**11 May 2023**

# Grainger plc

## Half year financial results for the six months ended 31 March 2023

## Consistent strong performance and excellent outlook: planned doubling of EPRA earnings over next 4 years

- Net rental income +12%
- Dividend per share +10%
- Like-for-like rental growth +6.8%
- EPRA NTA robust at 310pps
- Occupancy 98.5%
- Low cost of debt fixed for c.6 years

Grainger plc, the UK's largest listed residential landlord and leader in the build-to-rent sector, today announces a continuing strong performance for the six months ended 31 March 2023. Grainger's £3.1bn operational portfolio totals c.10,000 homes with a further c.6,000 homes in our £1.6bn build to rent investment pipeline.

**Helen Gordon, Chief Executive, said:**

"We continue to deliver strong consistent performance across the business. For the first half of our financial year, we have delivered an increase in net rental income of +12%, supporting a 10% increase in our dividend. Rental growth momentum has continued to accelerate which has broadly offset yield movements and the net asset value of our portfolio was resilient.

"Our balance sheet is in a strong position with a low cost of debt fixed for six years, enabling us to deliver on our committed investment pipeline with returns protected. These plans will see us deliver a doubling of EPRA earnings over the next four years, with our build to rent projects secured, financing in place, and both construction and debt costs fixed over that period.

"Aligned to wage inflation we achieved a like-for-like rental growth of +6.8%, up from 3.5% this time last year. This has mostly offset valuation yield movements with EPRA NTA broadly stable at 310pps (2% down in the six months since FY22 of 317pps, but +2% up in the twelve months since HY22 of 305p). Strong investor appetite and robust transactional evidence from a number of completed deals in recent months provide us with further confidence in the relative low volatility of our sector.

"We are confident in the outlook for our business. With positive expectations for the occupational market and rental growth, resilience in valuations backed by strong active investor demand, and an institutional-landlord-friendly investment landscape, the outlook for Grainger remains strong as we continue to lead the sector."

### Key highlights

- 2% growth in Adjusted Earnings[1] to £47.1m (HY22: £46.3m)
- 12% growth in Net Rental Income[2] to £48.0m (HY22: £42.8m)
- 49% growth in EPRA Earnings to £21.9m (HY22: £14.7m)
- EPRA Net Tangible Assets (EPRA NTA) robust at 310pps (FY22: 317pps; HY22: 305pps), reflecting strong ERV growth of 4.1% offsetting c.25bps yield expansion in the period
- IFRS profit before tax of £5.7m reflecting a 1.3% valuation decline (HY22: £98.8m, reflected a 2.3% valuation increase)
- Dividend[3] increased 10% to 2.28p per share (HY22: 2.08pps)
- 6.8% like-for-like rental growth[4] in H1 across our total portfolio (FY22: 4.7%; HY22: 3.5%)

    - 6.9% like-for-like PRS rental growth (FY22: 4.8%; HY22: 3.5%)
        - 8.2% like-for-like PRS rental growth on new lets (FY22: 5.6%; HY22: 4.4%)
        - 6.1% like-for-like PRS rental growth on renewals (FY22: 4.1%; HY22: 2.7%)
    - 5.8% like-for-like rental growth in our regulated tenancy portfolio (FY22: 4.6%; HY22: 3.7%)
- 98.5% occupancy in our PRS portfolio at the end of March (HY22: 98.1%)
- Sales performance resilient with £25.2m profit (HY22: £31.6m), reflecting mix, and sales pricing also robust with average sales price within -2.2% of vacant possession value, reflecting continuing strong demand for these attractive properties
- £74m of sales in H1, including the sales of vacant regulated tenancies and £44m of asset recycling
- Remain on track to deliver seven new schemes this calendar year, totalling 1,640 new, purpose-built, energy-efficient, mid-market rental homes

***Key financial metrics***

| **Income returns** | **HY22** | **HY23** | **Change** |
|---|---|---|---|
| Rental growth (like-for-like) | 3.5% | 6.8% | +322 bps |
| - PRS | 3.5% | 6.9% | +341 bps |
| - *New lets* | *4.4%* | *8.2%* | *+373 bps* |
| - *Renewals* | *2.7%* | *6.1%* | *+341 bps* |
| - Regulated tenancies (annualised) | 3.7% | 5.8% | +210 bps |
| Net rental income *(Note 5)* | £42.8m | £48.0m | +12% |
| Adjusted earnings *(Note 2)* | £46.3m | £47.1m | +2% |
| IFRS profit before tax *(Note 2)* | £98.8m | £5.7m | (94)% |
| Earnings per share (diluted, after tax) *(Note 9)* | 10.2p | 0.6p | (94)% |
| Dividend per share *(Note 10)* | 2.08p | 2.28p | +10% |
| **Capital returns** | **HY22** | **HY23** | **Change** |
| Total Property Return[5] | 3.8% | 0.1% | (366) bps |
| Total Accounting Return *(Note 3)* | 3.2% | (1.6)% | (483) bps |
| | **FY22** | **HY23** | **Change** |
| EPRA NTA per share *(Note 3)* | 317p | 310p | (2)% |
| Net debt | £1,262m | £1,394m | +10% |
| Group LTV | 33.4% | 36.1% | +265bps |
| Cost of debt (average) | 3.1% | 3.2% | +7bps |

| **Secured and committed pipeline** | |
|---|---|
| Investment value | £890m |
| Homes | 3,397 |
| **Secured but not yet committed pipeline** | |
| Investment value | £541m |
| Homes | 2,009 |

| Total secured pipeline | |
|---|---|
| Investment value | £1,431m |
| Homes | 5,406 |

**Excellent outlook**

We have delivered a strong performance in the period, and this is testament to the Grainger team, who have focused on ensuring that we are delivering high quality homes and service, and a sense of community and belonging, all of which supports our success in leasing, high retention and occupancy levels.

Our committed pipeline of build to rent schemes will deliver a doubling of EPRA earnings within the next four years. The majority of our £1.4bn secured pipeline is committed (£890m) and under construction, with construction costs fixed and funding in place. This will enable us to convert to a REIT in 2.5 years. Alongside the opportunities with our partnerships, such as Transport for London (TfL), we have good visibility over a solid supply of future build to rent developments.

With positive expectations for the occupational market and rental growth, resilience in valuations backed by strong active investor demand, and an institutional-landlord-friendly investment landscape, the outlook for Grainger remains strong as we continue to lead the sector.

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[1] *Refer to Note 2 for IFRS profit before tax and adjusted earnings reconciliation.*

[2] *Refer to Note 5 for net rental income calculation.*

[3] *Dividend – The dividend of 2.28p per share (gross) amounting to £16.9m will be paid on 3 July 2023 to shareholders on the register at the close of business on 26 May 2023. Shareholders will again be offered the option to participate in a dividend re-investment plan and the last day for election is 9 June 2023 – refer also to Note 10.*

[4] *Rental growth is the average increase in rent charged across our portfolio on a like-for-like basis.*

[5] *Total Property Return (TPR) represents the change in gross asset value, net of capital expenditure incurred, plus net income, expressed as a percentage of gross asset value.*

**Future reporting dates**

- Capital Markets Day – 27 June 2023
- Trading Update – September 2023
- Full year results – 22 November 2023

**Half year results presentation**

Grainger plc will be holding a presentation of the results at 9:00am (UK time) today, 11 May 2023, which can be accessed via webcast and a telephone dial-in facility (details below), which will be followed by a live Q&A session for sell side analysts and shareholders.

***Webcast details:***

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

https://stream.brrmedia.co.uk/broadcast/640f4db1e57d7909a3e20729

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

***Conference call details:***

Call: +44 (0)330 165 4012

Confirmation Code: 1829192

**Please note that Live Questions can be submitted by analysts and investors via the webcast, but not via the conference call facility.*

***Presentation material:***

A copy of the presentation slides will also be available to download on Grainger's website (http://corporate.graingerplc.co.uk/) from 08:30am (UK time).

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## Forward-looking statements disclaimer

This publication contains certain forward-looking statements. Any statement in this publication that is not a statement of historical fact including, without limitation, those regarding Grainger plc's future financial condition, business, operations, financial performance and other future events or developments involving Grainger, is a forward-looking statement. Such statements may, but not always, be identified by words such as 'expect', 'estimate', 'project', 'anticipate', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. By their nature, forward-looking statements involve inherent risks, assumptions and uncertainties as they relate to events which occur in the future and depend on circumstances which may or may not occur and go beyond Grainger's ability to control. Actual outcomes or results may differ materially from the outcomes or results expressed or implied by these forward-looking statements. Factors which may give rise to such differences include (but are not limited to) changing economic, financial, business, regulatory, legal, political, industry and market trends, house prices, competition, natural disasters, terrorism or other social, political or market conditions.

Grainger's principal risks are described in more detail in its Annual Report and Accounts, set out in the Risk Management report on pages 54-57 of the 2022 Annual Report and Accounts, and there has been no change.

A number of risks faced by the Group are not directly within our control such as the wider economic and political environment.

In line with our risk management approach detailed in our Annual Report and Accounts, the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework. The war in Ukraine is continuing and inflationary pressures are proving to be persistent. The macro-economic outlook is unclear. The risk analysis undertaken in our Annual Report and Accounts factors in these considerations. The risks to Grainger will continue to be monitored closely.

These risks and other factors could adversely affect the outcome and financial effects of the events specified in this publication. The forward-looking statements reflect knowledge and information available at the date they are made and Grainger plc does not intend to update on the forward-looking statements contained in this publication.

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This publication does not constitute an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of Grainger plc.

**Chief Executive's review**

**Overview – continuing strong performance**

Our strategic focus on the mid-market in the UK private rented, build-to-rent sector continues to deliver strong results. We have delivered a 12% increase in net rental income, supported by strong like-for-like rental growth of 6.8%, aligned to wage growth, maintaining healthy affordability levels amongst our customers. EPRA earnings over the period have increased by 49% and we expect them to double with the delivery of our committed pipeline of 3,397 homes. We have a high degree of certainty over this significant growth with the necessary permissions in place, construction costs fixed for the majority of projects, financing in place, and debt costs fixed.

Residential valuations have held up exceptionally well compared to the wider real estate sector, and in our portfolio in particular, supported by strong ERV growth of 4.1%. Our EPRA NTA stands at 310p per share, compared to 305pps a year ago, and 317pps six months ago.

We are increasing our dividend by 10%, reflecting the strong growth in net rental income, in line with our policy to distribute 50% of net rental income (with a one third, two third split between interim and full dividend payments).

Growing rental demand and constrained supply continue to move in our favour, particularly due to our mid-market pricing, energy efficient properties and value-add services to our customers, supporting them through the cost-of-living challenges they face. Our investment focus and cluster strategy in the top regional towns and cities in England and Wales has proven to be the right focus. These markets remain one of the most investment friendly residential rental markets globally with no rent controls, and there is a strong political consensus on the need for more housing supply and investment. The long-term market opportunity in the 5m household UK rental market is significant, as the shift in favour of large-scale, institutional professional landlords accelerates.

Grainger is strongly positioned:

- **Secured growth** – Our growth, a doubling of EPRA earnings from FY22, is locked-in, with permissions in place, funding in place and construction costs fixed.
- **Strong balance sheet** – LTV below our target range and debt costs fixed in the mid 3%'s for the next six years.
- **Inflation beneficiary** – Our net rental income is strongly linked to wage inflation, and therefore benefits from a high inflationary environment.
- **Resilient valuations** – On a relative basis valuations remain robust with strong rental growth offsetting yield expansion materially, and strong investor appetite and transactional evidence providing a high degree of confidence in valuations.
- **Strong demand-side characteristics** – The demand for our product is growing and will continue to increase. And this demand is economically defensive, growing through cycles. We see a high degree of price inelasticity at our mid-market price point. Our market positioning provides a strong level of occupational demand resilience, with housing at this price point an essential expenditure item for consumers.
- **Healthy customer affordability** – Our customers benefit from healthy levels of affordability (c.29% of income spent on rent), well below the recognised affordability ceiling of 33-35% of gross income national average of 33%[1].
- **Positive regulatory landscape and politically aligned** – The need for more, better quality homes is widely acknowledged across all major political parties in Westminster. Grainger, and the build-to-rent sector, are directly addressing this, and benefit from political support. The UK market is one of the most institutional-landlord friendly markets globally, with regulations focused on driving out poor-quality landlords from the market, affecting smaller landlords more acutely, and therefore expected to benefit Grainger and the build-to-rent sector on balance.
- **Vast opportunity set** – With only approximately 1.5% of the 5m addressable private rented market represented by institutional, build-to-rent landlords today, the opportunity for increasing our market share is vast, with structural changes working in our favour as the shift toward institutional landlords accelerates.

[1] English Housing Survey (2021/22)

**Trading performance highlights**

Exceptional leasing performance

We continue to achieve record levels of occupancy in our PRS portfolio of 98.5% and continue to drive like-for-like rental growth at 6.8%.

Good pipeline progress

Delivery of our pipeline continues at pace. We are on track to deliver seven schemes in the second half of this year, totalling 1,640 new homes.

Our pipeline of committed build-to-rent schemes will deliver a doubling of EPRA earnings. The majority of our £1.4bn secured pipeline is committed (£890m) and under construction with construction costs fixed and funding in place.

Our partnership with Transport for London (TfL) is progressing at pace with five planning permissions secured (1,240 homes) within three years of Grainger being selected by TfL as their partner. The joint venture, Connected Living London, has now acquired the land for four of these five schemes from TfL and enabling works have commenced.

Maintaining sales momentum

We continue to sell down our regulated tenancy portfolio, both on vacancy and tenanted as investment sales through our asset recycling programme. This provides us with a continual source of funding for our build-to-rent investment pipeline.

In contrast to some wider market data and commentary, we continue to see strong pricing in our portfolio, having achieved average sales prices within -2.2% of vacant possession value.

**A growth business in a resilient sector**

Our £890m committed pipeline will deliver a doubling in EPRA earnings.

We are well positioned to navigate the current macro environment with a strong balance sheet. Our debt costs are fixed in the mid 3%'s for the next six years, and this includes projected drawn facilities which we have aligned with our capital expenditure plans. We have built in a significant amount of headroom to our financial covenants within our plans to enable us to continue on our growth trajectory.

The UK private rented sector and build-to-rent sector in particular are highly resilient through cycles. Rental growth is underpinned by inflation, specifically wage inflation, offsetting the downward pressure on valuations from a higher interest rate environment. Demand for renting equally remains resilient. It demonstrates defensive qualities, as more people choose to rent for longer as borrowing costs rise and economic uncertainty remains. Rental demand is expected to continue to grow over the long term as modern living patterns change with more fluid labour markets. More and more people are choosing to rent for longer as it provides the flexibility they require, offers good value, and a place to put down roots and call home, something Grainger and the wider build-to-rent sector is committed to.

The opportunity in front of us is large. There are 5m households in the UK renting privately, representing 25% of all households. Yet only c.1.5% of these households live in purpose built, build-to-rent properties owned by large scale institutional landlords such as ourselves. The vast majority of the rental market is made up of small individual private landlords whose overall exit from the market is accelerating. This presents a significant opportunity for Grainger to increase market share.

The investment case for the UK build-to-rent sector is underpinned by the severe housing shortage which characterises the UK housing market. Centre for Cities, a think tank, estimate that the UK requires 4.3m additional homes to plug the current gap, while official figures show supply of new homes continuing to reduce.

**A leading operating platform, delivering value**

Our technology-enabled platform continues to deliver value, both to our customers and shareholders with high satisfaction levels, high occupancy, high retention and strong rental growth. Our deep and growing data insight enables us to continue to improve our value proposition and optimise performance. Our PRS portfolio is mainly modern, energy-efficient homes, with 89% already achieving top energy ratings of A-C, and we are making good progress on our net zero carbon ambitions. And as we achieve critical mass in our target markets through our cluster strategy, we continue to build our consumer-facing brand to further drive customer acquisition and retention.

**Excellent outlook**

We have delivered a strong performance in the period, and this is testament to the Grainger team, who have focused on ensuring that we are delivering high quality homes and service, and a sense of community and belonging, all of which supports our success in leasing, high retention and occupancy levels.

Our committed pipeline of build to rent schemes will deliver a doubling of EPRA earnings within the next four years. The majority of our £1.4bn secured pipeline is committed (£890m) and under construction, with construction costs fixed and funding in place. This will enable us to convert to a REIT in 2.5 years. Alongside the opportunities with our partnerships, such as Transport for London (TfL), we have good visibility over a solid supply of future build to rent developments.

With positive expectations for the occupational market and rental growth, resilience in valuations backed by strong active investor demand, and an institutional-landlord-friendly investment landscape, the outlook for Grainger remains strong as we continue to lead the sector.

**Helen Gordon**
Chief Executive
11 May 2023

**Financial review**

Despite the challenging macro environment arising in the Autumn, the first six months of FY23 has seen a continuation in the strong performance of our business. Our operational performance has been excellent with record occupancy levels at 98.5% and strong like for like rental growth at 6.8% demonstrating the strong demand for our homes and value of our operating platform. Our strong overall lettings performance combined with the continued lease up of our pipeline schemes has driven significant growth in net rental income at 12%. With a strong pipeline of schemes to deliver in H2 we expect to see strong growth continue as these schemes lease up.

Valuations proved resilient in the period with strong ERV growth of 4.1% offsetting c.25bps of outward yield movement, underlining the strong fundamentals and low volatility of our sector. Our residential sales have also proved resilient with £74.6m of sales in H1 generating £25.2m of sales profit and within -2.2% of previous vacant possession valuations.

Our balance sheet remains strong with a low LTV and strong liquidity. Our secured pipeline is fully funded with very high levels of hedging in line with our policy giving us minimal exposure to interest rate rises for six years. Given the strong performance and positive outlook, we are increasing our interim dividend by 10% to 2.28p on a per share basis (HY22: 2.08p) in line with our policy to distribute 50% of annual net rental income as a dividend, with a one-third payment at the interim stage.

Our portfolio has proved to be highly resilient through both the pandemic and the period of economic uncertainty in the Autumn, rental growth has closely tracked wage inflation and supported robust valuations. While some challenges for consumers remain, most notably with the continued cost-of-living squeeze, our mid-market offering and customer demographic have demonstrated, and continue to ensure, our resilience.

**Highlights**

| **Income returns** | **HY22** | **HY23** | **Change** |
|---|---:|---:|---:|
| Rental growth (like-for-like) | 3.5% | 6.8% | +322 bps |
| - PRS | 3.5% | 6.9% | +341 bps |
| - Regulated tenancies (annualised) | 3.7% | 5.8% | +210 bps |
| Net rental income *(Note 5)* | £42.8m | £48.0m | +12% |
| Adjusted earnings *(Note 2)* | £46.3m | £47.1m | +2% |
| EPRA earnings *(Note 3)* | £14.7m | £21.9m | +49% |
| IFRS profit before tax *(Note 2)* | £98.8m | £5.7m | (94)% |
| Earnings per share (diluted, after tax) *(Note 9)* | 10.2p | 0.6p | (94)% |
| Dividend per share *(Note 10)* | 2.08p | 2.28p | +10% |

| Capital returns | HY22 | HY23 | Change |
|---|---|---|---|
| Total Property Return | 3.8% | 0.1% | (366) bps |
| Total Accounting Return | 3.2% | (1.6)% | (483) bps |
| | **FY22** | **HY23** | **Change** |
| EPRA NTA per share *(Note 3)* | 317p | 310p | (2)% |
| Net debt *(Note 19)* | £1,262m | £1,394m | +10% |
| Group LTV *(Note 19)* | 33.4% | 36.1% | +265 bps |
| Cost of debt (average) | 3.1% | 3.2% | +7 bps |
| Reversionary surplus | £248m | £217m | (13)% |

## Income statement

Adjusted earnings increased by 2% to £47.1m (HY22: £46.3m) with the strong £5.2m increase in net rental income the primary driver offset by lower profits from sales. As our pipeline continues to deliver over the coming years, we will continue to see significant growth in net rents. The operating leverage inherent in our business model, and the margin improvement this delivers, results in an even larger growth in earnings.

| Income statement (£m) | HY22 | HY23 | Change |
|---|---|---|---|
| Net rental income | 42.8 | 48.0 | +12% |
| Profit from sales | 31.6 | 25.2 | (20)% |
| Mortgage income (CHARM) *(Note 15)* | 2.4 | 2.4 | - |
| Management fees | 2.8 | 2.8 | - |
| Overheads | (14.6) | (15.4) | +5% |
| Pre-contract costs | (0.3) | (0.7) | +133% |
| Net finance costs | (17.0) | (15.2) | (11)% |
| Joint ventures and associates | (1.4) | - | (100)% |
| **Adjusted earnings** | **46.3** | **47.1** | **+2%** |
| Valuation movements | 61.7 | (41.4) | (167)% |
| Other adjustments[1] | (9.2) | - | (100)% |
| **IFRS profit before tax** | **98.8** | **5.7** | **(94)%** |

*[1] HY22 other adjustments comprise fire safety remedial works provisions in respect of legacy assets.*

## Rental income

Net rental income increased by 12% to £48.0m (HY22: £42.8m). This increase of £5.2m was driven by continued strong demand resulting in high levels of occupancy at 98.5%, continued strong lettings of new launches and strong rental growth.

Like for like rental growth across the portfolio was +6.8%, with rental growth in our PRS portfolio continuing to accelerate at +6.9% (HY22: +3.5%), with rental growth on renewals of +6.1% and +8.2% on new lets. Our regulated tenancy portfolio delivered 5.8% rental growth. Gross to net for the period on our stabilised portfolio is 25.5% consistent with previous periods.

| | **£m** |
|---|---|
| **HY22 Net rental income** | **42.8** |
| Disposals | (1.2) |
| PRS investment | 2.5 |
| Rental growth[1] | 3.9 |
| **HY23 Net rental income** | **48.0** |
| YoY growth | +12% |

*[1] Includes £0.1m from an increase in occupancy in the period.*

## Sales

Our sales performance continued to be resilient throughout the period with overall sales revenue of £74.6m in line the prior period (HY22: £75.3m). Sales profits were lower at £25.2m (HY22: £31.6m) due to the mix of asset recycling and sales of vacant regulated tenancies.

*Residential sales*

Vacant property sales in the period were down 18%, delivering £13.2m of profit (HY22: £16.0m) due to the natural run off of the regulated properties resulting in a smaller portfolio along with the timing of sales. The profit margins were broadly flat year on year reflecting a similar sales mix to prior year. Vacancy rates were up to 8.5% (HY22: 6.5%), and pricing achieved remained robust with sales values 2.2% below previous vacant possession values.

Sales of tenanted and other properties delivered £8.5m of profit (HY22: £15.6m) from £29.1m of revenue (HY22: £36.3m) given higher levels of PRS recycling which have much lower margins. The development profits in the period were a result of exiting our remaining interests at Seven Sisters.

We have good visibility on our sales pipeline for the second half and we expect total sales revenue to be broadly in line with FY22 for the full year.

**Sales**

| | HY22 | | | HY23 | | |
|---|---|---|---|---|---|---|
| | Units sold | Revenue | Profit | Units sold | Revenue | Profit |
| | | £m | £m | | £m | £m |
| Residential sales on vacancy | 64 | 37.2 | 16.0 | 57 | 30.0 | 13.2 |
| Tenanted and other sales | 123 | 36.3 | 15.6 | 165 | 29.1 | 8.5 |
| **Residential sales total** | 187 | 73.5 | 31.6 | 222 | 59.1 | 21.7 |
| Development activity | | 1.8 | 0.0 | | 15.5 | 3.5 |
| **Overall sales** | 187 | 75.3 | 31.6 | 222 | 74.6 | 25.2 |

**Overheads**

Overheads increased by 5% in the period to £15.4m (HY22: £14.6m) reflecting wage growth across the business, investment in our platform and supporting the growth of our pipeline.

**Balance sheet**

We are committed to delivering our growth strategy from a position of real financial strength and our balance sheet remains in great shape. Our LTV is 36.1% (FY22: 33.4%) and liquidity is strong with cash and available facilities of £527m. Our committed pipeline is already fully funded and our debt costs are almost fully hedged meaning we have minimal exposure to potential interest rate rises.

| **Market value balance sheet (£m)** | **FY22** | **HY23** |
|---|---|---|
| Residential – PRS | 2,189 | 2,227 |
| Residential – regulated tenancies | 812 | 767 |
| Residential – mortgages (CHARM) | 69 | 68 |
| Forward Funded – PRS work in progress | 466 | 539 |
| Development work in progress | 182 | 172 |
| Investment in JVs/associates | 55 | 89 |
| **Total investments** | **3,773** | **3,862** |
| Net debt | (1,262) | (1,394) |
| Other liabilities | (41) | (59) |
| **EPRA NRV** | **2,470** | **2,409** |
| Deferred and contingent tax – trading assets | (111) | (104) |
| **EPRA NTA** | **2,359** | **2,305** |

| | | |
|---|---|---|
| Deferred and contingent tax – investment assets | (116) | (108) |
| Fair value of fixed rate debt and derivatives | 240 | 113 |
| **EPRA NDV** | **2,483** | **2,310** |

| | | |
|---|---|---|
| **EPRA net asset values (pence per share)** | | |
| EPRA NRV pence per share | 333 | 324 |
| **EPRA NTA pence per share** | **317** | **310** |
| EPRA NDV pence per share | 334 | 311 |

EPRA NTA remained robust, decreasing by 2% from the year end to 310p per share (FY22: 317p per share, HY22: 305p per share) with a 6p reduction coming from valuation decreases being the main driver alongside a 6p contribution from adjusted earnings. This was offset by the payment of our final dividend (4)p and disposal of trading assets (3)p. EPRA NTA excludes the value of our reversionary surplus of £217m or 29p per share (FY22: £248m).

**EPRA NTA movement**

| | £m | Pence per share |
|---|---|---|
| **EPRA NTA at 30 September 2022** | **2,359** | **317** |
| Adjusted earnings | 47 | +6 |
| Valuations (trading & investment property) | (47) | (6) |
| Disposals (trading assets) | (22) | (3) |
| Tax (current, deferred and contingent) | (3) | - |
| Dividends | (29) | (4) |
| **EPRA NTA at 31 March 2023** | **2,305** | **310** |

**Property portfolio valuations**

The £3.7bn market value of our overall portfolio proved resilient with a fall of only 1.3% (HY22: +2.3%) over the six-month period. Our PRS portfolio saw strong ERV growth of 4.1% which offset c.25bps outward yield movement in the period. Our regional PRS portfolio outperformed London marginally with c.20bps outward yield movement compared with c.30bps in London. The regulated portfolio again proved its resilience at £767m and 0.5% fall in the six month period.

| **Portfolio** | **Region** | **Capital Value** | **Total Valuation movement** | |
|---|---|---|---|---|
| | | **(£m)** | **£m** | **%** |
| PRS | London & SE | 1,231 | (32) | (2.6)% |
| | Regions | 996 | (5) | (0.4)% |
| | **PRS Total** | **2,227** | **(37)** | **(1.6)%** |
| Regulated Tenancies | London & SE | 648 | (5) | (0.7)% |

| | | | | |
|---|---|---|---|---|
| | Regions | 119 | 1 | 0.3% |
| | **Regulated Total** | **767** | **(4)** | **(0.5)%** |
| **Operational Portfolio** | | **2,994** | **(41)** | **(1.4)%** |
| | Development | 711 | (6) | (0.8)% |
| **Total Portfolio[1]** | | **3,705** | **(47)** | **(1.3)%** |

[1] *Excluding CHARM and Vesta.*

**Financing and capital structure**

Net debt increased to £1,394m (FY22: £1,262m) in line with plan as we invested £187m into our pipeline. This was partly offset by £74m of sales split between £30m of vacant sales and asset recycling of £44m. From FY24 we expect to see committed pipeline investment largely offset by operating cashflows resulting in broadly stable net debt.

Our policy of having a fully funded secured pipeline ensures that our headroom of £527m covers our committed pipeline capex of £343m.

We have an average debt maturity of 6 years including extension options and refinancing risk is minimal with no significant maturities until 2027. Our average cost of debt remained relatively flat compared to the full year at 3.2% (FY22: 3.1%).

| | FY22 | HY23 |
|---|---|---|
| Net debt | £1,262m | £1,394m |
| Loan to value | 33.4% | 36.1% |
| Cost of debt (average) | 3.1% | 3.2% |
| Headroom | £663m | £527m |
| Weighted average facility maturity | 6.5 | 6.0 |
| Hedging | 97% | 96% |

**Summary and outlook**

We have continued to deliver a very strong operational performance in the half having seen momentum strengthen further in the period. Valuations proved resilient and demonstrated the strong demand for and low volatility of our asset class and our balance sheet is strong giving us the foundation and flexibility to deliver our strategy.

We are on track to deliver a transformation to our net rents and earnings as our pipeline delivers , supported by our leading operating platform, and this will enable us to convert to a REIT in 2.5 years. Despite the uncertain macro economic backdrop we are confident our business will continue to deliver strong growth as the strong demand for our quality homes at mid-market prices endures.

**Rob Hudson**
Chief Financial Officer
11 May 2023

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

**Helen Gordon**
Chief Executive Officer
11 May 2023

**Rob Hudson**
Chief Financial Officer
11 May 2023

## Independent Review Report to Grainger plc

### Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2023 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Other Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

**The purpose of our review work and to whom we owe our responsibilities**

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Richard Kelly**
**for and on behalf of KPMG LLP**

*Chartered Accountants*
15 Canada Square
Canary Wharf
London
E145GL

11 May 2023

## Consolidated income statement

| | | Unaudited | |
|---|---|---|---|
| | | **2023** | 2022 |
| For the 6 months ended 31 March | Notes | **£m** | £m |
| **Group revenue** | 4 | **110.5** | 126.6 |
| Net rental income | 5 | **48.0** | 42.8 |
| Profit on disposal of trading property | 6 | **21.5** | 31.0 |
| Profit on disposal of investment property | 7 | **4.0** | 0.6 |
| Income from financial interest in property assets | 15 | **1.5** | 3.4 |
| Fees and other income | 8 | **2.8** | 2.8 |
| Administrative expenses | | **(15.4)** | (14.6) |
| Other expenses | | **(0.7)** | (9.5) |
| Goodwill impairment | | **(0.1)** | - |
| (Impairment)/reversal of impairment of inventories to net realisable value | 12 | **(0.5)** | 1.2 |
| **Operating profit** | | **61.1** | 57.7 |
| Net valuation (loss)/gains on investment property | 11 | **(40.2)** | 59.3 |
| Finance costs | | **(16.0)** | (17.0) |
| Finance income | | **0.8** | - |
| Share of profit of associates after tax | 13 | **0.1** | 0.4 |
| Share of loss of joint ventures after tax | 14 | **(0.1)** | (1.6) |
| **Profit before tax** | 2 | **5.7** | 98.8 |
| Tax charge for the period | 20 | **(1.0)** | (23.2) |
| **Profit for the period attributable to the owners of the Company** | | **4.7** | 75.6 |
| **Basic earnings per share** | 9 | **0.6p** | 10.2p |
| **Diluted earnings per share** | 9 | **0.6p** | 10.2p |

## Consolidated statement of comprehensive income

| For the 6 months ended 31 March | Notes | **Unaudited**<br>**2023**<br>**£m** | <br>2022<br>£m |
|---|---|---|---|
| **Profit for the period** | 2 | **4.7** | 75.6 |
| *Items that will not be transferred to the consolidated income statement:* | | | |
| Actuarial (loss)/gain on BPT Limited defined benefit pension scheme | 21 | **(1.1)** | 1.6 |
| *Items that may be or are reclassified to the consolidated income statement:* | | | |
| Changes in fair value of cash flow hedges | | **(25.7)** | 9.9 |
| **Other comprehensive income and expense for the period before tax** | | **(26.8)** | 11.5 |
| *Tax relating to components of other comprehensive income:* | | | |
| Tax relating to items that will not be transferred to the consolidated income statement | 20 | **0.3** | (0.4) |
| Tax relating to items that may be or are reclassified to the consolidated income statement | 20 | **6.4** | (2.5) |
| **Total tax relating to components of other comprehensive income** | | **6.7** | (2.9) |
| **Other comprehensive income and expense for the period after tax** | | **(20.1)** | 8.6 |
| **Total comprehensive income and expense for the period attributable to the owners of the Company** | | **(15.4)** | 84.2 |

## Consolidated statement of financial position

| As at | Notes | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment property | 11 | **2,874.7** | 2,775.9 |
| Property, plant and equipment | | **4.0** | 4.2 |
| Investment in associates | 13 | **16.3** | 16.7 |
| Investment in joint ventures | 14 | **73.1** | 38.5 |
| Financial interest in property assets | 15 | **67.7** | 69.1 |
| Retirement benefits | 21 | **9.3** | 9.8 |
| Deferred tax assets | 20 | **1.1** | 1.2 |
| Intangible assets | | **0.4** | 0.5 |
| | | **3,046.6** | 2,915.9 |
| **Current assets** | | | |
| Inventories – trading property | 12 | **440.6** | 453.8 |
| Trade and other receivables | 16 | **51.7** | 40.5 |
| Derivative financial instruments | 19 | **30.8** | 56.5 |
| Current tax assets | | **3.5** | 16.5 |
| Cash and cash equivalents | | **70.5** | 95.9 |
| | | **597.1** | 663.2 |
| **Total assets** | | **3,643.7** | 3,579.1 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 19 | **1,473.5** | 1,317.6 |
| Trade and other payables | 17 | **2.1** | 2.2 |
| Provisions for other liabilities and charges | 18 | **1.1** | 1.1 |
| Deferred tax liabilities | 20 | **121.8** | 136.9 |
| | | **1,598.5** | 1,457.8 |
| **Current liabilities** | | | |
| Interest-bearing loans and borrowings | 19 | **-** | 40.0 |
| Trade and other payables | 17 | **112.8** | 105.9 |
| Provisions for other liabilities and charges | 18 | **8.6** | 8.6 |
| | | **121.4** | 154.5 |
| **Total liabilities** | | **1,719.9** | 1,612.3 |
| **NET ASSETS** | | **1,923.8** | 1,966.8 |
| **EQUITY** | | | |
| Issued share capital | | **37.1** | 37.1 |
| Share premium account | | **817.8** | 817.6 |
| Merger reserve | | **20.1** | 20.1 |
| Capital redemption reserve | | **0.3** | 0.3 |
| Cash flow hedge reserve | | **12.8** | 32.1 |
| Retained earnings | | **1,035.7** | 1,059.6 |
| **TOTAL EQUITY** | | **1,923.8** | 1,966.8 |

## Consolidated statement of changes in equity

| | Notes | Issued share capital £m | Share premium account £m | Merger reserve £m | Capital redemption reserve £m | Cash flow hedge reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 October 2021** | | 37.1 | 817.3 | 20.1 | 0.3 | (3.3) | 867.5 | 1,739.0 |
| Profit for the period | 2 | - | - | - | - | - | 75.6 | 75.6 |
| Other comprehensive income for the period | | - | - | - | - | 7.4 | 1.2 | 8.6 |
| Total comprehensive income | | - | - | - | - | 7.4 | 76.8 | 84.2 |
| Purchase of own shares | | - | - | - | - | - | (3.2) | (3.2) |
| Share-based payments charge | | - | - | - | - | - | 0.8 | 0.8 |
| Dividends paid | | - | - | - | - | - | (24.6) | (24.6) |
| Total transactions with owners recorded directly in equity | | - | - | - | - | - | (27.0) | (27.0) |
| **Balance as at 31 March 2022** | | 37.1 | 817.3 | 20.1 | 0.3 | 4.1 | 917.3 | 1,796.2 |
| Profit for the period | | - | - | - | - | - | 153.8 | 153.8 |
| Other comprehensive income for the period | | - | - | - | - | 28.0 | 3.1 | 31.1 |
| Total comprehensive income | | - | - | - | - | 28.0 | 156.9 | 184.9 |
| Award of SAYE shares | | - | 0.3 | - | - | - | - | 0.3 |
| Purchase of own shares | | - | - | - | - | - | (0.1) | (0.1) |
| Share-based payments charge | | - | - | - | - | - | 0.9 | 0.9 |
| Dividends paid | | - | - | - | - | - | (15.4) | (15.4) |
| Total transactions with owners recorded directly in equity | | - | 0.3 | - | - | - | (14.6) | (14.3) |
| **Balance as at 30 September 2022** | | **37.1** | **817.6** | **20.1** | **0.3** | **32.1** | **1,059.6** | **1,966.8** |
| Profit for the period | 2 | **-** | **-** | **-** | **-** | **-** | **4.7** | **4.7** |
| Other comprehensive expense for the period | | **-** | **-** | **-** | **-** | **(19.3)** | **(0.8)** | **(20.1)** |
| Total comprehensive expense | | **-** | **-** | **-** | **-** | **(19.3)** | **3.9** | **(15.4)** |
| Award of SAYE shares | | **-** | **0.2** | **-** | **-** | **-** | **-** | **0.2** |
| Purchase of own shares | | **-** | **-** | **-** | **-** | **-** | **(0.1)** | **(0.1)** |
| Share-based payments charge | 22 | **-** | **-** | **-** | **-** | **-** | **1.1** | **1.1** |
| Dividends paid | 10 | **-** | **-** | **-** | **-** | **-** | **(28.8)** | **(28.8)** |
| Total transactions with owners recorded directly in equity | | **-** | **0.2** | **-** | **-** | **-** | **(27.8)** | **(27.6)** |
| **Balance as at 31 March 2023** | | **37.1** | **817.8** | **20.1** | **0.3** | **12.8** | **1,035.7** | **1,923.8** |

## Consolidated statement of cash flows

| For the 6 months ended 31 March | Notes | Unaudited<br>**2023**<br>**£m** | <br>2022<br>£m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit for the period | 2 | **4.7** | 75.6 |
| Depreciation and amortisation | | **0.5** | 0.4 |
| Goodwill impairment | | **0.1** | - |
| Net valuation loss/(gains) on investment property | 11 | **40.2** | (59.3) |
| Net finance costs | | **15.2** | 17.0 |
| Share of loss of associates and joint ventures | 13, 14 | **-** | 1.2 |
| Profit on disposal of investment property | 7 | **(4.0)** | (0.6) |
| Share-based payment charge | 22 | **1.1** | 0.8 |
| Income from financial interest in property assets | 15 | **(1.5)** | (3.4) |
| Tax | 20 | **1.0** | 23.2 |
| Cash generated from operating activities before changes in working capital | | **57.3** | 54.9 |
| (Increase)/decrease in trade and other receivables | | **(9.2)** | 8.9 |
| Increase in trade and other payables | | **13.6** | 12.0 |
| Increase in provisions for liabilities and charges | | **-** | 8.2 |
| Decrease/(increase) in inventories | | **13.2** | (18.8) |
| Cash generated from operating activities | | **74.9** | 65.2 |
| Interest paid | | **(22.6)** | (22.5) |
| Tax credit/(paid) | | **3.7** | (2.5) |
| Payments to defined benefit pension scheme | 21 | **(0.3)** | (0.2) |
| Net cash inflow from operating activities | | **55.7** | 40.0 |
| **Cash flow from investing activities** | | | |
| Proceeds from sale of investment property | 7 | **32.0** | 10.3 |
| Proceeds from financial interest in property assets | 15 | **2.9** | 4.0 |
| Dividends received from associates | 13 | **0.5** | - |
| Investment in joint ventures | 14 | **(32.9)** | (2.9) |
| Loans advanced to joint ventures | 14 | **(1.8)** | (0.2) |
| Acquisition of investment property | 11 | **(167.0)** | (105.9) |
| Acquisition of property, plant and equipment and intangible assets | | **(0.3)** | (2.8) |
| Net cash outflow from investing activities | | **(166.6)** | (97.5) |
| **Cash flow from financing activities** | | | |
| Award of SAYE shares | | **0.2** | - |
| Purchase of own shares | | **(0.1)** | (3.2) |
| Proceeds from new borrowings | | **145.0** | - |
| Payment of loan costs | | **(0.8)** | - |
| Repayment of borrowings | | **(30.0)** | - |
| Dividends paid | 10 | **(28.8)** | (24.6) |
| Net cash inflow/(outflow) from financing activities | | **85.5** | (27.8) |
| **Net decrease in cash and cash equivalents** | | **(25.4)** | (85.3) |
| Cash and cash equivalents at the beginning of the period | | **95.9** | 317.6 |
| **Cash and cash equivalents at the end of the period** | | **70.5** | 232.3 |

**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 set of financial statements has been prepared using accounting policies consistent with UK-adopted international accounting standards, in accordance with IAS 34 Interim Financial Reporting, and in accordance with the Disclosure Guidance and Transparent Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The current period financial information presented in this document has been reviewed, not audited.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2022 which is available on the Group's website (www.graingerplc.co.uk). The Grainger business is not judged to be highly seasonal, therefore comparatives used for the six month period ended 31 March 2023 Consolidated Income Statement are the six month period ended 31 March 2022 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 30 September 2022 (available in the last annual report).

The comparative figures for the financial year ended 30 September 2022 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

All property assets are subject to a Directors' valuation at the half year end, supported by an independent external valuation. External valuations at the half year are conducted by the Group's valuers, Allsop LLP and CBRE Limited. The valuation process is consistent with the approach set out on pages 123-124 of the 2022 Annual Report and Accounts, with the exception being the Group's Residential portfolio valued by Allsop LLP. At the half year, Allsop LLP inspected 14.2% of the Residential portfolio, with the movement extrapolated over the non-sampled assets to form 50% of the valuation movement for these portfolios. The remaining 50% is based on a blended rate arrived at by taking Halifax, Nationwide and Acadata indices (16.67% weighting each), applied on a regional IPD basis.

The Group's financial derivatives were valued as at 31 March 2023 in-house by a specialised treasury management system, using a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments.

**1b Adoption of new and revised International Financial Reporting Standards and interpretations**

**New standards, amendments and interpretations in the period**

The following new standards, amendments to standards and interpretations were effective for the Group in the period and have no material impact on the financial statements:

- Reference to the Conceptual Framework (amendments to IFRS 3);
- Onerous Contracts-Cost of Fulfilling a Contract (amendments to IAS 37);
- Annual improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16)

A number of new standards and amendments to standards have been issued but are not yet effective for the Group and have not been early adopted. The application of these new standards and amendments are not expected to have a material impact on the Group's financial statements.

**Notes to the unaudited interim financial results continued**

## 1c Significant judgements and estimates

Full details of critical accounting estimates are given on pages 122-125 of the 2022 Annual Report and Accounts. This includes detail of the Groups approach to valuation of property assets and the use of external valuers in the process.

The valuations exercise is an extensive process which includes the use of historical experience, estimates and judgements. The Directors are satisfied that the valuations agreed with our external valuers are a reasonable representation of property values in the circumstances known and evidence available at the reporting date. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an on-going basis with revisions recognised in the period in which the estimates are revised and in any future periods affected.

## 1d Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report on pages 54-57 of the 2022 Annual Report and Accounts.

A number of risks faced by the Group are not directly within our control such as the wider economic and political environment.

In line with our risk management approach detailed on pages 52-53 of the 2022 Annual Report and Accounts, the key risks to the business are under regular review by the Board and management, applying Grainger's risk management framework. There have been no significant updates to risk, or failures of control, within the reporting period.

## 1e Going concern assessment

The Directors are required to make an assessment of the Group's ability to continue to trade as a going concern for the foreseeable future. Given market volatility and the impact on the macro-economic conditions in which the Group is operating, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the interim financial statements for the period ended 31 March 2023.

The Directors have assessed the future funding commitments of the Group and compared these to the level of committed loan facilities and cash resources over the medium term. In making this assessment, consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts and, where applicable, severe sensitivities have been applied to the key factors affecting financial performance for the Group.

The going concern assessment is based on the first 18 months of the Group's viability model, covering the period from 1 April 2023 to 30 September 2024, and is based on a severe downside scenario, reflecting the following key assumptions:

- Reducing property valuations by 15% per annum, driven by either yield expansion or house price deflation
- Reducing PRS occupancy to 80% by 30 September 2023, to 75% by 31 March 2024 and to 70% by 30 September 2024
- 20% development cost inflation
- Operating cost inflation of 20% per annum
- An increase in SONIA rate of 200bps from 1 October 2023
- Credit rating downgrade to increase coupon rates on corporate bonds by 1.25% from 1 April 2023

The Directors consider these assumptions appropriate given the majority of costs are incurred under fixed price contracts, development agreements, or are under the company's control.

**Notes to the unaudited interim financial results continued**

No new financing is assumed in the assessment period, but existing facilities are assumed to remain available subject to the terms of those facilities. Even in this severe downside scenario, the Group has sufficient cash reserves, with the loan-to-value covenant remaining no higher than 55% (facility maximum covenant ranges between 70% - 75%) and interest cover above 3.2x (facility minimum covenant ranges between 1.35x – 1.75x) for the 18 months to September 2024, which covers the required period of at least 12 months from the date of authorisation of the interim financial statements.

Based on these considerations, together with available market information and the Directors' experience of the Group's property portfolio and markets, the Directors continue to adopt the going concern basis in preparing the interim financial statements for the period ended 31 March 2023.

### 1f Forward-looking statement

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

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

### 2. Analysis of profit before tax

The table below details adjusted earnings, which is one of Grainger's key performance indicators. The metric is utilised as a key measure to aid understanding of the performance of the continuing business and excludes valuation movements and other adjustments that are one-off in nature, which do not form part of the normal ongoing revenue or costs of the business and, either individually or in aggregate, are material to the reported Group results.

## Notes to the unaudited interim financial results continued

| For the 6 months ended 31 March (unaudited) | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| £m | Statutory | Valuation | Other adjustments | Adjusted earnings | Statutory | Valuation | Other adjustments | Adjusted earnings |
| **Group revenue** | **110.5** | **-** | **-** | **110.5** | 126.6 | - | - | 126.6 |
| Net rental income | **48.0** | **-** | **-** | **48.0** | 42.8 | - | - | 42.8 |
| Profit on disposal of trading property | **21.5** | **(0.3)** | **-** | **21.2** | 31.0 | - | - | 31.0 |
| Profit on disposal of investment property | **4.0** | **-** | **-** | **4.0** | 0.6 | - | - | 0.6 |
| Income from financial interest in property assets | **1.5** | **0.9** | **-** | **2.4** | 3.4 | (1.0) | - | 2.4 |
| Fees and other income | **2.8** | **-** | **-** | **2.8** | 2.8 | - | - | 2.8 |
| Administrative expenses | **(15.4)** | **-** | **-** | **(15.4)** | (14.6) | - | - | (14.6) |
| Other expenses | **(0.7)** | **-** | **-** | **(0.7)** | (9.5) | - | 9.2 | (0.3) |
| Goodwill impairment | **(0.1)** | **0.1** | **-** | **-** | - | - | - | - |
| (Impairment)/reversal of impairment of inventories to net realisable value | **(0.5)** | **0.5** | **-** | **-** | 1.2 | (1.2) | - | - |
| **Operating profit** | **61.1** | **1.2** | **-** | **62.3** | 57.7 | (2.2) | 9.2 | 64.7 |
| Net valuation (loss)/gains on investment property | **(40.2)** | **40.2** | **-** | **-** | 59.3 | (59.3) | - | - |
| Finance costs | **(16.0)** | **-** | **-** | **(16.0)** | (17.0) | - | - | (17.0) |
| Finance income | **0.8** | **-** | **-** | **0.8** | - | - | - | - |
| Share of profit of associates after tax | **0.1** | **-** | **-** | **0.1** | 0.4 | (0.2) | - | 0.2 |
| Share of loss of joint ventures after tax | **(0.1)** | **-** | **-** | **(0.1)** | (1.6) | - | - | (1.6) |
| **Profit before tax** | **5.7** | **41.4** | **-** | **47.1** | 98.8 | (61.7) | 9.2 | 46.3 |
| Tax charge for the period | **(1.0)** | | | | (23.2) | | | |
| **Profit for the period attributable to the owners of the Company** | **4.7** | | | | 75.6 | | | |
| **Basic adjusted earnings per share** | | | | **5.0p** | | | | 5.1p |
| **Diluted adjusted earnings per share** | | | | **4.9p** | | | | 5.0p |

Profit before tax in the adjusted columns above of £47.1m (2022: £46.3m) is the adjusted earnings of the Group. Adjusted earnings per share assumes tax of £10.4m (2022: £8.8m) in line with the standard rate of UK Corporation Tax of 22.0% (2022: 19.0%), divided by the weighted average number of shares as shown in Note 9. The Group's IFRS statutory earnings per share is also detailed in Note 9.

The classification of amounts as other adjustments is a judgement made by management and is a matter referred to the Audit Committee for approval prior to issuing the financial statements. The £9.2m cost within other adjustments in 2022 comprises fire safety remedial works provisions in respect of legacy assets. Any transaction classified as other adjustments do not form part of the Group's ongoing activities and, as such, have been classified as other adjustments.

**Notes to the unaudited interim financial results continued**

## 3. Segmental Information

IFRS 8, Operating Segments 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 are the Executive Directors.

The two significant segments for the Group are PRS and Reversionary. The PRS segment includes stabilised PRS assets as well as PRS under construction due to direct development and forward funding arrangements, both for wholly-owned assets and the Group's interest in joint ventures and associates as relevant. The Reversionary segment includes regulated tenancies, as well as CHARM. The Other segment includes legacy strategic land and development arrangements, along with administrative expenses.

The key operating performance measure of profit or loss used by the CODM is adjusted earnings before tax, valuation and other adjustments.

The principal net asset value (NAV) measure reviewed by the CODM is EPRA NTA which is considered to be the most relevant, and therefore the primary NAV measure for the Group. EPRA NTA reflects the tax that will crystallise in relation to the trading portfolio, whilst excluding the volatility of mark to market movements on fixed rate debt and derivatives which are unlikely to be realised. Other NAV measures include EPRA NRV and EPRA NDV which we report alongside EPRA NTA.

Information relating to the Group's operating segments is set out in the tables below. The tables distinguish between adjusted earnings, valuation movements and other adjustments and should be read in conjunction with Note 2.

**March 2023 Income statement (unaudited)**

| **For the 6 months ended 31 March 2023**<br>**£m** | **PRS** | **Reversionary** | **Other** | **Total** |
|---|---|---|---|---|
| **Group revenue** | **59.0** | **50.8** | **0.7** | **110.5** |
| **Segment revenue – external** | | | | |
| Net rental income | **40.7** | **6.9** | **0.4** | **48.0** |
| Profit on disposal of trading property | **(0.4)** | **21.6** | **-** | **21.2** |
| Profit on disposal of investment property | **4.1** | **(0.1)** | **-** | **4.0** |
| Income from financial interest in property assets | **-** | **2.4** | **-** | **2.4** |
| Fees and other income | **2.7** | **-** | **0.1** | **2.8** |
| Administrative expenses | **-** | **-** | **(15.4)** | **(15.4)** |
| Other expenses | **(0.7)** | **-** | **-** | **(0.7)** |
| Net finance costs | **(11.5)** | **(3.3)** | **(0.4)** | **(15.2)** |
| **Adjusted earnings** | **34.9** | **27.5** | **(15.3)** | **47.1** |
| Valuation movements | | | | **(41.4)** |
| Other adjustments | | | | **-** |
| **Profit before tax** | | | | **5.7** |

A reconciliation from adjusted earnings to EPRA earnings is detailed in the table below, with further details shown in the EPRA performance measures section at the end of this document:

| **For the 6 months ended 31 March 2023**<br>**£m** | **PRS** | **Reversionary** | **Other** | **Total** |
|---|---|---|---|---|
| Adjusted earnings | **34.9** | **27.5** | **(15.3)** | **47.1** |
| Profit on disposal of trading property | **0.4** | **(21.6)** | **-** | **(21.2)** |
| Profit on disposal of investment property | **(4.1)** | **0.1** | **-** | **(4.0)** |
| **EPRA earnings** | **31.2** | **6.0** | **(15.3)** | **21.9** |

**Notes to the unaudited interim financial results continued**

**March 2022 Income statement (unaudited)**

| For the 6 months ended 31 March 2022<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| **Group revenue** | 50.1 | 76.0 | 0.5 | 126.6 |
| **Segment revenue – external** | | | | |
| Net rental income | 34.9 | 7.7 | 0.2 | 42.8 |
| Profit on disposal of trading property | - | 31.0 | - | 31.0 |
| Profit on disposal of investment property | 0.6 | - | - | 0.6 |
| Income from financial interest in property assets | - | 2.4 | - | 2.4 |
| Fees and other income | 2.5 | - | 0.3 | 2.8 |
| Administrative expenses | - | - | (14.6) | (14.6) |
| Other expenses | (0.3) | - | - | (0.3) |
| Net finance costs | (12.2) | (4.4) | (0.4) | (17.0) |
| Share of trading loss of joint ventures and associates after tax | (1.4) | - | - | (1.4) |
| **Adjusted earnings** | 24.1 | 36.7 | (14.5) | 46.3 |
| Valuation movements | | | | 61.7 |
| Other adjustments | | | | (9.2) |
| **Profit before tax** | | | | 98.8 |

A reconciliation from adjusted earnings to EPRA earnings is detailed in the table below:

| For the 6 months ended 31 March 2022<br>£m | PRS | Reversionary | Other | Total |
|---|---|---|---|---|
| Adjusted earnings | 24.1 | 36.7 | (14.5) | 46.3 |
| Profit on disposal of trading property | - | (31.0) | - | (31.0) |
| Profit on disposal of investment property | (0.6) | - | - | (0.6) |
| **EPRA earnings** | 23.5 | 5.7 | (14.5) | 14.7 |

**Segmental assets**

The principal net asset value measures reviewed by the CODM are EPRA NRV, EPRA NTA and EPRA NDV. These measures reflect the current market value of trading property owned by the Group rather than the lower of historical cost and net realisable value. These measures are considered to be a more relevant reflection of the value of the assets owned by the Group.

EPRA NRV is the Group's statutory net assets plus the adjustment required to increase the value of trading stock from its statutory accounts value of the lower of cost and net realisable value to its market value. In addition, the statutory statement of financial position amounts for both deferred tax on property revaluations and derivative financial instruments net of deferred tax, including those in joint ventures and associates, are added back to statutory net assets. Finally, the market value of Grainger plc shares owned by the Group are added back to statutory net assets.

EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of deferred tax liabilities. For the Group, deferred tax in relation to revaluations of its trading portfolio is taken into account by applying the expected rate of tax to the adjustment that increases the value of trading stock from its statutory accounts value of the lower of cost and net realisable value, to its market value. The measure also excludes all intangible assets on the statutory balance sheet, including goodwill.

**Notes to the unaudited interim financial results continued**

EPRA NDV reverses some of the adjustments made between statutory net assets, EPRA NRV and EPRA NTA. 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 investment property revaluations excluded from EPRA NRV and EPRA NTA are also reversed, as is the intangible adjustment in respect of EPRA NTA, except for goodwill which remains excluded. In addition, adjustments are made to net assets to reflect the fair value, net of deferred tax, of the Group's fixed rate debt.

Total Accounting Return of -1.6% is calculated from the closing EPRA NTA of 310.2p per share plus the dividend of 2.28p per share for the half year, divided by the opening EPRA NTA of 317.6p per share.

These measures are set out below by segment along with a reconciliation to the summarised statutory statement of financial position:

**March 2023 Segment net assets (unaudited)**

| £m | PRS | Reversionary | Other | Total | Pence per share |
|---|---|---|---|---|---|
| Total segment net assets (statutory) | **1,716.9** | **170.9** | **36.0** | **1,923.8** | **259p** |
| Total segment net assets (EPRA NRV) | **1,828.6** | **537.9** | **42.3** | **2,408.8** | **324p** |
| Total segment net assets (EPRA NTA) | **1,823.7** | **445.5** | **35.8** | **2,305.0** | **310p** |
| Total segment net assets (EPRA NDV) | **1,716.2** | **445.5** | **147.9** | **2,309.6** | **311p** |

**March 2023 Reconciliation of EPRA NAV measures (unaudited)**

| £m | Statutory balance sheet | Adjustments to market value, deferred tax and derivatives | EPRA NRV balance sheet | Adjustments to deferred and contingent tax and intangibles | EPRA NTA balance sheet | Adjustments to derivatives, fixed rate debt and intangibles | EPRA NDV balance sheet |
|---|---|---|---|---|---|---|---|
| Investment property | **2,874.7** | **-** | **2,874.7** | **-** | **2,874.7** | **-** | **2,874.7** |
| Investment in joint ventures and associates | **89.4** | **-** | **89.4** | **-** | **89.4** | **-** | **89.4** |
| Financial interest in property assets | **67.7** | **-** | **67.7** | **-** | **67.7** | **-** | **67.7** |
| Inventories – trading property | **440.6** | **389.8** | **830.4** | **-** | **830.4** | **-** | **830.4** |
| Cash and cash equivalents | **70.5** | **-** | **70.5** | **-** | **70.5** | **-** | **70.5** |
| Other assets | **100.8** | **(26.0)** | **74.8** | **(0.4)** | **74.4** | **30.8** | **105.2** |
| **Total assets** | **3,643.7** | **363.8** | **4,007.5** | **(0.4)** | **4,007.1** | **30.8** | **4,037.9** |
| Interest-bearing loans and borrowings | **(1,473.5)** | **-** | **(1,473.5)** | **-** | **(1,473.5)** | **118.6** | **(1,354.9)** |
| Deferred and contingent tax liabilities | **(121.8)** | **121.2** | **(0.6)** | **(103.4)** | **(104.0)** | **(144.8)** | **(248.8)** |
| Other liabilities | **(124.6)** | **-** | **(124.6)** | **-** | **(124.6)** | **-** | **(124.6)** |
| **Total liabilities** | **(1,719.9)** | **121.2** | **(1,598.7)** | **(103.4)** | **(1,702.1)** | **(26.2)** | **(1,728.3)** |
| **Net assets** | **1,923.8** | **485.0** | **2,408.8** | **(103.8)** | **2,305.0** | **4.6** | **2,309.6** |

## Notes to the unaudited interim financial results continued

September 2022 Segment net assets (audited)

| £m | PRS | Reversionary | Other | Total | Pence per share |
|---|---|---|---|---|---|
| Total segment net assets (statutory) | 1,711.7 | 190.7 | 64.4 | 1,966.8 | 265p |
| Total segment net assets (EPRA NRV) | 1,833.0 | 584.9 | 52.7 | 2,470.6 | 333p |
| Total segment net assets (EPRA NTA) | 1,827.6 | 485.6 | 45.8 | 2,359.0 | 317p |
| Total segment net assets (EPRA NDV) | 1,712.0 | 485.6 | 285.4 | 2,483.0 | 334p |

September 2022 Reconciliation of EPRA NAV measures (audited)

| £m | Statutory balance sheet | Adjustments to market value, deferred tax and derivatives | EPRA NRV balance sheet | Adjustments to deferred and contingent tax and intangibles | EPRA NTA balance sheet | Adjustments to derivatives, fixed rate debt and intangibles | EPRA NDV balance sheet |
|---|---|---|---|---|---|---|---|
| Investment property | 2,775.9 | - | 2,775.9 | - | 2,775.9 | - | 2,775.9 |
| Investment in joint ventures and associates | 55.2 | - | 55.2 | - | 55.2 | - | 55.2 |
| Financial interest in property assets | 69.1 | - | 69.1 | - | 69.1 | - | 69.1 |
| Inventories – trading property | 453.8 | 419.2 | 873.0 | - | 873.0 | - | 873.0 |
| Cash and cash equivalents | 95.9 | - | 95.9 | - | 95.9 | - | 95.9 |
| Other assets | 129.2 | (51.4) | 77.8 | (0.5) | 77.3 | 56.5 | 133.8 |
| Total assets | 3,579.1 | 367.8 | 3,946.9 | (0.5) | 3,946.4 | 56.5 | 4,002.9 |
| Interest-bearing loans and borrowings | (1,357.6) | - | (1,357.6) | - | (1,357.6) | 263.0 | (1,094.6) |
| Deferred and contingent tax liabilities | (136.9) | 136.0 | (0.9) | (111.1) | (112.0) | (195.5) | (307.5) |
| Other liabilities | (117.8) | - | (117.8) | - | (117.8) | - | (117.8) |
| Total liabilities | (1,612.3) | 136.0 | (1,476.3) | (111.1) | (1,587.4) | 67.5 | (1,519.9) |
| Net assets | 1,966.8 | 503.8 | 2,470.6 | (111.6) | 2,359.0 | 124.0 | 2,483.0 |

### 4. Group revenue

| | Unaudited | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Gross rental income (Note 5) | **65.4** | 59.1 |
| Gross proceeds from disposal of trading property (Note 6) | **42.3** | 64.7 |
| Fees and other income (Note 8) | **2.8** | 2.8 |
| | **110.5** | 126.6 |

### 5. Net rental income

| | Unaudited | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Gross rental income | **65.4** | 59.1 |
| Property operating expenses | **(17.4)** | (16.3) |
| | **48.0** | 42.8 |

## Notes to the unaudited interim financial results continued

### 6. Profit on disposal of trading property

| | Unaudited | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Gross proceeds from disposal of trading property | **42.3** | 64.7 |
| Selling costs | **(1.2)** | (1.8) |
| Net proceeds from disposal of trading property | **41.1** | 62.9 |
| Carrying value of trading property sold (Note 12) | **(19.6)** | (31.9) |
| | **21.5** | 31.0 |

### 7. Profit on disposal of investment property

| | Unaudited | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Gross proceeds from disposal of investment property | **32.3** | 10.6 |
| Selling costs | **(0.3)** | (0.3) |
| Net proceeds from disposal of investment property | **32.0** | 10.3 |
| Carrying value of investment property sold (Note 11) | **(28.0)** | (9.7) |
| | **4.0** | 0.6 |

### 8. Fees and other income

| | Unaudited | |
|---|---|---|
| | **2023** | 2022 |
| | **£m** | £m |
| Property and asset management fee income | **1.9** | 1.7 |
| Other sundry income | **0.9** | 1.1 |
| | **2.8** | 2.8 |

Included within other sundry income in the current period is £0.9m (2022: £1.1m) liquidated and ascertained damages (LADs) recorded to compensate the Group for lost rental income resulting from the delayed completion of construction contracts.

### 9. Earnings per share

#### Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held both in Trust and as treasury shares to meet its obligations under the Long-Term Incentive Plan ('LTIP') and Deferred Bonus Plan ('DBP'), on which the dividends are being waived.

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 31 March 2023 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

## Notes to the unaudited interim financial results continued

| | Unaudited | | | | | |
|---|---|---|---|---|---|---|
| | **31 March 2023** | | | 31 March 2022 | | |
| | **Profit for the period £m** | **Weighted average number of shares (millions)** | **Earnings per share (pence)** | Profit for the period £m | Weighted average number of shares (millions) | Earnings per share (pence) |
| **Basic earnings per share** | | | | | | |
| Profit attributable to equity holders | **4.7** | **740.8** | **0.6** | 75.6 | 740.3 | 10.2 |
| **Effect of potentially dilutive securities** | | | | | | |
| Share options and contingent shares | **-** | **3.0** | **-** | - | 2.8 | - |
| **Diluted earnings per share** | | | | | | |
| Profit attributable to equity holders | **4.7** | **743.8** | **0.6** | 75.6 | 743.1 | 10.2 |

### 10. Dividends

The Company has announced an interim dividend of 2.28p (March 2022: 2.08p) per share which will return £16.9m (March 2022: £15.4m) of cash to shareholders. In the six months ended 31 March 2023, the final dividend for the year ended 30 September 2022 which amounted to £28.8m has been paid.

### 11. Investment property

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **2,775.9** | 2,179.2 |
| Acquisitions | **5.8** | 14.4 |
| Capital expenditure – completed assets | **9.4** | 9.2 |
| Capital expenditure – assets under construction | **151.8** | 265.6 |
| **Total additions** | **167.0** | 289.2 |
| Transfer from inventories | **-** | 116.5 |
| Disposals (Note 7) | **(28.0)** | (19.2) |
| Net valuation (loss)/gains on investment properties | **(40.2)** | 129.0 |
| Net valuation gains on investment property reclassifications | **-** | 81.2 |
| **Closing balance** | **2,874.7** | 2,775.9 |

During the prior year, four property portfolios were reclassified from trading property to investment property where changes in use had been identified. Trading property with a cost of £116.5m and market value of £197.7m had been reclassified as investment property, resulting in valuation gains of £81.2m on reclassification.

### 12. Inventories – trading property

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **453.8** | 595.2 |
| Additions | **6.9** | 58.6 |
| Transfer to investment property | **-** | (116.5) |
| Disposals (Note 6) | **(19.6)** | (85.0) |
| (Impairment)/reversal of impairment of inventories to net realisable value | **(0.5)** | 1.5 |
| **Closing balance** | **440.6** | 453.8 |

## Notes to the unaudited interim financial results continued

### 13. Investment in associates

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **16.7** | 15.5 |
| Share of profit for the period | **0.1** | 1.2 |
| Dividends received | **(0.5)** | - |
| **Closing balance** | **16.3** | 16.7 |

The closing balance comprises share of net assets of £1.7m (September 2022: £2.1m) and net loans due from associates of £14.6m (September 2022: £14.6m). At the balance sheet date, there is no expectation of any material credit losses on loans due.

As at 31 March 2023, the Group's interest in active associates was as follows:

| | **% of ordinary share capital held** | **Country of incorporation** | **Accounting period end** |
|---|---|---|---|
| Vesta LP | 20.0 | UK | 30 September |

### 14. Investment in joint ventures

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **38.5** | 29.4 |
| Share of loss for the period | **(0.1)** | (1.7) |
| Further investment[1] | **32.9** | 6.4 |
| Loans advanced to joint ventures | **1.8** | 4.4 |
| **Closing balance** | **73.1** | 38.5 |

[1] Grainger invested £32.9m into Connected Living London (BTR) Limited in the period (September 2022: £6.4m).

The closing balance comprises share of net assets of £46.0m (September 2022: £13.2m) and net loans due from joint ventures of £27.1m (September 2022: £25.3m). At the balance date, there is no expectation of any material credit losses on loans due.

At 31 March 2023, the Group's interest in active joint ventures was as follows:

| | **% of ordinary share capital held** | **Country of incorporation** | **Accounting period end** |
|---|---|---|---|
| Connected Living London (BTR) Limited | 51 | UK | 30 September |
| Curzon Park Limited | 50 | UK | 31 March |
| Lewisham Grainger Holdings LLP | 50 | UK | 30 September |

### 15. Financial interest in property assets ('CHARM' portfolio)

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **69.1** | 71.7 |
| Cash received from the instrument | **(2.9)** | (8.6) |
| Amounts taken to income statement | **1.5** | 6.0 |
| **Closing balance** | **67.7** | 69.1 |

**Notes to the unaudited interim financial results continued**

The CHARM portfolio is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee. It is accounted for under IFRS 9 and is measured at fair value through profit and loss.

It is considered to be a Level 3 financial asset as defined by IFRS 13. The financial asset is included in the fair value hierarchy within Note 19.

### 16. Trade and other receivables

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Rent and other tenant receivables | **4.2** | 4.7 |
| Deduct: Provision for impairment | **(1.7)** | (1.5) |
| **Rent and other tenant receivables – net** | **2.5** | 3.2 |
| Contract assets | **-** | 1.9 |
| Restricted deposits | **21.9** | 14.3 |
| Other receivables | **24.2** | 17.1 |
| Prepayments | **3.1** | 4.0 |
| **Closing balance** | **51.7** | 40.5 |

The Group's assessment of expected credit losses involves estimation given its forward-looking nature. This is not considered to be an area of significant judgement or estimation due to the balance of gross rent and other tenant receivables of £4.2m (September 2022: £4.7m). Assumptions used in the forward-looking assessment are continually reviewed to take into account likely rent deferrals.

At the balance date, there is no expectation of any material credit losses on contract assets.

Restricted deposits arise from contracts with third parties that place restrictions on use of funds and cannot be accessed. These deposits are held in connection with facility arrangements and are released by the lender on a quarterly basis once covenant compliance has been met.

Other receivables includes £nil (September 2022: £5.9m) due from land sales, with amounts outstanding at September 2022 now received.

The fair values of trade and other receivables are considered to be equal to their carrying amounts.

### 17. Trade and other payables

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| **Current liabilities** | | |
| Deposits received | **10.2** | 10.1 |
| Trade payables | **23.8** | 22.8 |
| Lease liabilities | **0.5** | 0.8 |
| Tax and social security costs | **0.8** | 0.7 |
| Accruals | **70.2** | 63.8 |
| Deferred income | **7.3** | 7.7 |
| | **112.8** | 105.9 |
| **Non-current liabilities** | | |
| Lease liabilities | **2.1** | 2.2 |
| | **2.1** | 2.2 |
| **Total trade and other payables** | **114.9** | 108.1 |

Within accruals, £50.9m comprises accrued expenditure in respect of ongoing construction activities (September 2022: £43.0m).

## Notes to the unaudited interim financial results continued

### 18. Provisions for other liabilities and charges

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| **Current provisions for other liabilities and charges** | | |
| Opening balance | **8.6** | 0.2 |
| Additions | **0.2** | 8.7 |
| Utilisation | **(0.2)** | (0.3) |
| | **8.6** | 8.6 |
| **Non-current provisions for other liabilities and charges** | | |
| Opening balance | **1.1** | 1.1 |
| Utilisation | **-** | - |
| | **1.1** | 1.1 |
| **Total provisions for other liabilities and charges** | **9.7** | 9.7 |

Within current provisions, £8.6m (2022: £8.6m) has been provided for potential fire safety remediation costs relating to a small number of legacy properties that Grainger historically had an involvement in developing and may require fire safety related remediation works. Where appropriate, the Group is seeking recoveries from contractors and insurers which may reduce the overall liability over time.

### 19. Interest-bearing loans and borrowings and financial risk management

| | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| **Current liabilities** | | |
| Bank loans – Pounds sterling | **-** | 40.0 |
| | **-** | 40.0 |
| **Non-current liabilities** | | |
| Bank loans – Pounds sterling | **430.5** | 275.2 |
| Bank loans – Euro | **0.9** | 0.9 |
| Non-bank financial institution | **347.4** | 347.2 |
| Corporate bonds | **694.7** | 694.3 |
| | **1,473.5** | 1,317.6 |
| **Closing balance** | **1,473.5** | 1,357.6 |

The above analyses of loans and borrowings are net of unamortised loan issue costs and the discount on issuance of the corporate bonds. As at 31 March 2023, unamortised costs totalled £13.6m (September 2022: £14.4m) and the outstanding discount was £2.1m (September 2022: £2.2m).

### Categories of financial instrument

The Group holds financial instruments such as a financial interest in property assets, trade and other receivables (excluding prepayments), derivatives, cash and cash equivalents. For all assets and liabilities excluding interest-bearing loans the book value was the same as the fair value as at 31 March 2023 and as at 30 September 2022.

As at 31 March 2023, the fair value of interest-bearing loans is lower than the book value by £118.6m (September 2022: £263.0m lower than book value), but there is no requirement under IFRS 9 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

## Notes to the unaudited interim financial results continued

### Market risk

The Group is exposed to market risk through interest rates, the availability of credit and house price movements relating to the Tricomm Housing portfolio and the CHARM portfolio. The Group is not significantly exposed to equity price risk or to commodity price risk.

### *Fair values*

IFRS 13 sets out a three-tier hierarchy for financial assets and liabilities valued at fair value. These are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – unobservable inputs for the asset or liability.

The following table presents the Group's assets and liabilities that are measured at fair value:

| | **Unaudited 31 March 2023** | | Audited 30 September 2022 | |
|---|---|---|---|---|
| | **Assets £m** | **Liabilities £m** | Assets £m | Liabilities £m |
| Level 3 | | | | |
| CHARM | **67.7** | **-** | 69.1 | - |
| Investment property | **2,874.7** | **-** | 2,775.9 | - |
| | **2,942.4** | **-** | 2,845.0 | - |
| Level 2 | | | | |
| Interest rate swaps – in cash flow hedge accounting relationships | **30.8** | **-** | 56.5 | - |
| | **30.8** | **-** | 56.5 | - |

The significant unobservable inputs affecting the carrying value of the CHARM portfolio are house price inflation and discount rates. A reconciliation of movements and amounts recognised in the consolidated income statement are detailed in Note 15.

The investment valuations provided by Allsop LLP and CBRE Limited are based on RIC's Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions.

The fair value of swaps and caps were valued in-house by a specialised treasury management system, using a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments. As all significant inputs required to value the swaps and caps are observable, they fall within Level 2.

The reconciliation between opening and closing balances for Level 3 is detailed in the table below:

| Assets – Level 3 | **Unaudited 31 March 2023 £m** | Audited 30 Sept 2022 £m |
|---|---|---|
| Opening balance | **2,845.0** | 2,250.9 |
| Amounts taken to income statement | **(38.7)** | 216.2 |
| Other movements | **136.1** | 377.9 |
| **Closing balance** | **2,942.4** | 2,845.0 |

**Notes to the unaudited interim financial results continued**

## 20. Tax

The tax charge for the period of £1.0m (2022: £23.2m) recognised in the consolidated income statement comprises:

| | Unaudited 2023 £m | 2022 £m |
|---|---|---|
| **Current tax** | | |
| Corporation tax on profit | **9.4** | 10.1 |
| | **9.4** | 10.1 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(8.2)** | 12.3 |
| Adjustments relating to prior periods | **(0.2)** | 0.8 |
| | **(8.4)** | 13.1 |
| **Total tax charge for the period** | **1.0** | 23.2 |

The Group works in an open and transparent manner and maintains a regular dialogue with HM Revenue & Customs. This approach is consistent with the 'low risk' rating we have been awarded by HM Revenue & Customs and to which the Group is committed.

The Group's taxable results for this period are taxed at the standard rate of 22.0% (September 2022: 19.0%).

In addition to the above, a deferred tax credit of £6.7m (2022: charge £2.9m) was recognised within other comprehensive income comprising:

| | Unaudited 2023 £m | 2022 £m |
|---|---|---|
| Remeasurement of BPT Limited defined benefit pension scheme | **(0.3)** | 0.4 |
| Fair value movement in cash flow hedges | **(6.4)** | 2.5 |
| **Amounts recognised in other comprehensive income** | **(6.7)** | 2.9 |

Deferred tax balances comprise temporary differences attributable to:

| | Unaudited 31 March 2023 £m | Audited 30 Sept 2022 £m |
|---|---|---|
| **Deferred tax assets** | | |
| Short-term temporary differences | **1.1** | 1.2 |
| | **1.1** | 1.2 |
| **Deferred tax liabilities** | | |
| Trading property uplift to fair value on business combinations | **(6.0)** | (6.3) |
| Investment property revaluation | **(100.1)** | (108.9) |
| Actuarial surplus on BPT Limited pension scheme | **(0.9)** | (1.2) |
| Short-term temporary differences | **(9.3)** | (8.6) |
| Fair value movement in financial interest in property assets | **(1.2)** | (1.2) |
| Fair value movement in derivative financial instruments | **(4.3)** | (10.7) |
| | **(121.8)** | (136.9) |
| **Total deferred tax** | **(120.7)** | (135.7) |

Deferred tax has been calculated at a rate of 25.0% (September 2022: 25.0%) in line with the enacted main rate of corporation tax applicable from 1 April 2023.

**Notes to the unaudited interim financial results continued**

In addition to the tax amounts shown above, contingent tax based on EPRA market value measures, being tax on the difference between the carrying value of trading properties in the consolidated statement of financial position and their market value has not been recognised by the Group. This contingent tax amounts to £97.5m, calculated at 25.0% (September 2022: £104.8m, calculated at 25.0%) and will be realised as the properties are sold.

## 21. Retirement benefits

The Group retirement benefit asset decreased by £0.5m to £9.3m in the six months ended 31 March 2023. This movement has arisen from a £1.4m gain on plan assets, as well as £0.3m company contributions and £0.3m net interest income, offset by losses due to changes in assumptions of £2.5m (primarily market observable discount rates and inflationary expectations). The principal actuarial assumptions used to reflect market conditions as at 31 March 2023 are as follows:

| | **Unaudited 31 March 2023 %** | Audited 30 Sept 2022 % |
|---|---|---|
| Discount rate | **4.70** | **5.00** |
| Retail Price Index (RPI) inflation | **3.35** | **3.80** |
| Consumer Price Index (CPI) inflation | **2.65** | **3.00** |
| Salary increases | **3.85** | **4.30** |
| Rate of increase of pensions in payment | **5.00** | **5.00** |
| Rate of increase for deferred pensioners | **2.65** | **3.00** |

## 22. Share-based payments

The Group operates a number of equity-settled, share-based compensation plans comprising awards under a Long-Term Incentive Plan ('LTIP'), a Deferred Bonus Plan ('DBP'), a Share Incentive Plan ('SIP') and a Save As You Earn Scheme ('SAYE'). The share-based payments charge recognised in the consolidated income statement for the period is £1.1m (2022: £0.8m).

## 23. Related party transactions

During the period ended 31 March 2023, the Group transacted with its associates and joint ventures (details of which are set out in Notes 13 and 14). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the consolidated income statement and consolidated statement of financial position are as follows:

| | **Unaudited** | | | |
|---|---|---|---|---|
| | **31 March 2023** | | 31 March 2022 | |
| | **Fees recognised £'000** | **Period end balance £'000** | Fees recognised £'000 | Period end balance £'000 |
| Connected Living London (BTR) Limited | **974** | **1,237** | 432 | 497 |
| Lewisham Grainger Holdings LLP | **144** | **169** | 159 | 1,089 |
| Vesta Limited Partnership | **416** | **191** | 349 | 304 |
| | **1,534** | **1,597** | 940 | 1,890 |

## Notes to the unaudited interim financial results continued

| | Unaudited | | | | Audited | |
|---|---|---|---|---|---|---|
| | **31 March 2023 Interest recognised £'000** | **31 March 2023 Period end loan balance £m** | **31 March 2023 Interest rate %** | 31 March 2022 Interest recognised £'000 | 30 Sept 2022 Year end loan balance £m | 30 Sept 2022 Interest rate % |
| Curzon Park Limited | **-** | **18.1** | **Nil** | - | 18.1 | Nil |
| Lewisham Grainger Holdings LLP | **360** | **9.0** | **9.1** | - | 7.2 | 6.9 |
| Vesta LP | **-** | **14.6** | **Nil** | - | 14.6 | Nil |
| | **360** | **41.7** | | - | 39.9 | |

## EPRA Performance Measures – Unaudited

The European Public Real Estate Association (EPRA) is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Group is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations ('EPRA BPR') guidelines. The most recent guidelines, updated in February 2022, have been adopted by the Group.

### EPRA Earnings

| | **31 March 2023** | | | 31 March 2022 | | |
|---|---|---|---|---|---|---|
| | **Earnings £m** | **Shares millions** | **Pence per share** | Earnings £m | Shares millions | Pence per share |
| **Earnings per IFRS income statement** | **5.7** | **743.8** | **0.8** | 98.8 | 743.1 | 13.3 |
| Adjustments to calculate EPRA Earnings, exclude: | | | | | | |
| i) Changes in value of investment properties, development properties held for investment and other interests | **41.1** | **-** | **5.5** | (60.3) | - | (8.1) |
| ii) Profits or losses on disposal of investment properties, development properties held for investment and other interests | **(4.0)** | **-** | **(0.5)** | (0.6) | - | (0.1) |
| iii) Profits or losses on sales of trading properties including impairment charges in respect of trading properties | **(21.0)** | **-** | **(2.8)** | (32.2) | - | (4.2) |
| iv) Tax on profits or losses on disposals | **-** | **-** | **-** | - | - | - |
| v) Negative goodwill/goodwill impairment | **0.1** | **-** | **-** | - | - | - |
| vi) Changes in fair value of financial instruments and associated close-out costs | **-** | **-** | **-** | - | - | - |
| vii) Acquisition costs on share deals and non-controlling joint venture interests | **-** | **-** | **-** | - | - | - |
| viii) Deferred tax in respect of EPRA adjustments | **-** | **-** | **-** | - | - | - |
| ix) Adjustments i) to viii) in respect of joint ventures | **-** | **-** | **-** | (0.2) | - | - |
| x) Non-controlling interests in respect of the above | **-** | **-** | **-** | - | - | - |
| xi) Other adjustments in respect of adjusted earnings | **-** | **-** | **-** | 9.2 | - | 1.2 |
| **EPRA Earnings/Earnings per share** | **21.9** | **743.8** | **3.0** | 14.7 | 743.1 | 2.1 |
| **EPRA Earnings per share after tax** | | | **2.3** | | | 1.7 |

EPRA Earnings have been divided by the average number of shares shown in Note 9 to these financial statements to calculate earnings per share. EPRA Earnings per share after tax is calculated using the standard rate of UK Corporation Tax of 22.0% (2022: 19.0%).

## EPRA Performance Measures - Unaudited (continued)

### EPRA NRV, EPRA NTA and EPRA NDV

| | 31 March 2023 | | | 30 Sept 2022 | | |
|---|---|---|---|---|---|---|
| | **EPRA NRV** | **EPRA NTA** | **EPRA NDV** | EPRA NRV | EPRA NTA | EPRA NDV |
| | **£m** | **£m** | **£m** | £m | £m | £m |
| **IFRS Equity attributable to shareholders** | **1,923.8** | **1,923.8** | **1,923.8** | 1,966.8 | 1,966.8 | 1,966.8 |
| **Include/Exclude:** | | | | | | |
| i) Hybrid Instruments | **-** | **-** | **-** | - | - | - |
| **Diluted NAV** | **1,923.8** | **1,923.8** | **1,923.8** | 1,966.8 | 1,966.8 | 1,966.8 |
| **Include:** | | | | | | |
| ii.a) Revaluation of IP (if IAS 40 cost option is used) | **-** | **-** | **-** | - | - | - |
| ii.b) Revaluation of IPUC (if IAS 40 cost option is used) | **-** | **-** | **-** | - | - | - |
| ii.c) Revaluation of other non-current investments | **4.8** | **4.8** | **4.8** | 5.1 | 5.1 | 5.1 |
| iii) Revaluation of tenant leases held as finance leases | **-** | **-** | **-** | - | - | - |
| iv) Revaluation of trading properties | **395.9** | **292.5** | **292.5** | 425.5 | 314.4 | 314.4 |
| **Diluted NAV at Fair Value** | **2,324.5** | **2,221.1** | **2,221.1** | 2,397.4 | 2,286.3 | 2,286.3 |
| **Exclude:** | | | | | | |
| v) Deferred tax in relation to fair value gains of IP | **107.5** | **107.5** | **-** | 115.6 | 115.6 | - |
| vi) Fair value of financial instruments | **(23.2)** | **(23.2)** | **-** | (42.4) | (42.4) | - |
| vii) Goodwill as a result of deferred tax | **-** | **-** | **-** | - | - | - |
| viii.a) Goodwill as per the IFRS balance sheet | **-** | **(0.4)** | **(0.4)** | - | (0.5) | (0.5) |
| viii.b) Intangible as per the IFRS balance sheet | **-** | **-** | **-** | - | - | - |
| **Include:** | | | | | | |
| ix) Fair value of fixed interest rate debt | **-** | **-** | **88.9** | - | - | 197.2 |
| x) Revalue of intangibles to fair value | **-** | **-** | **-** | - | - | - |
| xi) Real estate transfer tax | **-** | **-** | **-** | - | - | - |
| **NAV** | **2,408.8** | **2,305.0** | **2,309.6** | 2,470.6 | 2,359.0 | 2,483.0 |
| Fully diluted number of shares | **743.0** | **743.0** | **743.0** | 742.9 | 742.9 | 742.9 |
| **NAV pence per share** | **324** | **310** | **311** | 333 | 317 | 334 |

## EPRA Performance Measures - Unaudited (continued)

### EPRA NIY

| | | 31 March 2023 £m | 30 Sept 2022 £m |
|---|---|---|---|
| Investment property – wholly-owned | | **2,874.7** | 2,775.9 |
| Investment property – share of JVs/Funds | | **61.3** | 32.4 |
| Trading property (including share of JVs) | | **830.4** | 873.0 |
| Less: developments | | **(756.8)** | (664.8) |
| **Completed property portfolio** | | **3,009.6** | 3,016.5 |
| Allowance for estimated purchasers' costs | | **120.7** | 121.9 |
| **Gross up completed property portfolio valuation** | B | **3,130.3** | 3,138.4 |
| Annualised cash passing rental income | | **132.6** | 124.8 |
| Property outgoings | | **(35.2)** | (33.9) |
| **Annualised net rents** | A | **97.4** | 90.9 |
| **EPRA NIY** | A/B | **3.1%** | 2.9% |
| Gross up completed property portfolio valuation | | **3,130.3** | 3,138.4 |
| Adjustments to completed property portfolio in respect of regulated tenancies | | **(802.0)** | (847.9) |
| **Adjusted gross up completed property portfolio valuation** | b | **2,328.3** | 2,290.5 |
| Annualised net rents | | **97.4** | 90.9 |
| Adjustments to annualised cash passing rental income in respect of newly completed developments and refurbishment activity | | **6.3** | 6.6 |
| Adjustments to property outgoings in respect of newly completed developments and refurbishment activity | | **(1.7)** | (1.9) |
| Adjustments to annualised cash passing rental income in respect of regulated tenancies | | **(18.0)** | (18.9) |
| Adjustments to property outgoings in respect of regulated tenancies | | **4.9** | 5.1 |
| **Adjusted annualised net rents** | a | **88.9** | 81.8 |
| **Adjusted EPRA NIY** | a/b | **3.8%** | 3.6% |

### EPRA Vacancy Rate

| | | 31 March 2023 £m | 30 Sept 2022 £m |
|---|---|---|---|
| Estimated rental value of vacant space | A | **1.5** | 2.0 |
| Estimated rental value of the whole portfolio | B | **102.5** | 95.7 |
| **EPRA Vacancy Rate** | A/B | **1.5%** | 2.1% |

The vacancy rate reflects estimated rental values of the Group's stabilised habitable PRS units as at the reporting date.

## EPRA Performance Measures - Unaudited (continued)

### EPRA Cost Ratio

| For the 6 months ended 31 March | | 2023 £m | 2022 £m |
|---|---|---|---|
| Administrative expenses | | **15.4** | 14.6 |
| Property operating expenses | | **17.4** | 16.3 |
| Share of joint ventures expenses | | **0.2** | 1.4 |
| Management fees | | **(1.9)** | (1.7) |
| Other operating income/recharges intended to cover overhead expenses | | **(0.9)** | (1.1) |
| **Exclude:** | | | |
| Investment property depreciation | | **-** | - |
| Ground rent costs | | **(0.1)** | (0.1) |
| **Costs (including direct vacancy costs)** | **A** | **30.1** | 29.4 |
| Direct vacancy costs | | **(1.0)** | (1.3) |
| **Costs (excluding direct vacancy costs)** | **B** | **29.1** | 28.1 |
| Gross rental income | | **65.4** | 59.1 |
| Less: ground rent income | | **(0.3)** | (0.3) |
| Add: share of joint ventures (gross rental income less ground rents) | | **0.4** | 0.3 |
| Add: adjustment in respect of profits or losses on sales of properties | | **25.5** | 31.6 |
| **Gross Rental Income and Trading Profits** | **C** | **91.0** | 90.7 |
| **Adjusted EPRA Cost Ratio (including direct vacancy costs)** | **A/C** | **33.1%** | 32.4% |
| **Adjusted EPRA Cost Ratio (excluding direct vacancy costs)** | **B/C** | **32.0%** | 31.0% |

### EPRA LTV

| | | **31 March 2023** | | | |
|---|---|---|---|---|---|
| **£m** | | **Group** | **Share of Joint Ventures** | **Share of Associates** | **Combined** |
| Borrowings from Financial Institutions | | **789.3** | **-** | **-** | **789.3** |
| Bond loans | | **699.9** | **-** | **-** | **699.9** |
| Net payables | | **63.2** | **4.4** | **14.8** | **82.4** |
| **Exclude:** | | | | | |
| Cash and cash equivalents | | **(70.5)** | **(5.0)** | **(0.6)** | **(76.1)** |
| **Net debt** | **A** | **1,481.9** | **(0.6)** | **14.2** | **1,495.5** |
| Investment properties at fair value | | **2,237.2** | **-** | **15.9** | **2,253.1** |
| Investment properties under development | | **637.5** | **45.4** | **-** | **682.9** |
| Properties held for sale | | **830.4** | **-** | **-** | **830.4** |
| Financial assets | | **109.4** | **-** | **-** | **109.4** |
| **Total property value** | **B** | **3,814.5** | **45.4** | **15.9** | **3,875.8** |
| **EPRA LTV %** | **A/B** | **38.8%** | **(1.3)%** | **89.3%** | **38.6%** |

## EPRA Performance Measures - Unaudited (continued)

| | | 30 Sept 2022 | | | |
|---|---|---|---|---|---|
| £m | | Group | Share of Joint Ventures | Share of Associates | Combined |
| Borrowings from Financial Institutions | | 674.2 | - | - | 674.2 |
| Bond loans | | 700.0 | - | - | 700.0 |
| Net payables | | 67.6 | 6.0 | 14.9 | 88.5 |
| **Exclude:** | | | | | |
| Cash and cash equivalents | | (95.4) | (2.7) | (1.1) | (99.2) |
| **Net debt** | A | 1,346.4 | 3.3 | 13.8 | 1,363.5 |
| Investment properties at fair value | | 2,197.7 | - | 15.9 | 2,213.6 |
| Investment properties under development | | 578.2 | 16.5 | - | 594.7 |
| Properties held for sale | | 873.0 | - | - | 873.0 |
| Financial assets | | 109.0 | - | - | 109.0 |
| **Total property value** | B | 3,757.9 | 16.5 | 15.9 | 3,790.3 |
| **EPRA LTV %** | A/B | 35.8% | 20.0% | 86.8% | 36.0% |

## EPRA Capital Expenditure

| | **31 March 2023** | | | | |
|---|---|---|---|---|---|
| **£m** | **Trading Properties** | **Investment Properties** | **Group (excl Joint Ventures)** | **Share of Joint Ventures** | **Combined** |
| Acquisitions | **-** | **5.8** | **5.8** | **-** | **5.8** |
| Development | **3.6** | **144.7** | **148.3** | **28.7** | **177.0** |
| Completed assets | **2.0** | **9.4** | **11.4** | **-** | **11.4** |
| Capitalised interest | **1.3** | **7.1** | **8.4** | **0.2** | **8.6** |
| **Total capital expenditure** | **6.9** | **167.0** | **173.9** | **28.9** | **202.8** |

| | 30 Sept 2022 | | | | |
|---|---|---|---|---|---|
| £m | Trading Properties | Investment Properties | Group (excl Joint Ventures) | Share of Joint Ventures | Combined |
| Acquisitions | 0.1 | 14.4 | 14.5 | - | 14.5 |
| Development | 49.5 | 253.8 | 303.3 | 5.4 | 308.7 |
| Completed assets | 8.8 | 9.2 | 18.0 | - | 18.0 |
| Capitalised interest | 0.2 | 11.8 | 12.0 | 0.3 | 12.3 |
| Total capital expenditure | 58.6 | 289.2 | 347.8 | 5.7 | 353.5 |