

Grainger plc

(“Grainger”, the “Group” or the “Company”)

HALF YEAR RESULTS FOR THE SIX MONTHS TO 31 MARCH 2013

STRONG FINANCIAL PERFORMANCE AND OPERATIONAL SUCCESSES AS GRAINGER DELIVERS ON STRATEGIC TARGETS

Positive momentum across the management platform

- New strategic alliances with key partners created, positioning Grainger for future growth, while reducing requirement for capital investment
- Proportion of profit generated from rent and fees increased
- Gross fee income from the group’s management contracts with JV and other partnerships increased by 35.4% to £6.8m (March 2012: £5.0m), demonstrating potential of the management platform to deliver significant and sustainable recurring revenue streams
- Group well positioned to take advantage of changes in the UK housing market and private rented sector, against a background of growing Government and institutional interest and support.

Strong financial performance

- Triple net asset value per share up 6.6% to 167p (September 2012: 157p), outperforming the broader UK housing market
- Gross net asset value per share up 0.6% to 224p (September 2012: 223p)
- Net debt of £1.15bn at 31 March 2013, reduced further to £1.08bn by 13 May (September 2012: £1.19bn). Commitment to reduce net debt to £1bn target by end of 2013 remains
- Group loan to value reduced to 54% at 31 March 2013 (September 2012: 55%), further reduced to an estimated 52% by 13 May 2013
- Pre-tax profit of £11.0m (March 2012: £15.1m)
- Reversionary surplus of £524m, 126 pence per share (September 2012: £544m, 131 pence per share)
- Interim dividend increased by 5.5% to 0.58p per ordinary share (March 2012: 0.55p)

Good progress on valuation and sales

- Continued valuation outperformance, with a 3.0% increase in our UK residential portfolios compared to an average 1.6% increase in Nationwide and Halifax measures, reflecting the strength of our asset management platform and geographical bias of our portfolio to London and the South East
- Valuation supported by sales results – vacant sales achieved, on average, 5% above September 2012 vacant possession values
- Margins on normal trading sales increased to 44.7% (March 2012: 42.4%).

Robin Broadhurst, Chairman of Grainger plc, commented:

“The market value of our properties, supported by the evidence of NAV enhancing sales, has once again outperformed the general market indices. We continue to make progress in reducing group debt to our target of £1bn by the end of 2013.

“Since the year end we have created three new strategic alliances with APG, Heitman and Dorrington, comprising a combined total of £661m of assets and reinforcing our position as a partner of choice in the residential market. Furthermore, these transactions underpin our objective to improve shareholders’ return on capital, through successfully growing our business, whilst at the same time reducing net debt, thereby positioning Grainger for long term, sustainable growth.”

Andrew Cunningham, Chief Executive, said:

“We have made good progress against our strategic objectives in this period. Alongside reducing our debt, our reversionary assets, whose liquidity and value are continuously validated by sales, continue to generate cash and profit. This allows targeted investment in new activities as well as allowing us to move to an appropriately lower level of gearing. At the same time we are increasing the proportion of our profits derived from fees and rental income. We will also continue to focus on increasing our net asset values and outperforming the general residential market.

“We have implemented a number of key initiatives during the half year, demonstrating that, as a result of our scale, skills and flexibility, we are well-positioned to take advantage of the opportunities arising in the changing UK housing market and particularly the private rented sector. Furthermore, we believe we can continue to build on our strong track record of partnerships, offering our expertise and robust operational platform to third parties, thereby further enhancing our fee income. These opportunities align with our overall strategic direction and we are confident in our ability to take further advantage of such opportunities as they arise.”

Analyst presentation

Grainger plc will be holding a presentation for analysts and investors today at 9.00a.m., Thursday 16 May 2013 at Numis, London Stock Exchange, 10 Paternoster Square, London, EC4M 7LT.

The meeting can also be accessed through the following dial-in facility and a copy of the presentation slides will be available on Grainger's website, www.graingerplc.co.uk.

Conference call details:

UK Telephone Number	0845 634 0041
International Number	+44 (0)20 8817 9301
Participant PIN	10712826#

A replay of the call will be available after the event until 23 May, 12pm. Dial-in details for the archive call are:

Telephone	+44 (0)20 7769 6425
Passcode	1071 2826#

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Chairman's Statement

The importance of the residential property sector to the wider UK economy has been increasingly apparent over the last six months. The Chancellor's budget in March included a number of measures which will further stimulate a market which already shows some signs of revival. This has gone hand in hand with an increasing profile, specifically, of the private rented sector (PRS) and Build to Rent sector.

As the UK's largest listed residential owner and manager, Grainger has played an important role in working with the Government to help support the emergence of an institutionally-backed professional private rented sector and a Build to Rent sector, as well as taking advantage of new opportunities in this area as the market develops and new Government initiatives take effect. Our joint investments with APG to form GRIP (Grainger Residential Investment Platform), a PRS fund, as announced in January 2013, followed by other recent investments into the sector, are evidence of this, and we expect this momentum to continue.

We have also put forward several schemes for funding through the UK Government's Build to Rent Equity fund (which totals £1bn). These have now been put through to the second round of due diligence. In addition, one of our specialist asset managers has been seconded to the UK Government's PRS Taskforce, which will oversee the growth and development of the sector, demonstrating our strong pool of expertise.

As well as the creation of GRIP, since the last year end we have entered into co-ownership arrangements with Heitman in Germany and with Dorrington for the Walworth Estate in South London. These build upon our existing co-investment and fee-based arrangements and bring the total of assets managed for joint ventures and third parties to £927m, underpinning our drive to become the partner of choice for residential investment.

Progress towards strategic objectives

We are continuing to make strong progress against our key strategic objectives. As well as maintaining and building on our leading position within residential property as outlined above, we are moving towards our year end debt target of £1bn with debt having fallen to £1.08bn as at 13 May 2013 from £1.19bn at 30 September 2012.

The values of our UK properties have again outperformed the UK residential market achieving growth of 3.0% compared to the average 1.6% increase shown by the Nationwide and Halifax indices. This has been assisted by 63% of our properties, by market value, being situated in London and the South East along with our granular management approach. We have again increased the proportion of operating profits derived from net rents and fees to 49.7% in the six months to 31 March 2013 compared to 48.4% in the year to 30 September 2012.

Results

We delivered a profit before tax of £11.0m (31 March 2012: £15.1m profit) the reduction due in large part to higher transaction related charges in 2013. Triple net asset value (NNNAV) increased by 6.6% to 167p per share (30 September 2012: 157p per share) and gross NAV by 0.6% to 224p (30 September 2012: 223p).

Dividends

The Board is declaring an interim dividend of 0.58p per share (31 March 2012: 0.55p per share) to be paid on 5 July 2013 to shareholders on the register at close of business on 7 June 2013.

Outlook

As we have stated previously, Grainger's business model will evolve to reflect the changing nature of residential occupation in the UK. In particular, we expect to see income from the private rented sector and from fees to become an increasingly significant part of our business. We believe that the actions we have taken in this period, together with the changing market dynamics and underlying movements in the political landscape, place us in a good position to capitalise on this in the future for the benefit of our shareholders.

Robin Broadhurst
Chairman
16 May 2013

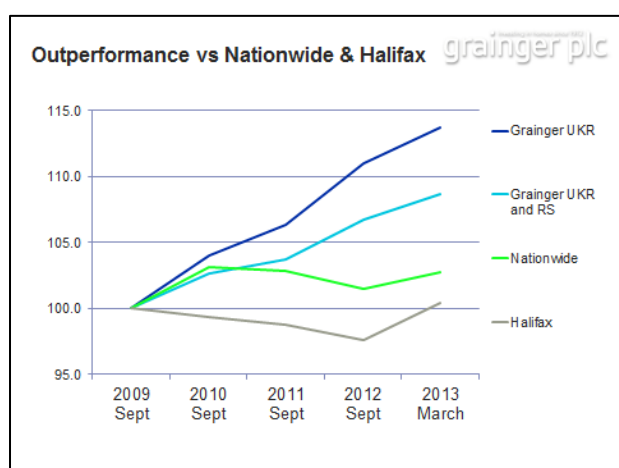
Chief Executive's Review

Overview

We are pleased with the progress made in the period: we have continued to reduce debt whilst increasing net asset value; we have maintained our track record of outperforming the general UK residential market and we have created further fee income and co-investment opportunities through strategic alliances with excellent partners. Our geographic focus on economically strong areas has supported growth in capital values and we remain committed to, and are at the forefront of, the build to rent and private rented sector.

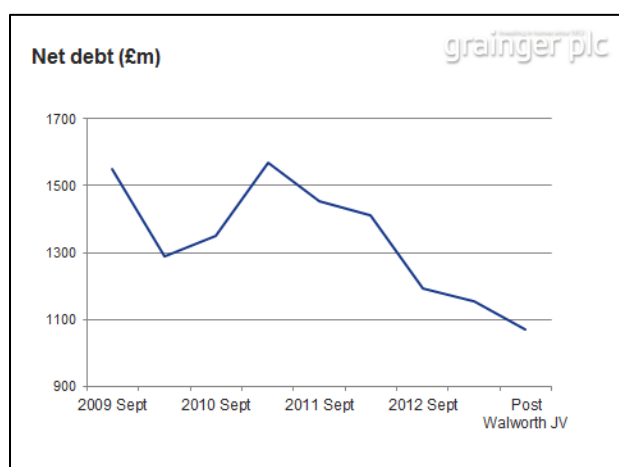
Outperformance

Our portfolios consistently outperform the market. Asset values within our UK residential property portfolios have outperformed the average Nationwide and Halifax indices by 7.2% since 2009. We also continue to sell at above valuation – vacant sales in the period were, on average, 5% above September 2012 values. This gives strong support to the property valuations underpinning our NAV measures.

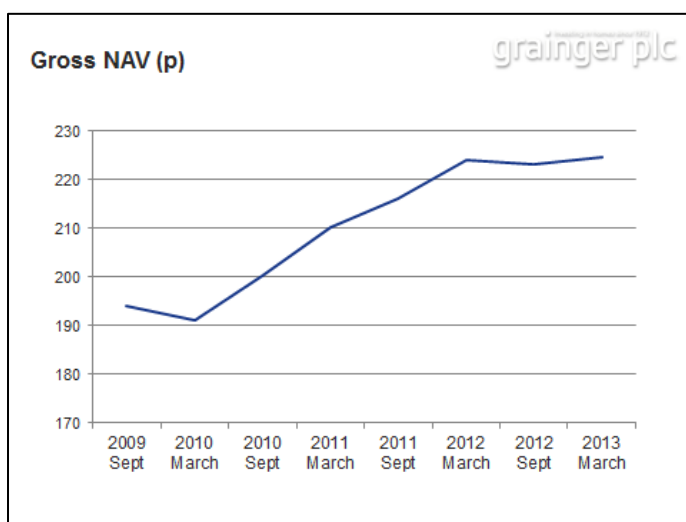
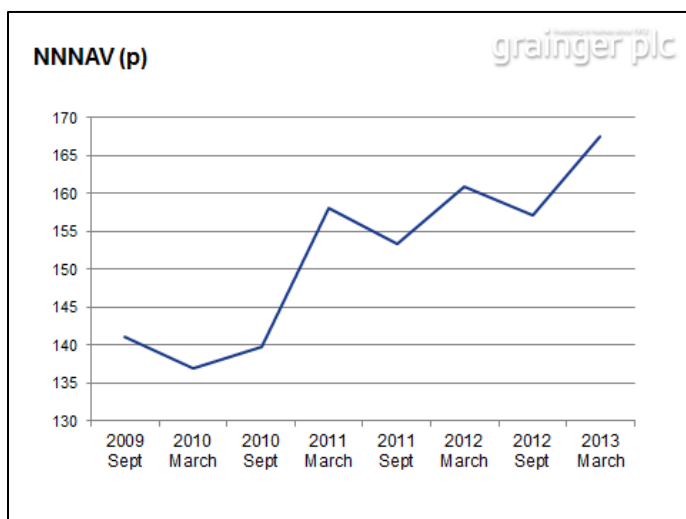


Debt

By 31 March 2013 our net debt stood at £1.15bn – a reduction of £40m since 30 September 2012. In the last two years our balance sheet net debt has fallen by £416m from £1.57bn. At 13 May 2013 our group debt had fallen further to £1.08bn following the creation of the Walworth joint venture partnership with Dorrington.



This combination of debt reduction and valuation outperformance has been accompanied by an increase in net asset values. Since 31 March 2009, NNNAV has risen 18.8% and gross NAV has risen 15.6%.



Net debt and net asset values also benefited in the six month period to 31 March 2013 from the purchase at a discount of the debt within our Tricomm portfolio. This added 3.7p to both NAV measures.

Strategic alliances

We have entered into three key alliances since September 2012.

- Grainger and APG, Europe's largest pension fund asset manager, co-invested in a new unit trust, GRIP, to acquire the assets of the G:res fund which Grainger had created in 2006. APG's investment of £158m into GRIP, their first in the UK residential sector, represented a significant step forward for large scale institutional investment in the PRS.
- As reported at the full year we completed the sale of a proportion of our German property to a structure owned 75% by a global institutional investor, and managed on their behalf by Heitman, a global real estate investment firm, with Grainger retaining the balance.
- As announced on 13 May 2013, we have entered into a 50:50 JV with Dorrington plc to hold the Walworth Estate comprising £111m of assets at a single site in south London. This disposal crystallises a return of 36% on our equity investment since acquisition in March 2011 and the co-investment positions us to continue to maximise opportunities at the estate.

Combined with the existing work we do with the Defence Infrastructure Organisation, Moorfield and Lloyds Banking Group, we expect these alliances will support further growth in our fee income.

Geographical focus

Residential house prices and returns are driven by imbalances between supply and demand and by underlying economic performance. Consequently, values in areas such as London, the south east of England and western parts of Germany have proved to be more robust than other regions. Some 62.7% of our UK assets are in London and the south east. This geographic focus and the value created by our underlying asset management have resulted in a track record of consistent outperformance.

Private rented sector

There has been much comment on the private rented sector and its prospects for growth. These are largely driven by the demand for a range of good quality rental property from occupiers who either choose not to own their own property or who are unable to find an appropriate combination of deposit and mortgage finance to enable them to buy. An example of this is that over 50 per cent of residential occupiers in London are now renters (social or private). This has also been reflected in political sentiment and actions. Many of the recommendations from last year's Montague Review into the private rented sector have been acted on, in particular the establishment of a Task Force to oversee the development of the sector and the introduction of funding schemes for build to rent, to which Grainger has seconded an employee, underlining our commitment to the initiative.

As well as supporting and taking a lead commentary position on these initiatives, Grainger has also taken direct action to promote the sector. We have previously mentioned our work with APG to create GRIP which provides an investment opportunity into a large established rental portfolio, giving the benefits of scale and a track record of performance.

On the build to rent front, we have entered into a purchase agreement to acquire 100 purpose built rental units from Bouygues Development at London Road, Barking. The design layout, location and pricing of these units are specifically for the rental market rather than the owner-occupied market. This scheme potentially acts as a forerunner for this market sector – a residential product driven by, and valued on the basis of, a rental income stream rather than underlying capital value in the owner-occupied market.

Valuation update

Our residential portfolios in the UK, assisted by the strong London and south east weighting, produced a market valuation uplift of 3.0% in the six months to March 2013. This comprised an increase in UK Residential of 3.1% and Retirement Solutions of 2.7%. The values in our directly owned German portfolio increased by 0.5% before adjusting for an increase in Real Estate Transfer Tax (RETT) (reduced by 0.1% after adjusting for RETT changes).

The reversionary surplus (the difference between vacant possession value and market value) is £524m (September 2012: £544m). This reversionary surplus, which equates to a very low risk pipeline of value which will crystallise in future years, is not recognised in our reported net asset values. We do, however, incorporate it into an alternative net asset value measure ("Grainger NAV") which is available in the appendices to our Half Year presentation to analysts on our website.

Trading update: Sales, Rents and Fees

Sales

Total profit of £34.5m was generated from gross sales proceeds of £117.0m compared to £39.9m on £112.3m gross sales to 31 March 2012. This movement in volume was driven mainly by an increase in tenanted and other sales which generated proceeds of £53.9m compared to £35.1m to 31 March 2012, offset by a reduction in sales within Germany which reduced to £6.3m compared to £17.7m to 31 March 2012.

Margins on our normal sales of vacant trading properties of 44.7% have improved compared to the 42.4% achieved to 31 March 2012.

On average in the UK vacant properties have been sold at 5.0% in excess of September 2012 vacant possession value.

	Half Year 2013			Half Year 2012		
	Units sold	Sales	Profit	Units sold	Sales	Profit
		£m	£m		£m	£m
Sales on vacancy						
UK residential	167	39.6	19.5	172	40.7	18.8
Retirement solutions	162	17.0	5.8	149	17.7	6.0
	329	56.6	25.3	321	58.4	24.8
Tenanted and other	552	53.9	9.4	103	35.1	14.3
Residential sales total	881	110.5	34.7	424	93.5	39.1
Development	-	0.2	-	-	1.1	0.8
UK Total	881	110.7	34.7	424	94.6	39.9
Germany	75	6.3	(0.2)	225	17.7	-
Overall total	956	117.0	34.5	649	112.3	39.9
Less CHARM	(26)	(2.5)	(0.2)	(33)	(3.6)	(0.3)
Statutory sales and profit	930	114.5	34.3	616	108.7	39.6

At 13 May 2013 our total sales pipeline amounted to £171m (14 May 2012: £188m). This includes completed sales, transactions with contracts exchanged or where solicitors have been instructed.

Rent

Total net rents to March 2013 amounted to £27.3m (March 2012: £31.8m). The reduction in gross rents is primarily due to the transfer of assets into our Heitman co-investment vehicle which generated £4.0m gross rents in the equivalent prior year period from 10 December 2011 to 31 March 2012. In addition sales across the Group have had a £3.2m impact on gross rents, offset by £0.9m of rental increases.

	Half Year 2013		Half Year 2012	
	Gross £m	Net £m	Gross £m	Net £m
UK residential	27.7	20.5	28.9	21.0
Retirement solutions	2.2	1.4	2.7	1.8
Other UK	0.1	0.1	0.1	0.1
UK Total	30.0	22.0	31.7	22.9
Germany	9.1	5.3	13.7	8.9
Overall total	39.1	27.3	45.4	31.8

Fees

Gross fee income increased by 35.4% to £6.8m (31 March 2012: £5.0m) derived from asset and property management fees from our co-investment vehicles and management contracts.

Gross fees have increased as a result of additional management agreements, with £0.3m additional fees deriving from our German co-investment vehicle since December 2012 and as a result of an increase in sales fees from the RAMP contract.

	Half Year 2013	Half Year 2012
	Gross £m	Gross £m
UK residential	0.3	0.1
Retirement solutions	0.5	0.5
Fund and third party management	5.4	4.2
Development	0.3	0.2
UK Total	6.5	5.0
Germany	0.3	-
Overall total	6.8	5.0

Cost reduction

Significant work has been carried out in the period to put in place new agreements that we believe will deliver annual cost savings of £2.5m. The benefits will be reflected from our 2013/ 14 financial year onwards. We have incurred some additional costs in the year thus far to secure these future cost reductions.

Summary and business prospects

We have made good progress in our strategic objectives in this period. At the same time as increasing our fee income and reducing our debt, our key portfolios have again shown growth in asset value and margins on normal sales have increased. We believe this demonstrates the strength of our portfolios.

We have implemented a number of key initiatives such as GRIP and our build to rent scheme in London Road, Barking. These demonstrate that we are well positioned to take advantage of the opportunities arising in the housing market in the UK at the moment, particularly within the private rented sector. These opportunities align with our overall strategic direction and we are confident in our ability to take further advantage of such opportunities as they arise.

Furthermore, we believe we can continue to build on our strong track record of partnerships, offering our expertise and robust operational platform to third parties, thereby further enhancing our fee income.

Andrew R. Cunningham
Chief Executive
16 May 2013

Financial Review

Our key performance indicators at the half year are:

	2013	2012
Operating profit before valuation movements and non-recurring items (OPBVM)	£53.4m	£64.1m
Recurring profit	£14.9m	£16.4m
Profit before tax	£11.0m	£15.1m
Gross net asset value per share (pence) (2012 comparative is at 30 September)	224p	223p
Triple net asset value per share (pence) (2012 comparative is at 30 September)	167p	157p
Excess on sale of normal sales to previous valuation	5.0%	5.7%

Income Performance

The table below summarises our operating profit before valuation movements (OPBVM), recurring profit and profit before tax.

	2013 £m	2012 £m
Profit on sale of assets	34.5	39.9
Net Rents	27.3	31.8
Management fees	6.8	5.0
CHARM	2.4	2.8
Overheads	(15.9)	(15.3)
Other expenses/ other income	(1.7)	(0.1)
OPBVM	53.4	64.1
Finance costs, net	(37.9)	(46.9)
JV's and associates	(0.6)	(0.8)
Recurring profit before tax	14.9	16.4
Valuation movements	5.4	8.4
Derivative movements	(18.6)	(8.8)
Non-recurring items	9.3	(0.9)
Profit before tax	11.0	15.1

We have three income streams within operating profit before valuation movements and non-recurring items (OPBVM). These are sales of residential properties, rental income and fees or other income, net of property expenses and overheads and before valuation and non-recurring items.

	£m
Main movements within OPBVM	
2012 OPBVM	64.1
Decrease in gross rents	(6.3)
Decrease in residential trading profit	(4.7)
Increase in gross management fees	1.8
Decrease in interest income from CHARM	(0.4)
Decrease in development trading profit	(0.7)
Movement in property expenses/ overheads/ other income and expenses	(0.4)
2013 OPBVM	53.4

The major movements within OPBVM are:

- A decrease of £6.3m in gross rents. This arose primarily as a result of the transfer of assets into the co-investment vehicle in Germany on 10 December 2012 which had a £4.0m impact on gross rents. Sales across the group have resulted in a reduction in gross rents of £3.2m, offset by £0.9m of rental increases.
- A reduction of £4.7m in relation to residential property sales.
- An increase in gross management fees of £1.8m arising primarily from RAMP, which generated an additional £1.6m of fee income, and the addition of fee income from our German co-investment vehicle which contributed £0.3m.

Divisional Analysis of OPBVM

	Profit on sale of assets £m	Net Rents £m	Management Fees £m	Overheads/ Other £m	Total 2013 £m	Total 2012 £m
UK Residential Portfolio	28.4	20.5	0.3	(3.8)	45.4	50.2
Retirement Solutions Portfolio	6.3	1.4	0.5	1.2	9.4	9.6
Fund and third party management	-	-	5.4	(3.7)	1.7	-
Development Assets	-	0.1	0.3	(0.8)	(0.4)	0.5
German Residential Portfolio	(0.2)	5.3	0.3	(1.2)	4.2	7.6
Group and other	-	-	-	(6.9)	(6.9)	(5.2)
OPBVM 2013	34.5	27.3	6.8	(15.2)	53.4	-
OPBVM 2012	39.9	31.8	5.0	(12.6)	-	64.1

Tricomm debt settlement

On 27 March 2013 we purchased debt specifically associated with our Tricomm Portfolio using our core group facilities. This was at a discount of 25% to the principal amount of £67m resulting in a non-recurring profit and a reduction in group net debt of £15.4m along with an increase in NAV and NNNAV of 3.7p. The associated interest rate swap did not require breaking but we have transferred the movement on its mark to market since acquisition through our income statement in the period.

This transaction follows our purchase of the portfolio in 2011 when we acquired net assets of £33.4m (which were reduced in full for the swap mark to market liability at the time of £8.6m) for a consideration of £18.5m leading to a profit on acquisition of £14.9m.

Interest income and expense

The net recurring interest charge has decreased by £9.0m from £46.9m in the first half of 2013 to £37.9m at 31 March 2013. This follows from the reduction in debt which was (on a daily average) £1,353m in the first half of 2013 (2012: £1,561m), and a lower average interest rate of 5.6% (March 2012: 6.0%).

Finance income of £16.1m has benefitted from the purchase of Tricomm debt at a discount of £15.4m as noted above. Therefore, after taking account of the lower interest charge and the Tricomm gain, the net interest expense is £22.5m to 31 March 2013 (2012: £46.9m).

Joint ventures and associates

Joint ventures and associates contributed a loss of £0.6m to recurring profit in the year (31 March 2012: loss of £0.8m). Included within valuation movements is a gain of £2.1m derived from our share of the GRIP revaluation surplus (2012: £2.0m from G:Res).

Valuation of investment property

In addition to the GRIP valuation gain, there was a further valuation uplift in 2013 of £3.4m relating to the Group's wholly owned investment property. This compares to an uplift of £6.9m to 31 March 2012.

Derivative movements

Fair value movements on derivatives is a charge of £18.6m. This includes the transfer from reserves noted above in relation to the Tricomm swap of £13.7m, a positive valuation gain of £2.4m and a further transfer from reserves to income statement of £7.3m relating to swaps settled during the period.

The fair value of swaps at 31 March 2013 is a liability of £124.7m compared to £171.9m at 30 September 2012. The September balance included £21.7m relating to an agreed swap settlement and £4.8m included in assets held-for-sale.

Non-recurring

The movement in non-recurring items is analysed as follows:

	31 March 2013 £m	31 March 2012 £m	Movement
Net gain on purchase of debt	1.7	-	1.7
Loss on sale of subsidiary	(2.1)	-	(2.1)
Other non-recurring costs	(1.2)	(0.9)	(0.3)
Costs/ charges/ gains associated with G:res/ GRIP	(2.8)	-	(2.8)
	(4.4)	(0.9)	(3.5)

The major items in 2013 are a net gain of £1.7m relating to the purchase at a discount of bank debt from Bank of America and recycling of the associated swap, costs, charges and gains, including the recycling of swaps, of £2.8m in relation to the transfer of assets from G:Res to GRIP and an additional £2.1m loss on sale on our German co-investment vehicle with Heitman.

Profit before tax

Having taken account of all of the above movements, profit before tax was £11.0m compared to a profit before tax of £15.1m in 2012. (See note 2 to the accounts for further analysis).

Tax

The Group has an overall tax charge of £0.2m for the period, comprising a £1.2m UK tax charge and a £1.0m overseas tax credit.

The net reduction of £2.4m, from the expected charge of £2.6m, results from a prior period credit of £3.6m relating to agreements reached with the UK and German tax authorities, and non-deductible expenditure totalling £1.2m.

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

The Group has made net corporation tax payments totalling £7.2m in the period.

Earnings per share

Basic earnings per share is a profit of 2.6p (31 March 2012: a profit of 3.0p). A half year on half year comparison is shown below:

	£m	Pence per share
2012 Profit/ earnings per share	12.5	3.0
Movements in:		
OPBVM	(10.7)	(2.6)
Contribution from joint ventures and associates	(3.5)	(0.6)
Loss on disposal of subsidiary	(2.1)	(0.5)
Gain on acquisition of equity in associate	1.0	-
Fair value of derivatives	(9.8)	(2.4)
Revaluation of investment properties	(3.5)	(0.8)
Provisions against trading stock values	0.4	0.1
Net interest payable	24.4	5.9
Taxation and other	2.1	0.5
2013 Profit/ earnings per share	10.8	2.6

Dividend for the year

After considering the investment and working capital needs of the business, the Directors have recommended an interim dividend of 0.58p per ordinary share (2012: 0.55p) which equates to £2.4m (2012: £2.3m). Earnings cover dividends by 4.6 times.

Asset Performance

Net asset value

We set out below the two measurements to enable shareholders to compare our performance year on year.

	<u>31 March</u> <u>2013</u>	<u>30 September</u> <u>2012</u>	<u>Movement</u>
Gross net assets per share (NAV)	224p	223p	0.6%
- Market value of net assets per share before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives			
Triple net asset value per share (NNNAV)	167p	157p	6.6%
- Gross NAV per share adjusted for deferred and contingent tax on revaluation gains and for the fair value of derivatives			

The European Public Real Estate Association ('EPRA') Best Practices Committee has recommended the calculation and use of an EPRA NAV and an EPRA NNNAV. The definitions of these measures are consistent with Gross NAV and Triple NAV as described and shown in this document.

A reconciliation between the statutory balance sheet and the market value balance sheets for both Gross NAV and NNNAV is set out in Note 3 to the accounts.

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	934	224
Deferred and contingent tax	(122)	(29)
Fair value of derivatives adjustments net of tax	(115)	(28)
NNNAV	697	167

The major movements in Gross NAV in the year are:-

	£m	Pence per share
Gross NAV at 30 September 2012	929	223
Profit after tax	11	3
Revaluation gains	41	10
Elimination of previously recognised surplus on sales	(26)	(6)
Dividends paid	(6)	(1)
Effect of Tricomm debt swap	14	3
Derivatives movement net of tax	(31)	(7)
Others	2	(1)
Gross NAV at 31 March 2013	934	224

The major movements in NNNAV in the year are:

	£m	Pence per share
NNNAV at 30 September 2012	654	157
Profit after tax	11	3
Revaluation gains	41	10
Elimination of previously recognised surplus on sales	(26)	(6)
Dividends paid	(6)	(1)
Effect of Tricomm debt swap	14	3
Cashflow hedge reserve net of tax	8	2
Contingent tax	(3)	(1)
Others	4	-
NNNAV at 31 March 2013	697	167

Market value analysis of property assets

	Shown as stock at cost £m	Market value adjustment £m	Market value £m	Investment property/financial interest in property assets £m	Total £m
Residential	918	383	1,301	645	1,946
Development	78	(4)	74	-	74
Total at 31 March 2013	996	379	1,375	645	2,020
Total at 30 September 2012	1,023	364	1,387	843	2,230

Financial resources, interest cost and derivative movements

As at 31 March 2013, debt had reduced from £1.19bn at 30 September 2012 to £1.15bn. This was after taking into account: £39m of breakage of interest rate derivatives; £12m of increase due to movement in our Euro denominated debt arising from exchange rate movements; and investment of £21m into the GRIP fund alongside our partners APG.

As at 13 May 2013, group net debt is estimated to be £1.08bn. This further reduction follows the joint venture (JV), entered into since 31 March and announced on 13 May, with Dorrington. This relates to the sale to the JV of a South London portfolio of residential property for £111m. The portfolio was previously wholly-owned by Grainger plc. The joint venture has arranged non-recourse debt of £60m. The assets have been sold into the JV at Grainger's carrying value of £111m. Taking into account the debt finance and allowing for working capital requirements, and Grainger investment of £28m in the JV, the immediate impact on Grainger's net debt was a reduction of c.£83m.

We have reiterated our commitment to a reduction of group net debt to £1bn by the end of 2013.

As at 31 March 2013, the average maturity of the Group's committed facilities was 4.7 years (September 2012: 5.1 years) and the average maturity of the Group's drawn debt was 4.7 years (September 2012: 5.5 years).

The Group has free cash balances of £27m plus available overdraft of £5m along with undrawn committed facilities of £61m. Thus headroom totals £93m as at 31 March 2013 (September 2012: £148m).

The Group's average interest rate excluding costs as at 31 March 2013 (based on current Libor/Euribor rates and on current debt hedging) was 4.8% (September 2012: 6.0%).

The Group's average cost of debt, including costs, through the half year to 31 March was 5.6% (12 months to September 2012: 6.1%).

An analysis of our gross interest expense is shown below:-

	31 March 2013	31 March 2012
	£m	£m
Fixed debt	4.9	4.2
Variable debt	16.9	15.7
Swap interest	13.3	23.9
Other costs	3.5	3.3
	38.6	47.1

The business has produced £123m of cash from its operating activities derived from net rents and other income, property sales and other working capital movements net of overheads. The largest outflows of cash are £39m to settle swaps and £34m of net interest.

At 31 March 2013, gross debt was 52% hedged (September 2012: 85%) of which 3% was subject to caps (September 2012: 4%).

In the period we broke a number of interest rate swaps expending £39m. This has had the effect during the period of reducing our interest charge by £4.5m, our cost of debt by 66bps and our average interest rate by 108bps.

At 31 March 2013, loan to value ("LTV") on the core facility was 49% (September 2012: 48%). This compares to a maximum allowable LTV covenant under that facility of 75%. Consolidated LTV was 54% (September 2012: 55%) As at 13 May 2013, consolidated LTV is estimated to be 52%.

At 31 March 2013, the interest cover ratio on the core facility stood at 3.3 times (September 2012: 3.0 times). This compares to an interest cover covenant of 1.35 times.

On the basis of the Group's current trading, cash flow generation and debt reduction, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Mark Greenwood
Finance Director
16 May 2013

Consolidated income statement

Unaudited
31 March 2013
31 March 2012
(restated)
£m

For the half year ended 31 March 2013	Notes	£m	£m
Group revenue	3, 4	132.4	144.1
Net rental income	5	27.3	31.8
Profit on disposal of trading property	6	31.9	38.7
Administrative expenses	8	(15.9)	(15.3)
Other income	9	6.9	5.4
Other expenses	10	(3.0)	(1.4)
Profit on disposal of investment property	7	2.4	0.9
Finance income from financial interest in property assets	16	2.6	3.1
Write down of inventories to net realisable value		(0.1)	(0.5)
Operating profit before net valuation gains on investment property	2	52.1	62.7
Net valuation gains on investment property	13	3.4	6.9
Profit on acquisition of equity in associate		1.0	-
Loss on disposal of subsidiary		(2.1)	-
Operating profit after net valuation gains on investment property	2	54.4	69.6
Change in fair value of derivatives	21	(18.6)	(8.8)
Finance costs		(38.6)	(47.1)
Finance income		16.1	0.2
Share of (loss)/ profit of associates after tax	14	(2.1)	1.7
Share of loss of joint ventures after tax	15	(0.2)	(0.5)
Profit before tax		11.0	15.1
Tax charge for the period	19	(0.2)	(2.6)
Profit for the period attributable to the owners of the company		10.8	12.5

Consolidated statement of comprehensive income

Unaudited

31 March 2013
31 March 2012
£m

For the half year ended 31 March 2013	Notes	£m	£m
Profit for the period		10.8	12.5
Actuarial loss on BPT Limited defined benefit pension scheme		-	(0.5)
Fair value movement on financial interest in property assets	16	(0.1)	(0.2)
Exchange adjustments offset in reserves		0.3	(0.2)
Changes in fair value of cash flow hedges		28.9	11.5
Other comprehensive income and expense for the period before tax		29.1	10.6
Tax relating to components of other comprehensive income	19	(7.5)	(2.7)
Other comprehensive income and expense for the period		21.6	7.9
Total comprehensive income and expense for the period attributable to the owners of the company		32.4	20.4
Basic Earnings per share	11	2.64p	3.05p
Diluted earnings per share	11	2.60p	3.02p
Dividend per share	12	0.58p	0.55p

Included within other comprehensive income is £1.6m (2012: £2.0m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position

		Unaudited 31 March 2013 £m	Audited 30 September 2012 £m
As at 31 March 2013	Notes		
ASSETS			
Non-current assets			
Investment property	13	531.4	525.9
Property, plant and equipment		0.9	0.8
Investment in associates	14	80.8	41.2
Investment in joint ventures	15	20.3	19.2
Financial interest in property assets	16	97.7	99.0
Deferred tax assets	19	37.1	44.5
Goodwill		5.3	5.3
		773.5	735.9
Current assets			
Inventories – trading property		995.9	1,023.4
Trade and other receivables	17	34.3	35.6
Cash and cash equivalents		61.5	73.3
Assets classified as held-for-sale		16.1	222.1
		1,107.8	1,354.4
Total assets		1,881.3	2,090.3
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	18	1,196.2	1,240.1
Retirement benefits		5.8	5.8
Provisions for other liabilities and charges		0.5	0.5
Deferred tax liabilities	19	36.8	37.8
		1,239.3	1,284.2
Current liabilities			
Interest-bearing loans and borrowings	18	19.5	27.3
Trade and other payables	20	60.5	88.4
Current tax liabilities	19	18.7	24.4
Derivative financial instruments	21	124.7	145.4
Liabilities associated with assets classified as held-for-sale		-	129.7
		223.4	415.2
Total liabilities		1,462.7	1,699.4
Net assets		418.6	390.9
EQUITY			
Capital and reserves attributable to the owners of the company			
Issued share capital		20.8	20.8
Share premium		109.8	109.8
Merger reserve		20.1	20.1
Capital redemption reserve		0.3	0.3
Cash flow hedge reserve		(3.1)	(24.5)
Equity component of convertible bond		5.0	5.0
Available-for-sale reserve		3.8	3.9
Retained earnings		261.8	255.4
Equity attributable to the owners of the company		418.5	390.8
Non-controlling interests		0.1	0.1
Total equity		418.6	390.9

Consolidated statement of changes in equity

	Issued share capital	Share premium	Merger reserve	Capital redemption reserve	Cash flow hedge reserve	Equity component of convertible bond	Available - for-sale reserve	Retained earnings	Non- controlling Interest	Total Equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 October 2011 (audited)	20.8	109.8	20.1	0.3	(34.4)	5.0	4.1	261.6	0.1	387.4
Profit for the period	-	-	-	-	-	-	-	12.5	-	12.5
Actuarial loss on BPT	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Limited defined benefit pension scheme	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Fair value movement on financial interest in property assets	-	-	-	-	-	-	(0.2)	-	-	(0.2)
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.2)	-	(0.2)
Changes in fair value of cash flow hedges	-	-	-	-	11.5	-	-	-	-	11.5
Tax relating to components of other comprehensive income	-	-	-	-	(3.2)	-	0.1	0.4	-	(2.7)
Total comprehensive income and expense for the period	-	-	-	-	8.3	-	(0.1)	12.2	-	20.4
Proceeds from SAYE shares issued from Trust	-	-	-	-	-	-	-	0.3	-	0.3
Share-based payments charge	-	-	-	-	-	-	-	1.0	-	1.0
Dividends paid	-	-	-	-	-	-	-	(5.3)	-	(5.3)
Balance as at 31 March 2012 (unaudited)	20.8	109.8	20.1	0.3	(26.1)	5.0	4.0	269.8	0.1	403.8
Loss for the period	-	-	-	-	-	-	-	(12.1)	-	(12.1)
Actuarial gain on BPT	-	-	-	-	-	-	-	(1.5)	-	(1.5)
Limited defined benefit pension scheme	-	-	-	-	-	-	-	(1.5)	-	(1.5)
Fair value movement on financial interest in property assets	-	-	-	-	-	-	(0.2)	-	-	(0.2)
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Changes in fair value of cash flow hedges	-	-	-	-	2.6	-	-	-	-	2.6
Tax relating to components of other comprehensive income	-	-	-	-	(1.0)	-	0.1	1.2	-	0.3
Total comprehensive income and expense for the period	-	-	-	-	1.6	-	(0.1)	(12.8)	-	(11.3)
Purchase of own shares	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Proceeds from SAYE shares issued from Trust	-	-	-	-	-	-	-	0.1	-	0.1
Share-based payments charge	-	-	-	-	-	-	-	1.1	-	1.1
Dividends paid	-	-	-	-	-	-	-	(2.3)	-	(2.3)
Balance as at 1 October 2012 (audited)	20.8	109.8	20.1	0.3	(24.5)	5.0	3.9	255.4	0.1	390.9
Profit for the period	-	-	-	-	-	-	-	10.8	-	10.8
Fair value movement on financial interest in property assets	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	0.3	-	0.3
Changes in fair value of cash flow hedges	-	-	-	-	28.9	-	-	-	-	28.9
Tax relating to components of other comprehensive income	-	-	-	-	(7.5)	-	-	-	-	(7.5)
Total comprehensive income and expense for the period	-	-	-	-	21.4	-	(0.1)	11.1	-	32.4
Purchase of own shares	-	-	-	-	-	-	-	(0.3)	-	(0.3)
Share-based payments charge	-	-	-	-	-	-	-	1.2	-	1.2
Dividends paid	-	-	-	-	-	-	-	(5.6)	-	(5.6)
Balance as at 31 March 2013 (unaudited)	20.8	109.8	20.1	0.3	(3.1)	5.0	3.8	261.8	0.1	418.6

Consolidated statement of cash flows

Unaudited

		31 March 2013	31 March 2012
For the half year ended 31 March 2013	Notes	£m	£m
Cash flow from operating activities			
Profit for the period		10.8	12.5
Depreciation		0.2	0.2
Net valuation gains on investment property	13	(3.4)	(6.9)
Net finance costs		37.9	46.9
Share of loss/ (profit) of associates and joint ventures	14, 15	2.3	(1.2)
Profit on disposal of investment property	7	(2.4)	(0.9)
Discount on purchase of debt		(15.4)	-
Profit on acquisition of equity in associate		(1.0)	-
Loss on disposal of subsidiary		2.1	-
Share-based payment charge		1.2	1.0
Change in fair value of derivatives	21	18.6	8.8
Interest income from financial interest in property assets	16	(2.6)	(3.1)
Taxation	19	0.2	2.6
Operating profit before changes in working capital		48.5	59.9
Increase in trade and other receivables		(0.1)	0.5
Decrease in trade and other payables		(8.6)	(5.0)
Decrease in trading property		27.4	19.7
Cash generated from operations		67.2	75.1
Interest paid		(35.0)	(41.6)
Taxation paid	19	(7.2)	(6.9)
Net cash inflow from operating activities		25.0	26.6
Cash flow from investing activities			
Proceeds from sale of investment property	7	37.9	20.2
Proceeds from financial interest in property assets	16	3.8	4.9
Proceeds from sale of subsidiary		45.0	-
Proceeds from repayment of loan by joint venture		-	1.6
Interest received		0.7	0.2
Distributions received		0.2	-
Investment in associates and joint ventures	14, 15	(22.2)	(0.3)
Acquisition of investment property and property, plant and equipment		(2.6)	(2.1)
Net cash inflow from investing activities		62.8	24.5
Cash flows from financing activities			
Proceeds from SAYE options		-	0.3
Purchase of own shares		(0.3)	-
Proceeds from new borrowings		156.9	78.9
Repayment of borrowings		(211.2)	(112.1)
Payment of loan costs		-	(10.5)
Settlement of derivative contracts		(39.4)	(1.2)
Dividends paid	12	(5.6)	(5.3)
Payments to defined benefit pension scheme		(0.5)	(0.4)
Net cash outflow from financing activities		(100.1)	(50.3)
Net (decrease)/ increase in cash and cash equivalents		(12.3)	0.8
Cash and cash equivalents at the beginning of the period		73.3	90.9
Net exchange movements on cash and cash equivalents		0.5	(0.1)
Cash and cash equivalents at the end of the period		61.5	91.6

Notes to the unaudited interim financial statements

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 2012 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These condensed interim financial statements have been prepared in accordance with the accounting policies set out on pages 84 to 92 of the 2012 Annual Report and Accounts which is available on the Group's website (www.graingerplc.co.uk).

Historically, the residential housing market is more active in the second half of our financial year. Therefore, we would normally expect that property sales and trading profit would be higher in the second half compared to the first half of the year. However, given current market conditions, the second half year may be similar to the first half in respect of sales of vacant properties. We have identified a significant number of properties for potential sale as tenanted sales for the second half year. Our expectation, therefore, is that tenanted sales in the second half year will exceed the £54m achieved in the first half year. Net rental income is not impacted by seasonality but has been impacted, in the results to 31 March 2013, by the sale of 75% of our Stuttgart portfolios in December 2012. Trading in the development division is subject to cyclicalities with results dependent on the timing of development sales.

All our assets are subject to a Directors' valuation at the half year end, supported by independent verification.

The Group's financial derivatives were valued as at 31 March 2013 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.

Presentation of Administrative expenses and Other Income and Expenses

In prior periods some of the Group's expenses have been allocated against net rental income and profit on disposal of trading property with the balance shown as administrative expenses. The Directors have reviewed this presentation and have concluded that it provides a clearer picture of the Group's results by showing all of the Group's expenses as administrative expenses. The comparatives in the consolidated income statement and in notes 5, 6 and 8, have been restated to reflect the change which is presentational only with no impact on profit.

Other Income and Expenses were presented as a single line item in the March 2012 consolidated income statement and notes to the accounts. In 2013 other income and other expenses have been presented separately and the comparatives restated.

1b Adoption of new and revised International Financial Reporting Standards

In the current financial year, the Group has adopted Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets" and Amendment to IAS 1 "Financial Statement Presentation".

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 2012 and later periods are disclosed on pages 90 to 92 of the Annual Report and Accounts for the year ended 30 September 2012.

Notes to the unaudited interim financial statements (continued)

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

As with all businesses, the Group is affected by certain risks, not wholly within our control, which could have a material impact on the Group and could cause actual results to differ materially from forecast and historical results. The most significant of these, all of which are macro-economic, are as follows:-

- Long term flat or negative growth in value of group assets
- Lack of readily available funding to either the Group or third parties
- Unfavourable legislation and increased burden from regulatory environment

The principal risks and uncertainties facing the Group have not changed from those as set out in the Risk Management report on pages 48 and 49 of the 2012 Annual Report and Accounts.

1d Forward-looking statements

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

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

2. Analysis of profit before tax

The results for the periods to 31 March 2012 and 2013 respectively have been affected by valuation movements and non-recurring items. The table below provides further analysis of the income statement showing the results of trading activities separately from these other items.

	31 March 2013 (Unaudited)				31 March 2012 (Restated/ Unaudited)			
	Trading	Valuation	Non-recurring	Total	Trading	Valuation	Non-recurring	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Group revenue	132.4	-	-	132.4	144.1	-	-	144.1
Net rental income	27.3	-	-	27.3	31.8	-	-	31.8
Profit on disposal of trading property	31.9	-	-	31.9	38.7	-	-	38.7
Administrative expenses	(15.9)	-	-	(15.9)	(15.3)	-	-	(15.3)
Other income and expenses	5.1	-	(1.2)	3.9	4.9	-	(0.9)	4.0
Profit on disposal of investment property	2.4	-	-	2.4	0.9	-	-	0.9
Interest income from financial interest in property assets	2.6	-	-	2.6	3.1	-	-	3.1
Write down of inventories to net realisable value	-	(0.1)	-	(0.1)	-	(0.5)	-	(0.5)
Operating profit before net valuation gains on investment property	53.4	(0.1)	(1.2)	52.1	64.1	(0.5)	(0.9)	62.7
Net valuation gains on investment property	-	3.4	-	3.4	-	6.9	-	6.9
Profit on acquisition of equity in associate	-	-	1.0	1.0	-	-	-	-
Loss on disposal of subsidiary	-	-	(2.1)	(2.1)	-	-	-	-
Operating profit after net valuation gains on investment property	53.4	3.3	(2.3)	54.4	64.1	6.4	(0.9)	69.6
Change in fair value of derivatives	-	(4.9)	(13.7)	(18.6)	-	(8.8)	-	(8.8)
Finance costs	(38.6)	-	-	(38.6)	(47.1)	-	-	(47.1)
Finance income	0.7	-	15.4	16.1	0.2	-	-	0.2
Share of profit of associates after tax	(0.4)	2.1	(3.8)	(2.1)	(0.3)	2.0	-	1.7
Share of loss of joint ventures after tax	(0.2)	-	-	(0.2)	(0.5)	-	-	(0.5)
Profit before tax	14.9	0.5	(4.4)	11.0	16.4	(0.4)	(0.9)	15.1

3. Segmental information

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

The Group has identified five segments and is treating all of these as reportable segments. The segments are: UK Residential; Retirement Solutions; Fund and third party management; UK and European development and German Residential. The Group has a segment director responsible for the performance of each of these five segments and the Group reports key financial information to the CODM on the basis of these five segments. Each of these five segments operate within a different part of the overall residential market.

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 (OPBVM) as set out in Note 2. The CODM reviews by segment two key balance sheet measures of net asset value. These are Gross Net Asset Value and Triple Net Asset Value. Information relating to the Group's operating profit or loss by segments is set out below.

The title "Other" has been included in the tables below to reconcile the segments to the figures reviewed by the CODM.

31 March 2013

Segment revenue and result
(unaudited)
(£m)

	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	Other	Total
Segment revenue-external	91.4	14.9	5.4	0.6	20.1	-	132.4
Segment result – OPBVM	45.4	9.4	1.7	(0.4)	4.2	(6.9)	53.4
Net interest payable							(37.9)
Share of trading loss of joint ventures and associates after tax							(0.6)
Trading profit before tax							14.9
Write down of inventories to net realisable value							(0.1)
Net valuation gains on investment property							3.4
Change in fair value of derivatives							(4.9)
Share of valuation gains in associates							2.1
Non-recurring items							(4.4)
Profit before tax							11.0

31 March 2012

**Segment revenue and result
(unaudited)**

(£m)	UK residential	Retirement solutions	Fund and third party fund management	UK and European development	German residential	Other	Total
Segment revenue - external	102.0	16.5	4.2	1.4	20.0	-	144.1
Segment result - OPBVM	50.2	9.6	1.4	0.5	7.6	(5.2)	64.1
Net interest payable							(46.9)
Share of trading loss of joint ventures and associates after tax							(0.8)
Trading profit before tax							16.4
Write down of inventories to net realisable value							(0.5)
Net valuation gains on investment property							6.9
Change in fair value of derivatives							(8.8)
Share of valuation gains in associates after tax							2.0
Non-recurring items							(0.9)
Profit before tax							15.1

The majority of the Group's property assets 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 so 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 Gross Net Asset Value (NAV) and Triple Net Asset Value (NNAV).

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.

NNAV reverses some of the adjustments made between statutory net assets and 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 interim financial statements (continued)

31 March 2013
Segment assets
(unaudited) £m

	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	Other	Total
Total segment net assets (Statutory)	209.5	118.8	47.6	53.3	90.3	(100.9)	418.6
Total segment net assets (NAV)	566.6	175.9	47.9	45.7	100.4	(2.4)	934.1
Total segment net assets (NNNAV)	463.1	142.0	47.6	47.5	90.3	(93.1)	697.4

	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	Gross NAV balance sheet	Deferred and contingent tax	Derivatives	Triple NAV balance sheet
	£m	£m	£m	£m	£m	£m
Investment property	531.4	-	531.4	-	-	531.4
CHARM	97.7	-	97.7	-	-	97.7
Trading stock	995.9	378.8	1,374.7	-	-	1,374.7
JVs and associates	101.1	(3.0)	98.1	-	(0.6)	97.5
Cash	61.5	-	61.5	-	-	61.5
Deferred Tax	37.1	(28.8)	8.3	-	34.2	42.5
Assets held-for-sale	16.1	-	16.1	-	-	16.1
Other assets	40.5	7.7	48.2	-	-	48.2
Total assets	1,881.3	354.7	2,236.0	-	33.6	2,269.6
External debt	(1,215.7)	-	(1,215.7)	-	-	(1,215.7)
Derivatives	(124.7)	124.7	-	-	(147.9)	(147.9)
Deferred tax	(36.8)	36.1	(0.7)	(122.4)	-	(123.1)
Other liabilities	(85.5)	-	(85.5)	-	-	(85.5)
Total liabilities	(1,462.7)	160.8	(1,301.9)	(122.4)	(147.9)	(1,572.2)
Net assets	418.6	515.5	934.1	(122.4)	(114.3)	697.4

Notes to the unaudited interim financial statements (continued)

30 September 2012

Segment assets (audited) £m

	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	Other	Total
Total segment net assets (Statutory)	838.8	287.3	44.1	90.6	118.4	(988.3)	390.9
Total segment net assets (NAV)	1,181.3	341.1	45.9	86.8	132.4	(858.7)	928.8
Total segment net assets (NNNAV)	1,080.6	307.0	44.1	87.6	118.2	(983.1)	654.4

	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	Gross NAV balance sheet	Deferred and contingent tax	Derivatives	Triple NAV balance sheet
	£m	£m	£m	£m	£m	£m
Investment property	525.9	-	525.9	-	-	525.9
CHARM	99.0	-	99.0	-	-	99.0
Trading stock	1,023.4	364.0	1,387.4	-	-	1,387.4
JVs and associates	60.4	(1.3)	59.1	-	(2.8)	56.3
Cash	73.3	-	73.3	-	-	73.3
Deferred Tax	44.5	(40.2)	4.3	-	46.1	50.4
Assets held-for-sale	222.1	-	222.1	-	-	222.1
Other assets	41.7	6.3	48.0	-	-	48.0
Total assets	2,090.3	328.8	2,419.1	-	43.3	2,462.4
External debt	(1,267.4)	-	(1,267.4)	-	-	(1,267.4)
Derivatives	(145.4)	145.4	-	-	(171.2)	(171.2)
Deferred tax	(37.8)	37.2	(0.6)	(120.0)	-	(120.6)
Liabilities held-for-sale	(129.7)	4.8	(124.9)	-	(4.8)	(129.7)
Other liabilities	(119.1)	21.7	(97.4)	-	(21.7)	(119.1)
Total liabilities	(1,699.4)	209.1	(1,490.3)	(120.0)	(197.7)	(1,808.0)
Net assets	390.9	537.9	928.8	(120.0)	(154.4)	654.4

4. Group Revenue

	Unaudited	
	31 March 2013 £m	31 March 2012 £m
Gross rental income (see note 5)	39.1	45.4
Service charge income on a principal basis	10.6	5.1
Proceeds from sale of trading property (see note 6)	75.8	88.2
Management fee and other income (see note 9)	6.9	5.4
	132.4	144.1

5. Net rental income

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
Gross rental income	39.1	45.4
Service charge income on a principal basis	10.6	5.1
Property repair and maintenance costs	(11.1)	(13.0)
Service charge expense on a principal basis	(11.3)	(5.7)
	27.3	31.8

6. Profit on disposal of trading property

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
Gross proceeds from sale of trading property	75.8	88.2
Selling costs	(1.7)	(2.7)
Net proceeds from sale of trading property	74.1	85.5
Carrying value of trading property sold	(42.2)	(46.8)
	31.9	38.7

7. Profit on disposal of investment property

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
Gross proceeds from sale of investment property	38.7	20.5
Selling costs	(0.8)	(0.3)
Net proceeds from sale of investment property	37.9	20.2
Carrying value of investment property sold:		
Investment property (Note 13)	(10.7)	(19.3)
Assets classified as held-for-sale	(24.8)	-
	2.4	0.9

8. Administrative expenses

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
Total group expenses	15.9	15.3

9. Other Income

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
Property and asset management fee income	6.8	5.0
Other sundry income	0.1	0.4
	6.9	5.4

10. Other Expenses

	Unaudited	
	31 March 2013	31 March 2012 (restated)
	£m	£m
External costs relating to fee income	1.8	0.5
Other transaction expenses	1.2	0.9
	3.0	1.4

11. 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 convertible bond, and 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 2013 was the end of the contingency period. The profit for the period is adjusted to add back the after tax interest cost on the debt component of the convertible bond. Where the effect of the above adjustments is anti-dilutive, they are excluded from the calculation of diluted earnings per share.

Notes to the unaudited interim financial statements (continued)

	31 March 2013			31 March 2012		
(unaudited)	Profit for the period £m	Weighted average number of shares (thousands)	Earnings per share pence	Profit for the period £m	Weighted average number of shares (thousands)	Earnings per share pence
Basic earnings per share						
Earnings attributable to equity holders	10.8	410,574	2.64	12.5	409,428	3.05
Effect of potentially dilutive securities						
Share options and contingent shares	-	7,399	(0.04)	-	4,451	(0.03)
Diluted earnings per share						
Earnings attributable to equity holders	10.8	417,973	2.60	12.5	413,879	3.02

12. Dividends

The Company has today announced an interim dividend of 0.58p per share which will return £2.4m of cash to shareholders. In the six months to 31 March 2013, the final proposed dividend for the year ended 30 September 2012 which amounted to £5.6m has been paid.

13. Investment property

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Opening balance	525.9	819.9
Additions:		
Subsequent expenditure	2.3	5.5
Disposals	(10.7)	(45.3)
Write down of investment property in disposal group	-	(6.9)
Transfer to assets classified as held-for-sale	-	(218.1)
Revaluation gains	3.4	2.1
Exchange adjustments	10.5	(31.3)
Closing balance	531.4	525.9

14. Investment in associates

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Opening balance	41.2	34.6
Share of (loss)/ profit	(2.1)	4.5
Net assets of subsidiaries transferred to investment in Joint Ventures	17.6	-
Acquisition of additional equity (see below):		
Cash investment	21.0	-
Gain on acquisition of equity	1.0	-
Share of change in fair value of cash flow hedges taken through other comprehensive income	2.1	2.1
Closing balance	80.8	41.2

Notes to the unaudited interim financial statements (continued)

As at 31 March 2013, 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	27.2%	Jersey
MH Grainger JV Sarl	21%*	Luxembourg

* Grainger FRM GmbH holds a 20.969% interest in the equity of MH Grainger JV Sarl which owns 94.9% of the equity of Grainger Stuttgart Portfolio One GmbH and Grainger Stuttgart Portfolio Two GmbH (Stuttgart Portfolios). Grainger FRM GmbH holds a direct interest of 5.1% in the equity of the Stuttgart Portfolios. Overall, therefore Grainger FRM GmbH has an interest of 25% in the equity of the Stuttgart Portfolios.

During the period the Group increased its holding in G:res Limited from 21.96% to 26.2%.

On 21 January 2013, the Grainger Residential Investment Platform Unit Trust ("GRIP") was formed between the Group and APG Strategic Real Estate Pool ("APG") and the Group acquired a 27.2% interest. GRIP acquired the full residential property portfolio previously owned by G:Res1 Limited. The Group retains a 26.2% interest in G:Res1 Limited which is being liquidated with remaining equity to be distributed to shareholders in due course.

15. Investment in joint ventures

	Unaudited	Audited
	31 March 2013	30 Sep 2012
	£m	£m
Opening balance	19.2	23.9
Loans advanced	1.6	0.5
Loans repaid/ (advanced) by joint venture	(0.4)	(1.6)
Share of loss	(0.2)	(1.0)
Exchange adjustment	0.3	(0.7)
Distribution received	(0.2)	(1.9)
Closing balance	20.3	19.2

	% of ordinary share capital held	Country of Incorporation
Curzon Park Limited	50.00%	United Kingdom
King Street Developments (Hammersmith) Limited	50.00%	United Kingdom
New Sovereign Reversions Limited	50.00%	United Kingdom
Gebau Vermogen GmbH	50.00%	Germany
CCZ a.s.	50.00%	Czech Republic
CCY a.s.	50.00%	Czech Republic
Prazsky Project a.s.	50.00%	Czech Republic

16. Financial interest in property assets

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Opening balance	99.0	102.3
Cash received from the instrument	(3.8)	(10.6)
Amounts taken to income statement	2.6	7.7
Amounts taken to other comprehensive income before tax	(0.1)	(0.4)
Closing balance	97.7	99.0

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 decreased as cash flows are realised and this decrease of £0.1m has been recognised in the statement of other comprehensive income and the available-for-sale reserve.

17. Trade and other receivables

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Trade receivables	26.4	27.4
Deduct: Provision for impairment of trade receivables	(1.6)	(1.4)
Trade receivables - net	24.8	26.0
Other receivables	4.6	4.9
Prepayments	4.9	4.7
	34.3	35.6

18. Interest bearing loans and borrowings

The maturity profile of the Group's debt, net of finance costs, is as follows:

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Within one year	19.5	27.3
Between one and two years	172.8	39.5
Between two and five years	791.1	903.7
Over five years	232.3	296.9
	1,215.7	1,267.4

19. Tax

	Audited	Unaudited				
	As at 30 Sep 2012 £m	Payments made in the period £m	Movements recognised in income £m	Exchange adjustments £m	Movements recognised in other comprehensive income £m	As at 31 March 2013 £m
Current tax	24.4	(7.2)	1.5	-	-	18.7
Deferred tax						
Trading property uplift to fair value on acquisition	29.5	-	(1.9)	-	-	27.6
Investment property revaluation	6.1	-	0.8	0.2	-	7.1
Accelerated capital allowances	0.7	-	0.1	-	-	0.8
Short-term timing differences	(32.6)	-	2.9	-	-	(29.7)
Actuarial deficit on BPT Limited pension scheme	(0.7)	-	-	-	-	(0.7)
Equity component of available-for-sale financial asset	1.2	-	-	-	-	1.2
Fair value movement in cash flow hedges and exchange adjustments	(10.9)	-	(3.2)	-	7.5	(6.6)
	(6.7)	-	(1.3)	0.2	7.5	(0.3)
Total tax - movement	17.7	(7.2)	0.2	0.2	7.5	18.4

The main rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013 and will change to 21% from 1 April 2014. Accordingly the Group's results for this accounting period are taxed at an effective rate of 23.5%. The change in tax rate has had no impact on the income statement in the current period.

Deferred tax balances are disclosed as follows:

	Unaudited 31 March 2013 £m	Audited 30 Sep 2012 £m
Deferred Tax assets – non-current assets	37.1	44.5
Deferred Tax liabilities – non-current liabilities	(36.8)	(37.8)
Deferred Tax (net)	0.3	6.7

The tax charge for the period of £0.2m (2012: charge of £2.6m) comprises:

	Unaudited 31 March 2013 £m	Unaudited 31 March 2012 £m
UK taxation	1.2	1.5
Overseas taxation	(1.0)	1.1
	0.2	2.6

20. Trade and other payables

	Unaudited	Audited
	31 March	30 Sep
	2013	2012
	£m	£m
Deposits received	2.5	2.6
Trade payables	15.3	13.8
Other taxation and social security	1.5	5.5
Accruals and deferred income	37.2	40.8
Other payables	-	21.7
Deferred consideration payable	4.0	4.0
	60.5	88.4

Deferred consideration payable relates to the purchase of land at West Waterlooville and was paid in April 2013.

Accruals and deferred income includes £16.1m (September 2012: £17.3m) of rent received in advance relating to lifetime leases. Other payables at September 2012 of £21.7m related to the settlement of interest rate swap contracts which took place in October 2012.

21. Derivative Financial Instruments

	Unaudited		Audited	
	31 March 2013		30 September 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges in hedge accounting relationships	-	14.7	-	50.7
Interest rate swaps – cash flow hedges not in hedge accounting relationships	-	110.0	-	94.7
	-	124.7	-	145.4

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.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through the income statement of £18.6m (31 March 2012: a charge of £8.8m).

On 27 March 2013 the Group purchased debt related to the investment property in its subsidiary Tricomm Housing Limited from Bank of America using core group facilities. The debt was purchased at a discount of 25% to the loan amount of £67.0m and a gain, after costs, of £15.4m was credited to Finance income in the income statement. On extinguishment of the debt, the debit balance in the cash flow hedge reserve of £13.7m relating to the associated interest rate swap, was recycled to the income statement and is included within the overall charge of £18.6m.

22. Related party transactions

Detailed disclosure of all related party arrangements was provided in Note 36 of the 2012 Annual Report and Accounts.

There has been no material change in the period to 31 March 2013 except that the Group has provided loans totalling £32.2m to GRIP Unit Trust of which £22.8m bear interest at 4.75% and £9.4m are interest free. Interest receivable totalling £206,000 has been earned in the period. In addition, the Group received a loan of £0.4m from Home & Capital Trust Limited in the period. This loan bears interest at LIBOR plus 2.35%.

Material transactions in the period to 31 March 2013 and as at 31 March 2013 were as follows:

	Unaudited	
	31 March 2013 £m	31 March 2012 £m
Fee income from joint ventures and associates	2.6	2.6

	Unaudited 31 March 2013 £m	Audited 30 Sep 2012 £m
Loan due to Home & Capital Trust Limited	0.4	-
Loan due from GRIP Unit Trust	32.2	-

23. 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 4.2.7 and DTR 4.2.8, 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 2012 and on the Grainger plc website: www.graingerplc.co.uk. There have been two changes since 30 September 2012. Simon Davies was appointed on 20 November 2012 and Henry Pitman retired from the Board at our Annual General Meeting on 6 February 2013.

By order of the Board

Mark Greenwood
Director
16 May 2013

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.