

14 May 2015

Grainger plc

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

HALF YEAR RESULTS FOR THE SIX MONTHS TO 31 MARCH 2015

STRONG UNDERLYING ASSET PERFORMANCE, SIGNIFICANT INVESTMENT IN UK REGIONS & BUILD TO RENT MARKET

Grainger plc, the UK's largest listed residential property owner and manager, today announces its half year results for the six months to 31 March 2015.

Highlights – strong underlying performance

- **Growth in value** – Continued outperformance of our UK residential assets with growth in value of 3.8% since the year end, compared to the combined Nationwide and Halifax indices which showed 1.9% growth for the comparative period;
- **Higher margins** – Vacant sales achieved, on average, at 6.6% above September 2014 values; margins on normal trading sales increased to 52.6% (March 2014: 48.4%);
- **Underlying strength** – Underlying¹ Gross NAV and NNNAV up by 3.7% and 1.7%, respectively since September 2014;
- **Building for the future** – £87m investment (acquired or contracts exchanged) into regional residential assets that will add c.£6m to annualised rents and provide reversionary and value adding opportunities; £33m build to rent scheme acquired in Canning Town, London by our GRIP joint venture; two planning consents achieved for build to rent phases at two of our strategic land development sites; completed the £14m acquisition of our build to rent scheme in Barking ahead of schedule with lettings beginning this summer; we currently have a Secured Pipeline of c.1,070 market rented units that we expect to deliver over the next two years.

Andrew Cunningham, Chief Executive of Grainger plc, said:

“The fundamental drivers supporting housing remain positive with labour market conditions set to continue to improve and mortgage interest rates remaining, at least in the short term, at current low levels. After two years of very strong valuation increases, we are pleased to report that the value of our UK portfolios continue to rise steadily and has again performed better than the general housing market, demonstrating the strength of our assets and quality of our management.

“Our focus, over the last few years, has been on growing our market rented residential business, where we can draw on our proven track record to manage properties and generate good shareholder returns. We have been successful in doing so, having acquired over 400 properties in the period and with c.1,070 new market rented homes in our current pipeline expected to complete over the next two years. Our attention going forward will remain on growing this part of the business and continuing to seek out attractive investment opportunities in regulated tenancy portfolios.”

¹ Gross NAV before legacy swap breaks and the one-off impairment associated with the previously announced Equity Release (Increments) Limited (ERIL) transaction which completed on 2 April. NNNAV before the impact of the ERIL transaction and the impact of adverse derivative movements.

Baroness Ford, Chairman of Grainger, said:

“As announced on 31 March 2015, Andrew Cunningham will retire from Grainger at the next AGM (February 2016). Andrew’s commitment and contribution to the company over the last twenty years has helped build the very strong position it is in today. Whilst of course we are sorry to see Andrew go, the search for his successor is already well underway and there is sufficient time to ensure an orderly handover.”

Financial performance

- Gross net asset value (NAV) per share of 293p, up 2p since September 2014 (291p) despite the impact of non-recurring items and legacy swap break costs (totalling 9p) and up 21p (7.7%) year-on-year (March 2014: 272p);
- NNNAV per share of 240p, 2p lower than September 2014 (242p) having been impacted by 7p from non-recurring items and negative movements on derivatives, although up 12p or 5.3% year-on-year (March 2014: 228p);
- Recurring profit before tax of £26.2m (March 2014: £23.1m) with a strong performance from vacant sales and contribution from Development (Macaulay Walk) more than offsetting the reduction relating to investment sales;
- Gross cash generated of £128m (March 2014: £167m);
- Loan to value of 46.0% (September 2014: 46.5%);
- Net debt of £1,042m (September 2014: £1,044m);
- Profit before tax of £9.1m (March 2014: £49.8m); impacted by one-off costs associated with the impairment of the receivables due from ERIL (£18.2m), lower valuation gains (£12.7m reduction to £11.5m, March 2014: £24.2m), and a £13.9m negative movement on derivatives (March 2015: £(9.0)m; March 2014: £4.9m);
- Reversionary surplus of £500m², which is supplementary to our reported net assets, equivalent to 120p per share at 31 March 2015 (September 2014: £527m, 127p).

Robust income streams – sales, rents, fees

- Strong sales performance with profit from sales up to £45.1m (March 2014: £42.8m);
- Net rents of £19.0m (March 2014: £19.5m);
- Gross fee income of £4.2m (March 2014: £5.1m);
- Encouraging sales pipeline³ of £151m at 8 May 2015, up from £131m at 31 March 2015.

Dividend

- Interim dividend increased by 5% to 0.64p per ordinary share (March 2014: 0.61p).

² Reversionary surplus is the uplift from the reported market value of our properties to the vacant possession value and includes our share of investment in joint ventures/associates. It is not included in our net asset calculations and therefore highlights the latent value in our reversionary portfolio.

³ Completed Sales, contracts exchanged and properties in solicitors' hands.

Post period end transactions

- Further to our announcement on 10 March, the re-acquisition of ERIL completed on 2 April; gross asset value on acquisition was £96.5m; net asset value £19.3m (refer to financial review section on page 13 for further disclosure and impact on March 15 results);
- Sale of 50% stake in Sovereign Reversions joint venture, expected to complete on 29 May for a cash consideration of c.£18.5m, generating an estimated pre-tax profit of £4.5m;
- Pro forma LTV and net debt post ERIL and Sovereign transactions of 47.2% and £1,089m respectively.

Interim results presentation

Grainger plc will be holding a presentation for analysts and investors at 11.00a.m. (GMT), Thursday 14 May 2015 at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS.

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

Webcast details:

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

<http://www.axisto-live.com/investis/clients/granger-plc/presentations/552d1934cc4145440b474cc0/ir15>

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

Conference call details:

UK Telephone Number	020 3059 8125
International Number	+ 44 20 3059 8125
Participant Password	Grainger – this must be quoted to the Operator in order for participants to gain access to the conference.

A replay of the call will be available after the event until 21 May 2015, 12pm GMT. Dial-in details for the archive call are:

United Kingdom	0121 260 4861
United States	1 866 268 1947
All other locations	+ 44 121 260 4861
Passcode	0738330 #

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Chief Executive's Review

Overview

In the first six months of our financial year we have continued to see strong margins on sales of our assets and encouraging levels of activity in both the transactional and rental markets. Our portfolios have again outperformed the general market for the fifth year, demonstrating the quality of our assets and our management capabilities.

We have successfully undertaken a considerable amount of business development activity in the first half of this financial year; we have committed £87m of on-balance sheet investment primarily into market rented properties, predominantly located in the UK regions; the GRIP fund acquired a sizeable build to rent scheme (£33m investment) in London; we achieved two further planning consents for build to rent schemes on our strategic land development sites; completed the acquisition of our build to rent scheme in Barking ahead of schedule with lettings beginning this summer; and we continue to have an active pipeline of potential acquisition opportunities.

Current investment focus

Grainger's traditional reversionary business, based predominantly on regulated tenancies, provides the Group with good exposure to capital appreciation in the UK residential market as well as rental growth. It provides substantial, high quality, predictable and resilient cash flows that support our business planning and investment activities. These reversionary assets generate a significant amount of cash through property cycles. At current levels we estimate that our reversionary portfolio will generate over £120m of gross cash each year until 2030.

We recycle capital into both replacement reversionary assets and market rented assets based on the total returns expected from each opportunity.

Our reversionary assets are predominantly located in England and the portfolio can be broken down as follows:

Reversionary assets

Division	Units	Market value £m	Vacant Possession Value £m	Reversionary surplus £m
UK Residential ⁴	3,750	1,105	1,414	309
Retirement Solutions ⁵	2,555	241	350	109
Other ⁶	1,090	169	169	-
Total wholly owned reversionary assets⁷	7,395	1,515	1,933	418
Total including JV's and associates and market rented assets				500

⁴ Predominantly regulated tenancies

⁵ Predominantly home reversion assets, which are a type of equity release asset

⁶ Including CHARM portfolio and vacant assets in the sales process

⁷ Does not include share of joint ventures and associates

The embedded, locked-in value (or what we refer to as reversionary surplus) across our residential UK portfolios, including our share of ventures, amounted to £500m, or 120p per share at 31 March 2015 (September 2014: £527m, 127p per share). This is the difference between today's market value of our portfolio, compared to the higher value if all properties were vacant at today's prices. It therefore does not reflect any potential future benefit from house price inflation. It is supplementary to our net asset calculations and highlights the additional latent value in Grainger's reversionary portfolio.

Market rented assets

Our managed market rented portfolio is valued at over £1.1bn and comprises 8,369 units. This can be broken down accordingly:

	UK		Germany		Total	
	Units	Market value £m	Units	Market value £m	Units	Market value £m
Wholly owned assets	1,176	323	2,848	140	4,024	463
Co-investment vehicles	1,594	489	2,751	171	4,345	660
Total assets under management	2,770	812	5,599	311	8,369	1,123

Further to our existing market rented portfolio as outlined above which includes c.420 units that were acquired in the first half, the Company will continue to source assets through various channels.

We currently have a Secured Pipeline of c.1,070 market rented units, which includes the acquisition of standing investment stock of c.570 units in the UK regions, with contracts exchanged. We also have c.500 units from build to rent projects within our control and with planning consent. We expect this pipeline to come through over the next two years. This Secured Pipeline will deliver nearly 40% growth in the total number of market rented units we manage in the UK.

In addition to our Secured Pipeline, we have a number of projects in advanced stages which would significantly add to our market rented portfolio in the UK. Of these projects, Grainger is either a selected preferred bidder, in detailed appraisals, or in advanced discussions. These total an additional c.950 market rented units.

Grainger's total pipeline of market rented assets, including the above Secured Pipeline and Pipeline of Projects in Advanced Stages, amounts to c.2,020 units, which would broadly double our current portfolio of market rented assets managed in the UK.

To provide further clarity, we set out below a breakdown of the key projects which contribute to our pipeline.

As mentioned above, our Secured Pipeline consists of c.1,070 market rented units, which includes:

- Acquisition of standing investment stock, c.570 units in the UK regions

- Build to rent projects, via partnerships and phases within large schemes (c.500 units), including:
 - Abbeville Apartments, London Road, Barking (100 units) will be launched early this summer and is anticipated to generate an annualised rent of c£1.4m.
 - Berewood, Waterlooville and Wellesley, Aldershot, our two major out-of-London strategic land development sites, have each received planning consent for build to rent phases, totalling c.210 units, and both have been granted low cost government-backed funding through the Homes and Communities Agency's Build to Rent Fund totalling £26m.
 - Young Street and Hortensia Road, our two development sites in partnership with the Royal Borough of Kensington and Chelsea, have entered into the construction phase, with completion expected in 2017. These sites will deliver c.60 market rented units. Grainger will receive management fees and a proportion of the long term rental income from the completed schemes.
 - Our co-investment vehicle GRIP has acquired a site in Canning Town from Bouygues Development, which is part of the larger Hallsville Quarter regeneration project, and which will comprise c.130 market rented units. Construction is expected to complete in 2017.

Our Pipeline of Projects in Advances Stages could deliver a further c.950 market rented units. These projects are not yet secured and a number of them are in final stages of negotiation. We will provide further detail of these in due course. Two projects within this pipeline, which have been previously disclosed, are:

- Our partnership with Sigma Capital Group, where they provide procurement and development management expertise, is exploring regional build to rent opportunities; a number of sites are being reviewed and we are in advanced talks on an opportunity in the North West which would deliver c.150 units.
- A Bouygues led consortium with Grainger and the London Pensions Fund Authority was chosen as preferred bidder for a build to rent scheme at Pontoon Dock, London. Work is ongoing to secure the opportunity which would deliver c.140 units.

As a leader in the housing market, we are well placed to help shape and drive its evolution, both through Grainger led initiatives and through the significant number of market opportunities that are available to us. In addition to the secured units and projects in detailed appraisal or preferred bidder stage (referred to above), we have an exciting range of other opportunities that we are also actively looking to progress.

In building our pipeline, we work closely with a select number of key partners: JVs, co-investment vehicles or partnership structures. This can enable us to reduce the cost of capital, spread geographical concentration risk, and provide the Group with improved access to the benefits of scale. In addition this approach provides Grainger with a source of recurring fee income, through leveraging our strong asset management skills and operational platform. This can help enhance our overall returns.

Our development skills and activities provide Grainger with good cash flows and profits. The Development team within Grainger will also be an important contributor to building our

private rented sector business through sourcing build to rent opportunities and managing their delivery.

The UK housing market and our asset performance

Our strategy, geographical positioning and asset type has served us well in recent periods, which were supported by good housing market conditions. For the two year period to September 2014, NNNAV and NAV grew by 54% and 30% respectively.

Conditions have been more balanced in the first six months of this year, although we have continued to see growth and have outperformed the general market. The market value of our UK assets rose by 3.8% (or £63m) and we saw further outperformance vs. the combined average of the Nationwide and Halifax house prices indices (1.9% increase).

	2015	
	Vacant possession value	Market value
	% increase	% increase
HPI (Nationwide and Halifax)	1.9	
UK Residential portfolio	1.8	2.7
Retirement Solutions portfolio ⁸	4.3	8.4
Combined Grainger UK portfolios ⁹	2.3	3.8

Apart from recent moderation in house price inflation in isolated areas, the general housing market remains healthy in our view. Many areas within London continue to command high levels of buyer demand with subsequent positive house price movements. Outside of London, the story continues to be positive, especially in certain core regional cities where we are situated. In the South of England, viewing numbers and offer levels have been very positive, with us frequently receiving offers within the first few days of marketing a property. In the North, we have seen market sentiment remaining strong and our properties continue to generate good levels of interest.

Both the Nationwide and Halifax have reported positive house price inflation (HPI) in the month of April on a monthly (1.6% and 1.0% respectively) and three-monthly basis (2.2% and 0.3%). In particular the Halifax house price index indicated an acceleration of HPI between March and April from 0.6% to 1.6%.

We anticipate a positive market reaction to the outcome of the General Election, which will likely translate into continued momentum in the house prices.

We have successfully committed £87m of investment into the regions, through a number of portfolio acquisitions of predominantly market rented assets located in Cambridgeshire, Greater Manchester, Lancashire, Cheshire, Derbyshire, Merseyside and Nottinghamshire.

⁸ Includes CHARM portfolio. Excluding CHARM, vacant possession value increased by 4.5% and market value increased by 7.2%.

⁹ Excluding CHARM portfolio, vacant possession value of our combined UK portfolios rose by 2.2% and market value by 3.4%.

These portfolios provide significant asset management opportunities and attractive long term returns.

Group Performance

NAV per share of 293p is 2p higher than September 2014 (291p) despite the impact of non-recurring items (primarily relating to the impairment of receivables due from ERIL) and legacy swap break costs and is 21p, 7.7% higher year-on-year (March 2014: 272p). NNNNAV of 240p is 2p lower than September 2014 (242p), having been impacted by 7p from non-recurring items and negative movements on derivatives, although up 12p, 5.3% year-on-year (March 2014: 228p).

Sales

	Half Year 2015			Half Year 2014		
	Units sold	Sales	Profit	Units sold	Sales	Profit
		£m	£m		£m	£m
Sales on vacancy						
UK residential	152	47.4	27.6	149	35.8	19.2
Retirement solutions	138	18.1	6.9	187	21.8	8.7
	290	65.5	34.5	336	57.6	27.9
Tenanted and other*	17	3.9	1.9	1,322	99.3	14.2
Residential sales total	307	69.4	36.4	1,658	156.9	42.1
Development	-	27.0	8.6	-	2.9	1.0
UK Total	307	96.4	45.0	1,658	159.8	43.1
Germany	13	0.7	0.1	171	14.0	(0.3)
Overall total	320	97.1	45.1	1,829	173.8	42.8
Less CHARM portfolio	(26)	(3.1)	(0.1)	(32)	(2.8)	(0.1)
Statutory sales and profit	294	94.0	45.0	1,797	171.0	42.7

*Unit count excludes leasehold interest sales

In the six months to 31 March 2015 we have generated profit from vacant sales of £34.5m (March 2014: £27.9m) at a significantly higher average margin of 52.6% (March 2014: 48.4%). Prices achieved have been 6.6% above the September 2014 vacant possession value, demonstrating the robust valuation of our assets.

Sales from our Development business increased materially, with £8.6m of profit (March 2014: £1.0m), primarily from our Macaulay Walk scheme (Clapham, London).

In line with expectations, sales of tenanted properties reduced materially; £1.9m of profit was generated from tenanted and other sales in the first half (March 2014: £14.2m).

In December 2014, the stamp duty land tax regime was reformed from a 'slab' system to a progressive 'slice' system. Broadly, the effect was to shift the tax burden away from lower value properties to higher value ones, particularly those worth over £1.125m. As the bulk of Grainger's UK assets are well below this price level, we saw an indirect benefit from this change as it meant a reduced tax charge to the purchasers of the majority of assets we sold over the period, thereby supporting our sales revenue.

Total sales in the period were £97.1m (March 2014: £173.8m), generating profit of £45.1m (March 2014: £42.8m). At 31 March 2015, our total pipeline of sales, which includes completed transactions, contracts exchanged and those in solicitors' hands, amounted to £131m (March 2014: £240m). This had increased to £151.3m by 8 May 2015 (12 May 2014: £267.1m).

Rents

Gross rents for the six months were £28.3m (March 2014: £28.4m). Underlying demand and rent levels remain strong.

Across our UK regulated tenancy portfolio where rents are set every two years, rents have risen by 4.75% on an annualised basis on those assets that had rent reviews during the six month period. These rents are set by third party, local rent officers from the Valuation Office Agency.

On our total managed market rented portfolio in the UK, rent increases on renewals averaged c.2.4% and increases on a like-for-like basis on new lets averaged c.6.2% in the six months to 31 March 2015.

	Half Year 2015		Half Year 2014	
	Gross £m	Net £m	Gross £m	Net £m
UK residential	22.2	15.9	21.3	14.7
Retirement solutions	1.0	0.7	1.1	0.8
Other UK	0.1	0.1	0.1	0.1
UK Total	23.3	16.7	22.5	15.6
Germany	5.0	2.3	5.9	3.9
Overall total	28.3	19.0	28.4	19.5

Fees

Fee income for the six months from our asset and property management activities was £4.2m (March 2014: £5.1m). This has reduced as expected due to lower levels of RAMP activity which relates to the successful workout of the bulk of the portfolios we have been managing.

Debt

Group net debt stood at £1,042m at 31 March 2015 (September 2014: £1,044m) and consolidated loan to value (LTV) at 46.0% (September 2014: 46.5%).

The Group syndicate debt matures in summer 2016. Work is progressing on refinancing which will conclude in the second half of the year.

Available headroom (undrawn facilities and cash) amounted to £242m (September 2014: £297m).

The average interest rate (including costs but excluding commitment fees) at 31 March 2015 is 5.1% (September 2014: 5.4%). The interest rate has benefited from new interest rate swaps entered into at current low rates, the breaking of a legacy swap and the drawdown of £26m of low cost Government funding via the Homes and Communities Agency's Build to Rent Fund.

General Election and housing policy

Over the election campaign, housing was a key topic for debate. Despite recent headlines, there is cross-party consensus on the most important aspect of the housing debate: the need for an increase in housing supply. In addition, there is cross-party support for an increase in institutional investment in the market rented sector, particularly through build-to-rent.

Grainger's political engagement activity is focused on ensuring housing policy supports an increase in housing supply and greater institutional investment in the market rented sector and build to rent. In addition, we are strongly against general anti-landlord rhetoric, which will only undermine prospective investment in new housing supply, and excessive and poorly designed regulations that disadvantage better landlords and do not effectively address the problems that they are intended to solve.

Specifically, we believe the recent reforms to the planning system were positive for the build to rent sector and that more can be done to encourage greater use among local authorities of covenants, thereby securing development specifically for the market rented sector for a period of time.

We support initiatives to improve standards in the market rented sector which attract more customers and do not deter, but rather encourage professional, large scale investors into the sector. To this end, we believe we can provide better value for money to our customers while enhancing returns by offering longer term tenancies with inflation linked annual rental increases during tenancy terms on some of our build to rent sites. This will provide tenants with greater certainty and stability and it will provide us, the landlord, with greater security of income.

In the run up to the election, Grainger was a key driving force behind the establishment of the Better Renting for Britain campaign, which seeks to secure on-going political support for the sector. The campaign issued an open letter to all main political parties, signed by 41 organisations including a number of listed property companies, housing associations and pension funds, which sets out the benefits that the build to rent sector will bring to the UK.

We believe the market requires flexibility to innovate and advance on its own, without overly burdensome regulations and we will continue to engage with the UK Government and all political parties to seek support for the private rented sector and build to rent.

Outlook

The fundamentals driving activity in the housing market remain supportive, particularly the positive improvements in the labour market, continued low mortgage interest rates and recent changes to stamp duty.

Our focus is firmly set on growing our market rented residential business (predominantly through build to rent opportunities) and acquiring attractive regulated tenancy portfolios.

Andrew R. Cunningham
Chief Executive
14 May 2015

Financial Review

Growth in the value of our property assets in the first half and good underlying profitability has been offset by one-off costs associated with the impairment of receivables due from ERIL as announced on 10 March 2015, negative movements in interest rate linked derivatives and legacy interest rate swap break costs.

	Gross NAV pence/share	NNNAV pence/share
30 September 2014	291	242
Profit after tax	2	2
Derivatives charge added back	2	-
Revaluation gain on trading stock	12	12
Elimination of previously recognised surplus on sales	(10)	(10)
Dividends paid	(2)	(2)
Impact of legacy swap break costs	(4)	-
Cashflow hedge reserve net of tax	-	(1)
Fixed rate loans fair value adjustment	-	(4)
Other	2	1
31 March 2015	293	240

ERIL re-acquisition

In January 2014, Grainger sold Equity Release (Increments) Limited ('ERIL'), a subsidiary owning a home reversions portfolio, to Clifden Holdings Limited ('CHL') on terms which included a deferred consideration of £35m (40% of the total consideration) to be paid no later than January 2015. CHL intended to fund the payment of the deferred consideration from the proceeds of a securitisation which they failed to execute and accordingly CHL failed to pay the deferred consideration when due.

As a result of CHL's failure to pay, Grainger took the decision to exercise its rights to appoint administrators of CHL and to re-acquire ERIL (subject to FCA consent) for nominal value.

At 31 March 2015 the group has impaired its receivables due from ERIL to the estimated recoverable value which is equal to the net assets acquired on 2 April of £19.3m. This has resulted in the impairment of £18.2m shown as a non-recurring item at the half year.

On 2 April 2015, following the period end, Grainger completed the re-acquisition of ERIL having received consent from the FCA. Gross assets acquired after the period end were £96.5m; net assets acquired were £26.1m before mark to market movements related to the £65.2m of loans acquired. Net assets acquired after mark to market adjustments were £19.3m. The net impact before the mark to market fair value loan adjustment of £6.8m is therefore £11.4m (2.7p/share). This fair value adjustment will gradually be released to the income statement generating an offsetting benefit over the life of the loan.

In the prior year we recognised a £9.9m trading profit and £0.7m non-recurring gain on sale of the ERIL subsidiary. Over the two years the total loss on transaction amounts to £7.6m, or £0.8m before reversing mark to market adjustments.

Grainger, in conjunction with the administrators of CHL, continue to investigate the affairs of both ERIL and CHL and Grainger is considering its options to recover additional value.

Legacy swap breaks

Mandatory break costs associated with legacy swaps reduced Gross NAV by £18m or 4p/share.

Derivatives

Interest rate linked derivative movements led to a £9.0m charge over the period to the income statement and impacted NNNAV by 2p/share.

Our key measures of financial performance are:	2015	2014
Gross net asset value per share (pence) *	293p	291p
Triple net asset value per share (pence) *	240p	242p
Operating profit before valuation movements and non-recurring items (OPBVM)	£55.5m	£54.6m
Recurring profit	£26.2m	£23.1m
Profit before tax	£9.1m	£49.8m
Excess on sale of normal sales to previous valuation	6.6%	9.0%

* Comparatives shown are 30 September

The table below summarises our OPBVM, recurring profit and profit before tax for the six months to 31 March.

	2015 £m	2014 £m
Profit on sale of assets	45.1	42.8
Net rents	19.0	19.5
Management fees/other income	4.4	5.1
CHARM	4.6	4.9
Overheads/other expenses	(17.6)	(17.7)
OPBVM	55.5	54.6
Net finance costs	(30.6)	(30.2)
Joint ventures and associates	1.3	(1.3)
Recurring Profit before tax	26.2	23.1
Valuation movements	11.5	24.2
Derivative movements	(9.0)	4.9
Non-recurring items	(19.6)	(2.4)
Profit before tax	9.1	49.8

We have three income streams within OPBVM. These are sales of residential properties, rental income and management fees/ other income. Within OPBVM we also include income

from our CHARM asset, property expenses, overheads and other expenses. A summary of OPBVM by division and of the main movements in the year is set out below:

Divisional analysis of OPBVM

	Profit on sale of assets	Net Rents	Management fees/ other income	Overheads/ Other	Total 2015	Total 2014
	£m	£m	£m	£m	£m	£m
UK Residential portfolio	29.5	15.9	0.2	(4.3)	41.3	34.3
Retirement Solutions portfolio	6.9	0.7	0.9	3.7	12.2	23.6
Fund and third party management	-	-	2.5	(2.0)	0.5	0.8
Development assets	8.6	0.1	0.3	(0.5)	8.5	0.6
German residential portfolio	0.1	2.3	0.5	(1.5)	1.4	2.9
Group and other	-	-	-	(8.4)	(8.4)	(7.6)
OPBVM 2015	45.1	19.0	4.4	(13.0)	55.5	-
OPBVM 2014	42.8	19.5	5.1	(12.8)	-	54.6

	£m
Main movements within OPBVM	
2014 OPBVM	54.6
Decrease in gross rents	(0.1)
Increase in profit on sale of vacant residential properties	7.0
Decrease in residential profit on tenanted sales	(12.2)
Increase in development trading profit	7.6
Decrease in interest income from CHARM	(0.4)
Decrease in gross management fee and other income	(0.7)
Increase in property expenses, overheads and other income and expenses	(0.3)
2015 OPBVM	55.5

The major movements within OPBVM are:

- Sales across the Group have resulted in a reduction in gross rents of £1.6m. This has been offset by £0.8m of additional rents from acquisitions including our regional acquisitions completed in the year and the impact of the Chelsea Houses Portfolio acquired in the second half of FY2014, in addition to £1.1m of rental increases and adverse foreign exchange movements of £0.4m.
- An increase of £7.0m in relation to profit on sale of vacant residential property assets, as sales proceeds have increased by £8.1m and margins improved from 48.4% to 52.6%.

This has been offset by a £12.2m reduction in profits from tenanted sales, of which £9.9m related to the original ERIL home reversion transaction in 2014.

- An increase of £7.6m in relation to profit on sale of assets from our Development division primarily relating to the Macaulay Walk site.

Interest income and expense

The net recurring interest charge totals £30.6m (March 2014: £30.2m). Despite an increase in debt which was (on a daily average) £1,130m in the six months ending 31 March 2015 (March 2014: £1,002m), costs have remained flat due to the positive impact of cost reduction measures, resulting in an average interest rate at the period end including costs but excluding commitment fees of 5.1% (March 2014: 5.7%).

Joint ventures and associates

Joint ventures and associates contributed a profit of £1.3m to recurring profit in the year (March 2014: loss of £1.3m).

Valuation and non-recurring items

Valuation and non-recurring items in 2015 compared with 2014 is analysed as follows:

	2015 £m	2014 £m	Movement £m
Valuation			
Adjustment of inventories to net realisable value	-	(0.6)	0.6
Valuation gain on investment property	4.3	3.9	0.4
Change in fair value of derivatives	(9.2)	4.9	(14.1)
Valuation gains on investment property in joint venture and associates before tax	8.2	20.9	(12.7)
Tax on valuation gains on investment property in joint ventures and associates	(1.0)	-	(1.0)
Change in fair value of derivatives of joint venture and associates	0.2	-	0.2
	2.5	29.1	(26.6)
Non-recurring			
Profit on disposal of subsidiary/joint venture	-	0.8	(0.8)
ERIL impairment of receivable and costs	(11.4)	-	(11.4)
ERIL mark to market debt adjustment	(6.8)	-	(6.8)
Other non-recurring costs	(1.4)	(3.2)	1.8
	(19.6)	(2.4)	(17.2)
Total	(17.1)	26.7	(43.8)

Investment property valuation gain

The net valuation uplift in 2015 totals £4.3m (March 2014: £3.9m). Our UK portfolios showed a total uplift of £4.4m, of which £2.4m (March 2014: £4.1m) originates from the UK Residential division and £2.0m (March 2014: £nil) from the Retirement Solutions division, which has benefited from its regional diversity. In Germany, the portfolio has remained broadly flat, showing a reduction of £0.1m (March 2014: reduction of £0.2m) after the impact of increases to real estate transfer tax in two German states which had a £0.7m adverse impact.

Derivative movements

Fair value movements on derivatives is a charge of £9.2m relating to the Group's derivative contracts, and a £0.2m credit relating to our share of derivatives within joint ventures and associates (March 14: £4.9m credit)

The fair value of swaps at 31 March 2015 is a net liability of £37.9m compared to £48.0m at 30 September 2014.

Valuation gains in joint ventures/ associates

Valuation gains within joint venture and associates amounted to £8.2m before deferred tax (March 2014: £20.9m) comprising gains from our joint venture and associate operations with Heitman, Dorrington and APG.

Non-Recurring

As previously described, the group has recognised a £18.2m loss on the one-off impairment associated with the ERIL transaction.

Profit before tax

Having taken account of all of the above movements, profit before tax was £9.1m compared to a profit before tax of £49.8m in 2014. The most significant movements which contributed to the £40.7m decrease were the £18.2m impairment of receivables due from ERIL and a £13.9m adverse variance on derivatives. Valuation gains within our joint ventures reduced by £12.7m having benefited from the significant growth in the London markets to March 2014. This was offset by a £7.6m increase in profit from Development sales and a £7.0m increase in profits from residential sales.

Tax

The Group has an overall tax charge of £2.7m for the period, which relates to UK tax only.

The net increase of £0.8m, from the expected charge of £1.9m, results from a prior period credit of £2.4m, a £0.9m reduction as tax on associates and joint ventures profit is included above the tax line in the Income Statement offset by non-deductible impairment charges and expenditure totalling £4.1m.

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

The Group made net corporation tax payments totalling £1.7m in the period.

Earnings per share

Basic earnings per share is a profit of 1.6p (March 2014: a profit of 11.0p). A year-on-year comparison is shown below:

	£m	Pence per share
2014 Profit/earnings per share	45.2	11.0
Movements in:		
OPBVM	0.9	0.2
Contribution from joint ventures and associates	2.6	0.6
Fair value of derivatives	(13.9)	(3.3)
Revaluation of investment properties	(12.7)	(3.1)
Net interest payable	(0.4)	-
ERIL impairment of receivable and costs	(11.4)	(2.8)
ERIL mark to market debt adjustment	(6.8)	(1.7)
Taxation/other	2.9	0.7
2015 Profit/ earnings per share	6.4	1.6

Dividend for the year

After considering the investment and working capital needs of the business, the directors have recommended a 5% increase in the interim dividend to 0.64p per ordinary share (March 2014: 0.61p) which equates to £2.6m (March 2014: £2.5m). Earnings cover dividends by 2.4 times (March 2014: 18.0 times).

Net asset values

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

	March 2015 p	September 2014 p	Movement %
Gross net assets per share (NAV)			
Market value of net assets per share before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives	293	291	0.7%
Triple net asset per share (NNNAV)			
Gross NAV per share adjusted for deferred and contingent tax on revaluation gains and for the fair value of derivatives	240	242	(0.8)%

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 NNNAV 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 in this announcement.

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	1,222	293
Deferred and contingent tax	(158)	(38)
Fair value of derivatives adjustments net of tax	(62)	(15)
NNNAV	1,002	240

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

	£m	Pence per share
Gross NAV at 30 September 2014	1,215	291
Profit after tax	6	2
Derivatives charge added back	9	2
Revaluation gains on trading stock	51	12
Elimination of previously recognised surplus on sales	(41)	(10)
Dividends paid	(8)	(2)
Impact of legacy swap break costs	(18)	(4)
Other	8	2
Gross NAV at 31 March 2015	1,222	293

The major movements in NNNAV in the period are:

	£m	Pence per share
NNNAV at 30 September 2014	1,012	242
Profit after tax	6	2
Revaluation gains on trading stock	51	12
Elimination of previously recognised surplus on sales	(41)	(10)
Dividends paid	(8)	(2)
Cashflow hedge reserve net of tax	(2)	(1)
Contingent tax	(2)	-
Fixed rate loans fair value adjustment net of tax	(17)	(4)
Other	3	1
NNNAV at 31 March 2015	1,002	240

An analysis of the sources of valuation growth split between the gain shown in the income statement and the pre tax gain included within our Gross NAV and NNNAV movements is shown below:

	Trading Stock	Income Statement	Total increase in value
Division	£m	£m	£m
UK Residential	35	2	37
Retirement Solutions	15	2	17
Development	1	-	1
Joint venture and associates*	-	7	7
German Portfolios*	-	1	1
	51	12	63

**Includes Grainger share of assets held within joint ventures and associates*

An increase in market value of 1% across the Group's residential property including our share of joint ventures and associates leads to an increase in value of £22.9m before deferred and contingent tax and £18.1m after tax. This is equivalent to 5p per share on NAV and 4p per share on NNNAV.

Financial resources, interest cost and derivative movements

	March 2015	September 2014
Net Debt	£1,042m	£1,044m
Consolidated Loan to Value	46.0%	46.5%
Core Loan to Value	42.4%	42.0%
Core interest Cover	2.8	3.7
Average maturity of drawn facilities	4.4 years	4.8 years
Headroom	£242m	£297m
Average interest rate at period end*	5.1%	5.4%

** Including costs but excluding commitment fees*

As at 31 March 2015 net debt was £1,042m⁷, in line with the 30 September 2014 level of £1,044m. Our consolidated loan to value was 46.0%⁸ (September 2014: 46.5%). LTV on the core facility was 42.4% (September 2014: 42.0%) compared to a maximum allowable LTV covenant under that facility of 75%. The interest cover ratio on the core facility stood at 2.8 times (September 2014: 3.7 times) compared to a minimum interest cover covenant of 1.35 times.

As at 31 March 2015, the average maturity of the Group's drawn debt was 4.0 years (September 2014: 4.8 years).

The business has produced £128m of cash from gross rents, property sales net of fees and fee and other income.

Headroom totals £242m as at 31 March 2015 (September 2014: £297m). There are no further significant repayments until March 2016.

At 31 March 2015, gross debt was 78% hedged (September 2014: 68%) of which 12% was subject to caps (September 2014: 4%).

The Group's average interest rate at the period end, including costs but excluding commitment fees, was 5.1%⁹ (September 2014: 5.4%).

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

Mark Greenwood
Finance Director
14 May 2015

⁷ Pro forma net debt post ERIL and Sovereign transactions is £1,089m

⁸ Pro forma LTV post ERIL and Sovereign transactions is 47.2%.

⁹ Pro forma average interest rate, including costs but excluding commitment fees, post ERIL and Sovereign transactions is 5.1%.

Consolidated income statement

For the half year ended 31 March 2015	Notes	Unaudited	
		2015 £m	2014 £m
Group revenue	3,4	125.9	190.0
Net rental income	5	19.0	18.4
Profit on disposal of trading property	6	45.0	42.6
Administrative expenses	8	(16.8)	(17.3)
Fees and other income	9	4.4	5.4
Other expenses	10	(4.2)	(0.7)
Profit on disposal of investment property	7	–	0.1
Income from financial interest in property assets	16	4.7	5.0
Profit/ on disposal of subsidiary/joint venture	2	–	0.8
Write back of inventories to net realisable value	2	–	(0.6)
Impairment of joint venture	15	(0.4)	(2.1)
Impairment of receivable	2	(15.8)	–
Operating profit before net valuation gains on investment property		35.9	51.6
Net valuation gains on investment property	13	4.3	3.9
Operating profit after net valuation gains on investment property		40.2	55.5
Change in fair value of derivatives	21	(9.0)	4.9
Finance costs		(31.6)	(32.2)
Finance income		1.0	2.0
Share of profit of associates after tax	14	5.2	9.5
Share of profit of joint ventures after tax	15	3.3	10.1
Profit before tax		9.1	49.8
Tax charge for the period	19	(2.7)	(4.6)
Profit for the year attributable to the owners of the Company		6.4	45.2
Basic earnings per share	11	1.6	11.0
Diluted earnings per share	11	1.6	10.9
<u>Consolidated statement of comprehensive income</u>			
Unaudited			
For the half year ended 31 March 2015	Notes	2015 £m	2014 £m
Profit for the year		6.4	45.2
<i>Items that will not be transferred to consolidated income statement:</i>			
Actuarial gain on BPT Limited defined benefit pension scheme		–	0.3
<i>Items that will be reclassified subsequently to consolidated income statement:</i>			
Fair value movement on financial interest in property assets	16	7.4	–
Exchange differences on translating foreign operations		(0.7)	(0.4)
Changes in fair value of cash flow hedges		(2.7)	4.0
Other comprehensive income and expense for the period before tax		4.0	3.9
<i>Tax relating to components of other comprehensive income:</i>			
Tax relating to items that will be reclassified subsequently to consolidated income statement		(0.7)	(0.9)
Other comprehensive income and expense for the period after tax		3.3	3.0
Total comprehensive income and expense for the period attributable to the owners of the Company		9.7	48.2

Included within other comprehensive income is a charge of £0.5m (2014: charge of £0.2m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position

As at 31 March 2015	Notes	Unaudited March 2015 £m	Audited Sept 2014 £m
Non-current assets			
Investment property	13	328.6	332.9
Property, plant and equipment		2.0	2.1
Investment in associates	14	106.6	103.5
Investment in joint ventures	15	66.0	73.6
Financial interest in property assets	16	102.2	94.5
Deferred tax assets	19	12.6	12.2
Intangible assets		2.3	2.2
		620.3	621.0
Current assets			
Inventories – trading property		1,019.1	1,020.2
Trade and other receivables	17	44.5	74.9
Derivative financial instruments		2.9	-
Cash and cash equivalents		113.3	74.4
Assets classified as held-for-sale		22.1	3.4
		1,201.9	1,172.9
Total assets		1,822.2	1,793.9
Non-current liabilities			
Interest-bearing loans and borrowings	18	1,031.0	1,085.0
Retirement benefits		1.7	2.2
Provisions for other liabilities and charges		0.2	0.3
Deferred tax liabilities	19	27.3	25.8
		1,060.2	1,113.3
Current liabilities			
Interest-bearing loans and borrowings	18	124.5	33.1
Trade and other payables	20	52.6	54.5
Provisions for other liabilities and charges		0.8	0.8
Current tax liabilities	19	7.1	6.5
Derivative financial instruments	21	40.8	48.0
		225.8	142.9
Total liabilities		1,286.0	1,256.2
Net assets		536.2	537.7
Capital and reserves attributable to the owners of the Company			
Issued share capital		20.9	20.9
Share premium		110.4	110.4
Merger reserve		20.1	20.1
Capital redemption reserve		0.3	0.3
Cash flow hedge reserve		(3.4)	(1.4)
Available-for-sale reserve		10.6	4.6
Retained earnings		377.2	382.7
Equity attributable to the owners of the Company		536.1	537.6
Non-controlling interests		0.1	0.1
Total equity		536.2	537.7

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
Balance as at 1 October 2013 (audited)	20.8	109.8	20.1	0.3	(5.5)	5.0	3.8	311.1	0.1	465.5
Profit for the period	-	-	-	-	-	-	-	45.2	-	45.2
Actuarial gain on BPT Limited defined benefit pension scheme	-	-	-	-	-	-	-	0.3	-	0.3
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.4)	-	(0.4)
Changes in fair value of cash flow hedges	-	-	-	-	4.0	-	-	-	-	4.0
Tax relating to components of other comprehensive income	-	-	-	-	(0.8)	-	-	(0.1)	-	(0.9)
Total comprehensive income and expense for the period	-	-	-	-	3.2	-	-	45.0	-	48.2
Award of SAYE shares	0.1	0.5	-	-	-	-	-	-	-	0.6
Purchase of own shares	-	-	-	-	-	-	-	(2.1)	-	(2.1)
Share-based payments charge	-	-	-	-	-	-	-	1.1	-	1.1
Dividends paid	-	-	-	-	-	-	-	(6.0)	-	(6.0)
Balance as at 31 March 2014 (unaudited)	20.9	110.3	20.1	0.3	(2.3)	5.0	3.8	349.1	0.1	507.3
Profit for the period	-	-	-	-	-	-	-	29.5	-	29.5
Actuarial gain on BPT Limited defined benefit pension scheme	-	-	-	-	-	-	-	0.6	-	0.6
Fair value movement on financial interest in property assets	-	-	-	-	-	-	1.0	-	-	1.0
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	0.1	-	0.1
Changes in fair value of cash flow hedges	-	-	-	-	1.4	-	-	-	-	1.4
Tax relating to components of other comprehensive income	-	-	-	-	(0.5)	-	(0.2)	-	-	(0.7)
Total comprehensive income and expense for the period	-	-	-	-	0.9	-	0.8	30.2	-	31.9
Repayment of convertible bond	-	-	-	-	-	(5.0)	-	5.0	-	-
Award of SAYE shares	-	0.1	-	-	-	-	-	-	-	0.1
Share-based payments charge	-	-	-	-	-	-	-	0.9	-	0.9
Dividends paid	-	-	-	-	-	-	-	(2.5)	-	(2.5)
Balance as at 1 October 2014 (audited)	20.9	110.4	20.1	0.3	(1.4)	-	4.6	382.7	0.1	537.7
Profit for the period	-	-	-	-	-	-	-	6.4	-	6.4
Fair value movement on financial interest in property assets	-	-	-	-	-	-	7.4	-	-	7.4
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.7)	-	(0.7)
Changes in fair value of cash flow hedges	-	-	-	-	(2.7)	-	-	-	-	(2.7)
Tax relating to components of other comprehensive income	-	-	-	-	0.7	-	(1.4)	-	-	(0.7)
Total comprehensive income and expense for the period	-	-	-	-	(2.0)	-	6.0	5.7	-	9.7
Purchase of own shares	-	-	-	-	-	-	-	(4.5)	-	(4.5)
Share-based payments charge	-	-	-	-	-	-	-	1.1	-	1.1
Dividends paid	-	-	-	-	-	-	-	(7.8)	-	(7.8)
Balance as at 31 March 2015 (unaudited)	20.9	110.4	20.1	0.3	(3.4)	-	10.6	377.2	0.1	536.2

Consolidated statement of cash flows

Consolidated statement of cash flows		Unaudited	
For the period ended 31 March 2015	Notes	2015 £m	2014 £m
Cash flow from operating activities			
Profit for the period		6.4	45.2
Depreciation and amortisation		0.4	0.1
Net valuation gains on investment property	13	(4.3)	(3.9)
Net finance costs		30.6	30.2
Profit on disposal of subsidiary	2	-	(0.7)
Profit on disposal of joint venture		-	(0.1)
Share of profit of associates and joint ventures	14,15	(8.6)	(19.6)
Profit on disposal of investment property	7	-	(0.1)
Share-based payment charge		1.1	1.1
Change in fair value of derivatives		9.0	(4.9)
Interest income from financial interest in property assets	16	(4.7)	(5.0)
Impairment of joint venture		0.4	2.1
Tax	19	2.7	4.6
Operating profit before changes in working capital		33.0	49.0
Decrease/(increase) in trade and other receivables		31.3	(37.5)
Increase/(decrease) in trade and other payables		0.1	(7.5)
Decrease in provisions for liabilities and charges		(0.1)	(0.5)
Decrease in trading property		0.1	89.8
Cash generated from operations		64.4	93.3
Interest paid		(29.1)	(28.2)
Tax paid	19	(1.7)	(4.6)
Payments to defined benefit pension scheme		(0.6)	(0.6)
Net cash inflow from operating activities		33.0	59.9
Cash flow from investing activities			
Proceeds from sale of investment property	7	3.1	17.0
Proceeds from financial interest in property assets	16	4.4	4.1
Proceeds from sale of subsidiary		-	0.4
Interest received		-	1.5
Distributions received	14,15	0.8	0.4
Investment in associates and joint ventures	14,15	(4.1)	(3.0)
Acquisition of investment property	13	(10.0)	(3.0)
Acquisition of property, plant and equipment and intangible assets		(0.4)	-
Net cash (outflow)/inflow from investing activities		(6.2)	17.4
Cash flows from financing activities			
Awards of SAYE options		-	0.6
Purchase of own shares		(4.5)	(2.1)
Proceeds from new borrowings		231.2	213.8
Purchase of interest rate caps		(2.9)	-
Settlement of derivative contracts		(17.9)	(35.3)
Repayment of borrowings		(190.3)	(242.0)
Dividends paid	12	(7.8)	(6.0)
Net cash inflow/(outflow) from financing activities		7.8	(71.0)

Consolidated statement of cash flows continued

For the period ended 31 March 2015	Notes	2015 £m	2014 £m
Net increase in cash and cash equivalents		34.6	6.3
Cash and cash equivalents at the beginning of the period		74.4	90.3
Net exchange movements on cash and cash equivalents		4.3	0.1
Cash and cash equivalents at the end of the period		113.3	96.7

Notes to the unaudited interim financial results

1 Accounting policies

1a Basis of preparation

These condensed interim financial statements are unaudited and do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. This condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the 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 2014 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2014 which are available on the group's website (www.graingerplc.co.uk).

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

All property assets are subject to a Directors' valuation at the half year end, supported by independent verification. The Group's financial derivatives were valued as at 31 March 2015 by external consultants, using a discounted cash flow model and quoted market information.

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

1b Adoption of new and revised International Financial Reporting Standards

New standards and interpretations in the year

New standards, amendments and interpretations that have been published and are therefore mandatory for the Group's accounting periods beginning on or after 1 October 2014 and later periods are disclosed on pages 102 and 103 of the Annual Report and Accounts for the year ended 30 September 2014.

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

Following review, the directors consider that the principal risks and uncertainties facing the Group remain as set out in the Risk Management report of the 2014 Annual Report and Accounts.

1d Forward-looking statements

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

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

Notes to the unaudited interim financial results (continued)

2. Analysis of profit after tax

The results for the periods ended 31 March 2015 and 2014 respectively have been affected by valuation movements and non-recurring items. The table below provides further analysis of the consolidated income statement showing the results of trading activities separately from these other items.

(£m)	Unaudited 2015				Unaudited 2014			
	Trading	Valuation	Non-recurring	Total	Trading	Valuation	Non-recurring	Total
Group revenue	125.9	–	–	125.9	190.0	–	–	190.0
Net rental income	19.0	–	–	19.0	19.5	–	(1.1)	18.4
Profit on disposal of trading property	45.0	–	–	45.0	42.6	–	–	42.6
Administrative expenses	(16.8)	–	–	(16.8)	(17.3)	–	–	(17.3)
Fees and other income	4.4	–	–	4.4	5.4	–	–	5.4
Other expenses	(0.8)	–	(3.4)	(4.2)	(0.7)	–	–	(0.7)
Profit on disposal of investment property	–	–	–	–	0.1	–	–	0.1
Income from financial interest in property assets	4.7	–	–	4.7	5.0	–	–	5.0
Profit on disposal of subsidiary	–	–	–	–	–	–	0.7	0.7
Profit on disposal of joint venture	–	–	–	–	–	–	0.1	0.1
Write back of inventories to net realisable value	–	–	–	–	–	(0.6)	–	(0.6)
Impairment of joint venture	–	–	(0.4)	(0.4)	–	–	(2.1)	(2.1)
Impairment of receivable	–	–	(15.8)	(15.8)	–	–	–	–
Operating profit before net valuation gains on investment property	55.5	–	(19.6)	35.9	54.6	(0.6)	(2.4)	51.6
Net valuation gains on investment property	–	4.3	–	4.3	–	3.9	–	3.9
Operating profit after net valuation gains on investment property	55.5	4.3	(19.6)	40.2	54.6	3.3	(2.4)	55.5
Change in fair value of derivatives	–	(9.0)	–	(9.0)	–	4.9	–	4.9
Finance costs	(31.6)	–	–	(31.6)	(32.2)	–	–	(32.2)
Finance income	1.0	–	–	1.0	2.0	–	–	2.0
Share of profit of associates after tax	1.0	4.2	–	5.2	0.9	8.6	–	9.5
Share of profit of joint ventures after tax	0.3	3.0	–	3.3	(2.2)	12.3	–	10.1
Profit before tax	26.2	2.5	(19.6)	9.1	23.1	29.1	(2.4)	49.8

The non-recurring items in 2015 include a £18.2m impairment of receivables due from Equity Release (Increments) Limited (ERIL) and a £0.4m loan impairment charge relating to our Prague investment.

Notes to the unaudited interim financial results (continued)

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.

2015 Income Statement

(£m)	Unaudited						Total
	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	
Group revenue							
Segment revenue-external	73.3	14.8	2.5	27.3	8.0	–	125.9
Net rental income	15.9	0.7	–	0.1	2.3	–	19.0
Profit on disposal of trading property	29.6	6.8	–	8.6	–	–	45.0
Administrative expenses	(4.2)	(0.9)	(1.9)	(0.5)	(1.5)	(7.8)	(16.8)
Fees and other income	0.2	0.9	2.5	0.3	0.5	–	4.4
Other expenses	(0.1)	–	(0.1)	–	–	(0.6)	(0.8)
Income from financial interest in property assets	–	4.7	–	–	–	–	4.7
Operating profit before net valuation gains on investment property	41.4	12.2	0.5	8.5	1.3	(8.4)	55.5
Net trading interest payable/(receivable)	(4.0)	(4.5)	0.8	–	(1.4)	(21.5)	(30.6)
Share of trading profit/(loss) of joint ventures and associates after tax	–	0.5	1.1	–	(0.3)	–	1.3
Trading profit before tax, valuation and non-recurring items	37.4	8.2	2.4	8.5	(0.4)	(29.9)	26.2
Net valuation gains on investment property	2.4	2.0	–	–	–	–	4.4
Impairment of joint venture	–	–	–	(0.4)	–	–	(0.4)
Impairment of assets	–	(15.8)	–	–	–	–	(15.8)
Change in fair value of derivatives	–	–	(0.3)	–	(0.3)	(8.4)	(9.0)
Share of valuation gains in joint ventures and associates after tax	–	–	6.3	–	0.8	–	7.1
Other net non-recurring items	–	(2.4)	(0.9)	–	–	(0.1)	(3.4)
Profit before tax							9.1

Notes to the unaudited interim financial results (continued)

3. Segmental information (continued)

2014 Income Statement

(£m)	Unaudited						Total
	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	
Group revenue							
Segment revenue-external	69.8	104.3	3.7	3.3	8.9	–	190.0
Net rental income	14.8	0.7	–	0.1	3.9	–	19.5
Profit on disposal of trading property	23.0	18.6	–	1.0	–	–	42.6
Administrative expenses	(4.0)	(1.3)	(2.2)	(0.8)	(1.6)	(7.4)	(17.3)
Fees and other income	0.2	0.7	3.3	0.3	0.9	–	5.4
Other expenses	(0.1)	–	(0.3)	–	–	(0.2)	(0.6)
Profit on disposal of investment property	0.4	(0.1)	–	–	(0.3)	–	0.0
Income from financial interest in property assets	–	5.0	–	–	–	–	5.0
Operating profit before net valuation gains on investment property	34.3	23.6	0.8	0.6	2.9	(7.6)	54.6
Net trading interest payable	(4.8)	(4.3)	0.8	(0.8)	(1.3)	(19.8)	(30.2)
Share of trading profit/(loss) of joint ventures and associates after tax	–	0.2	(0.8)	(0.1)	(0.6)	–	(1.3)
Trading profit before tax, valuation and non-recurring items	29.5	19.5	0.8	(0.3)	1.0	(27.4)	23.1
Write back of inventories to net realisable value	0.4	–	–	(1.0)	–	–	(0.6)
Net valuation gains on investment property	3.8	0.3	–	–	(0.2)	–	3.9
Gain on disposal of subsidiary	–	0.7	–	–	–	0.1	0.8
Change in fair value of derivatives	–	–	–	–	–	4.9	4.9
Share of valuation gains in joint ventures and associates after tax	–	–	20.1	–	0.8	–	20.9
Other net non-recurring items	(0.9)	–	–	(2.1)	(0.2)	–	(3.2)
Profit before tax							49.8

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

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 statement of financial position.

Notes to the unaudited interim financial results (continued)

3. Segmental information (continued)

2015 Segment net assets

(£m)	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	Total
Total segment net assets (statutory)	207.0	114.5	91.5	61.3	74.5	(12.6)	536.2
Total segment net assets (NAV)	776.1	194.2	98.2	60.7	84.0	9.1	1,222.3
Total segment net assets (NNNAV)	632.2	155.9	91.5	60.9	74.4	(12.4)	1,002.5

2015 Reconciliation of NAV measures

(£m)	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	Gross NAV balance sheet	Deferred and contingent tax	Derivatives	Triple NAV balance sheet
Investment property	328.6	–	328.6	–	–	328.6
Investment in associates	106.6	1.5	108.1	(4.1)	(1.0)	103.0
Investment in joint ventures	66.0	6.4	72.4	(6.3)	(0.1)	66.0
Financial interest in property assets	102.2	–	102.2	–	–	102.2
Intangible assets	2.3	–	2.3	–	–	2.3
Inventories – trading property	1,019.1	607.6	1,626.7	–	–	1,626.7
Trade and other receivables	44.5	–	44.5	–	–	44.5
Cash and cash equivalents	113.3	–	113.3	–	–	113.3
Property, plant and equipment	2.0	–	2.0	–	–	2.0
Deferred tax asset	12.6	(7.8)	4.8	–	15.4	20.2
Assets classified as held-for-sale	22.1	5.2	27.3	(0.8)	(0.1)	26.4
Derivative financial instruments	2.9	(2.9)	–	–	2.9	2.9
Other assets	–	10.7	10.7	–	–	10.7
Total assets	1,822.2	620.7	2,442.9	(11.2)	17.1	2,448.8
Interest-bearing loans and borrowings	(1,155.5)	–	(1,155.5)	–	(38.8)	(1,194.3)
Trade and other payables	(52.6)	–	(52.6)	–	–	(52.6)
Retirement benefits	(1.7)	–	(1.7)	–	–	(1.7)
Current tax liabilities	(7.1)	–	(7.1)	–	–	(7.1)
Provisions for other liabilities and charges	(1.0)	–	(1.0)	–	–	(1.0)
Deferred and contingent tax liabilities	(27.3)	24.6	(2.7)	(146.1)	–	(148.8)
Derivative financial instruments	(40.8)	40.8	–	–	(40.8)	(40.8)
Total liabilities	(1,286.0)	65.4	(1,220.6)	(146.1)	(79.6)	(1,446.3)
Net assets	536.2	686.1	1,222.3	(157.3)	(62.5)	1,002.5

2014 Segment net assets

(£m)	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	Total
Total segment net assets (statutory)	216.2	135.1	87.4	56.1	83.2	(40.3)	537.7
Total segment net assets (NAV)	768.0	207.3	92.7	65.3	91.7	(9.8)	1,215.2
Total segment net assets (NNNAV)	631.5	176.9	87.4	63.5	83.2	(30.7)	1,011.8

Notes to the unaudited interim financial results (continued)

3. Segmental information (continued)

2014 Reconciliation of NAV measures

(£m)	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	Gross NAV balance sheet	Deferred and contingent tax	Derivatives	Triple NAV balance sheet
Investment property	332.9	–	332.9	–	–	332.9
Investment in associates	103.5	(0.4)	103.1	–	0.4	103.5
Investment in joint ventures	73.6	9.4	83.0	(7.7)	(0.5)	74.8
Financial interest in property assets	94.5	–	94.5	–	–	94.5
Intangible assets	2.2	–	2.2	–	–	2.2
Inventories – trading property	1,020.2	596.9	1,617.1	–	–	1,617.1
Trade and other receivables	74.9	–	74.9	–	–	74.9
Cash and cash equivalents	74.4	–	74.4	–	–	74.4
Property, plant and equipment	2.1	–	2.1	–	–	2.1
Deferred tax asset	12.2	(9.6)	2.6	–	13.1	15.7
Assets classified as held-for-sale	3.4	–	3.4	–	–	3.4
Value of own shares held	–	9.6	9.6	–	–	9.6
Total assets	1,793.9	605.9	2,399.8	(7.7)	13.0	2,405.1
Interest-bearing loans and borrowings	(1,118.1)	–	(1,118.1)	–	(17.5)	(1,135.6)
Trade and other payables	(54.5)	–	(54.5)	–	–	(54.5)
Retirement benefits	(2.2)	–	(2.2)	–	–	(2.2)
Current tax liabilities	(6.5)	–	(6.5)	–	–	(6.5)
Provisions for other liabilities and charges	(1.1)	–	(1.1)	–	–	(1.1)
Deferred and contingent tax liabilities	(25.8)	23.6	(2.2)	(143.2)	–	(145.4)
Derivative financial instruments	(48.0)	48.0	–	–	(48.0)	(48.0)
Total liabilities	(1,256.2)	71.6	(1,184.6)	(143.2)	(65.5)	(1,393.3)
Net assets	537.7	677.5	1,215.2	(150.9)	(52.5)	1,011.8

4. Group revenue

	2015 £m	2014 £m
Gross rental income (see note 5)	28.2	28.4
Service charge income on a principal basis (see note 5)	2.5	2.6
Proceeds from sale of trading property (see note 6)	90.8	153.6
Management fee and other income (see note 9)	4.4	5.4
	125.9	190.0

5. Net rental income

	2015 £m	2014 £m
Gross rental income	28.2	28.4
Service charge income on a principal basis	2.5	2.6
Property repair and maintenance costs	(9.0)	(9.6)
Service charge expense on a principal basis	(2.7)	(3.0)
	19.0	18.4

Notes to the unaudited interim financial results (continued)**6. Profit on disposal of trading property**

	Unaudited	
	2015 £m	2014 £m
Gross proceeds from sale of trading property	90.8	153.6
Selling costs	(1.8)	(4.0)
Net proceeds from sale of trading property	89.0	149.6
Carrying value of trading property sold	(44.0)	(107.0)
	45.0	42.6

7. Profit on disposal of investment property

	Unaudited	
	2015 £m	2014 £m
Gross proceeds from sale of investment property	3.3	17.4
Selling costs	(0.2)	(0.6)
Net proceeds from sale of investment property	3.1	16.8
Carrying value of investment property sold:		
- Investment property	(1.0)	(9.4)
- Assets classified as held-for-sale	(2.1)	(7.3)
	—	0.1

8. Administrative expenses

	Unaudited	
	2015 £m	2014 £m
Total Group expenses	16.8	17.3

9. Fees and other income

	Unaudited	
	2015 £m	2014 £m
Property and asset management fee income	4.2	5.1
Other sundry income	0.2	0.3
	4.4	5.4

10. Other expenses

	Unaudited	
	2015 £m	2014 £m
External costs relating to fee income	0.1	0.4
Non-recurring transaction expenses	3.4	0.1
Business improvement/bid costs	0.7	0.2
	4.2	0.7

Notes to the unaudited interim financial results (continued)

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 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 2015 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	Unaudited					
	31 March 2015			31 March 2014		
	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						
Profit attributable to equity holders	6.4	412,179	1.57	45.2	411,079	11.01
Effect of potentially dilutive securities						
Share options and contingent shares	–	3,765	(0.02)	–	4,629	(0.13)
Diluted earnings per share						
Profit attributable to equity holders	6.4	415,944	1.55	45.2	415,708	10.88

12. Dividends

The Company has today announced an interim dividend of 0.64p per share which will return £2.6m of cash to shareholders. In the six months to 31 March 2015, the final proposed dividend for the year ended 30 September 2014 which amounted to £7.8m has been paid.

13. Investment property

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Opening balance	332.9	354.1
Additions	10.0	3.4
Disposals	(1.0)	(12.5)
Transfer to assets classified as held-for-sale	(6.9)	(2.2)
Net valuation gains	4.3	1.5
Exchange adjustments	(10.7)	(11.4)
Closing balance	328.6	332.9

Notes to the unaudited interim financial results (continued)

14. Investment in associates

	Net assets £m	Loans £m	Total £m
At 30 September 2013 (audited)	45.0	43.2	88.2
Loans advanced	–	0.7	0.7
Interest received	–	(1.3)	(1.3)
Share of profit	21.1	–	21.1
Further investment	(2.4)	–	(2.4)
Exchange adjustment	(0.5)	(0.8)	(1.3)
Dividends received	(1.0)	–	(1.0)
Share of change in fair value of cash flow hedges taken through other comprehensive income	(0.5)	–	(0.5)
At 30 September 2014 (audited)	61.7	41.8	103.5
Conversion of loans to equity	10.3	(10.3)	–
Interest paid	–	0.1	0.1
Share of profit	5.2	–	5.2
Exchange adjustment	(1.3)	–	(1.3)
Dividends received	(0.5)	–	(0.5)
Share of change in fair value of cash flow hedges taken through other comprehensive income	(0.4)	–	(0.4)
At 31 March 2015 (unaudited)	75.0	31.6	106.6

As at 31 March 2015, the Group's interest in associates was as follows:

	% of ordinary share capital/ units held	Country of incorporation
G:res1 Limited	26.2	Jersey
GRIP Unit Trust	24.9	Jersey
MH Grainger JV Sarl*	21.0	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 & Co. KG and Grainger Stuttgart Portfolio two GmbH & Co. KG ('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.

Notes to the unaudited interim financial results (continued)

15. Investment in joint ventures

	Net assets £m	Loans £m	Total £m
At 30 September 2013 (audited)	42.9	14.8	57.7
Loans advanced	–	2.8	2.8
Increase in provisions against loans	–	(0.4)	(0.4)
Interest received	–	(0.3)	(0.3)
Disposal	(0.4)	–	(0.4)
Share of profit	14.4	1.7	16.1
Exchange adjustment	(0.1)	(0.9)	(1.0)
Distributions received	(0.9)	–	(0.9)
At 30 September 2014 (audited)	55.9	17.7	73.6
Loans advanced	–	4.1	4.1
Increase in provisions against loans	–	(0.4)	(0.4)
Share of profit	3.3	–	3.3
Distributions received	(0.3)	–	(0.3)
Transfer to available for sale	(14.6)	0.6	(14.0)
Share of change in fair value of cash flow hedges taken through other comprehensive income	(0.3)	–	(0.3)
At 31 March 2015 (unaudited)	44.0	22.0	66.0

As announced on 5 May 2015, the group has agreed to sell its stake in New Sovereign Reversions Limited to an affiliate of the Lonestar Funds. At 31 March 2015 the directors considered that the venture met the criteria to be held for sale, and have therefore presented the net assets of the venture within this category.

At 31 March 2015, the Group's interest in joint ventures was as follows:

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

Notes to the unaudited interim financial results (continued)**16. Financial interest in property assets**

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Opening balance	94.5	96.3
Cash received from the instrument	(4.4)	(9.8)
Amounts taken to income statement	4.7	7.0
Amounts taken to other comprehensive income before tax	7.4	1.0
Closing balance	102.2	94.5

Financial interest in property assets relates to the CHARM portfolio, which is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee. It is accounted for under IAS 39 in accordance with the designation available-for-sale financial assets and is valued at fair value.

The fair value of our interest has increased and this increase of £7.4m (September 2014: £1.0m) has been recognised in the statement of other comprehensive income and the available-for-sale reserve.

17. Trade and other receivables

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Trade receivables	47.9	62.4
Deduct: Provision for impairment of trade receivables	(17.9)	(2.2)
Trade receivables – net	30.0	60.2
Other receivables	4.7	5.5
Prepayments	9.8	9.2
	44.5	74.9

18. Interest-bearing loans and borrowings

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Current liabilities		
Bank loans	124.2	33.5
Non-bank financial institution	0.7	(0.1)
Mortgages	0.2	0.3
Corporate bond	(0.6)	(0.6)
	124.5	33.1
Non-current liabilities		
Bank loans	537.4	612.6
Non-bank financial institution	204.9	182.6
Mortgages	16.6	18.0
Corporate bond	272.1	271.8
	1,031.0	1,085.0
Total interest-bearing loans and borrowings	1,155.5	1,118.1

Notes to the unaudited interim financial results (continued)

19. Tax

	Audited	Unaudited				
	As at 30 Sep 2014 £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 2015 £m
Current tax	6.5	(1.7)	2.3	-	-	7.1
Deferred tax						
Trading property uplift to fair value on acquisition	17.2	-	(0.6)	-	-	16.6
Investment property revaluation	6.6	-	1.5	-	-	8.1
Accelerated capital allowances	0.8	-	(1.0)	-	-	(0.2)
Short-term timing differences	(11.1)	-	0.5	-	-	(10.6)
Actuarial deficit on BPT Limited pension scheme	(0.4)	-	-	-	-	(0.4)
Equity component of available-for-sale financial asset	1.2	-	-	-	1.4	2.6
Fair value movement in cash flow hedges and exchange adjustments	(0.7)	-	-	-	(0.7)	(1.4)
	13.6	-	0.4	-	0.7	14.7
Total tax - movement	20.1	(1.7)	2.7	-	0.7	21.8

The main rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014 and will change to 20% from 1 April 2015. Accordingly the Group's results for this accounting period are taxed at an effective rate of 20.5%. The change in tax rate has had no impact on the income statement in the current period.

Deferred tax balances are disclosed as follows:

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Deferred tax assets: non-current assets	12.6	12.2
Deferred tax liabilities: non-current liabilities	(27.3)	(25.8)
Deferred tax	(14.7)	(13.6)

The tax charge for the period of £2.7m (2014: £4.6m) comprises:

	2015 £m	2014 £m
UK tax	2.7	4.1
Overseas tax	-	0.5
	2.7	4.6

Notes to the unaudited interim financial results (continued)

20. Trade and other payables

	31 March 2015 (unaudited) £m	30 Sep 2014 (audited) £m
Deposits received	2.5	2.4
Trade payables	12.8	12.0
Tax and social security	0.2	2.4
Accruals and deferred income	37.1	37.7
	52.6	54.5

Accruals and deferred income includes £12.0m (2014: £12.9m) of rent received in advance relating to lifetime leases. It is not possible for the Group to identify which properties will become vacant within the next 12 months and therefore to identify the proportion of rent received in advance which is expected to be released to the income statement within the next 12 months.

21. Derivative financial instruments

	31 March 2015 (unaudited)		30 September 2014 (audited)	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – in cash flow hedge accounting relationships	–	6.8	–	5.2
Interest rate derivatives – not in cash flow hedge accounting relationships	2.9	34.0	–	42.8
	2.9	40.8	–	48.0

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 £9.0m (2014: credit of £4.9m).

22. Related party transactions

During the period ended 31 March 2015 the Group transacted with its joint ventures and associates (details of which are set out in notes 14 and 15). The related party transactions recognised in the Income statement and Statement of financial position are as follows:

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

	Unaudited			
	31 March 2015 Fees recognised £'000	31 March 2015 Period end balance £'000	31 March 2014 Fees recognised £'000	31 March 2014 Period end balance £'000
GRIP Unit Trust	1,832	862	1,567	1,293
Grainger Stuttgart Portfolio one GmbH	379	–	415	–
Grainger Stuttgart Portfolio two GmbH	65	–	71	–
New Sovereign Reversions Limited	506	179	499	254
Walworth Investment Properties Limited	20	20	54	20
	2,802	1,061	2,606	1,567

Notes to the unaudited interim financial results (continued)

22. Related Party Transactions (continued)

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

	Unaudited			Audited		
	31 March 2015 Interest recognised £'000	31 March 2015 Period end loan balance £m	31 March 2015 Interest Rate %	31 March 2014 Interest recognised £'000	30 Sept 2014 Year end loan balance £m	30 Sept 2014 Interest Rate %
GRIP Unit Trust	548	31.6	4.75	548	31.6	4.75
MH Grainger JV Sarl	99	–	–	434	9.6	7.50
Grainger Stuttgart Portfolio two GmbH	12	–	–	36	0.6	8.00
New Sovereign Reversions Limited	(9)	(0.6)	LIBOR + 2.35	(15)	(0.6)	LIBOR + 2.35
Czech Republic combined	–	6.4	1.25	–	7.4	1.25
Curzon Park Limited	–	19.9	Nil	–	18.6	Nil
King Street Developments (Hammersmith) Limited	–	5.3	Nil	–	3.2	Nil
Walworth Investment Properties Limited	227	7.1	7.00	227	6.8	7.00
	877	69.7		1,230	77.2	

23. Post balance sheet event

On 2 April 2015 Grainger completed the re-acquisition of ERIL having received consent from the FCA. Gross assets acquired were £96.5m; net assets acquired were £26.1m before mark to market movements related to the £65.2m of loans acquired. Net assets acquired after mark to market adjustments were £19.3m.

24. 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 2014 and on the Grainger plc website: www.graingerplc.co.uk. The following changes have been made since 30 September 2014; Baroness Margaret Ford was appointed interim Chairman on 4 February 2015. On 31 March 2015 it was announced that Baroness Ford would take the position of Chairman on a permanent basis, and that Andrew Cunningham, Chief Executive Officer would retire from Grainger at the next Annual General Meeting to be held in February 2016.

As referred to in the 2014 Annual report and Accounts, Andrew Carr-Locke was nominated as a director and formally appointed to the board on 6 March 2015, following receipt of the relevant FCA approvals.

By order of the Board

Mark Greenwood
Director
14 May 2015

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.