Grainger plc will be holding a presentation for analysts and investors at 9.00a.m. (UK time), Thursday 19 May 2016.

The presentation will also be available live via webcast and a telephone dial-in facility. In addition, a copy of the presentation slides 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.
http://www.investis-live.com/grainger-plc/570b875857084b080049d0c5/z92

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

Conference call details:

Telephone: + 44 20 3059 8125
Password: Grainger

For further information, please contact:

Grainger plc	Camarco
Helen Gordon / Vanessa Simms / Kurt Mueller	Ginny Pulbrook / Geoffrey Pelham-Lane
Telephone: +44 (0) 20 7940 9500	Telephone: +44 (0) 20 3757 4992 / 4985

Chief Executive's Review

Overview

Grainger has performed strongly in the first six months of the year and good progress has been made against our key strategic targets of growing rental income, while simplifying and focusing the business to improve the operational performance.

Transformational disposals

The disposal of our equity release business completed on 18 May and our exit from Germany is largely complete. These disposals have been accretive, with discontinued operations adding £18m (4p per share) to EPRA NNNAV in the first half of the year. Combined, these disposals will reduce net debt by around £500m, providing substantial resources to support our investment in the UK private rented sector (PRS).

Following these disposals, Grainger will be a UK-focused business with primarily two types of residential assets: reversionary and PRS assets.

Grainger's total managed reversionary portfolio at 31 March 2016 from continuing operations had a market value of £1,427m (4,697 units), of which £1,345m (4,441 units) are wholly owned. Our total PRS portfolio's market value was £1,164m (3,979 units), of which £455m (2,133 units) is wholly owned.

Investment and pipeline

The first half has been a very active period for acquisitions and development of our PRS pipeline. We have secured £268m of investment into the PRS over the period, with a further £398m of investment identified and in planning or legals, of which we expect good conversion rates.

We have acquired £41m of tenanted residential properties (c.400 units) that should deliver approaching £3m of gross rental income per annum (c.7% gross yield). This includes the £14.5m recently purchased development in Liverpool (Kings Dock Mill), leveraging the existing scale of our operations in Liverpool and adding £1m to gross rental income.

We have exchanged contracts to acquire one of the largest PRS schemes to date in the UK, a £99m, 600 unit build to rent development in Salford Quays. Once fully let, the scheme should deliver a gross yield on cost approaching 8% and will integrate well with our existing operations in Manchester.

Grainger and APG's PRS fund (GRIP), in which Grainger has a 24.9% equity investment, acquired a £57m London PRS portfolio, Kew Bridge Court, which has development potential and we expect to deliver approaching £3m of annual gross rent following improvements.

We have also acquired £15m of regulated tenancies, which although not the primary focus for our new investment, continue to offer attractive total residential return opportunities.

Operational review and cost reduction

As referenced in our strategy update on 28 January, a detailed operational review has been undertaken to deliver significant and sustainable reductions in operating expenses, and a stronger platform for growth that will improve efficiency and overall returns for shareholders.

A 24% (£8.6m) reduction in overhead costs to £27.5m has been identified to date relative to the September 2015 outturn of £36.1m. £3.6m will be delivered from disposals, with a further £5.0m from restructuring and corporate overhead savings.

A one-off implementation cost of c.£3m is expected and the full benefits of the savings will be delivered in the next financial year (September 2017).

Over and above the overhead savings, other expenses are also being reviewed and we expect meaningful savings from the £3.2m overall group level reported for September 2015. We are also reviewing our operating platform to increase the scalability of the business and reduce direct property expenditure costs.

Dividend

Our new dividend policy, announced today, will materially increase distribution returns to shareholders and is aligned with the strategy of growing rents.

During our transition, and supported by our strong cash generation, we will distribute the equivalent of 50% of annual net rental income through dividend distributions, with around one third of the payment being declared at the interim results. As the shape of the business evolves to a rental led model, we are committed to delivering progressive and sustainable dividend returns.

The Board has declared an interim dividend of 1.45 pence per share (HY15: 0.64p). The estimated full year dividend is expected to be around 4 pence per share (FY15: 2.75p).

The interim dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 2 June 2016.

Market

Rental market

The UK rental market remains the fastest growing housing sector, growing to 4.3m households last year, 19% of all UK households; the second largest housing tenure after owner occupation.

Strong growth in PRS is expected to continue. Savills predicts the rental market to grow by a further 25%, 1.1m households, by 2020, with rental growth to average at least 3% per annum.

This growth in demand is supported by financial, as well as behavioural and cultural factors, such as the increasing friction costs of ownership, affordability issues (house prices to earnings), a growing tendency toward later family formation, increasing job mobility and lower security and changing spending patterns.

The largest and fastest growing demographic group in the PRS are millennials (25-34 year olds). Almost 50% of all individuals in this age group rent their home privately, a near doubling in the past decade.

While recent changes to SDLT on second homes are unhelpful to the fledging build-to-rent and PRS sector, the impact on Grainger is limited, as a large part of our investment focus is on development activity which is not affected by the new changes.

Although the Government's priority is to support home ownership, the PRS is critical to ensuring it can meet its key target of 1m new homes by 2020.

We are optimistic on the prospects for a high quality rental market, supported by strong evidence and socio-economic indicators.

House prices

The housing market, in terms of capital values and transactions, remains positive in many major cities and towns, with the exception of prime central London which has seen price growth and transactions moderate in recent months. Grainger has limited exposure to this market, which has been affected by SDLT changes and is more heavily influenced by international investors, and a susceptibility to geo-political factors, including the uncertainty caused by the upcoming EU referendum.

The wider housing market does not demonstrate the same characteristics as prime central London and prices are supported by a mismatch between supply and demand. We see a housing market that continues to be buoyed by good fundamentals which will support sales and valuation growth of our assets. The two main house price indices, Nationwide and Halifax, reported an average increase in house prices in the UK of 4.1% over the six month period ending 31 March 2016.

Conclusion

We believe the fundamentals for the UK housing market remain positive, particularly the prospects for growth in the rental market and we expect recurring profit for the full year to be ahead of management expectations. Our attention remains focused on delivering further progress in our PRS investment pipeline and implementing the operational changes and cost reductions as set out above.

Helen Gordon
Chief Executive
19 May 2016

Financial Review

Grainger has delivered strong financial performance in the six month period ended 31 March 2016 with growth in recurring profit and net asset values.

EPRA NNNAV has increased by 8% (20 pence per share) since 30 September 2015, fuelled by a strong trading performance, good valuation growth, accretive strategic disposals and reduced deferred and contingent tax liabilities associated with lower corporation tax rates.

Recurring profit from continuing operations has increased by 13%, with increased rental income and lower finance costs the primary drivers, which more than offset the expected impact of lower development sales volumes. The strength of the first half result and outlook for the second half, which is supported by £5.8m of profit from a development land sale, should enable us to deliver a full year financial performance which is ahead of management expectations.

Following the announcement of our exit from Germany and the sale of our equity release business, results arising from these assets have been classified as discontinued in accordance with IFRS 5. The following analysis relates to continuing operations.

Financial highlights

Income	**HY16**	**HY15**	**Change**
PRS rental growth (new lets / renewals)	5.4% / 3.1%	6.2% / 2.4%	(80)/70 bps
Net rental income	£18.0m	£16.0m	13%
Recurring profit	£25.4m	£22.5m	13%
Recurring earnings per share (after tax)	4.9p	4.3p	14%
Dividend per share	1.45p	0.64p	127%
Profit before tax	£36.6m	£21.1m	73%
Earnings per share (diluted)	7.3p	5.0p	46%
Capital	**HY16**	**FY15**	**Change**
EPRA NAV per share	329p	319p	3%
EPRA NNNAV per share	283p	263p	8%
Net debt	£1,059m	£1,138m	(7)%
Group LTV	43.0%	45.5%	(250)bps
Cost of debt (average)	4.5%	4.6%	(10)bps
Reversionary surplus	£332m	£329m	2%
Return on shareholder equity^ (6mth / 12mth)	**8.1%**	**10.0%**	

Income financials and reversionary surplus on a continuing operations basis
^ Growth in triple asset value (EPRA NNNAV) in the year plus dividend per share declared as a percentage of opening EPRA NNNAV

The table below summarises our recurring profit and profit before tax half year results for the six months ended 31 March 2016.

Income statement	**HY16**	**HY15***
Net rental income	18.0	16.0
Profit on sale of assets	36.5	38.3
Mortgage income (CHARM)	4.4	4.6
Management fees	3.3	3.0
Overheads	(16.2)	(15.0)
Other expenses	(0.8)	(0.8)
Joint ventures and associates	0.8	1.1
Net finance costs	(20.6)	(24.7)
Recurring profit	**25.4**	**22.5**
Valuation movements	14.6	8.7
Derivative movements	(4.1)	(8.7)
Non-recurring items	0.7	(1.4)
Profit before tax	**36.6**	**21.1**
Discontinued operations before tax	**(1.9)**	**(12.0)**

***** *Restated for continuing operations*
A reconciliation between the statutory income statement and recurring profit above is provided in note 3 of these accounts.

Net rental income

Net rental income increased by £2m year-on-year, primarily as a result of acquiring tenanted homes that deliver immediate income, a key strand of our PRS investment strategy.

Our regional focused acquisitions have delivered £2.6m of growth and rent increases a further £0.9m, more than offsetting the £0.9m net rent reduction from property disposals and marginal £0.6m increase in property expenditure largely associated with refurbishments works. The net rental margin is broadly stable at just over 70%.

Sales

The below table details the year on year sales performance.

The £1.8m year on year reduction in overall sales profit is largely driven by expected lower levels of activity and volumes from our Macaulay Walk, Clapham development following the peak year in 2015 which saw 20 units sold in the first half (HY16: 13 units sold). Development revenues and profit reduced to £13.0m and £4.0m respectively (HY15: £27.0m and £8.6m).

Prices at Macaulay Walk outperformed our sales price targets and the scheme's success is widely recognised; it won 'Best Mixed-Use Development' and 'Development of the Year' at The Sunday Times' British Homes Awards, highlighting the strength of our development capabilities and to date it has generated £81m of revenue and £27m of profit.

The residential sales performance has once again delivered excellent results, with a 31% increase in revenue to £71.3m (HY15: £54.5m) and a 9% increase in profits to £32.5m (HY15: £29.7m). Margins were impacted by sales of Assured Shorthold Tenancies from our Chelsea portfolio; we are yet to crystallise the higher margin reversionary value from this portfolio which will be enhanced by associated property development and asset improvements. Over the period, we have secured planning consent to extend and redevelop 10 ex-regulated tenancy properties within this portfolio, in total providing over 3,300 additional square feet. Underlying residential sales margins excluding Chelsea were broadly stable.

Volumes were 31% ahead of the prior year, with 239 units sold (HY15: 183), which reflects the high levels experienced ahead of the changes to SDLT legislation. This is expected to produce a greater first half weighting than normal this year.

Sales	**HY16**			**HY15***		
	Units sold	**Sales**	**Profit**	**Units sold**	**Sales**	**Profit**
		£m	**£m**		**£m**	**£m**
UK residential	174	62.7	29.6	152	47.4	27.7
Charm sales	27	3.5	0.1	26	3.2	0.1
Sales on vacancy	**201**	**66.2**	**29.7**	**178**	**50.6**	**27.8**
Tenanted and other	38	5.1	2.8	5	3.9	1.9
Residential sales total	**239**	**71.3**	**32.5**	**183**	**54.5**	**29.7**
Development		13.0	4.0		27.0	8.6
Continuing Operations	**239**	**84.3**	**36.5**	**183**	**81.5**	**38.3**
Reconciliation to statutory numbers						
Less Charm portfolio	*(27)*	*(3.5)*	*(0.1)*	*(26)*	*(3.2)*	*(0.1)*
Statutory sales and profit	***212***	***80.8***	***36.4***	***157***	***78.3***	***38.2***

** Restated for continuing operations*

Operating expenses

Overheads from continuing operations of £16.2m is in line with guidance for the full year outturn of c.£32.5m which reflected the sale of the Germany and equity release operations.

The cost reduction programme announced today and detailed in the Chief Executive's Review will deliver a 2017 overhead cost base of £27.5m, which is 24% (£8.6m) lower than the September 2015 overall group outturn of £36.1m and will be delivered for a one-off cost of c.£3m.

In addition to reducing overheads, we are assessing improvements that can be made to reduce property operating expenditure through streamlining processes and increasing efficiencies within our operating platform to enable greater scalability as we grow the business.

Other expenses for the overall group, which include abortive transaction costs and totalled £3.2m in 2015 will be actively managed. We see the potential to make meaningful reductions, which would be over and above the overhead cost savings.

Finance costs and capital structure

Significant progress has been made in reducing Grainger's finance costs, both in terms of the absolute quantum of interest and the overall cost of debt.

From a £91m net finance cost and over 6% cost of debt in 2012, the charge based on first half results from continuing operations has reduced by more than 50% to £41m on an annualised basis and the period end cost of debt was 4.5%.

The disposal of our equity release business, which completed on 18 May, and final receipts from the exit of our German assets will reduce net debt by a further c.£360m from the March 2016 position. The sale of these operations removes around £23m of German debt which has a low cost of just over 1% and c.£168m of expensive debt associated with the equity release business (c.7% average cost).

The capital structure of the business is in a strong position, supported by both our highly cash generative model and strategic disposals. Before reinvestment, our pro forma LTV of 33% provides substantial capacity for investment into income generating PRS assets and the lower cost structure will significantly enhance overall shareholder returns.

Prior to the redeployment of capital in support of the PRS growth strategy, our cost of debt will increase marginally due to the £275m corporate bond with a c.5% coupon being a greater proportion of the mix. However, we have good visibility that we can deliver our strategic target of a 4% cost of debt. Following re-investment our target LTV range is 40-45%.

The current incremental cost of debt, before any additional hedging is less than 2%, which highlights the potential to prudently utilise leverage to deliver strong earnings accretion.

Capital Structure	**HY16 Pro Forma^**	**HY16**	**FY15**
Net debt	£696m	£1,059m	£1,138m
Consolidated loan to value	33.4%	43.0%	45.5%
Headroom	£379m	£207m	£142m
Cost of debt (average)	4.4%	4.5%	5.3%
Cost of debt (period end)	4.7%	4.5%	4.6%

^ *Adjusted for equity release and Germany disposals. Cost of debt relates to continuing and discontinued operations.*

Profit before tax

PBT from continuing operations of £36.6m (HY15: £21.1m) benefits from greater valuation growth from wholly owned investment assets and joint ventures following a strong first half (£5.9m credit) and a lower derivatives charge (£4.6m).

We anticipate a total profit of approximately £53m from our equity release and German disposals in the 2016 financial year which are treated as discontinued operations. Around £61m of profit is expected from the sale of discontinued activities in the second half following a net £8m charge in the first half which relates to these disposals.

Tax

The Group has a tax charge from continuing operations of £6.2m.

The changes to SDLT have been reflected in our first half valuations. The expected exemption for large investors and corporates on the second homes surcharge did not materialise, although reliefs are available on purchases of multiple dwellings and there is no impact on development activity. We are reflecting any relevant changes in our acquisition criteria and pricing.

Grainger is actively involved in the BEPS (base erosion and profit shifting) consultation which relates to proposals for new interest deductibility rules for tax. We do not currently expect BEPS to have a material impact on the business due to the ability to apply a group ratio rule.

The Group works in an open and transparent manner with the tax authorities. HM Revenue & Customs has graded the Group as a 'low risk' taxpayer. The Group is committed to maintaining this status.

Dividend

The Board has implemented a revised dividend policy to enhance distribution returns to shareholders, with payment aligned to the group's strategy of driving rental growth.

During our transition, supported by our strong cash generation, the dividend policy is to distribute the equivalent to 50% of annual net rental income, with around one third of this amount distributed in the interim dividend and the balance through the final dividend. As the shape of the business evolves to a rental led model, we are committed to delivering progressive and sustainable dividend returns.

As a result an interim dividend of 1.45p per ordinary share has today been declared (HY15 interim dividend of 0.64p). The dividend proposed equates to a payment of £6.0m (HY15: £2.6m) and earnings covers the dividend by 5.0 times (HY15: 2.4 times).

The interim dividend will be paid on 1 July 2016 to shareholders on the register at the close of business on 2 June 2016.

We expect the total dividend for the year to be around 4p per share (FY15 overall payment of 2.75p per share).

Net assets

Good value growth has been delivered in the six month period ended 31 March 2016, with EPRA NNNAV increasing by 8% and the market value of our assets increasing by 4.7% compared to 4.1%, the average of the Nationwide and Halifax house price indices, since 30 September 2015.

The substantial reduction in net debt and LTV, enabled by our strategic disposals, supports our PRS investment plans, and has been achieved whilst also generating value (£18m benefit to EPRA NNNAV or 4 pence per share from discontinued operations). Whilst this has been recognised within the first half results, additional cash receipts and debt transfers will be delivered in the second half. No further material impact is expected on EPRA NNNAV or EPRA NAV from these transactions.

Net asset values

	HY16	FY15
EPRA NAV – gross net asset value per share	329p	319p
EPRA NNNAV – triple net asset value per share	283p	263p

Reconciliation of EPRA NAV to EPRA NNNAV	**HY16 £'m**	**HY16 p per share**
EPRA NAV	1,378	329
Deferred and contingent tax	(153)	(36)
Fair value of derivatives adjustments net of tax	(40)	(10)
EPRA NNNAV	1,185	283

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 4 to the accounts in this announcement.

The major movements in EPRA NNNAV in the period are:

	£m	**p per share**
EPRA NNNAV at 30 September 2015	**1,101**	**263**
Profit after tax (before disc. operations and derivatives)	34	8
Revaluation gains on trading stock held at 31 March 2016	76	18
Disposals from continuing operations	(26)	(6)
Discontinued operations	18	4
Deferred and contingent tax, dividends and other	(12)	(3)
Derivatives	(6)	(1)
EPRA NNNAV at 31 March 2016	**1,185**	**283**

Profit after tax (before discontinued operations and derivatives) contributed earnings of £34m (8p per share) in the half year, of which £15m relates to valuation gains. In addition, the market value of trading stock has increased by £76m, as a result of a 4.7% increase in market value in the six months. We continue to see strong performance from our geographically diverse portfolio, the most significant value increases originating from our assets located in Outer London and the South East, where market values increased by 9.5% and 8.1% respectively delivering an increase of £22m (5p per share).

The positive valuation growth in the first half has been delivered despite absorbing the impact of the SDLT changes.

We have seen a £15m (4p per share) benefit from substantively enacted lower corporation tax rates which reduces Grainger's deferred and contingent tax liabilities.

Adjusting for disposals from continuing operations, EPRA NNNAV reduced by £26m (6p per share), reflecting the difference between the book value and market value sold. Discontinued operations added £18m (4p per share) to EPRA NNNAV, primarily due to the reduction in contingent tax and mark to market adjustments on specific debt secured on the portfolio.

The lower rate of EPRA NAV growth relative to EPRA NNNAV is a result of adjustments related to the equity release disposal.

Having fully considered the Group's current trading, cash flow generation and debt maturity, the directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Having delivered a 13% increase in recurring profit and 8% growth in EPRA NNNAV in the first half, we anticipate a good second half performance and strong year overall.

Vanessa Simms
Finance Director
19 May 2016

Directors' responsibility statement

The directors confirm that this condensed set of interim financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the six months and the 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

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Grainger plc are listed in the Grainger plc Annual Report and Accounts for the year ended 30 September 2015 and on the Grainger plc website: www.graingerplc.co.uk

The following changes have been made since 30 September 2015; Helen Gordon was appointed as Chief Executive Officer on 3 November 2015. Vanessa Simms was appointed as Finance Director on 11 February 2016. Rob Wilkinson was appointed as a non-executive director on 1 October 2015. Andrew Cunningham retired from the board on 4 January 2016. Mark Greenwood retired from the Board on 22 December 2015.

Vanessa Simms
Director
19 May 2016

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 2016 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 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.

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.

Whilst the company has previously produced a half-yearly report containing a condensed set of financial statements, those financial statements have not previously been subject to a review by an independent auditor. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 31 March 2015.

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 2016 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 2016

Condensed Consolidated Income Statement

For the 6 months ended 31 March 2016	Notes	Unaudited **2016** **£m**	 2015 Restated £m
Group revenue	3,6	**109.0**	103.1
Net rental income	7	**18.0**	16.0
Profit on disposal of trading property	8	**36.1**	38.2
Profit on disposal of investment property	9	**0.3**	-
Income from financial interest in property assets	19	**4.5**	4.7
Fees and other income	10	**4.1**	3.0
Administrative expenses		**(16.2)**	(15.0)
Other expenses	11	**(0.8)**	(1.8)
Impairment of inventories to net realisable value		**(0.2)**	-
Write back of (impairment of) joint ventures	17	**0.4**	(0.4)
Operating profit before net valuation gains on investment property		**46.2**	44.7
Net valuation gains on investment property	14	**7.9**	2.4
Operating profit after net valuation gains on investment property		**54.1**	47.1
Change in fair value of derivatives	28	**(4.1)**	(8.7)
Finance costs		**(21.7)**	(25.7)
Finance income		**1.0**	1.0
Share of profit of associates after tax	4,16	**5.5**	4.4
Share of profit of joint ventures after tax	4,17	**1.8**	3.0
Profit before tax-continuing operations		**36.6**	21.1
Tax charge for the period-continuing operations	22	**(6.2)**	(0.2)
Profit for the year-continuing operations		**30.4**	20.9
Discontinued operations			
Loss after tax for the period for discontinued operations	2	**(2.8)**	(14.5)
Profit for the period attributable to the owners of the company		**27.6**	6.4
Basic Earnings per share	12	**6.7p**	1.6p
Diluted Earnings per share	12	**6.6p**	1.5p
Basic Earnings per share - continuing operations only	12	**7.3p**	5.1p
Diluted Earnings per share - continuing operations only	12	**7.3p**	5.0p

Notes

The 2015 comparative have been restated throughout these interim financial statements to show the results from continuing and discontinued operations separately. See note 2 for analysis of discontinued operations which includes the sale of subsidiaries and interest in associate.

Condensed Consolidated Statement of Other Comprehensive Income

		Unaudited	
			2015
		2016	Restated
For the 6 months ended 31 March 2016	Notes	**£m**	£m
Profit for the year-continuing operations		**30.4**	20.9
Items that will not be transferred to the consolidated income statement:			
Actuarial loss on BPT defined benefit pension scheme	24	**(1.3)**	-
Items that may be reclassified to the consolidated income statement:			
Fair value movement on financial interest in property assets	19	**0.6**	7.4
Exchange adjustments on retranslation of foreign operations		**(0.8)**	(0.7)
Exchange adjustments recycled on disposal of foreign operations	2	**(1.7)**	-
Changes in fair value of cash flow hedges		**(2.6)**	(2.7)
Other comprehensive income and expense for the period before tax		**(5.8)**	4.0
Tax relating to components of other comprehensive income:			
Tax related to items that may be reclassified to the consolidated income statement		**-**	(0.7)
Tax related to items that will not be reclassified to the consolidated income statement	22	**0.2**	-
Other comprehensive income and expense for the period after tax - continuing operations		**(5.6)**	3.3
Loss after tax - discontinued operations	2	**(2.8)**	(14.5)
Total other comprehensive income and expense for the period attributable to the owners of the Company		**22.0**	9.7

Included within the Condensed Consolidated Statement of Other Comprehensive Income is a charge of £0.3m (2015: a charge of £0.5m) in respect of associates and joint ventures.

Condensed Consolidated Statement of Financial Position

As at 31 March 2016	Notes	Unaudited March 2016 £m	Audited Sept 2015 £m
Non-current assets			
Investment property	14	**204.7**	357.8
Property, plant and equipment		**2.1**	1.6
Investment in associates	16	**106.4**	108.4
Investment in joint ventures	17	**73.6**	70.8
Financial interest in property assets	19	**94.1**	93.7
Deferred tax assets	22	**11.9**	12.0
Intangible assets		**1.7**	2.7
		494.5	647.0
Current assets			
Inventories	15	**936.4**	1,152.2
Trade and other receivables	20	**31.9**	31.6
Derivative financial instruments	28	**1.3**	2.0
Cash and cash equivalents		**65.7**	88.8
Assets classified as held-for-sale	18	**324.7**	-
		1,360.0	1,274.6
Total assets		**1,854.5**	1,921.6
Non-current liabilities			
Interest-bearing loans and borrowings	21	**946.8**	1,093.1
Retirement benefits	24	**2.7**	1.7
Provisions for other liabilities and charges	25	**0.2**	0.2
Deferred tax liabilities	22	**28.7**	32.3
		978.4	1,127.3
Current liabilities			
Interest-bearing loans and borrowings	21	**-**	133.3
Trade and other payables	23	**32.8**	56.9
Provisions for other liabilities and charges	25	**0.6**	0.7
Current tax liabilities	22	**8.7**	3.0
Derivative financial instruments	28	**39.7**	35.5
Liabilities classified as held-for-sale	18	**215.6**	-
		297.4	229.4
Total liabilities		**1,275.8**	1,356.7
Net assets		**578.7**	564.9
Capital and reserves attributable to the owners of the Company			
Issued share capital	26	**20.9**	20.9
Share premium		**110.7**	110.7
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(6.1)**	(3.5)
Available-for-sale reserve		**5.2**	4.6
Retained earnings		**427.5**	411.7
Equity attributable to the owners of the Company		**578.6**	564.8
Non-controlling interests		**0.1**	0.1
Total equity		**578.7**	564.9

Consolidated Statement of Changes in Equity

For the 6 months ended 31 March 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	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	24	-	-	-	-	-	-	(1.3)	-	(1.3)
Fair value movement on financial interest in property assets	19	-	-	-	-	-	0.6	-	-	0.6
Exchange adjustments on retranslation of foreign operations		-	-	-	-	-	-	(0.8)	-	(0.8)
Exchange differences recycled on disposal of foreign operations	2	-	-	-	-	-	-	(1.7)	-	(1.7)
Changes in fair value of cash flow hedges	28	-	-	-	-	(2.6)	-	-	-	(2.6)
Tax relating to components of other comprehensive income	22	-	-	-	-	-	-	0.2	-	0.2
Total comprehensive income and expense for the period		-	-	-	-	(2.6)	0.6	24.0	-	22.0
Purchase of own shares		-	-	-	-	-	-	(0.5)	-	(0.5)
Share-based payments charge	27	-	-	-	-	-	-	1.0	-	1.0
Dividends paid	13	-	-	-	-	-	-	(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

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2015 and 30 September 2015	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 2014 (audited)		**20.9**	**110.4**	**20.1**	**0.3**	**(1.4)**	**4.6**	**382.7**	**0.1**	**537.7**
Profit for the period		-	-	-	-	-	-	6.4		6.4
Fair value movement on financial interest in property assets		-	-	-	-	-	7.4	-	-	7.4
Exchange adjustments on retranslation of foreign operations		-	-	-	-	-	-	(0.7)	-	(0.7)
Changes in fair value of cash flow hedges		-	-	-	-	(2.7)	-	-	-	(2.7)
Tax relating to components of other comprehensive income		-	-	-	-	0.7	(1.4)	-	-	(0.7)
Total comprehensive income and expense for the period		-	-	-	-	(2.0)	6.0	5.7	-	9.7
Purchase of own shares		-	-	-	-	-	-	(4.5)	-	(4.5)
Share-based payments charge		-	-	-	-	-	-	1.1	-	1.1
Dividends paid		-	-	-	-	-	-	(7.8)	-	(7.8)
Balance as at 31 March 2015 (unaudited)		**20.9**	**110.4**	**20.1**	**0.3**	**(3.4)**	**10.6**	**377.2**	**0.1**	**536.2**
Profit for the period		-	-	-	-	-	-	36.3	-	36.3
Actuarial gain on BPT Limited defined benefit pension scheme	24	-	-	-	-	-	-	(0.6)	-	(0.6)
Fair value movement on financial interest in property assets		-	-	-	-	-	(7.4)	-	-	(7.4)
Changes in fair value of cash flow hedges		-	-	-	-	1.9	-	-	-	1.9
Tax relating to components of other comprehensive income	22	-	-	-	-	(2.0)	1.4	0.7	-	0.1
Total comprehensive income and expense for the period		-	-	-	-	(0.1)	(6.0)	36.4	-	30.3
Purchase of own shares		-	-	-	-	-	-	(0.2)	-	(0.2)
Award of SAYE shares		-	0.3	-	-	-	-	-		0.3
Share-based payments charge		-	-	-	-	-	-	0.9	-	0.9
Dividends paid	13	-	-	-	-	-	-	(2.6)	-	(2.6)
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**

Condensed Consolidated Statement of Cash Flows

For the 6 months ended 31 March 2016	Notes	Unaudited **2016** **£m**	 2015 £m
Cash flow from operating activities			
Profit for the period		**27.6**	6.4
Depreciation and amortisation		**0.3**	0.4
Net valuation gains/ impairments on investment property, assets held-for-sale	14,18	**(3.3)**	(4.3)
Net finance costs		**40.3**	30.6
Profit on disposal of discontinued operation	2	**(8.6)**	-
Share of profit of associates and joint ventures	16,17	**(7.3)**	(8.6)
Share-based payment charge		**1.0**	1.1
Change in fair value of derivatives		**4.1**	9.0
Profit on disposal of investment properties	9	**(0.3)**	-
Interest income from financial interest in property assets	19	**(4.5)**	(4.7)
Impairment of inventories		**0.2**	-
(Write back of) impairment of joint venture		**(0.4)**	0.4
Tax	22	**7.1**	2.7
Operating profit before changes in working capital		**56.2**	33.0
(Increase)/ decrease in trade and other receivables		**(6.7)**	31.3
(Decrease)/ increase in trade and other payables		**(3.1)**	0.1
Decrease in provisions for liabilities and charges		**(0.1)**	(0.1)
Decrease in inventories		**5.9**	0.1
Cash generated from operations		**52.2**	64.4
Interest paid		**(22.7)**	(29.1)
Tax cash inflow/ (outflow)	22	**0.9**	(1.7)
Payments to defined benefit pension scheme		**(0.3)**	(0.6)
Net cash inflow from operating activities		**30.1**	33.0
Cash flow from investing activities			
Proceeds from sale of investment property		**6.0**	3.1
Proceeds from financial interest in property assets	19	**4.7**	4.4
Net proceeds from disposal of discontinued operations		**69.8**	-
Interest received		**0.4**	-
Distributions received	16,17	**0.7**	0.8
Investment in associates and joint ventures	16,17	**(16.5)**	(4.1)
Acquisition of investment property	14	**(33.6)**	(10.0)
Acquisition of property, plant and equipment and intangible assets		**(1.0)**	(0.4)
Net cash inflow/ (outflow) from investing activities		**30.5**	(6.2)
Cash flows from financing activities			
Purchase of own shares		**(0.5)**	(4.5)
Proceeds from new borrowings		**136.6**	231.2
Purchase of interest rate caps		**(1.0)**	(2.9)
Disposal of related finance costs-loan break		**(11.7)**	-
Settlement of derivative contracts		**-**	(17.9)
Repayment of borrowings		**(185.4)**	(190.3)
Dividends paid	13	**(8.7)**	(7.8)
Net cash (outflow)/ inflow from financing activities		**(70.7)**	7.8

Condensed Consolidated Statement of Cash Flows continued

For the 6 months to 31 March 2016	Notes	Unaudited **2016** **£m**	 2015 £m
Net (decrease)/ increase in cash and cash equivalents		**(10.1)**	34.6
Cash and cash equivalents at the beginning of the period		**88.8**	74.4
Net exchange movements on cash and cash equivalents		**0.2**	4.3
Cash and cash equivalents at the end of the period		**78.9**	113.3
Cash and cash equivalents are shown as:			
Cash and cash equivalents –Consolidated statement of financial position		**65.7**	113.3
Cash and cash equivalents –Disposal group-assets classified as held -for -sale	18	**13.2**	-
Cash and cash equivalents at the end of the period		**78.9**	113.3

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

Cash flows from discontinued operations are shown in note 5 to the accounts.

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 Financial 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 2015 which have been prepared in accordance with International Financial Reporting Standards (IFRSs') 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 2015 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 to 31 March 2016 Condensed Consolidated Income Statement are the six month period to 31 March 2015 Condensed Consolidated Income Statement and it is not necessary to disclose the Condensed Consolidated Income Statement for the full year ended 30 September 2015 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2015 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 International Financial Standards ('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 2016 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 2015 and later periods are disclosed on page 94 of the Annual Report and Accounts for the year ended 30 September 2015. 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 of the 2015 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 in the Annual Report for September 2015.There have been no significant updates to risk, or failures of control, within the reporting period.

Notes to the unaudited condensed interim financial results (continued)

1d Forward-looking statements

Certain statements in this preliminary 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 in the Annual Report for the year ended 30 September 2015. There has been no significant change made in the period to 31 March 2016 except for the following:

The Retirement Solutions division, excluding CHARM, and the German residential division have been classified as discontinued operations and the assets and liabilities held at 31 March 2016 are classified as held-for-sale. They have been measured at the lower of the carrying amount and fair value less costs to sell.

Notes to the unaudited condensed interim financial results continued

2. Discontinued Operations and profit or loss on sale of discontinued operations

2 a Discontinued operations-results

As at 31 March 2016, both the German residential and Retirement Solutions divisions excluding CHARM meet the criteria of IFRS5 as assets held-for-sale and discontinued operations.

The Retirement Solutions division (excluding CHARM) and the German operations have been classified as discontinued and the prior period condensed consolidated income statement has been restated. The income generated from CHARM assets continues to be presented within the income statement within continuing operations as income from financial interest in property assets. See note 19 for details of movement in the year on CHARM. Results of discontinued analysis are shown below:

For the 6 months ended 31 March 2016	Notes	**Unaudited 2016 £m**	Unaudited 2015 Restated £m
Group revenue		**30.2**	22.8
Net rental income		**3.0**	3.0
Profit on disposal of trading property		**11.2**	6.8
Fees and other income		**1.2**	1.4
Administrative expenses		**(1.9)**	(1.8)
Operating profit before net valuation gains on investment property		**13.5**	9.4
Net valuation gains on investment property		**-**	2.0
Operating profit after net valuation gains on investment property		**13.5**	11.4
Change in fair value of derivatives		**-**	(0.3)
Finance costs		**(7.3)**	(5.9)
Share of profit of joint ventures after tax		**0.2**	1.0
Impairment of deferred consideration receivable and associated MTM and other costs		**-**	(18.2)
Profit/ (loss) before disposal related activity		**6.4**	(12.0)
Finance costs - disposal related		**(12.3)**	-
Impairment of assets held for sale		**(4.6)**	-
Profit on sale of discontinued operations subsidiaries and associate		**8.6**	-
Discontinued disposal and impairment related loss before tax	**2b**	**(8.3)**	-
Loss before tax		**(1.9)**	(12.0)
Current tax:			
Current tax on operating activities	**22**	**(0.8)**	(2.5)
Current tax on loss on sale of discontinued operations	**22**	**(0.1)**	-
Loss after tax		**(2.8)**	(14.5)
Basic loss per share - discontinued operations		**(0.6)p**	(3.5)p
Diluted loss per share - discontinued operations		**(0.7)p**	(3.5)p

2 b Profit or loss on sale of discontinued operations

Retirement Solutions

On 4 January 2016, Grainger announced that it had exchanged contracts with Turbo Group Holdings Limited ("Turbo"), an entity owned by Patron Capital Partners and Electra Private Equity plc to sell its equity release division ("Retirement Solutions") excluding CHARM.

Finance costs of £12.3m associated with this disposal have been disclosed within the discontinued operations table. The “Turbo” transaction will generate a substantial profit of circa £61m for Grainger in the second half of the year. Overall therefore, in the year ended 30 September 2016 Grainger will make a profit from the sale of Turbo of circa £49m. The transaction completed on 18 May 2016.

Germany

In Germany we have disposed of our interest in the MH Grainger JV Sarl, in FRM GmbH and in Grainger Deutschland GmbH which included our management platform and German staff.

The overall profit from the German disposals was £8.6m which includes the impact of recycling of the translation reserve. There was an associated income tax charge on the gain on sale of £0.1m as disclosed in the discontinued operations table.

The net assets in Grainger Recklinghausen Portfolio one GmbH (“GRP1”), Grainger Recklinghausen Portfolio two GmbH (“GRP 2”), and Grainger Portfolio 3 GmbH are still to be sold at 31 March 2016 and are classified as held-for-sale. Contracts for the sale of GRP1 and GRP 2 were exchanged in April 2016 and completion is expected in early June 2016. The German assets remaining at 31 March 2016 are classified as assets held-for-sale and are included in note 18 with other assets held-for-sale. An impairment charge of £4.6m has been made against these assets held-for-sale to measure them at fair value less costs to sell.

Notes to the unaudited condensed interim financial results continued

3. Analysis of profit before tax-continuing operations

The results for the six months ended 31 March 2016 and 2015 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.

(£m)	Unaudited 2016 Trading	Valuation	Non-recurring	Total	Unaudited 2015 Restated Trading	Valuation	Non-recurring	Total
Group revenue	**108.2**	**-**	**0.8**	**109.0**	103.1	-	-	103.1
Net rental income	**18.0**	**-**	**-**	**18.0**	16.0	-	-	16.0
Profit on disposal of trading property	**36.1**	**-**	**-**	**36.1**	38.2	-	-	38.2
Profit on disposal of investment property	**0.3**	**-**	**-**	**0.3**	-	-	-	-
Income from financial interest in property assets	**4.5**	**-**	**-**	**4.5**	4.7	-	-	4.7
Fees and other income	**3.3**	**-**	**0.8**	**4.1**	3.0	-	-	3.0
Administrative expenses	**(16.2)**	**-**	**-**	**(16.2)**	(15.0)	-	-	(15.0)
Other expenses	**(0.8)**	**-**	**-**	**(0.8)**	(0.8)	-	(1.0)	(1.8)
Impairment of inventories to net realisable value	**-**	**(0.2)**	**-**	**(0.2)**	-	-	-	-
Write back of (impairment of) joint venture		**0.4**	**-**	**0.4**	-	-	(0.4)	(0.4)
Operating profit before net valuation gains on investment property	**45.2**	**0.2**	**0.8**	**46.2**	**46.1**	**-**	**(1.4)**	**44.7**
Net valuation gains on investment property	-	**7.9**	**-**	**7.9**	-	2.4	-	2.4
Operating profit after net valuation gains on investment property	**45.2**	**8.1**	**0.8**	**54.1**	**46.1**	**2.4**	**(1.4)**	**47.1**
Change in fair value of derivatives	**-**	**(4.1)**		**(4.1)**	-	(8.7)	-	(8.7)
Finance costs	**(21.6)**	**-**	**(0.1)**	**(21.7)**	(25.7)	-	-	(25.7)
Finance income	**1.0**	**-**	**-**	**1.0**	1.0	-	-	1.0
Share of profit of associates after tax, continuing operations	**0.7**	**4.8**	**-**	**5.5**	1.1	3.3	-	4.4
Share of profit of joint ventures after tax, continuing operations	**0.1**	**1.7**	**-**	**1.8**	-	3.0	-	3.0
Profit before tax - continuing operations	**25.4**	**10.5**	**0.7**	**36.6**	**22.5**	**-**	**(1.4)**	**21.1**

Non-Recurring

The group has received income of £0.8m in the period relating to the settlement of a claim against a contractor engaged on a completed refurbishment.

4. 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 two segments Retirement Solutions and German Residential which are now classified as discontinued are combined and analysed in note 2. 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 the trading profit or loss before valuation gains or deficits on investment property and excluding all revaluation and non-recurring items. The CODM reviews by segment two key balance sheet measures of net asset value. These are EPRA Net Asset Value and EPRA Triple Net Asset Value.

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	-	-	-	4.5	4.5
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)	-	(0.5)	(0.8)
Trading profit before interest and trading from joint ventures and associates	**46.2**	**3.3**	**1.3**	**(5.6)**	**45.2**
Net trading interest (payable)/ receivable	(4.0)	0.2	0.7	(17.5)	(20.6)
Share of trading profit from joint ventures and associates after tax	-	-	0.8	-	0.8
Trading profit before tax, valuation and non-recurring items					**25.4**
Impairment of inventories to net realisable value	(0.1)	(0.1)	-	-	(0.2)
Write back of joint ventures	-	0.4	-	-	0.4
Net valuation gains on investment property	7.9	-	-	-	7.9
Change in fair value of derivatives	-	-	-	(4.1)	(4.1)
Share of valuation gains in joint ventures and associates after tax	-	-	6.5	-	6.5
Net non-recurring items*	-	-	-	0.7	0.7
Profit before tax-continuing operations					**36.6**

*Fees exclude £0.8m of non- recurring fee income. See note 3 for details. Net non-recurring items include £0.8m of other income net of £0.1m of finance costs.

Notes to the unaudited condensed interim financial results continued

4. Segmental information (continued)

2015 Income Statement (restated) - continuing operations (Unaudited)

(£m)	Residential	Development	Funds	Other	Total
Group revenue					
Segment revenue-external	73.3	27.3	2.5	-	103.1
Net rental income	15.9	0.1	-	-	16.0
Profit on disposal of trading property	29.6	8.6	-	-	38.2
Income from financial interest in property assets	-	-	-	4.7	4.7
Fees and other income	0.2	0.3	2.5	-	3.0
Administrative expenses	(4.2)	(0.5)	(1.9)	(8.4)	(15.0)
Other expenses	(0.1)	-	(0.1)	(0.6)	(0.8)
Trading profit before interest and trading from joint ventures and associates	**41.4**	**8.5**	**0.5**	**(4.3)**	**46.1**
Net trading interest (payable)/receivable	(4.0)	-	0.8	(21.5)	(24.7)
Share of trading profit from joint ventures and associates after tax	-	-	1.1	-	1.1
Trading profit before tax, valuation and non-recurring items					**22.5**
Net valuation gains on investment property	2.4	-	-	-	2.4
Impairment of joint venture	-	(0.4)	-	-	(0.4)
Change in fair value of derivatives	-	-	(0.3)	(8.4)	(8.7)
Share of valuation gains in joint ventures and associates after tax	-	-	6.3	-	6.3
Net non-recurring items	-	-	(0.9)	(0.1)	(1.0)
Profit before tax-continuing operations					**21.1**

Potential future changes to segmental information.

The tables included in this set of interim financial results outline the way in which the business is currently managed. This is in accordance with requirements of the accounting standard IFRS 8.

However, there is an intention to change the way the business is managed in the future after an internal review of structure and operations. We will amend the future segmental information at the appropriate time to reflect this change.

Segmental assets

The majority of the Group's properties are classified as trading stock and are therefore shown in the statutory balance sheet 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 balance sheet 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 Triple Net Asset Value (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 balance sheet 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.

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.

Notes to the unaudited condensed interim financial results (continued)

4. Segmental information (continued)

2016 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	**204.7**	**-**	**204.7**	**-**	**-**	**204.7**
Investment in associates	**106.4**	**0.9**	**107.3**	**-**	**(0.9)**	**106.4**
Investment in joint ventures	**73.6**	**7.9**	**81.5**	**(7.7)**	**(0.2)**	**73.6**
Financial interest in property assets	**94.1**	**-**	**94.1**	**-**	**-**	**94.1**
Intangible assets	**1.7**	**-**	**1.7**	**-**	**-**	**1.7**
Inventories – trading property	**936.4**	**665.2**	**1,601.6**	**-**	**-**	**1,601.6**
Trade and other receivables	**31.9**	**-**	**31.9**	**-**	**-**	**31.9**
Cash and cash equivalents	**65.7**	**-**	**65.7**	**-**	**-**	**65.7**
Property, plant and equipment	**2.1**	**-**	**2.1**	**-**	**-**	**2.1**
Deferred tax asset	**11.9**	**(7.1)**	**4.8**	**-**	**8.8**	**13.6**
Assets classified as held-for-sale	**324.7**	**61.3**	**386.0**	**-**	**-**	**386.0**
Derivative financial instruments	**1.3**	**(1.3)**	**-**	**-**	**1.3**	**1.3**
Value of own shares held	**-**	**7.7**	**7.7**	**-**	**-**	**7.7**
Total assets	**1,854.5**	**734.6**	**2,589.1**	**(7.7)**	**9.0**	**2,590.4**
Interest-bearing loans and borrowings	**(946.8)**	**-**	**(946.8)**	**-**	**(9.7)**	**(956.5)**
Trade and other payables	**(32.8)**	**-**	**(32.8)**	**-**	**-**	**(32.8)**
Retirement benefits	**(2.7)**	**-**	**(2.7)**	**-**	**-**	**(2.7)**
Current tax liabilities	**(8.7)**	**-**	**(8.7)**	**-**	**-**	**(8.7)**
Provisions for other liabilities and charges	**(0.8)**	**-**	**(0.8)**	**-**	**-**	**(0.8)**
Deferred and contingent tax liabilities	**(28.7)**	**25.2**	**(3.5)**	**(144.9)**	**-**	**(148.4)**
Derivative financial instruments	**(39.6)**	**39.6**	**-**	**-**	**(39.6)**	**(39.6)**
Liabilities classified as held- for- sale	**(215.7)**	**0.1**	**(215.6)**	**-**	**(0.1)**	**(215.7)**
Total liabilities	**(1,275.8)**	**64.9**	**(1,210.9)**	**(144.9)**	**(49.4)**	**(1,405.2)**
Net assets	**578.7**	**799.5**	**1,378.2**	**(152.6)**	**(40.4)**	**1,185.2**

March 2016 Segment net assets (Unaudited)

	Continuing				**Discontinued**			
(£m)	**Residential**	**Development**	**Funds**	**Other**	**German Residential**	**Retirement Solutions**	**Total**	**Pence per share**
Total segment net assets (statutory)	**226.6**	**98.6**	**107.1**	**40.7**	**32.9**	**72.8**	**578.7**	**-**
Total segment net assets (EPRA NAV)	**933.2**	**99.9**	**115.7**	**62.2**	**33.0**	**134.2**	**1,378.2**	**329**
Total segment net assets (EPRA NNNAV)	**770.9**	**99.7**	**107.1**	**48.3**	**32.9**	**126.3**	**1,185.2**	**283**

The ‘Other’ Category includes CHARM assets within continuing operations, which were previously included in the Retirement Solutions division.

4. Segmental information (continued)

September 2015 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	357.8	-	357.8	-	-	357.8
Investment in associates	108.4	4.8	113.2	(3.5)	(1.3)	108.4
Investment in joint ventures	70.8	8.0	78.8	(7.8)	(0.2)	70.8
Financial interest in property assets	93.7	-	93.7	-	-	93.7
Intangible assets	2.7	-	2.7	-	-	2.7
Inventories – trading property	1,152.2	687.7	1,839.9	-	-	1,839.9
Trade and other receivables	31.6	-	31.6	-	-	31.6
Cash and cash equivalents	88.8	-	88.8	-	-	88.8
Property, plant and equipment	1.6	-	1.6	-	-	1.6
Deferred tax asset	12.0	(7.1)	4.9	-	13.6	18.5
Derivative financial instruments	2.0	(2.0)	-	-	2.0	2.0
Value of own shares held	-	12.3	12.3	-	-	12.3
Total assets	1,921.6	703.7	2,625.3	(11.3)	14.1	2,628.1
Interest-bearing loans and borrowings	(1,226.4)	-	(1,226.4)	-	(32.3)	(1,258.7)
Trade and other payables	(56.9)	-	(56.9)	-	-	(56.9)
Retirement benefits	(1.7)	-	(1.7)	-	-	(1.7)
Current tax liabilities	(3.0)	-	(3.0)	-	-	(3.0)
Provisions for other liabilities and charges	(0.9)	-	(0.9)	-	-	(0.9)
Deferred and contingent tax liabilities	(32.3)	30.0	(2.3)	(167.6)	-	(169.9)
Derivative financial instruments	(35.5)	35.5	-	-	(35.5)	(35.5)
Total liabilities	(1,356.7)	65.5	(1,291.2)	(167.6)	(67.8)	(1,526.6)
Net assets	564.9	769.2	1,334.1	(178.9)	(53.7)	1,101.5

Restated September 2015

Segment net assets (Unaudited)

	Continuing				**Discontinued**			
(£m)	Residential	Development	Funds	Other	German Residential	Retirement Solutions	Total	Pence per share
Total segment net assets (statutory)	223.3	81.7	92.3	64.9	80.2	22.5	564.9	-
Total segment net assets (EPRA NAV)	864.1	81.4	100.6	104.8	87.1	96.1	1,334.1	319
Total segment net assets (EPRA NNNAV)	696.9	81.5	92.0	87.5	81.3	62.3	1,101.5	263

The ‘Other’ Category includes CHARM assets within continuing operations, which were previously included in the Retirement Solutions division.

Notes to the unaudited condensed interim financial results (continued)

5. Cash flow from discontinued operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Net cash inflow from operating activities	**11.7**	2.2
Net cash inflow/(outflow) from investing activities	**69.5**	(0.2)
Net cash outflow from financing activities	**(17.7)**	(9.2)
Total net cash inflow/ (outflow)	**63.5**	(7.2)

The net proceeds from the disposal of German residential assets of £69.8m is included within the Group cash flow for the six months ended 31 March 2016. Other smaller investment activities included in the net £69.5m investing activities for 31 March 2016 relate to the disposal of, or capital expenditure on, investment properties.

6. Group revenue-continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Gross rental income	**25.5**	22.2
Proceeds from sale of trading property	**79.4**	77.9
Management fee and other income	**4.1**	3.0
	109.0	103.1

7. Net rental income –continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Gross rental income	**25.5**	22.2
Property repair and maintenance costs	**(7.5)**	(6.2)
	18.0	16.0

8. Profit on disposal of trading property-continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Gross proceeds from sale of trading property	**79.4**	77.9
Selling costs	**(1.7)**	(1.5)
Net proceeds from sale of trading property	**77.7**	76.4
Carrying value of trading property sold	**(41.6)**	(38.2)
	36.1	38.2

9. Profit on disposal of investment property –continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Gross proceeds from sale of investment property	**1.4**	0.5
Carrying value of investment property sold	**(1.1)**	(0.5)
	0.3	-

Notes to the unaudited condensed interim financial results (continued)

10. Fees and other Income –continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
Property and asset management fee income	**3.3**	2.9
Other income	**0.8**	0.1
	4.1	3.0

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

11. Other expenses –continuing operations

	Unaudited	
	2016	2015 Restated
	£m	£m
External costs relating to fee income	**-**	0.1
Legal and transaction expenses	**0.6**	1.0
Business improvement costs	**0.2**	0.7
	0.8	1.8

Notes to the unaudited condensed interim financial results (continued)

12. 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 2016 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 2016			31 March 2015 Restated		
	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 operations and discontinued operations						
Profit attributable to equity holders	**27.6**	**413.9**	**6.7**	6.4	412.1	1.6
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**3.5**	**(0.1)**	-	3.8	(0.1)
Diluted earnings per share - continuing operations and discontinued operations						
Profit attributable to equity holders	**27.6**	**417.4**	**6.6**	6.4	415.9	1.5
Basic earnings per share- continuing operations only						
Profit attributable to equity holders	**30.4**	**413.9**	**7.3**	20.9	412.1	5.1
Effect of potentially dilutive securities						
Share options and contingent shares		**3.5**	**-**	-	3.8	(0.1)
Diluted earnings per share- continuing operations only						
Profit attributable to equity holders	**30.4**	**417.4**	**7.3**	20.9	415.9	5.0

13. Dividends

The Company has announced an interim dividend of 1.45p (March 2015 0.64p) per share which will return £6.0m (March 2015: £2.6m) of cash to shareholders. In the six months to 31 March 2016, the final proposed dividend for the year ended 30 September 2015 which amounted to £8.7m has been paid.

Notes to the unaudited condensed interim financial results (continued)

14. Investment property

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Opening balance	**357.8**	332.9
Additions	**33.6**	29.6
Disposals - continuing operations	**(1.1)**	(10.2)
Disposals - discontinued operations	**(4.6)**	-
Business disposal	**(101.1)**	-
Transfer to assets classified as held-for-sale	**(96.8)**	(0.4)
Net valuation gains	**7.9**	13.9
Exchange adjustments	**9.0**	(8.0)
Closing balance	**204.7**	357.8

15. Inventories

	31 March 2016 (unaudited) £m	30 Sep 2015 (audited) £m
Amounts recoverable on contracts	**17.2**	10.6
Inventories-trading property	**919.2**	1,141.6
	936.4	1,152.2

Included within inventories is an amount recoverable on contracts of £17.2m (2015: £10.6m) in relation to a PRS building project within the Development division.

16. Investment in associates

	31 March 2016 (unaudited) £m	30 Sep 2015 (audited) £m
Opening balance	**108.4**	103.5
Share of profit for the period	**5.5**	15.4
Dividends received	**(0.7)**	(2.1)
Loans/ investment advanced to (repaid from) associates	**15.5**	(7.2)
Exchange adjustments	**0.7**	(0.8)
Share of change in fair value of cash flow hedges taken through other comprehensive income	**(0.3)**	(0.4)
Disposal	**(22.7)**	-
Closing balance	**106.4**	108.4

The disposal relates to the sale of Grainger's 25 % interest in its German associate MH Grainger JV Sarl which completed on 1 January 2016. The sale generated a profit of £10.6m and forms part of the profit on sale of discontinued operations in note 2. Grainger invested an additional £15.5m into GRIP in the period to enable GRIP to make further investment in PRS assets.

Notes to the unaudited condensed interim financial results (continued)

16. Investment in associates continued

As at 31 March 2016, the Group's interest in associates was as follows:

	% of ordinary share capital/ units held	Country of incorporation
G:res1 Limited	26.2	Jersey
GRIP Unit Trust	24.9	Jersey
Vesta LP	15.0	UK

17. Investment in joint ventures

	Net assets £m	Loans £m	Total £m
At 30 September 2014 (audited)	55.9	17.7	73.6
Loans advanced	-	7.4	7.4
Increase in provisions against loans	-	(4.1)	(4.1)
Loan interest received	-	(0.7)	(0.7)
Disposal	(14.6)	0.6	(14.0)
Share of profit for the period	9.5	-	9.5
Transfer	(0.8)	0.8	-
Share of change in fair value of hedges taken through other comprehensive income	(0.3)	-	(0.3)
Distributions	(0.6)	-	(0.6)
At 30 September 2015 (audited)	49.1	21.7	70.8
Loans advanced	-	1.0	1.0
Decrease in in provisions against loans	-	0.4	0.4
Loan interest received	-	(0.3)	(0.3)
Share of profit for the period	1.8	-	1.8
Exchange adjustment		(0.1)	(0.1)
At 31 March 2016 (unaudited)	**50.9**	**22.7**	**73.6**

In the period to 31 March 2016 a further impairment charge of £0.3m was made against loans to the Zizkov joint venture in Prague and £0.7m was released as a write back of impairment of loans to the Curzon joint venture in Birmingham. The net movement of £0.4m for the six months ended 31 March 2016 is shown as a write back of impairment of joint ventures on the income statement and decrease in provision against loans in the above table. An impairment charge of £0.4m was booked against the carrying value of loans to Zizkov in the six month's period to 31 March 2015.

At 31 March 2016, 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

18. Disposal group – Assets and Liabilities Held for Sale

The sale of the Group's German business was well advanced as at 31 March 2016. Investment Property with a book value of £48.3m remains as at 31 March 2016 but contracts were exchanged in April 2016 for the sale of two subsidiaries owning investments property with a book value of £39.8m. Completion is expected in early June 2016 (see Note 2b). The remaining investment property, amounting to £8.5m, is expected to be sold during 2016.

The sale of the Group's Retirement Solutions division was completed on 18 May 2016.

As at March 2016 the disposal group comprised £324.7m of assets and £215.6m of liabilities, detailed as follows:

	31 March 2016 (unaudited)
	£m
Investment property	92.2
Intangible asset	0.3
Inventories –trading property	211.1
Trade and other receivables	7.9
Cash and cash equivalents	13.2
Assets classified as held-for-sale	**324.7**

	31 March 2016 (unaudited)
	£m
Interest bearing loans and other borrowings	191.3
Deferred tax liabilities	1.4
Trade and other payables	20.5
Provision for other liabilities and charges	1.4
Current tax liabilities	0.9
Derivative financial instruments	0.1
Liabilities classified as held-for-sale	**215.6**

Investment property with a book value of £96.8m was transferred to assets held-for-sale in the period (see Note 14). These assets have been written down to fair value less costs to sell with a £4.6m impairment made to measure them at a carrying value of £92.2m.

19. Financial interest in property assets

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Opening balance	**93.7**	94.5
Cash received from the instrument	**(4.7)**	(10.0)
Amounts taken to income statement	**4.5**	9.2
Amounts taken to other comprehensive income before tax	**0.6**	-
Closing balance	**94.1**	93.7

Amounts taken to the income statement in respect of the 6 months to 31 March 2016 was £4.5m (31 March 2015 £4.7m).

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 our interest has increased and this increase of £0.6m since September 2015 has been recognised in the statement of other comprehensive income available for sale reserve. There was £nil taken to other comprehensive income in the year ended September 2015.

Notes to the unaudited condensed interim financial results (continued)

20. Trade and other receivables

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Trade receivables	**23.0**	23.2
Deduct: Provision for impairment of trade receivables	**(0.7)**	(1.8)
Trade receivables – net	**22.3**	21.4
Other receivables	**1.1**	2.3
Prepayments	**8.5**	7.9
	31.9	31.6

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

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Current liabilities		
Bank loans	**-**	124.4
Non-bank financial institution	**-**	9.3
Mortgages	**-**	0.2
Corporate bond	**-**	(0.6)
	-	133.3
Non-current liabilities		
Bank loans	**550.3**	537.7
Non-bank financial institution	**123.7**	266.2
Mortgages	**-**	16.8
Corporate bond	**272.8**	272.4
	946.8	1,093.1
Total interest-bearing loans and borrowings	**946.8**	1,226.4

21. 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 2016 and as at 30 September 2015.

As at 31 March 2016, the fair value of interest bearing loans is greater than the book value by £9.6m, but there is no requirement under IAS39 to adjust the carrying value of loans, all of which are stated unamortised cost in the consolidated statement of financial position.

As at 30 September 2015 the fair value of loans were £32.3m greater than the book value, however in accordance with IAS39 the loans were carried at unamortised cost.

Foreign exchange risk

The Group's foreign exchange risk has arisen from the exposure due to translating overseas trading performance and overseas net assets into Sterling. The Group does not have foreign currency trading with cross border currency flows. The Group hedges foreign currency assets naturally by funding them through borrowings in the applicable foreign currency and aims to ensure that it has no material unhedged assets or liabilities denominated in a foreign currency. Profit translation is not hedged. As at 31 March 2016 all foreign currency denominated assets are included in the balance sheet as part of held-for-sale assets and totalled €46.8m against which we had €53m liabilities, hence a net exposure of €6.2m Euros. Following the completion of the Germany disposals the Group will not have any material foreign currency denominated balances.

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 2016, 83% (September 2015: 77%) 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 2016 a 1% decrease in interest rates would change profits by £3.7m (September 2015: £3.3m) and a 1% decrease in interest rates would change profits by £3.7m (September 2015: £3.3m). Based on a 20% effective tax rate the effect on equity of a 1% change would be £3m (September 2015: £3.3m). 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.

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 page 133 of the Annual Report and Accounts for September 2015 for details of definitions used for specific Grainger assets and liabilities. Fair value of swaps and other liabilities fall within Level 2. The CHARM portfolio (note 19) the Tricomm Housing portfolio, and the Abbeville property fall within Level 3. See note 19 for movement in financial interests in property assets and note 14 for movement in investment property. Abbeville property was classified as a Level 2 investment property in September 2015 and has been transferred to a Level 3 asset in March 2016. Abbeville value as at 30 September 2015 was £24.2m and valuation gains of £1.2m on Abbeville and £1.4m on Tricomm have been included within the £7.9m of valuation gains for the period to 31 March 2016 included in note 14.

Notes to the unaudited condensed interim financial results (continued)

Assets – Level 3

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Financial interest in property assets	**94.1**	93.7
Tricomm Housing portfolio	**112.9**	111.5
Abbeville property -Transferred from Level 2 assets	**26.0**	-
	233.0	205.2

Assets – Level 2

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Interest rate caps not in cash flow hedge relationships	**1.3**	2.0
Investment property	**65.8**	246.3
	67.1	248.3

Liabilities – Level 2

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Interest rate swaps not in cash flow hedge relationships	**6.6**	5.0
Interest rate swaps in cash flow hedge relationships	**33.1**	30.5
	39.7	35.5

22. Tax

	Audited	Unaudited				
	As at 30 Sep 2015	Receipts in the period	Disposals/ transfers	Movements recognised in income	Movements recognised in other comprehensive income	As at 31 March 2016
	£m	£m	£m	£m	£m	£m
Current tax	3.0	0.9	0.6	5.1	-	9.6
Deferred tax						
Trading property uplift to fair value on acquisition	18.0	-	-	(2.6)	-	15.4
Investment property revaluation	12.0	-	(3.3)	4.0	-	12.7
Accelerated capital allowances	0.7	-	-	0.1	-	0.8
Short-term timing differences	(10.5)	-	-	0.5	-	(10.0)
Actuarial deficit on BPT Limited pension scheme	(0.5)	-	-	-	(0.2)	(0.7)
Equity component of available-for-sale financial asset	1.2	-	-	-	-	1.2
Fair value movement in cash flow hedges and exchange	(0.6)	-	(0.6)	-	-	(1.2)
	20.3	-	(3.9)	2.0	(0.2)	18.2
Total tax - movement	**23.3**	**0.9**	**(3.3)**	**7.1**	**(0.2)**	**27.8**

The tax charge allocated to continuing operations is £6.2m, with £0.9m allocated to discontinued operations as analysed in note 2 to the accounts.

The total tax charge for the year including discontinued and continuing operations of £7.1m (2015: £2.7m) comprises:

	Unaudited	
	2016 £m	2015 £m
UK tax	**7.3**	2.7
Overseas tax	**(0.2)**	-
	7.1	2.7

	31 March 2016 (unaudited)	30 Sep 2015 (audited)
	£m	£m
Current tax liability within consolidated balance sheet	**8.7**	3.0
Current tax liability within disposal group (note 18)	**0.9**	-
Total current tax liability - continuing and discontinued operations	**9.6**	3.0

22. Tax (continued)

The Group's results for this accounting period are taxed at an effective rate of 20%. The main rate of Corporation tax in the UK will fall to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes have reduced the deferred tax charge in the period by £1.6m. A further reduction in the UK Corporation tax rate to 17% from 1 April 2020 has been announced. This will reduce the future tax charge.

Deferred tax balances are disclosed as follows:

	31 March 2016 (unaudited) £m	30 Sep 2015 (audited) £m
Deferred tax assets: non-current assets	**11.9**	12.0
Deferred tax liabilities: non-current liabilities	**(28.7)**	(32.3)
Deferred tax - continuing operations	**(16.8)**	(20.3)

In addition to the above there is a deferred tax liability within the disposal group liabilities held-for-sale:

Deferred tax liabilities: non-current liabilities within liabilities held- for- sale (note 18)	**(1.4)**	-
Total deferred tax liability - continuing and discontinued operations	**(18.2)**	(20.3)

23. Trade and other payables

	31 March 2016 (unaudited) £m	30 Sep 2015 (audited) £m
Deposits received	**2.1**	2.9
Trade payables	**8.7**	12.0
Tax and social security	**0.1**	0.5
Accruals	**20.6**	29.5
Deferred income	**1.3**	12.0
	32.8	56.9

Deferred income includes £1.3m (2015: £12.0m) of rent received in advance.

24. Retirement Benefits

The Group retirement benefit liability increased by £1.0m to £2.7m in the six months to March 2016. 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 £1.7m was reduced by £0.3m of contributions and increased by £1.3m of actuarial losses. The assumptions used by the actuary reflect the market conditions as at 31 March 2016:

Assumptions

	31 March 2016 (unaudited) %	30 Sep 2015 (audited) %
Discount rate	**3.4**	3.7
Retail Price Index Inflation	**3.0**	3.1
Consumer Price Index Inflation	**2.0**	2.1
Salary increases	**3.5**	3.6
Rate of increase of pension payment	**5.0**	5.0
Rate of increase for deferred pensioners	**2.0**	2.1

25. Provisions for other liabilities and charges

The Group hold a non-current provision of £0.2m in respect of the estimated cost of providing private medical insurance to former directors of BPT Limited (September 2015: £0.2m).

In addition, there is a current liability provision of £0.6m (September 2015: £0.7m) relating to maintenance liabilities arising on certain of the Group's freehold properties.

26. Capital

As at 31 March 2016 there were 416,790,575 ordinary shares and 1,506,300 treasury shares in issue. The increase since September 2015 of 39,973 relate to the exercise of SAYE options.

27. Share Based Payment Arrangements

The Group operates an equity-settled, share-based compensation plan comprising awards under a long term incentive scheme ("LTIS"), 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 2015. The share based payments charge recognised in the income statement for the period is £1.0m (2015: £1.1m).

28. Derivative financial instruments

	31 March 2016 (unaudited)		30 September 2015 (audited)	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Interest rate derivatives – in cash flow hedge accounting relationships	**1.3**	**6.6**	2.0	5.0
Interest rate derivatives – not in cash flow hedge accounting relationships	**-**	**33.1**	-	30.5
	1.3	**39.7**	2.0	35.5

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 2016 there was a debit to the cash flow hedge reserve of £2.6m net of tax (12 months to 30 September 2015: a debit of £2.1m) in respect of derivatives.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through the income statement of £4.1m (March 2015 Restated: charge of £8.7m).

29. Related party transactions

During the period ended 31 March 2016 the Group transacted with its joint ventures and associates (details of which are set out in notes 16 and 17). 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 2016 Fees recognised £'000	**31 March 2016 Period end balance £'000**	31 March 2015 Fees recognised £'000	31 March 2015 Period end balance £'000
GRIP Unit Trust	**1,805**	**1,687**	1,832	862
Grainger Stuttgart Portfolio one GmbH	**288**	**-**	379	-
Grainger Stuttgart Portfolio two GmbH	**-**	**-**	65	-
New Sovereign Reversions Limited	**-**	**-**	506	179
Walworth Investment Properties Limited	**20**	**20**	20	20
	2,113	**1,707**	2,802	1,061

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

	Unaudited				Audited	
	31 March 2016 Interest recognised £m	**31 March 2016 Period end loan balance £m**	**31 March 2016 Interest Rate %**	31 March 2015 Interest recognised £m	30 Sept 2015 Year end loan balance £m	30 Sept 2015 Interest Rate %
GRIP Unit Trust	**0.4**	**31.3**	**4.75**	0.5	24.1	4.75
MH Grainger JV Sarl	**-**	**-**	**Nil**	0.1	-	Nil
Czech Republic combined	**-**	**7.4**	**Nil**	-	6.9	1.25
Curzon Park Limited	**-**	**5.5**	**Nil**	-	19.5	Nil
King Street Developments (Hammersmith) Limited	**-**	**6.2**	**Nil**	-	5.9	Nil
Walworth Investment Properties Limited	**0.2**	**6.5**	**7.00**	0.2	6.6	7.00
Vesta LP	**-**	**0.1**	**Nil**	-	0.1	Nil
	0.6	**57.0**		0.8	63.1	

The loans in the above table are stated gross prior to any impairment provisions.

30. Subsequent events

On 13 April 2016, the Company signed contracts to sell the majority of its remaining German residential property portfolios to the listed German residential investment company, LEG Immobilien AG, for a net consideration of circa €33.8m (£26.8m). The assets and the liabilities relating to this disposal are included within the note 18. The assets have been impaired at 31 March 2016 to fair value less costs to sell. The sale is therefore not expected to generate a profit or a loss

The sale of Grainger's Retirement Solutions business to Patron Capital Partners and Electra Private Equity plc was completed on 18 May 2016. The cash consideration amounted to £179.2m and, in addition, debt of £168m was transferred to the buyers. See note 2b for the impact on profit.

Copies of this statement are being made available to shareholders through the Group's website. Copies may be obtained from the Group's registered office, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE. Further details of this announcement can be found on the Group's website, www.graingerplc.co.uk