

Grainger plc

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

INTERIM RESULTS FOR THE SIX MONTHS TO 31 MARCH 2012

GRAINGER CONTINUES TO DELIVER VALUE AND OUTPERFORM THE MARKET

Grainger is a specialist residential business focused on utilising its core skills of asset and property management to generate income through trading, renting out and managing residential property.

Sales

- Completed sales from UK portfolios increased 5.8% year-on-year to £94.6m (31 March 2011: £89.4m). Sales on vacancy exceeded valuation by 5.7% compared to September 2011 vacant possession values (31 March 2011: 1.9%)

Rental income

- Net rental income increased by 16.4% to £31.8m

Fee income

- Fee income up 61.2% to £5.0m

Financial highlights

- Operating profit before valuation movements and non-recurring items (OPBVM) up 7.9% to £64.1m (31 March 2011: £59.4m)
- Profit before tax (“PBT”) of £15.1m (31 March 2011: £65.2m). PBT for the corresponding six month period was materially enhanced by valuation gains of £45m
- Market value of the Group’s residential UK portfolios up 2.8% and German portfolio up 0.4%
- Gross net asset value per share up to 224p (30 September 2011: 216p), a growth of 3.4% over the six month period and 12% over an eighteen month period
- Triple net asset value per share up to 161p (30 September 2011: 153p), a growth of 4.7% over the six month period and 15% over an eighteen month period
- Group net debt was reduced by £42m to £1,412m (30 September 2011: £1,454m)
- UK syndicate LTV reduced to 50% (30 September 2011: 52%)

Operational highlights

- On-going progress in integrating significant acquisitions and management contracts introduced during 2011
- Continued focus on developing innovative strategic initiatives to leverage our existing platform and generate shareholder value.

Robin Broadhurst, Chairman of Grainger plc, commented:

“Grainger continues to deliver value through strong operational performance, maintaining the momentum gathered in the previous financial years. Grainger’s residential UK portfolio valuation has risen 2.8% and sales on vacancy are being achieved at 5.7% above September 2011 vacant possession values. This demonstrates our ability to outperform the wider housing market as a result of our portfolio’s strategic geographical weighting and the application of our specialist expertise and skills.”

Analyst presentation

Grainger plc will be holding a presentation for analyst and investors today, Thursday, 17 May 2012 at FTI Consulting, 26 Southampton Buildings, London, WC2A 1PB at 9.00am (GMT).

The meeting can 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:

Toll Number **+44(0)20 3140 0668**

Toll-Free Number **08003681950**

Participant PIN **780221#**

Webcast details: To view a webcast of the presentation, please register by visiting the following website: <http://event.on24.com/r.htm?e=458598&s=1&k=BEB9157131F40402FD231C1FE6A32B4F>

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CHAIRMAN'S STATEMENT

Grainger remains uniquely placed to take a leading role in, and benefit from, shifts in the residential property market. All of our activities are underpinned by the application of the Group's core skills in property and asset management.

Our major strategic initiatives of the previous year have augmented the resilience of the Group and the first six months of this year have seen continued good progress with the integration of these significant acquisitions and contracts into our business.

The recent inclusion of the UK Residential Index within the UK Real Estate Index by the Investment Property Databank (IPD), the world's leading benchmarking provider for investors in real estate, is a significant milestone for the sector, recognising the importance and potential of residential property to the real estate investment community and to the wider economy.

Results

Profit before tax to 31 March 2012 amounted to £15.1m (2011: £65.2m). Last year's results benefited from a number of significant valuation credits amounting to £45.2m but it is notable that operating profit before valuation movements and non-recurring items (OPBVM) increased by 7.9% to £64.1m (31 March 2011: £59.4m). Triple net asset value (NNNAV) increased to 161p per share (September 2011: 153p per share).

Dividends

The Board is declaring an interim dividend of 0.55p per share to be paid on 6 July 2012 to shareholders on the register at close of business on 8 June 2012. At the same point last year the Company returned cash to shareholders by way of a tender offer rather than by paying an interim dividend. The cash returned at that time amounted to £2.2m, equivalent to 0.53p per share.

Board changes

Robert Hiscox retired from the Board at the annual general meeting in February 2012 and I would like to take this opportunity to thank him for his significant contribution over the years. As previously reported, we have welcomed Tony Wray to the Board and are already benefiting from his considerable operational experience derived from being CEO of a FTSE 100 company.

Outlook

The major market indices indicate that UK national house prices have remained broadly flat over the last six months and liquidity and transaction volumes remain low. Over the last three years, Grainger has rebalanced its UK residential portfolio to focus on geographic locations where economic activity is more robust and this continues to show benefits. At 31 March 2012, 62% of the UK portfolio was located in London and the South East (March 2009: 53%). This is supplemented by the type of property (predominantly low unit cost with high reversionary element) and how we manage it. As a result of all these factors, our UK portfolio continues to outperform the general housing market.

We apply a similar approach to our German portfolio where 82% (March 2011: 78%) of our properties lie in four of the more affluent areas of the country: Baden-Wuerttemberg, Hesse, Northrhine-Westphalia and Bavaria.

The more recent new sources of income which are less reliant on trading, such as the acquisition of Hi-Tricomm, the commencement of Grainger's Residential Asset Management Platform (RAMP) and the Sovereign Joint Venture, also add additional resilience to our business model alongside other avenues we are exploring such as Build-To-Rent.

Despite the prevailing economic headwinds, we have continued confidence in our business model and our proven ability to utilise our skills and operational platform to take advantage of opportunities that we identify to generate shareholder value.

Robin Broadhurst
Chairman
17 May 2012

CHIEF EXECUTIVE'S REVIEW

Market conditions

During the first half of the year we have seen continued operational progress, allowing us to outperform the broader UK housing market, as outlined in the following table:

Outperforming the UK housing market	
	Average change in UK house prices in the six month period to 31 March 2012
Nationwide	(0.03)% (seasonally adjusted)
Halifax	(0.15)% (seasonally adjusted)
Grainger	+2.76% (market value)

During 2011 the general housing market showed some stability which has broadly continued into 2012. The average movement in the two most commonly quoted house price measures, the Halifax and Nationwide indices, between October 2011 and March 2012 is down by 0.1%. Transaction volumes, as evidenced by the number of house purchase loans secured in March 2012 which amounted to 51,200, are up 31% from the previous year and 44% from the previous month (Source: Council of Mortgage Lenders). Although mortgages remain affordable by historical comparison, the need for higher deposit levels continues to constrain the market.

As events in Europe over recent days have reminded us, volatility still remains in the global economy. However, in the absence of a significant global event, we anticipate that general house prices will start to show gradual, but more consistent, improvement from 2013, with broadly stable prices and relatively low liquidity until then. Recovery will be earlier and more pronounced in those areas where there is the greatest economic activity and greater imbalance between housing supply and demand. Indeed, as we have previously reported, this had already begun this time last year in parts of London, where a combination of inward investment, high demand and economic strength had already supported house price increases.

Strategic objectives

Grainger's strategic objectives are set out below:

1. Maintain our leading position in residential property: Grainger = Residential
2. Increase the proportion of non-trading income in relation to trading income
3. Maintain, in the medium term, the size of our regulated tenancy portfolio.

Underlying and supporting the broad objectives above are these more detailed objectives:

1. Re-balance the portfolio to selective areas of value or growth
2. Reduce capital employed in non-core or underperforming assets
3. Introduce third party capital to diversify returns
4. Reduce overall debt levels in the short to medium term
5. Generate further fee income.

Our approach to the market

We are focused on leveraging our operational excellence in three ways, actively managing our portfolio, extracting maximum value from existing assets and offering the benefits of our expertise and strong operational platform to third parties. Our operational excellence has recently been

recognised by the award of Asset Manager of the Year at the RESI Awards.

Actively managing our portfolio

Grainger has created a unique portfolio over its 100 year history. We actively manage our assets, ensuring they deliver a robust performance to generate maximum value across economic cycles. In the last three years, we have shifted the geographical weighting of our UK portfolio to London and the South East (from 53% in March 2009 to 62% as at the end of March 2012) where we anticipate more buoyant markets and long term growth potential. Similarly, 82% of our German portfolio lies predominantly in four of the more affluent areas of the country.

Extracting value

In addition to the inherent reversionary value and consistent rental income of our portfolio, many of our assets hold significant value-add opportunities. For example, we are redeveloping a block of 14 flats in an attractive area of Islington in North London which will generate a substantial profit through an increase in floorspace, reconfiguration of the units, improvement of the common parts of the building and installation of high quality fixtures.

During the period we also completed and sold a luxury penthouse (creating c5,800 sq ft of new space) on top of one of our freehold blocks in Bayswater, London. We purchased the block as an investment asset with development potential and, through this initiative, have realised that potential. The Company recognised a substantial profit on the sale of the penthouse, reflecting the quality of the development and the high demand for super prime residential property in central London.

We are able to successfully undertake these portfolio management and value add initiatives because of our expert and experienced staff and their diverse set of skills in the residential market.

Third party offering

Grainger has a number of key strategic partnerships with high quality partners, such as the Defence Infrastructure Organisation, Lloyds Banking Group and Moorfield. The quality of these partners reflects our market-leading position in the residential sector and supports the Group's strategic objectives. We will continue to explore opportunities to bring in further partnership arrangements to support our objective of generating further fee income.

G:res 1, the residential fund in which we co-invest and to which we provide asset and property management services, saw uplifts in rent levels on new rental agreements averaging 8.0% in the six months to 31 March 2012, illustrating strong growth over the period.

Our Residential Asset Management Platform (RAMP) has processed over 2,000 units since its inception in May 2011. In the six months to 31 March 2012, RAMP has disposed of 345 assets worth approximately £35.7m, demonstrating our ability to apply our skills on behalf of third parties to create value for our shareholders by adding new income without investing new capital.

Trading and valuation update

Total gross cashflow from property sales completed in the first six months amounted to £112m (2011: £90m) and by 14 May 2012 our total sales pipeline amounted to £188m (13 May 2011: £155m). This includes completed sales, transactions with contracts exchanged or where solicitors have been instructed.

The residential UK portfolios, assisted by the strong London and South East weighting, showed a market valuation uplift of 2.8%, with UK Residential increasing by 3.1% and Retirement Solutions by 1.6%. Values in our German portfolio also increased by 0.4%.

The average vacant possession value of our residential UK properties stands at £183,000 (September 2011: £180,000) and the reversionary surplus (the difference between vacant possession value and market value) is £571m (September 2011: £571m).

Debt reduction programme

Over the six month period to 31 March 2012, we delivered on our commitment to begin our debt reduction programme, having reduced our debt by £42m to £1,412m (30 September 2011: £1,454m). This has been achieved by the natural cash generation characteristics of the portfolios through vacancy, being highly selective in acquisitions and selling non-core or underperforming assets.

We expect our debt reduction programme will continue over the remainder of the year at a comparable rate to the first half.

Summary and business prospects

Our focus on trading, rents and fees supports our strategic objectives of rebalancing our portfolio towards selective areas of value or growth, reducing capital employed in non-core or underperforming assets, introducing third party capital and increasing the proportion of non-trading income.

As well as continuing to grow third party assets under management, the greater political impetus supporting the private rented sector is on-going and we foresee opportunities for market rented properties to become a greater part of our business going forward. This is the backdrop to our exploration of Build-To-Rent initiatives.

There are a number of public policy developments that could also impact the residential sector. We are prepared both to take advantage of any opportunities that may arise from these and to mitigate any downside. In particular, we are monitoring the progress of the Government's review of barriers to institutional investment in the private rented sector, led by Sir Adrian Montague, and the changes to the real estate investment trust (REIT) regime, both of which could present beneficial opportunities to Grainger.

Finally, we have applied for a Grainger subsidiary to become a Registered Provider of social housing to take advantage of long term ownership of the affordable elements of our development pipeline, such as at the recently renamed Berewood scheme (previously Waterlooville), in Hampshire.

We have demonstrated again that we have the people, assets and structures in place to perform consistently in uncertain times.

Andrew Cunningham
Chief Executive
17 May 2012

Operating Review

Our main operating divisions and the market value of the assets in each are as follows:-

<u>Division</u>	<u>Market value</u> <u>£m</u>	<u>Percentage</u> <u>of total</u>	<u>Assets</u>
UK residential	1,396	58	Primarily properties subject to regulated tenancies
Retirement solutions	490	20	Home reversions and retirement related assets plus investment in Sovereign
Fund management and residential investments	38	2	Investment in G:res
Development	80	3	Residential or residential-led mixed use developments
German residential	395	17	Investment in German residential portfolio plus investment in Gebau, property managers
	<u>2,399</u>	<u>100</u>	

The Group has over £3bn of assets under management, not including our 50% interest in Gebau Vermogen GmbH, our Germany property management platform. Taking into account Gebau Vermogen GmbH, we own and/or manage approximately 39,900 properties.

The Directors' valuations, carried out as at 31 March 2012, and supported by independent verification, indicate that the market value of our residential UK portfolios (UK residential and retirement solutions) has increased by 2.8% overall in the six month period to 31 March 2012. The valuation of the German portfolio increased by 0.4%. The valuation takes account of changes in property transfer tax rates in some of the federal states in which Grainger operates. Without this effect, the underlying increase in valuation would have amounted to 1.1%.

Operating divisions' performance

UK residential

	<u>31 March 2012</u>		<u>30 September 2011</u>	
Regulated units owned	5,631		5,853	
Market value	£954m		£954m	
Vacant possession value	£1,279m		£1,280m	
Other assets (vacants, assured etc) units owned	1,873		1,809	
Market value	£442m		£448m	
Vacant possession value	£488m		£490m	
	6 months to		6 months to	
	31 March 2012		31 March 2011	
<u>£m</u>	<u>Value</u>	<u>Profit</u>	<u>Value</u>	<u>Profit</u>
Sales of vacant properties	41	19	39	16
Tenanted sales	6	2	13	5
Other one-off sales	29	12	3	2
	<u>76</u>	<u>33</u>	<u>55</u>	<u>23</u>
Net rentals		21		16
Divisional overheads		(4)		(5)
OPBVM		<u>50</u>		<u>34</u>

Sales of vacant properties, 'normal sales', are £2m higher than last year at £41m. Margins are higher than last year at 46% compared to 41%.

We have also made tenanted sales (sales with a tenant in place) of £6m (2011: £13m) and other sales of £29m (2011: £3m).

We have identified potential further tenanted sales of c£50m and as at 14th May 2012, total tenanted sales completed, exchanged and solicitors instructed was £31.0m. Rental income has had the benefit in 2012 of six months of rent from HI Tricomm and Grainger Invest, acquired in February and March 2011 respectively.

The overall market valuation uplift in the portfolio, including the uplift in Grainger Invest asset valuations, in the six months to 31 March 2012 is £41m (3.1%).

We have continued to be particularly selective with regard to purchases. At 31 March 2012 we had completed on £12m of residential property purchases, and had a further £4m in solicitors' hands or with contracts exchanged. This compares to £397m at 31 March 2011 (including 2011 corporate acquisitions).

Retirement solutions

	<u>31 March 2012</u>	<u>30 September 2011</u>
Residential units owned	5,841	5,902
Market value	£473m	£474m
Vacant possession value	£673m	£677m

<u>£m</u>	<u>6 months to</u> <u>31 March 2012</u>		<u>6 months to</u> <u>31 March 2011</u>	
	<u>Value</u>	<u>Profit</u>	<u>Value</u>	<u>Profit</u>
Property sales	14	6	12	6
Receipts from CHARM sales	4	-	2	-
	<u>18</u>	<u>6</u>	<u>14</u>	<u>6</u>
Net rentals		2		2
Fee Income		1	-	-
Charm		3	-	2
Divisional overheads		(2)		(1)
OPBVM		<u>10</u>		<u>9</u>

Sales are higher than last year at £17.7m including CHARM sales, compared to £14.6m in 2011. Margins are lower at 34% (2011:42%) broadly maintaining profit at £6.0m (2011: £6.1m). The overall market valuation of the Retirement Solutions property portfolio increased by 1.6% in the six months to 31 March 2012.

In the period we bought 88 units for £7m (2011: 107 units for £7m).

Fund and third party management

	<u>Holding %</u>	<u>Number of units</u>	<u>Gross asset Value £m</u>	<u>Net asset Value £m</u>	<u>Grainger Investment £m</u>
Total 31 March 2012	21.96	1,893	395	171	38
Total 30 September 2011*	21.96	2,031	407	158	35

* The Group's investment shown above represents our investment in G:res1 Limited.

<u>£m</u>	6 months to 31 March 2012 <u>Profit</u>	6 months to 31 March 2011 <u>Profit</u>
Fee Income	4	2
Divisional overheads	(3)	(1)
OPBVM	<u>1</u>	<u>1</u>

The division's income arises from management fees relating to both asset and property management activities for G:res and RAMP.

Below operating profit, the division's result is impacted by asset valuation movements. Asset values in G:res increased by 2.6% in the period, Grainger's share being £2.0m.

Development

	<u>31 March 2012</u>	<u>30 September 2011</u>
Market value of development portfolio (including share of joint ventures)	£80m	£73m
Estimate of completed development value	£492m	£490m
Of this, with planning consent	£240m	£241m
Committed cash expenditure	£8m	£10m

<u>£m</u>	6 months to 31 March 2012 <u>Value</u>	<u>Profit</u>	6 months to 31 March 2011 <u>Value</u>	<u>Profit</u>
Trading sales	<u>1</u>	1	<u>20</u>	14
Divisional overheads		(1)		(1)
OPBVM	<u>-</u>		<u>13</u>	

In 2011 this division benefitted from profits on sales of two properties generating a profit of £12.6m out of a total profit of £13.4m. As at 31 March 2012 the market value of the UK portfolio increased by £5.9m (8.0%), the majority of the increase relating to the Berewood site. This follows agreement, in March 2012, of the section 106 agreement required to commence sales of serviced plots to housebuilders.

German residential

	<u>31 March 2012</u>	<u>30 September 2011</u>
Residential units owned	6,495*	6,718*
Market value	£395m	£422m

*This includes 302 commercial units (2011: 321 commercial units).

<u>£m</u>	6 months to 31 March 2012		6 months to 31 March 2011	
	<u>Value</u>	<u>Profit</u>	<u>Value</u>	<u>Profit</u>
Investment property sales	18	-	1	-
Net rentals		9		10
Divisional overheads		(1)		(2)
OPBVM		<u>8</u>		<u>8</u>

Sales of property in the six months to 31 March 2012 amounted to €21m (2011 €1m). A further c€50m of asset sales have been identified which are largely expected to complete by the end of the calendar year.

Financial Review

Our key performance indicators at the half year are:

	2012	2011
Operating profit before valuation movements and non-recurring items	£64.1m	£59.4m
Profit before tax	£15.1m	£65.2m
Gross net asset value per share (pence)	224p	216p
Triple net asset value per share (pence)	161p	153p
Excess on sale of normal sales to previous valuation	5.7%	1.9%

Income Performance

OPBVM

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. In the six months to 31 March 2012 OPBVM was as follows:

	Profit on sale of assets	Net Rents	Fees/ other income	Overheads/ Other/ CHARM	2012 Total	2011 Total
	£m	£m	£m	£m	£m	£m
UK Residential Portfolio	33.1	21.0	-	(3.9)	50.2	34.0
Retirement Solutions Portfolio	6.0	1.8	0.5	1.3	9.6	9.1
Fund and third party management	-	-	4.2	(2.8)	1.4	1.0
Development Assets	0.8	0.1	0.3	(0.7)	0.5	13.1
German Residential Portfolio	-	8.9	-	(1.3)	7.6	8.2
Group and other	-	-	-	(5.2)	(5.2)	(6.0)
OPBVM – 2012	39.9	31.8	5.0	(12.6)	64.1	
OPBVM – 2011	41.7	27.3	3.1	(12.7)		59.4

Main movements within OPBVM	£m
2011 OPBVM	59.4
Increase in gross rents	6.2
Increase in residential trading profit	9.5
Increase in fee income	1.9
Increase in interest income from CHARM	1.3
Decrease in development trading profit	(12.6)
Increase in property expenses/ overheads/ other	(1.6)
2012 OPBVM (see note 2 to the accounts)	64.1

The major movements within OPBVM are:

- An increase of £6.2m in gross rents. This is due mainly to the acquisitions of HI Tricomm in February 2011 and the remaining 50% share in Grainger Invest in March 2011.
- An increase of £9.5m in residential trading profits. This arises primarily from value added sales in UK Residential.
- A reduction of £12.6m in development profits.

Fees have risen to £5.0m from £3.1m as a result of the income arising from RAMP which commenced during the second half of 2011.

Sales and margins

	Half Year 2012				Half Year 2011			
	Units sold	Sales £m	Profit £m	Margin	Units sold	Sales £m	Profit £m	Margin
Sales on vacancy								
UK residential	172	40.7	18.8	46.0%	207	39.3	16.0	40.8%
Retirement solutions	149	17.7	6.0	34.1%	109	14.6	6.1	41.9%
	321	58.4	24.8	42.4%	316	53.9	22.1	41.1%
Tenanted and other	103	35.1	14.3	40.8%	134	15.6	6.2	39.7%
Residential sales total	424	93.5	39.1	41.8%	450	69.5	28.3	40.7%
Development	-	1.1	0.8	69.9%	-	19.9	13.4	67.4%
UK Total	424	94.6	39.9	40.9%	450	89.4	41.7	46.7%
Germany	225	17.7	-	0.2%	17	0.8	-	1.4%
Overall total	649	112.3	39.9	35.5%	467	90.2	41.7	46.3%

Profit from sales of property including CHARM, was £39.9m, compared to £41.7m in 2011, generated from gross sales proceeds of £112.3m compared to £90.2m in 2011. This movement in volume was driven mainly by an increase in tenanted sales (properties with tenants in place) and other sales which rose from £15.6m to £35.1m. Margins on our vacant properties rose from 41.1% to 42.4% assisted by higher levels of sales in those areas where prices are increasing.

Overheads

Overhead costs in 2012 at £15.3m are virtually unchanged (2011: £15.2m), despite the increased activities of our property management, highlighting the potential scalability of our platform.

Valuation and non-recurring items

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

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>Movement</u>
	£m	£m	
Gain on acquisition	-	16.1	(16.1)
Valuation gain/ (deficit) on investment property	6.9	(0.8)	7.7
Fair value of derivatives	(8.8)	22.9	(31.7)
Other	0.6	4.1	(3.5)
	(1.3)	42.3	(43.6)

In 2011 the gain on acquisition arose from our acquisition of HI Tricomm providing a gain of £14.9m, and in the case of Grainger Invest, £1.2m. The change in fair value of derivatives reflects the movement in the interest yield curve in the period and transfers from equity to income statement resulting from both swaps cancelled in prior years and repayment of loans and related swaps in the current year. Since 30 September 2011, there has been a decrease in the Group's fair value of derivatives net liability in the consolidated statement of financial position from £154.3m to £151.5m with a charge through the consolidated income statement of £8.8m (2011: credit of £22.9m).

Valuation movements, impairment and goodwill adjustments and non-recurring items amounted to a credit of £5.5m (2011: credit of £13.2m) as shown below:

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£m	£m
Gain on acquisition of subsidiaries	-	16.1
Write down of inventories to net realisable value	(0.5)	(0.4)
Movement on impairment provisions against loans	-	1.2
Valuation gain/(deficit) on investment property	6.9	(0.8)
Other non-recurring costs	(0.9)	(2.9)
	5.5	13.2

Interest expense and similar charges

Our net interest charge has increased by £13.2m from £33.7m to £46.9m. The interest charge increased following debt either assumed or raised in connection with the acquisitions of HI Tricomm and Grainger Invest. These acquisitions were made at the end of the first half of 2011 which leads to the like for like increase in the first half. There is also an increase in the average cost of debt following the refinancing activities of 2011.

Profit before tax and before movements on derivatives

Profit at this level was £23.9m compared to £42.3m in 2011.

Profit before tax

Having taken account of derivative movements, profit before tax was £15.1m compared to a profit of £65.2m in 2011.

Tax

The Group has an overall tax charge of £2.6m giving an effective tax rate of 17.4%. In achieving this rate, the Group has taken the benefit of the substantively enacted fall in corporation tax rates and agreed capital losses.

Earnings per share

Basic earnings per share were 3.0p (2011: 11.8p). A half year on half year reconciliation is shown below:

	£m	Pence per share
2011 Profit/earnings per share	48.5	11.8
Movements in:		
OPBVM	4.7	1.1
Contribution from joint ventures and associates	(2.2)	(0.5)
Fair value of derivatives	(31.7)	(7.7)
Revaluation of investment properties	7.7	1.9
Provisions against trading stock values and loans	(1.3)	(0.3)
Gain on acquisition of subsidiaries	(16.1)	(3.9)
Net interest payable	(13.2)	(3.3)
Taxation and other	16.1	3.9
2012 Profit/ earnings per share	12.5	3.0

Dividend for the half year

After considering the investment and working capital needs of the business, the Directors have recommended an interim dividend of 0.55p per ordinary share (2011: 0.53p*) which equates to £2.3m (2011: £2.2m*). Earnings cover dividends by 5.5 times.

* expressed as the equivalent distributed in 2011 as a tender offer

Asset Performance

Net asset value

We set out two measurements to enable shareholders to compare our performance in the half year.

	Mar 2012	Sept 2011	Movement
Gross net assets per share (NAV)	224p	216p	3.4%
- 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)	161p	153p	4.7%
- 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 three of the accounts.

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	931	224
Deferred and contingent tax	(131)	(31)
Fair value of derivatives adjustments net of tax	(132)	(32)
NNNAV	668	161

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

	£m	Pence per share
Gross NAV at 30 September 2011	900	216
Profit after tax	12	3
Revaluation gains	48	12
Elimination of previously recognised surplus on sales	(29)	(7)
Dividends paid	(5)	(1)
Derivatives movement net of tax	7	2
Others	(2)	(1)
Gross NAV at 31 March 2012	931	224

The major movements in NNNAV in the half year are:

	£m	Pence per share
NNNAV at 30 September 2011	638	153
Profit after tax	12	3
Revaluation gains	48	12
Elimination of previously recognised surplus on sales	(29)	(7)
Dividends paid	(5)	(1)
Cashflow hedge reserve net of tax	8	2
Contingent tax	(1)	-
Others	(3)	(1)
NNNAV at 31 March 2012	668	161

Financial resources

The Group significantly refreshed and diversified its sources of finance during 2011. A total of £1.2bn of new debt was secured for the purposes of refinancing existing debt and in connection with acquisitions.

As at 31 March 2012, the average maturity of the Group's committed facilities was 5.4 years (September 2011: 5.5 years) and the average maturity of the Group's drawn debt was 5.7 years (September 2011: 5.9 years).

In September 2011, a new forward start facility was signed with RBS, Lloyds, Barclays, Nationwide and HSBC, providing £840m of committed facilities which will be used to refinance the Group's existing core facilities. £606m of the committed £840m has a five year tenor, maturing in July 2016. The balance of the facilities mature in three stages, £166.5m maturing in December 2014, £7.5m maturing in July 2018 and £60m maturing in July 2020.

As previously announced on 24 November 2011, a further £28.6m of debt was provided by Partnership Assurance under similar terms to those applying to the £50m drawn in October 2011. These funds have been used to further reduce the Group's core facilities.

The Group's existing core facilities were £1,093m on 30 September 2011, of which £927m were then drawn. The core facilities have since been reduced to £948m, of which £848m were drawn as at 31 March 2012. The Group has free cash balances of £49m plus available overdraft of £5m along with undrawn committed facilities of £100m. The new forward start facility of £840m (which will be drawn to replace the existing facilities by 30 September 2012) together with existing free cash balances of £49m (as at 31 March 2012) will enable the Group to repay the existing core facilities in the course of the current financial year. We have the flexibility through cash generation and new debt facilities to ensure the Group can operate its business as planned and meet its strategic objectives.

The Group's average effective cost of debt as 31 March 2012 (based on current Libor/Euribor rates and on current debt hedging of 76%, is 6.0% (September 2011: 5.8%).

The business has produced £117m of cash from its operating activities being net rents and other income, property sales and other working capital movements net of overheads. The largest outflow of cash is £41m of net interest.

At 31 March 2012 net debt levels had fallen from £1,454m at September 2011 to £1,412m which is a decrease of £42m. Net debt is £158m lower than twelve months ago at 31 March 2011 when net debt was £1,570m.

At 31 March 2012 gross debt was 76% hedged (September 2011: 73%) of which 4% was subject to caps.

At the period end loan-to-value (LTV) on the core facility was 50% (September 2011: 52%). This compares to a minimum required LTV covenant of 75%. Group consolidated LTV was 59% (September 2011 61%).

At 31 March 2012 the interest cover ratio on the core facility stood at 3.0 times (September 2011: 3.1 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, and its ability to draw down its new forward start facility by 30 September 2012, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Mark Greenwood
Finance Director
17 May 2012

Consolidated income statement

		Unaudited	
		31 March	31 March
		2012	2011
		£m	£m
For the half year ended 31 March 2012			
	Notes		
Group revenue	3, 4	144.1	133.8
Net rental income	5	25.0	21.4
Profit on disposal of trading property	6	35.2	38.7
Administrative expenses	7	(5.0)	(6.0)
Other income and expenses	8	4.0	0.6
Net gain on acquisition of subsidiaries	22	-	16.1
Profit on disposal of investment property	9	0.9	0.1
Finance income from financial interest in property assets	15	3.1	1.7
Write down of inventories to net realisable value		(0.5)	(0.4)
Write back of impairment of loans receivable		-	1.2
Operating profit before net valuation gains/(deficits) on investment property	2	62.7	73.4
Net valuation gains/(deficits) on investment property	12	6.9	(0.8)
Operating profit after net valuation gains/(deficits) on investment property	2	69.6	72.6
Change in fair value of derivatives	20	(8.8)	22.9
Finance costs		(47.1)	(35.8)
Finance income		0.2	2.1
Share of profit of associates after tax	13	1.7	2.4
Share of (loss)/ profit of joint ventures after tax	14	(0.5)	1.0
Profit before tax		15.1	65.2
Tax charge for the period	18	(2.6)	(16.7)
Profit for the period attributable to the owners of the company		12.5	48.5

All of the above results relate to continuing operations.

Consolidated statement of comprehensive income

		Unaudited	
		31 March	31 March
		2012	2011
		£m	£m
For the half year ended 31 March 2012			
	Notes		
Profit for the period		12.5	48.5
Actuarial loss on BPT Limited defined benefit pension scheme		(0.5)	-
Fair value movement on financial interest in property assets	15	(0.2)	(1.5)
Exchange adjustments offset in reserves		(0.2)	(0.7)
Changes in fair value of cash flow hedges		11.5	28.6
Other comprehensive income and expense for the period before tax		10.6	26.4
Tax relating to components of other comprehensive income	18	(2.7)	(8.0)
Other comprehensive income and expense for the period		7.9	18.4
Total comprehensive income and expense for the period attributable to the owners of the company		20.4	66.9
Basic Earnings per share	10	3.05p	11.82p
Diluted earnings per share	10	3.02p	11.71p
Dividend per share	11	0.55p	0.53p

Included within other comprehensive income is £2.0m (2011: £6.1m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position

		Unaudited 31 March 2012	Audited 30 September 2011
As at 31 March 2012	Notes	£m	£m
ASSETS			
Non-current assets			
Investment property	12	796.1	819.9
Property, plant and equipment		1.0	1.2
Investment in associates	13	37.5	34.6
Investment in joint ventures	14	21.7	23.9
Financial interest in property assets	15	100.3	102.3
Deferred tax assets	18	41.0	42.7
Goodwill		5.3	5.3
		1,002.9	1,029.9
Current assets			
Inventories – trading property		1,085.4	1,105.1
Trade and other receivables	16	17.1	18.3
Derivative financial instruments	20	0.1	0.2
Cash and cash equivalents		91.6	90.9
		1,194.2	1,214.5
Total assets		2,197.1	2,244.4
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	17	1,481.9	1,428.0
Trade and other payables	19	4.0	4.0
Retirement benefits		5.2	4.5
Provisions for other liabilities and charges		0.6	0.6
Deferred tax liabilities	18	45.3	47.7
		1,537.0	1,484.8
Current liabilities			
Interest-bearing loans and borrowings	17	21.7	116.7
Trade and other payables	19	59.3	76.4
Current tax liabilities	18	23.7	24.6
Derivative financial instruments	20	151.6	154.5
		256.3	372.2
Total liabilities		1,793.3	1,857.0
Net assets		403.8	387.4
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		(26.1)	(34.4)
Equity component of convertible bond		5.0	5.0
Available-for-sale reserve		4.0	4.1
Retained earnings		269.8	261.6
Equity attributable to the owners of the company		403.7	387.3
Non-controlling interests		0.1	0.1
Total equity		403.8	387.4

Consolidated statement of changes in equity

	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Equity component of convertible bond £m	Available - for-sale reserve £m	Retained earnings £m	Non- controlling Interest £m	Total Equity £m
Balance as at 1 October 2010 (audited)	20.8	109.8	20.1	0.3	(43.0)	5.0	4.2	228.0	0.1	345.3
Profit for the period	-	-	-	-	-	-	-	48.5	-	48.5
Fair value movement on financial interest in property assets	-	-	-	-	-	-	(1.5)	-	-	(1.5)
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.7)	-	(0.7)
Changes in fair value of cash flow hedges	-	-	-	-	28.6	-	-	-	-	28.6
Tax relating to components of other comprehensive income	-	-	-	-	(8.5)	-	0.4	0.1	-	8.0
Total comprehensive income and expense for the period	-	-	-	-	20.1	-	(1.1)	47.9	-	66.9
Purchase of own shares	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Share-based payments charge	-	-	-	-	-	-	-	0.8	-	0.8
Dividends paid	-	-	-	-	-	-	-	(4.9)	-	(4.9)
Balance as at 31 March 2011 (unaudited)	20.8	109.8	20.1	0.3	(22.9)	5.0	3.1	271.4	0.1	407.7
Loss for the period	-	-	-	-	-	-	-	(9.4)	-	(9.4)
Actuarial gain on BPT Limited defined benefit pension scheme	-	-	-	-	-	-	-	1.2	-	1.2
Fair value movement on financial interest in property assets	-	-	-	-	-	-	1.2	-	-	1.2
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.2)	-	(0.2)
Changes in fair value of cash flow hedges	-	-	-	-	(15.4)	-	-	-	-	(15.4)
Tax relating to components of other comprehensive income	-	-	-	-	3.9	-	(0.2)	(0.2)	-	3.5
Total comprehensive income and expense for the period	-	-	-	-	(11.5)	-	1.0	(8.6)	-	(19.1)
Purchase of own shares	-	-	-	-	-	-	-	(2.4)	-	(2.4)
Share-based payments charge	-	-	-	-	-	-	-	1.2	-	1.2
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 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

Consolidated statement of cash flows

Unaudited

For the half year ended 31 March 2012		31 March 2012	31 March 2011
	Notes	£m	£m
Cash flow from operating activities			
Profit for the period		12.5	48.5
Depreciation		0.2	0.3
Net gain on acquisition of subsidiaries	22	-	(16.1)
Net valuation (gains)/deficits on investment property	12	(6.9)	0.8
Net finance costs		46.9	33.7
Share of profit of associates and joint ventures	13, 14	(1.2)	(3.4)
Profit on disposal of investment property	9	(0.9)	(0.1)
Write back of impairment of loans receivable		-	(1.2)
Share-based payment charge		1.0	0.8
Change in fair value of derivatives	20	8.8	(22.9)
Interest income from financial interest in property assets	15	(3.1)	(1.7)
Taxation	18	2.6	16.7
Operating profit before changes in working capital		59.9	55.4
Decrease in trade and other receivables		0.5	0.5
Decrease in trade and other payables		(5.0)	(3.2)
Decrease in trading property		19.7	25.9
Cash generated from operations		75.1	78.6
Interest paid		(41.6)	(36.5)
Taxation paid	18	(6.9)	(0.5)
Net cash inflow from operating activities		26.6	41.6
Cash flow from investing activities			
Proceeds from sale of investment property	9	20.2	2.2
Proceeds from financial interest in property assets	15	4.9	3.4
Proceeds from sale of associates and subsidiary		-	17.6
Proceeds from repayment of loan by joint venture	14	1.6	-
Interest received		0.2	0.9
Acquisition of subsidiaries, net of cash acquired		-	(23.1)
Investment in associates and joint ventures	14	(0.3)	(14.5)
Acquisition of investment property and property, plant and equipment	12	(2.1)	(2.0)
Net cash inflow/ (outflow) from investing activities		24.5	(15.5)
Cash flows from financing activities			
Proceeds from SAYE options		0.3	-
Purchase of own shares		-	(0.4)
Proceeds from new borrowings		78.9	220.0
Repayment of borrowings		(112.1)	(258.7)
Payment of loan costs		(10.5)	-
Settlement of derivative contracts		(1.2)	-
Dividends paid	11	(5.3)	(4.9)
Payments to defined benefit pension scheme		(0.4)	(0.3)
Net cash outflow from financing activities		(50.3)	(44.3)
Net increase/(decrease) in cash and cash equivalents		0.8	(18.2)
Cash and cash equivalents at the beginning of the period		90.9	91.5
Net exchange movements on cash and cash equivalents		(0.1)	(0.1)
Cash and cash equivalents at the end of the period		91.6	73.2

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 Services 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 2011 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 70 to 80 of the 2011 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 £24m achieved in the first half year. Net rental income is not impacted by seasonality. Trading in the development division is subject to cyclicity with results dependent on the timing of development sales.

All our assets are now 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 2012 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

At the date of approval of these condensed interim financial statements, the following standards, interpretations and amendments were issued, and are mandatory for the Group for the first time for the financial year beginning 1 October 2011.

Annual improvements to IFRSs (2010).

This is a collection of amendments to 7 standards and IFRIC's as part of the IASB's programme of annual improvements.

The standards impacted by the annual improvements are:

- IFRS 1, "First-time adoption of International Financial Reporting Standards"
- IFRS 3, "Business Combinations"
- IFRS 7, "Financial Instruments: Disclosures"
- IAS 1, "Presentation of Financial Statements"
- IAS 27, "Consolidated and separate financial statements"
- IAS 34, "Interim Financial Reporting"
- IFRIC 13, "Customer Loyalty Programmes"

International Financial Reporting Standards

- IAS 24 (revised), “Related party disclosures”

Amendments to existing standards

- Amendment to IFRS 1, “First-time Adoption: On Fixed Dates and Hyperinflation”
- Amendment to IFRS 7, “Financial Instruments: Transfers of financial assets”
- Amendment to IFRIC 14, “Prepayments of a Minimum Funding Requirement”
- Annual Improvements to IFRSs 2010 (see above)

All the above IFRS’s, IFRIC interpretations and amendments to existing standards are endorsed by the EU at the date of approval of these condensed interim financial statements with the exception of the amendment to IFRS 1, “First Time Adoption: On Fixed Dates and Hyperinflation”.

There is no material impact from the adoption of these IFRS’s, IFRIC interpretations and amendments in this condensed half yearly 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 are as follows:

- Long term flat or negative house price inflation depresses income from sales: management is taking action to mitigate this risk by rebalancing owned portfolios towards areas of higher economic growth and growing non-HPI dependent income streams.
- A rapid further decline in house prices and/or mortgage availability increases difficulties in maintaining sales income: management is taking action to mitigate these risks by continuing to grow alternative income streams, focusing on sales in markets that are not mortgage dependent and regular scenario planning and active management of debt levels.
- Limited availability of further capital constrains the growth of our business: management is taking action to mitigate this risk by continuously monitoring cash flows and funding needs to ensure sufficient headroom is available and building on our successful refinancing strategy and focusing on reducing our requirement for debt in the near to medium term.

The principal risks and uncertainties facing the Group have not changed from those as set out on pages 39 to 41 of the 2011 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.

Notes to the unaudited interim financial statements (continued)

2. Analysis of profit before tax

The results for the periods to 31 March 2011 and 2012 respectively have been affected by valuation movements and non-recurring items, although the impact of these items in 2012 is much less significant than in 2011. The table below provides further analysis of the income statement showing the results of trading activities separately from these other items.

	31 March 2012 (Unaudited)				31 March 2011 (Unaudited)			
	Trading	Valuation	Non-recurring	Total	Trading	Valuation	Non-recurring	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Group revenue	144.1	-	-	144.1	133.8	-	-	133.8
Net rental income	25.0	-	-	25.0	21.4	-	-	21.4
Profit on disposal of trading property	35.2	-	-	35.2	38.7	-	-	38.7
Administrative expenses	(5.0)	-	-	(5.0)	(6.0)	-	-	(6.0)
Other income and expenses	4.9	-	(0.9)	4.0	3.5	-	(2.9)	0.6
Net gain on acquisition of subsidiaries	-	-	-	-	-	16.1	-	16.1
Profit on disposal of investment property	0.9	-	-	0.9	0.1	-	-	0.1
Interest income from financial interest in property assets	3.1	-	-	3.1	1.7	-	-	1.7
Write down of inventories to net realisable value	-	(0.5)	-	(0.5)	-	(0.4)	-	(0.4)
Write back impairment of loans receivable	-	-	-	-	-	1.2	-	1.2
Operating profit before net valuation gains /(deficits) on investment property	64.1	(0.5)	(0.9)	62.7	59.4	16.9	(2.9)	73.4
Net valuation gains /(deficits) on investment property	-	6.9	-	6.9	-	(0.8)	-	(0.8)
Operating profit after net valuation gains /(deficits) on investment property	64.1	6.4	(0.9)	69.6	59.4	16.1	(2.9)	72.6
Change in fair value of derivatives	-	(8.8)	-	(8.8)	-	22.9	-	22.9
Finance costs	(47.1)	-	-	(47.1)	(35.8)	-	-	(35.8)
Finance income	0.2	-	-	0.2	2.1	-	-	2.1
Share of profit of associates after tax	(0.3)	2.0	-	1.7	0.1	2.3	-	2.4
Share of (loss)/profit of joint ventures after tax	(0.5)	-	-	(0.5)	(2.9)	3.9	-	1.0
Profit before tax	16.4	(0.4)	(0.9)	15.1	22.9	45.2	(2.9)	65.2

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 title "All other segments" 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 (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.

As explained in the 2011 Annual Report and Accounts, we now disclose information relating to the previously disclosed Property Services segment within UK residential and fund and third party management on the grounds of materiality as outlined within IFRS 8.

Notes to the unaudited interim financial statements (continued)

31 March 2012							
Segment revenue and (unaudited) (£m)							
	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other segments	Total
Segment revenue-external	102.0	16.5	4.2	1.4	20.0	-	144.1
Segment revenue-internal	-	-	-	-	-	-	-
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							15.1

31 March 2011							
Segment revenue and result (unaudited) (£m)							
	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other Segments	Total
Segment revenue-external	75.5	14.9	2.6	20.2	20.6	-	133.8
Segment revenue-internal	-	-	-	-	-	-	-
Segment result – OPBVM	34.0	9.1	1.0	13.1	8.2	(6.0)	59.4
Net interest payable							(33.7)
Share of trading loss of joint ventures and associates after tax							(2.8)
Trading profit before tax							22.9
Write down of inventories to net realisable value							(0.4)
Net valuation deficits on investment property							(0.8)
Change in fair value of derivatives							22.9
Write back impairment of loans receivable							1.2
Share of valuation gains in joint ventures and associates after tax							6.2
Net gain on acquisitions of subsidiaries							16.1
Non-recurring items							(2.9)
Profit before tax							65.2

Information relating to the Group's operating profit or loss by segments is set out below.

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 ('NNNAV').

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.

Notes to the unaudited interim financial statements (continued)

NNNAV 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 balance sheet.

31 March 2012
Segment assets
(unaudited) £m

	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other segments	Total
Total segment net assets (Statutory)	887.3	300.0	40.3	85.9	131.1	(1,040.8)	403.8
Total segment net assets (NAV)	1,234.9	355.8	42.7	79.4	148.8	(930.7)	930.9
Total segment net assets (NNNAV)	1,125.8	326.5	40.3	80.9	130.9	(1,035.9)	668.5

	Statutory balance sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Deferred and contingent tax £m	Derivatives £m	Triple NAV balance sheet £m
Investment property	796.1	-	796.1	-	-	796.1
CHARM	100.3	-	100.3	-	-	100.3
Trading stock	1,085.4	362.5	1,447.9	-	-	1,447.9
JVs and associates	59.2	(0.8)	58.4	-	(3.4)	55.0
Cash	91.6	-	91.6	-	-	91.6
Deferred Tax	41.0	(37.2)	3.8	-	41.5	45.3
Derivatives	0.1	(0.1)	-	-	0.1	0.1
Other assets	23.4	6.3	29.7	-	-	29.7
Total assets	2,197.1	330.7	2,527.8	-	38.2	2,566.0
External debt	(1,503.6)	-	(1,503.6)	-	-	(1,503.6)
Derivatives	(151.5)	151.5	-	-	(169.7)	(169.7)
Deferred tax	(45.3)	44.9	(0.4)	(130.9)	-	(131.3)
Other liabilities	(92.9)	-	(92.9)	-	-	(92.9)
Total liabilities	(1,793.3)	196.4	(1,596.9)	(130.9)	(169.7)	(1,897.5)
Net assets	403.8	527.1	930.9	(130.9)	(131.5)	668.5

Notes to the unaudited interim financial statements (continued)

30 September 2011

Segment assets (audited) £m

	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other segments	Total
Total segment net assets (Statutory)	886.9	385.0	37.6	84.1	132.8	(1,139.0)	387.4
Total segment net assets (NAV)	1,227.3	437.7	41.0	72.3	151.4	(1,029.7)	900.0
Total segment net assets (NNNAV)	1,112.2	414.3	37.6	75.3	132.7	(1,133.9)	638.2

	Statutory balance sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Deferred and contingent tax £m	Derivatives £m	Triple NAV balance sheet £m
Investment property	819.9	-	819.9	-	-	819.9
CHARM	102.3	-	102.3	-	-	102.3
Trading stock	1,105.1	344.0	1,449.1	-	-	1,449.1
JVs and associates	58.5	0.4	58.9	-	(4.6)	54.3
Cash	90.9	-	90.9	-	-	90.9
Deferred Tax	42.7	(39.7)	3.0	-	43.2	46.2
Derivatives	0.2	(0.2)	-	-	0.2	0.2
Other assets	24.8	6.4	31.2	-	-	31.2
Total assets	2,244.4	310.9	2,555.3	-	38.8	2,594.1
External debt	(1,544.7)	-	(1,544.7)	-	-	(1,544.7)
Derivatives	(154.5)	154.5	-	-	(168.4)	(168.4)
Deferred tax	(47.7)	47.2	(0.5)	(132.2)	-	(132.7)
Other liabilities	(110.1)	-	(110.1)	-	-	(110.1)
Total liabilities	(1,857.0)	201.7	(1,655.3)	(132.2)	(168.4)	(1,955.9)
Net assets	387.4	512.6	900.0	(132.2)	(129.6)	638.2

4. Group Revenue

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Gross rental income (see note 5)	45.4	39.1
Service charge income on a principal basis	5.1	5.6
Proceeds from sale of trading property (see note 6)	88.2	85.6
Other income (see note 8)	5.4	3.5
	144.1	133.8

5. Net rental income

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Gross rental income	45.4	39.1
Property repair and maintenance costs	(13.6)	(11.8)
Property operating expenses (see note 7)	(6.8)	(5.9)
	25.0	21.4

6. Profit on disposal of trading property

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Proceeds from sale of trading property	88.2	85.6
Sales costs	(2.7)	(1.7)
Proceeds net of sales costs	85.5	83.9
Carrying value of trading property sold	(46.8)	(41.9)
Other sales costs (see note 7)	(3.5)	(3.3)
	35.2	38.7

7. Administrative expenses

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Total Group expenses	15.3	15.2

Many of the Group's expenses relate directly to either property management activities or to staff involved directly with the sale and acquisition of property. Accordingly, total Group expenses shown above have been allocated as follows:

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Property operating expenses (see note 5)	6.8	5.9
Costs directly attributable to the disposal of trading property (see note 6)	3.5	3.3
Administrative expenses	5.0	6.0
	15.3	15.2

8. Other income and expenses

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Management fee income	5.0	3.1
Other sundry income	0.4	0.4
Total other income	5.4	3.5
Other sundry expenses	(1.4)	(2.9)
	4.0	0.6

9. Profit on disposal of investment property

	Unaudited	
	31 March	31 March
	2012	2011
	£m	£m
Proceeds from sale of investment property	20.2	2.2
Carrying value of investment property sold	(19.3)	(2.1)
	0.9	0.1

10. 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 2012 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.

	31 March 2012			31 March 2011		
	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
(unaudited)						
Basic earnings per share						
Earnings attributable to equity holders	12.5	409,428	3.05	48.5	410,370	11.82
Effect of potentially dilutive securities						
Share options and contingent shares	-	4,451	(0.03)	-	4,121	(0.11)
Convertible bond	-	-	-	0.6	5,366	-
Diluted earnings per share						
Earnings attributable to equity holders	12.5	413,879	3.02	49.1	419,857	11.71

11. Dividends

The Company has today announced an interim dividend of 0.55p per share which will return £2.3m of cash to shareholders. In the six months to 31 March 2012, the final proposed dividend of £5.3m, for the year ended 30 September 2011, has been paid.

12. Investment property

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Opening balance	819.9	634.7
Additions:		
- Acquisitions arising from business combinations	-	207.8
- Subsequent expenditure	2.1	5.4
Disposals	(19.3)	(23.5)
Revaluation gains/(deficits)	6.9	(2.0)
Exchange adjustments	(13.5)	(2.5)
Closing balance	796.1	819.9

13. Investment in associates

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Opening balance	34.6	28.7
Share of profit	1.7	4.4
Proceeds on redemption of equity units	-	(0.1)
Acquisition of additional equity	-	0.3
Share of change in fair value of cash flow hedges taken through other comprehensive income	1.2	1.3
Closing balance	37.5	34.6

As at 31 March 2012, the Group's interest in associates was as follows:

	% of ordinary share capital/units held	Country of Incorporation
G:res1 Limited	21.96%	Jersey

14. Investment in joint ventures

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Opening balance	23.9	91.0
Loans advanced	0.3	3.3
Loans repaid by joint venture	(1.6)	-
Provision for impairment of loans receivable	-	(1.9)
Share of (loss)/ profit	(0.5)	2.1
Consolidation adjustment	-	(1.3)
Net assets acquired through sale of subsidiary into a joint venture	-	19.2
Net assets disposed of through transfer to subsidiary	-	(88.4)
Goodwill impairment arising on investment in Gebau Vermogen GmbH	-	(1.3)
Exchange adjustment	(0.4)	(0.1)
Share of change in fair value of cash flow hedges taken through other comprehensive income	-	1.3
Closing balance	21.7	23.9

Notes to the unaudited interim financial statements (continued)

The provision for impairment of loans receivable in 2011 of £1.9m comprises the release of £3.3m of the provision made against the Group's mezzanine loan to Grainger GenInvest No.2 (2006) LLP prior to the Group's acquisition of the remaining 50% equity in that company and a further provision of £5.2m against the Group's investment in its Czech Republic joint ventures.

The net assets disposed of through transfer to a subsidiary of £88.4m represents the group's share of net assets and its loans to the two Grainger GenInvest LLP's which became subsidiaries of Grainger on 22 March 2011.

Loans repaid of £1.6m in 2012 relates to the repayment of loans to the Group by its Sovereign joint venture.

As at 31 March 2012, the Group's interest in joint ventures was as follows:

	% 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

15. Financial interest in property assets

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Opening balance	102.3	103.9
Cash received from the instrument	(4.9)	(9.2)
Amounts taken to income statement	3.1	7.9
Amounts taken to other comprehensive income before tax	(0.2)	(0.3)
Closing balance	100.3	102.3

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.

For interests held at 31 March 2012 we have revised our assessment of future cash flows and of the effective interest rate to discount those cash flows. This has resulted in a decrease to the fair value of £0.2m before tax which has been taken through the statement of other comprehensive income and the available-for-sale reserve.

16. Trade and other receivables

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Trade receivables	11.7	11.5
Deduct: Provision for impairment of trade receivables	(2.4)	(2.1)
Trade receivables - net	9.3	9.4
Other receivables	17.6	17.7
Deduct: Provision for impairment of other receivables	(12.9)	(12.9)
Other receivables – net	4.7	4.8
Prepayments	3.1	4.1
	17.1	18.3

17. 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
	2012	2011
	£m	£m
Within one year	21.7	116.7
Between one and two years	143.5	8.9
Between two and five years	975.1	1,082.0
Over five years	363.3	337.1
	1,503.6	1,544.7

18. Tax

	Audited	Unaudited			
	As at	Payments	Movements	Movements	As at
	30 Sep 2011	made in the	recognised	recognised	31 March
	£m	period	in income	in equity	2012
		£m	£m	£m	£m
Current tax	24.6	(6.9)	6.0	-	23.7
Deferred tax					
Trading property uplift to fair value on acquisition	37.8	-	(2.9)	-	34.9
Investment property revaluation	7.2	-	0.6	-	7.8
Accelerated capital allowances	1.3	-	(0.1)	-	1.2
Short-term timing differences	(28.2)	-	(1.0)	-	(29.2)
Actuarial deficit on BPT Limited pension scheme	(0.2)	-	-	(0.1)	(0.3)
Equity component of available-for-sale financial asset	1.4	-	-	(0.1)	1.3
Fair value movement in cash flow hedges and exchange adjustments	(14.3)	-	-	2.9	(11.4)
	5.0	-	(3.4)	2.7	4.3
Total tax	29.6	(6.9)	2.6	2.7	28.0

Notes to the unaudited interim financial statements (continued)

The main rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's profits for the financial year ending 30 September 2012 are taxed at an effective rate of 25%. Deferred tax is calculated based on the rate of 24%, the rate effective from 1 April 2012.

Deferred tax balances are disclosed as follows:	Unaudited	Audited
	31 March 2012	30 Sep 2011
	£m	£m
Deferred Tax assets – non-current assets	41.0	42.7
Deferred Tax liabilities – non-current liabilities	(45.3)	(47.7)
Deferred Tax	(4.3)	(5.0)

The tax charge for the period of £2.6m (2011: £16.7m)	Unaudited	Unaudited
	31 March 2012	31 March 2011
		£m
UK taxation	1.5	18.6
Overseas taxation	1.1	(1.9)
	2.6	16.7

19. Trade and other payables

	Unaudited	Audited
	31 March	30 Sep
	2012	2011
	£m	£m
Deposits received	3.9	4.0
Trade payables	13.5	12.7
Other taxation and social security	1.7	1.5
Accruals and deferred income	40.2	58.2
Deferred consideration payable	4.0	4.0
Closing balance	63.3	80.4
Disclosed as:-		
Non-current liabilities	4.0	4.0
Current liabilities	59.3	76.4
	63.3	80.4

Accruals and deferred income at 31 March 2012 includes £18.7m of rent received in advance on the granting of lifetime leases (30 September 2011: £20.1m).

Deferred consideration payable of £4.0m relates to the purchase of land at Berewood (West Waterlooville) and is payable in April 2013.

20. Derivative Financial Instruments

	Unaudited		Audited	
	31 March 2012		30 September 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges in hedge accounting relationships	-	55.7	-	62.7
Interest rate swaps – cash flow hedges not in hedge accounting relationships	0.1	95.9	0.2	91.8
	0.1	151.6	0.2	154.5

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.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through the income statement of £8.8m (2011: a credit of £22.9m).

21. Related party transactions

Detailed disclosure of all related party arrangements was provided in note 36 of the 2011 Annual Report and Accounts. There has been no material change in the period to 31 March 2012 except that in the period the loan provided by the Group to Sovereign Reversions Limited through its 50% joint venture, was fully repaid.

Material transactions in the period to 31 March 2012 and as at 31 March 2012 were as follows:

	Unaudited	
	31 March 2012	31 March 2011
	£m	£m
Fee income from joint ventures and associates	2.6	3.0
Interest receivable from joint ventures and associates	-	1.4

	Unaudited	Audited
	31 March 2012	30 Sep 2011
	£m	£m
Loan to Sovereign Reversions Limited	-	1.5

22. Prior period acquisitions

On 4 February 2011 Grainger acquired HI Tricomm Holdings Limited, and its trading subsidiary Tricomm Housing Limited, from Invista Castle Limited. The fair value of the total consideration for the acquisition was £6.8m. The fair value of net assets acquired was £21.7m and the resulting gain on acquisition of £14.9m was credited to the income statement. In addition to the consideration of £6.8m the Group settled balances of £2.2m payable to the vendor and acquired a loan note receivable for £9.5m. These amounts together made up the total consideration of £18.5m paid in cash.

Notes to the unaudited interim financial statements (continued)

On 22 March 2011 Grainger acquired the 50% equity interest of Genesis Housing Group in the two Grainger GenInvest LLP's thereby becoming the sole owner of both businesses. The partnerships own c.1,650 properties in central London and the market value on acquisition was £289m. Grainger paid consideration of £15m to acquire the remaining 50% in Grainger GenInvest LLP. No consideration was paid for the remaining 50% in Grainger GenInvest No. 2 (2006) LLP. A gain on acquisition of Grainger GenInvest LLP amounting to £1.2m was credited to the income statement.

Further details of both transactions were provided in note 41 of the 2011 Annual Report and Accounts.

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 2011 and on the Grainger plc website: www.graingerplc.co.uk. There have been two changes since 30 September 2011. Tony Wray, Chief Executive of Severn Trent was appointed on 24 October 2011 and Robert Hiscox retired from the board at our Annual General meeting on 8 February 2012.

By order of the Board
Mark Greenwood
Director
17 May 2012

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.