22 November 2012

Grainger plc
("Grainger"/"Group"/"Company")
Preliminary Results for the year ended 30 September 2012

NET ASSET VALUE INCREASED
OPERATING PERFORMANCE MAINTAINED AND DEBT REDUCED

Financial Highlights

- Gross net asset value per share up 3.2% to 223p (2011: 216p)
- Net debt of £1.19bn, a reduction in the year of £260m (£376m since March 2011) with a plan to reduce net debt to £1bn by end of 2013, a further reduction of £190m
- Group loan to value reduced to 55% (2011: 61%)
- Operating profit (before valuation movements and non-recurring items) of £126.4m (2011: £126.2m). Recurring profit before tax of £34.6m (2011: £48.3m). Loss before tax of £1.7m, after derivative movements of £31.2m (30 September 2011: profit £26.1m)
- Final dividend increased to 1.37p per ordinary share (2011: 1.30p) to give a total dividend for the year of 1.92p per ordinary share (2011: 1.83p), an increase of 4.9%

Operational highlights

- Continued outperformance – UK Residential and Retirement Solutions valuations up 3.9% from September 2011
- Margins on normal trading sales maintained at 44%
- Gross fee income increased by 45% to £10.0m
- German joint venture formed with global asset manager, Heitman which will lead to increased fee income and reduced investment. Grainger will hold a 25% equity stake

Robin Broadhurst, Chairman of Grainger plc, commented:
"The value of our UK reversionary assets continues to outperform the market indices and our overall net asset values have again increased due to our active asset management and our long-term strategy to have greater weight in economically stronger areas. We have also made good progress on debt reduction and have set ourselves a target to reduce debt to below £1bn by the end of 2013 which will further demonstrate our evolution into a more lowly geared business. The headroom generated will give us the flexibility to take advantage of attractive opportunities that may arise. We will also continue to strive to improve efficiency in the business and have set ourselves the goal of reducing our cost run rate by at least 5% by the end of 2013.

"Grainger remains uniquely placed to take a leading role in, and to benefit from, opportunities currently arising in all parts of the residential property market, many of which have clear Government support. Over a period of time, we will increase our exposure to rental property through our build to rent and affordable housing initiatives. We will also take advantage of our strong operating platform to continue to expand our management activities on behalf of third parties and our strategic alliances with excellent partners, the latest being our joint venture with Heitman in Germany, announced following our year-end."

Analyst presentation

Grainger plc will be holding a presentation for analyst and investors today, Thursday, 22 November 2012 at FTI Consulting, 26 Southampton Buildings, London, WC2A 1PB at 9.15am (GMT).

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

Conference call details:

Toll Number	**0208 817 9301**
Toll-Free Number	**0800 634 5205**
Participant PIN	**9319637**

Webcast details: To view a webcast of the presentation, please register by visiting the following website: http://www1.axisto.co.uk/webcasting/investis/grainger/full-year-2012/

For further information, please contact:

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Chairman's Statement

Grainger remains uniquely placed to take a leading role in, and to benefit from, opportunities arising in all parts of the residential property market using our core skills in property and asset management. The recently published Montague Review, the Government commissioned "Review of the barriers to institutional investment in private rented homes" reiterates the requirement for more homes and a diverse range of tenure types in the UK. This has been reinforced by recent Government announcements and, while the report's recommendations will take time to translate into reality, it demonstrates the major opportunities that are available to us.

Grainger is at the forefront of these changes and we are reshaping the business to reflect long term changes in the market. We have rebalanced the portfolio to have greater weight in economically strong areas and this, together with our active management, has enabled us to build a track record of out-performance against the market. Over a period of time we will increase our exposure to rental property through our build to rent and affordable housing initiatives. We are also taking advantage of our strong operating platform to build strategic alliances with excellent partners, the latest being our joint venture with Heitman in Germany in which we will hold a 25% equity stake.

Results

Operating profit before valuation movements and non-recurring items to 30 September 2012 has marginally improved to £126.4m (2011: £126.2m). Recurring profit before tax was £34.6m (2011: £48.3m). We incurred a loss before tax of £1.7m (2011: £26.1m profit) which is after a charge of £31.2m (2011: £28.0m) relating to mark to market movements on our interest rate derivatives. Gross net asset value (NAV) increased by over 3% to 223p per share (2011: 216p per share).

Dividends

The Directors have recommended a final dividend of 1.37p per ordinary share (2011: 1.30p). The total dividend for the year will therefore be 1.92p per ordinary share (2011: 1.83p), an increase of 4.9%, following the interim dividend of 0.55p per ordinary share (2011: 0.53p equivalent by way of a tender offer). Before the effect of charges for the change in the mark to market of derivatives (which is a non-cash item) the dividend is covered 3.2 times.

Board changes

Robert Hiscox retired from the board at the annual general meeting on 8 February 2012 and I would like to take this opportunity to thank him for his significant contribution over the years. Tony Wray, Chief Executive of Severn Trent plc was appointed to the board on 24 October 2011 and we have already benefitted from his considerable operational and corporate knowledge and experience during the course of the year. Henry Pitman will retire from the board at the next annual general meeting on 6 February 2013. Henry has been a director since May 2007 and we thank him for his invaluable advice and contribution to the business over that period.

I am pleased to announce the appointment of Simon Davies as a Non-Executive Director (subject to normal FSA confirmations) Simon retired from the role of Executive Chairman at Threadneedle earlier this year after five years in the position, having previously been Chief Executive (1999-2007) and Chief Investment Officer (1995-1998). His long and wide experience in the financial sector and within wider industry will be a valuable supplement to our board.

Outlook

The major housing market indices show that UK national house prices have declined slightly over the last twelve months and liquidity and transaction volumes remain low. The UK economy is likely to remain fragile in the short to medium term, exacerbated by the continuing lack of resolution of the issues around the Euro. We anticipate that these subdued market conditions will persist through 2013.

Against this background however, through strategic acquisitions and disposals, we have successfully repositioned Grainger to be more focused on geographic locations where economic activity is more robust and on activities less reliant on trading Grainger assets which has continued to show benefits. At 30 September 2012, 62% of the UK portfolio was located in London and the South East (September 2009: 54%). In Germany, 82% (September 2011: 81%) of our properties lie in four of the more affluent areas of the country: Baden-Württemberg, Hesse, Northrhine-Westphalia and Bavaria.

As a result of the specialist nature of our UK properties (predominantly second hand, low average value and un-refurbished) along with our active value-added management, we continue to outperform general UK house price indices. We are maintaining both sales velocity and prices, achieving good rental growth and growing our fee income.

Strategy and Financial Position

As we have stated previously, our two key strategic objectives for 2012 have been firstly to increase the proportion of profit generated from rents and fees and secondly to reduce our overall net debt within the business. We have made good progress in both regards. In the twelve months ended 30 September 2012 the proportion of operating profit composed of rents and fees was 48.4% (2011: 46.1%). Our fee income has increased from £6.9m to £10.0m, up 45% in the year.

This focus on the composition of profit will be maintained in 2013 as we continue to build sustainable sources of income and further strengthen and diversify the Company's platform.

Group net debt fell by £260m to £1.19bn from the September 2011 position of £1.45bn. This includes the effect of the transfer of a proportion of our German assets into the joint venture with Heitman announced recently. On this basis, since March 2011, we have reduced net debt by £376m whilst increasing gross net asset value by £54m. This degearing has therefore been performed without any overall loss of value as our gross net asset value has improved by 6.2% over that eighteen month period.

We have now set ourselves the target of reducing Group debt to below £1bn by the end of 2013. Assuming no changes to valuation this would result in a consolidated loan to value approaching 50% from its September 2012 level of 55% (September 2011: 61%).

In conjunction with this financial degearing we have also set ourselves the goal of reducing our cost run rate by at least 5% by the end of 2013.

The actions we have taken in 2012 and those we anticipate taking in 2013 has given us the confidence to increase our dividend by 5% until we reach a target net debt of £1bn, at which point we will reappraise the policy.

By changing the profiles of our asset base and income streams and by reducing gearing, we have been repositioning our business for the future. We will retain this focus which will enable the Group to take advantage of opportunities as they arise.

As we close our centenary year we continue to evolve our brand and maintain our reputation as a professional and caring landlord. To have reached 100 years as a company is a tremendous achievement and this is thanks to the enthusiasm, skill and commitment of all our staff over the years. I would like to extend my continuing thanks to them all.

Robin Broadhurst
Chairman
22 November 2012

Chief Executive's Review

Market Overview

The residential market in 2012 continued to show marked regional variations in valuation movements. In London, where 50% of our assets by market value are located, we saw year on year growth of 7.4% with Central London showing the highest growth at 12.0% and Inner and Outer London showing increases of 6.4% and 3.0% respectively. Our assets in some Northern regions of the country saw further falls in value (Scotland -1.7% and North East -1.7%) compared to the smaller falls/marginal increases in other regions (South West -0.3% and East Anglia 1.0%). More recently, however, there are some signs of stability in the regions as confidence improves at the lower end of the market where much of Grainger's stock is priced.

One significant area of growth in the housing market is the private rented sector (PRS). The sector comprises 3.65m households, a rise of over a million in the last 10 years and in London the PRS is estimated to now exceed 25% of households or 800,000 homes, with the sector expected to continue to grow.

The Montague Review, set up by the Housing Minister in December 2011, highlighted the need to build more homes for rent and to increase the level of institutional investment in the sector. The Review made a number of recommendations including better use of public land, the creation of an enabling fund to bridge the gap between conception and completion of purpose built rental stock and a reduction in the requirement for the provision of affordable housing on build to rent schemes. The Government embraced the report and shortly afterwards announced a £200m enabling fund for the PRS specifically and a £10bn loan guarantee for the acquisition of new homes built for rent (private or affordable). Local Planning Authorities already have the power to determine the amount of affordable housing each development proposal should build and there are already signs that some Local Authorities are considering the opportunities the recommendations provide on land in their ownership.

These changes in tenure mix, development focus and attitudes to renting provide a huge opportunity for multi-disciplined residential investors and developers such as Grainger. Indeed we are already creating opportunities as evidenced by our innovative agreement with the Royal Borough of Kensington and Chelsea, announced recently, and our ongoing development of activities in the build to rent sector.

The final area of the residential market that is growing with central and local government support is the affordable housing or Social Housing Sector which is owned by Local Authorities 47% and Registered Providers (RP's formerly called Housing Associations) 53%. The Government's Welfare Reform Act, in its desire to see the delivery of more new affordable housing, includes an ability for RP's to charge 'Affordable Rents' of up to 80% of open market rents (subject to caps that impact some London Boroughs) making affordable housing much more viable than previously. The Act also allows private sector companies to become 'For Profit Registered Providers' (FPRP) of social housing in the hope that the private sector can assist in the building of new stock. This blurring of the dividing lines between the private and public sector provides opportunities for organisations such as Grainger to build on its existing infrastructure and expertise to operate in this arena. Consequently, as announced on 9 November, we have formed our own FPRP by re-incarnating the name Grainger Trust as a subsidiary of Grainger plc which was formally registered by the Homes and Community Agency in November 2012. Its first properties will be the 77 affordable units in the first phase of Berewood, our 2,500 unit development site in Hampshire, currently being built by Bloor Homes.

Business Overview
Grainger operates as owner, manager and trader of residential properties and has three main sources of income:-

- Receipts from the sale of assets (profit from sales: £78m; 2011: £81m)
- Rents (net rents: £63m; 2011: £62m)
- Fees from co-invested and/or managed vehicles (total fees: £10m; 2011: £6.9m)

We have repositioned the business over the last two years to reduce gearing and to increase the proportion of our income from rents and fees.

We have continued to outperform the general residential market. In the year ended 30 September 2012 the average of the two major housing indices (as provided by Halifax and the Nationwide) showed a fall of 1.3%. By contrast, Grainger's UK portfolio increased in value by 3.9%. The valuations are supported by sales results in the year. Sales of property with vacant possession were made 6.1% above last year's valuation.

On a vacant possession basis, since 2004 our residential portfolio in the UK has shown cumulative valuation increases of 14.5% compared to the average index increase of 2.5%. This outperformance has come from active management of the portfolio:

- Geographic weighting to areas of stronger economic activity
  - At 30 September 2012 62% of our UK portfolio was situated in London and the South-East of England. In Germany, 82% of our properties were in four of the more affluent areas of the country before the Heitman transaction and 90% after it

- Strategic sales
  - During the year lower performing assets or assets in areas of lower expected economic activity were disposed of, generating £83m in sales and £11m in profit, which further assists the geographic re-weighting of the Company's portfolio

- Refurbishment, development and other added value projects
  - During the year we sold refurbished, high value and development assets totalling £54m, generating £19.6m profit

- Leveraging people and processes as well as our assets
  - We manage assets largely or entirely owned by third parties to the value of £706m which generated £10.0m of fees during the year

The three income streams in our business have the following characteristics:

- The trading element comprises sales of largely reversionary assets (including home reversion assets), a long-term strategic land bank and low risk development schemes. The UK residential portfolio has a reversionary surplus of £500m. This represents a 'pipeline' of future added value which does not carry any planning, development or construction risk. The total value of these assets, including the reversionary surplus, amounts to £1,917m. In addition to this, there is a development pipeline of gross development value with current planning permission of £243m. This increases to £496m to include schemes progressing to planning permission

- The rental element comprises a market rented portfolio of £743m of assets (UK and Germany), producing an overall gross yield of 6.6%. This part of the business incorporates market-focused but multiple tenure types. (This value is before a reversionary surplus of £44m)

- Fees primarily arise from co-investment vehicles or where our returns are based upon portfolio performance which enhance recurring profits and increase our overall return on capital. The joint venture with Heitman announced after the year end which will be managed by our German platform is our most recent example

On 9 November 2012, we announced that we had signed an agreement with global real estate investment firm Heitman to create a joint venture, to invest in c.3,000 German rented residential units which are currently wholly owned by Grainger. The JV will be 75:25 owned by Heitman, on behalf of a global institutional investor, and Grainger, respectively. The JV's long-term strategy is aimed at maximising returns through income growth and active asset management. The deal is subject to a set of Conditions Precedent and is expected to complete soon.

Our accounts for the year ended 30 September 2012 recognise this transaction with the assets of £182m and liabilities of £130m classified as held-for-sale and we have written down the investment property assets to be transferred by £6.9m (£5.2m net of tax).

Strategy and Future Outlook

Historically Grainger's business was in the trading of reversionary residential assets, primarily those subject to regulated tenancies. The scale and quality of this portfolio will continue to provide healthy cash flows and opportunities to produce added value for many years to come. We are constantly seeking ways to maintain and maximise returns from this portfolio.

The expertise and infrastructure that Grainger has built up in accumulating and managing this portfolio also has ensured that we have the platform in place that positions the business strongly in terms of long term sustainability and the potential for accretive growth. The Grainger of the future will have a greater proportion of its activities in the rented sector and will supplement these by leveraging its asset and property management capabilities to manage and expand its co-investment vehicles and fee income business.

This reflects the changing nature of the housing market. The continued imbalance between supply and demand has led to pressure points. For example, in value terms, areas of strong economic performance such as London, the South East and parts of Germany show resilience and growth, with demand for good quality, well priced rental property continuing to climb. In these areas we see particular opportunities in the build to rent sector including affordable housing.

These business activities together with the prevailing economic conditions dictate that we will operate at lower levels of gearing. In the last 18 months we have reduced debt by £376m in a controlled and managed way, whilst increasing the net asset value of the business by £54m. We intend to continue this policy of debt reduction so that by the end of 2013 our overall Group debt will fall below £1bn. At equivalent levels of value our group loan-to-value (LTV) at that point will approach 50%.

Once we reach these targeted levels we will consider further our dividend policy. In the meantime we intend to continue our recent policy of increasing dividends by 5% per annum.

Alongside this debt reduction programme we plan to remove 5% of costs, on a run rate basis, from across the business by the end of 2013.

Sales

	Full Year 2012			Full Year 2011		
	Units sold	**Sales £m**	**Profit £m**	Units sold	Sales £m	Profit £m
Trading Stock - Sales on vacancy	605	113.9	49.6	561	106.5	46.8
Development	-	18.9	3.4	-	22.1	15.1
Sales of tenanted and other	395	68.8	21.0	607	63.2	17.2
Investment Property/CHARM sales	504	56.8	3.6	517	31.5	1.9
Overall total	**1,504**	**258.4**	**77.6**	1,685	223.3	81.0

Profit from sales of property, was £77.6m, compared to £81.0m in 2011, generated from gross sales proceeds of £258.4m compared to £223.3m in 2011.

Margins on our normal sales of vacant trading properties in 2012 of 43.6% were in line with the 44.0% achieved in 2011.

During the year the first sales were generated within our development business from our Berewood scheme in Hampshire. This is a scheme where we own 460 acres of land near West Waterlooville representing a pipeline of 2,550 houses to be built out by housebuilders. The scheme is expected to generate sales over the next fifteen years and will be a source of both profit and cash.

Sales of tenanted trading stock and other sales rose from £63.2m in 2011 to £68.8m in 2012. Sales included £38.7m of tenanted sales, £18.5m from the sale of high value elements from our central London stock and £7.1m of agricultural sales.

Sales of investment properties and CHARM were £56.8m (2011: £31.5m) generating profits of £3.6m (2011: £1.9m).

As at 16 November our total Group sales pipeline (completed sales, contracts exchanged and properties in solicitors' hands) amounted to £61.5m with UK normal sales values 4.1% above September 2012 valuations. (£58.7m as at 18 November 2011). In addition to this pipeline, and further sales of property as it becomes vacant, we have identified potential additional tenanted sales of c.£68m as at 30 September 2012.

Rents

Total net rents in the year amounted to £63m (2011: £62m).

UK Residential net rental income in the year increased to £42.5m from last year's figure of £38.4m, assisted by the strategic portfolio acquisitions during the previous year of HI Tricomm and the Grainger Invest LLPs. This represents an annual gross yield of 4.1% (net yield of 3.0%).

The German business delivered net rents, before property management expenses, of €22.8m (2011: €25.3m) at an annual gross yield of 7.0% (net yield of 4.23%). The decrease is due to strategic sales made at the end of 2011 and during 2012 including the sale of our portfolio in Berlin in 2011 for €16m and sales of Frankfurt property in 2012 for €21m.

Certain assets in the Retirement Solutions portfolio also produce a net rental income and this amounted to £3.7m in the year (2011: £3.8m).

Fees and Other Income
Gross fee income increased by 45% to £10.0m (2011: £6.9m) derived from asset and property management fees from our co-investment vehicles and management contracts. In addition, the Group earned other income of £1.0m (2011: £1.1m).

The progress seen in the fee earning element of this business in the year to September 2011, with the agreement with Lloyds Banking Group to establish G:RAMP, has continued and the numbers of properties under management have risen, with no requirement for Grainger to invest in this particular arrangement. By 30 September 2012, G:RAMP had 1,595 units under management and, even more importantly, had sold 1,110 units on behalf of Lloyds since the start of the agreement.

The UK Residential division generated £0.2m in service charge management fees and £0.8m in sundry other income.

In Retirement Solutions, management fees of £1.1m were earned. These fees relate to the management both of the assets owned by our Sovereign joint venture and the third party assets managed under external management contracts with Sovereign.

During 2011 the Development business was appointed as development partner for the Aldershot Urban Extension working with the Defence Infrastructure Organisation. Although this scheme is at an early stage it generated management fee income of £0.3m in 2012.

The recently announced joint venture in Germany will further increase fee generation for the group as Grainger will provide asset management services to the joint venture.

Asset Performance
Valuations in our UK Residential portfolio were up 4.8% at the year end from the previous September compared to decreases in the Nationwide and Halifax House Price indices of 1.4% and 1.2% respectively. This clearly illustrates the specific characteristics of our property assets and the value we add to them through expert asset and property management. One of the features of our business, given its trading nature, is that carrying values are tested throughout the year by sales. Vacant (normal) sales were at values, on average, 4.5% above September 2011 vacant possession valuations. Selective refurbishment works prior to sale can improve returns and when these are taken into account we have sold at 8.9% above September 2011 vacant possession. The liquidity of the properties was again demonstrated by the time taken for sale, measured from the date of vacancy to receipt of cash, being a slight improvement at 98 days (99 days in 2011).

We have been extremely selective as regards buying property in the UK residential business in 2012 acquiring 86 units for £13.0m (2011: 1,950 units for £402m including assets acquired in the Grainger Invest and HI Tricomm transactions).

The assets in the Retirement Solutions portfolio are more geographically widespread than the UK Residential portfolio and do not benefit from the bias they have towards London and the South East. This geographic difference is reflected in the valuation results for the year, which showed a small increase of 1.0% in market value, although this is still above the average decrease of 1.3% in the Nationwide and Halifax House Price indices. Retirement Solutions sales were at values, on average, 0.6% above September 2011 vacant possession values.

Overall, combining UK Residential and Retirement Solutions, valuations were up 3.9% from September 2011, and sales were at values, on average, 6.1% above September 2011 vacant possession values.

We bought £8.8m of home reversion assets in the year (2011: £14.0m).

In the year ended 30 September 2012 the market value of the UK Development portfolio increased by £7.8m after allowing for the disposal of the first tranche of land at Berewood. This increase primarily relates to Berewood given the greater certainty over values at this scheme after the signing this year of the Section 106 Agreement and the first sales of land with associated infrastructure.

Grainger's equity investment of £41.2m in its fund and Third Party Management division comprises our 21.96% stake in G:res, which is a market rented fund of 1,677 units. G:res is subject to a full external valuation in December and June of each year and for the twelve months ended 30 June 2012 showed an increase in market values of 5.8%, producing an increase in net asset value in the fund of 18.9% in the year ended 30 September 2012. Operational results at G:res provide a continuing insight into the current UK residential rental market. Rental increases on renewals amounted to 4.6% for the year ended 30 September 2012 and increases on new lets for the same period were 8.1%. Both results indicate a continued strengthening of the rental market. The investors in this fund voted to extend its duration by two years to 2013 and its controlled liquidation is under way as planned. In 2013 the German joint venture referred to above will form part of this element of the Group.

In summary, our UK assets continue to outperform the market indices; the proportion of profit derived from rents and fees has increased; our sales margins on normal sales has been maintained; our net asset values have increased and our gearing has reduced.

Andrew R. Cunningham
Chief Executive
22 November 2012

Financial Review

Total shareholder returns in the year amounted to 26.5%. This comprises 1.85 pence in dividends received and a movement from 86.6p to 107.7p in the share price from 30 September 2011 to 30 September 2012.

Our key performance indicators are:

	2012	2011
Operating profit before valuation movements and non-recurring items (OPBVM)	£126.4m	£126.2m
Recurring Profit	£34.6m	£48.3m
(Loss) / Profit before tax	£(1.7m)	£26.1m
Gross net asset value per share (pence)	223p	216p
Triple net asset value per share (pence)	157p	153p
Excess on sale of normal sales to previous valuation	6.1%	6.7%
Return on capital employed *	5.9%	6.5%
Return on shareholder equity **	3.8%	11.1%

*Operating profit after net valuation movements on investment properties plus share of results from joint venture/associates plus the movement on the uplift of trading stock to market value as a percentage of opening gross capital defined as investment property, financial interest in property assets (CHARM), investment in joint venture/associates and trading stock at market value.
**Growth in net net net asset value ('NNNAV') in the year plus the dividend per share relating to each year as a percentage of opening NNNAV.

Income Performance

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

	2012 £m	2011 £m
Profit on sale of assets	77.6	81.0
Net Rents	63.5	62.4
Fees/ other income	11.0	8.0
CHARM	7.1	7.1
Overheads /other expenses	(32.8)	(32.3)
OPBVM	**126.4**	**126.2**
Finance costs, net	(90.7)	(76.3)
JV's and associates	(1.1)	(1.6)
Recurring Profit before tax	**34.6**	**48.3**
Valuation movements including derivatives	(24.6)	(14.0)
Non-recurring items	(11.7)	(8.2)
(Loss)/profit before tax	**(1.7)**	**26.1**

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

In the year, net rents rose by 1.8% from £62.4m to £63.5m primarily due to contributions from our acquisitions in the previous year of Grainger Invest and HI Tricomm which are both performing in line with expectations.

Profit from sales of property was £77.6m, compared to £81.0m 2011. This was generated from gross sales proceeds of £258.4m compared to £223.3m in 2011. This movement in volume was driven mainly by an increase of £11.1m in Retirement Solutions sales and also in value added and agricultural sales which totalled £25.6m in 2012 (2011: £1.8m). Margins on normal vacant sales were maintained.

Fees have risen to £10.0m from £6.9m assisted by increased income from G:RAMP. Other income at £1.0m was similar to last year's figure of £1.1m.

Divisional Analysis of Operating Profit before valuation movements

	Profit on sale of assets £m	Net Rents £m	Management Fees/other income £m	Overheads/ Other £m	Total 2012 £m	Total 2011 £m
UK Residential Portfolio	59.8	42.5	1.0	(8.6)	94.7	86.0
Retirement Solutions Portfolio	13.3	3.7	1.1	4.2	22.3	18.7
Fund and third party management	-	-	8.3	(6.4)	1.9	1.8
Development Assets	3.4	0.2	0.5	(1.3)	2.8	14.4
German Residential Portfolio	1.1	17.1	0.1	(2.6)	15.7	18.3
Group and other	-	-	-	(11.0)	(11.0)	(13.0)
OPBVM 2012	77.6	63.5	11.0	(25.7)	126.4	
OPBVM 2011	81.0	62.4	8.0	(25.2)		126.2

Main movements within OPBVM	**£m**
2011 OPBVM	126.2
Increase in gross rents	3.5
Increase in residential trading profit	6.5
Increase in gross management fees and other income	3.0
Decrease in interest income from CHARM	(0.2)
Decrease in development trading profit	(11.7)
Increase in property expenses/ overheads/ other	(0.9)
2012 OPBVM	**126.4**

The major movements within OPBVM are:

- An increase of £3.5m in gross rents. A full year's gross rent from our 2011 acquisition of HI Tricomm and Grainger Invest has added £9.1m. Rent increases in the year, including an average increase in regulated rents of 12.6%, added £2.0m. These increases were negated by net sales of assets which resulted in a reduction of £6.0m, and a reduction of £1.6m due to exchange movements on rent in Germany.
- An increase of £6.5m in residential trading profits. This arose from value added sales in UK Residential and additional margin from higher sales of £11m in Retirement Solutions.
- An increase in gross management fees and other income of £3.0m arising primarily from G:RAMP which commenced during the second half of 2011.
- A reduction of £11.7m in development profits.

Interest expense

Net recurring interest charge has increased by £14.4m from £76.3m in 2011 to £90.7m at 30 September 2012. The interest charge increased following debt either assumed or raised in connection with the acquisitions of HI Tricomm and Grainger Invest. These acquisitions were made at the end of the first half of 2011. There is also an increase in the average cost of debt following the refinancing activities of 2011 and our increasing proportion of hedged debt.

Joint ventures and associates

Joint ventures and associates contributed a loss of £1.1m to recurring profit in the year (2011: loss of £1.6m). Included within valuation movements is a profit of £4.6m derived from our share of the G:res revaluation surplus. In 2011 our share of revaluation surplus was £8.1m which derived from G:res and Grainger Invest (Grainger Invest was wholly owned by Grainger throughout 2012).

Valuation and non-recurring

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

	30 September 2012 £m	30 September 2011 £m	Movement
Gain on acquisition of subsidiaries	-	16.1	(16.1)
Goodwill impairment	-	(2.2)	2.2
Write down of inventories to net realisable value	(0.1)	(1.8)	1.7
Impairment provisions against loans	-	(4.2)	4.2
Valuation gain/(deficit) on investment property	2.1	(2.0)	4.1
Write down of investment property in disposal group	(6.9)	-	(6.9)
Change in fair value of derivatives	(31.2)	(28.0)	(3.2)
Valuation gains on investment property in joint venture and associates	4.6	8.1	(3.5)
Other non-recurring costs	(4.8)	(8.2)	3.4
	(36.3)	**(22.2)**	**(14.1)**

In 2011 the gain on acquisition arose from our acquisition of HI Tricomm which provided a gain of £14.9m, and in the case of Grainger Invest, £1.2m.

Other than movements on derivatives the major items in 2012 are a £2.1m valuation gain on our investment property compared to a £2m deficit in 2011 and a £6.9m write down applied to the net assets in Germany being sold as part of the Heitman transaction to their agreed value (see note 22 to the accounts).

Fair value movements on derivatives is a charge of £31.2m. This comprises a £24.6m adverse movement on the yield curve in the year and £6.6m in relation to the settlement of swap contracts in both the current and prior years.

Including an amount of £21.7m relating to an agreed swap settlement value and £4.8m included in liabilities related to assets held-for-sale, the fair value of swaps at 30 September 2012 is a liability of £171.9m compared to £154.3m at 30 September 2011.

Loss before tax

Having taken account of interest and derivative movements and our share of profits from joint ventures and associates of £3.5m, loss before tax was £1.7m compared to a profit of £26.1m in 2011.

Tax

The Group has an overall tax credit of £2.1m. In achieving this credit, the Group has released certain overseas tax provisions following a reorganisation within the Group. In addition, there is a £1.7m reduction in deferred tax liabilities relating to the assets in Germany being sold as part of the Heitman transaction.

Earnings per share

Basic earnings per share is a profit of 0.1p (2011: a profit of 9.5p). A year on year comparison is shown below:

	£m	Pence per share
2011 Profit/earnings per share	39.1	9.5
Movements in:		
OPBVM	0.2	-
Contribution from joint ventures and associates	(2.8)	(0.7)
Fair value of derivatives	(3.2)	(0.8)
Revaluation of investment properties	4.1	1.0
Provisions against trading stock values and loans	5.9	1.5
Gain on acquisition of subsidiaries	(13.9)	(3.4)
Net interest payable	(13.3)	(3.2)
Write down of investment property in disposal group	(6.9)	(1.7)
Taxation and other	(8.8)	(2.1)
2012 Profit/ earnings per share	**0.4**	**0.1**

Dividend for the year

After considering the investment and working capital needs of the business, the Directors have recommended a final dividend of 1.37p per ordinary share (2011: 1.30p). This is in addition to the dividend at the half year of 0.55p per ordinary share (2011: 0.53p) equivalent by way of a tender offer). The total dividend for the year will therefore be 1.92p per ordinary share (2011: 1.83p), an increase of 4.9%.

Asset Performance

Net asset value

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

	30 September 2012	30 September 2011	Movement
Gross net assets per share (NAV) - Market value of net assets per share before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives	223p	216p	3.2%
Triple net asset value per share (NNNAV) - Gross NAV per share adjusted for deferred and contingent tax on revaluation gains and for the fair value of derivatives	157p	153p	2.5%

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

A reconciliation between the statutory balance sheet and the market value balance sheets for both Gross NAV and NNNAV is set out below.

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	929	223
Deferred and contingent tax	(120)	(29)
Fair value of derivatives adjustments net of tax	(155)	(37)
NNNAV	**654**	**157**

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

	£m	Pence per share
Gross NAV at 30 September 2011	**900**	**216**
Profit after tax	-	-
Revaluation gains	67	16
Elimination of previously recognised surplus on sales	(47)	(11)
Dividends paid	(8)	(2)
Derivatives movement net of tax	25	6
Others	(8)	(2)
Gross NAV at 30 September 2012	**929**	**223**

The major movements in NNNAV in the year are:

	£m	Pence per share
NNNAV at 30 September 2011	**638**	**153**
Profit after tax	-	-
Revaluation gains	67	16
Elimination of previously recognised surplus on sales	(47)	(11)
Dividends paid	(8)	(2)
Cashflow hedge reserve net of tax	10	2
Contingent tax	2	1
Others	(8)	(2)
NNNAV at 30 September 2012	**654**	**157**

<u>Market value analysis of property assets</u>

	Shown as stock at cost £m	Market value adjustment £m	Market value £m	Investment property/financial interest in property assets £m	Total £m
Residential	953	364	1,317	843	2,160
Development	70	-	70	-	70
Total at 30 September 2012	**1,023**	**364**	**1,387**	**843**	**2,230**
Total at 30 September 2011	1,105	344	1,449	922	2,371

<u>Financial resources</u>

We have reduced net debt by a further £260m in the year from £1,454m to £1,194m and maintained headroom at appropriate levels. Included in the reduction is net debt to be transferred to the new joint venture with Heitman of £118m.

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

Our core group syndicated facility - with RBS, Lloyds, Barclays, Nationwide, HSBC and Allied Irish - agreed in September 2011 and drawn during the year provides £840m of committed facilities. Of this, £606m matures in July 2016. The balance of the facilities mature in three stages, with £166.5m maturing in December 2014, £7.5m maturing in July 2018 and £60m maturing in July 2020. Given the cash generative capabilities of the business we will consider whether to repay, rather than refinance, the December 2014 maturity.

Subsequent to the year-end we also refinanced the element of our German operations that were transferred to the new joint venture with Heitman. The financing of €164.9m was achieved at attractive interest rates with a new lender. In the UK we attracted development finance of £23m for our Macaulay Road development scheme in Clapham again at competitive rates. Both these examples evidence our continued ability to raise finance for our activities and lenders' confidence in our business model.

As at 30 September 2012, the average maturity of the Group's committed facilities was 5.1 years (September 2011: 5.5 years) and the average maturity of the Group's drawn debt was 5.5 years (September 2011: 5.9 years).

The Group has free cash balances of £26m plus available overdraft of £5m along with undrawn committed facilities of £117m. Thus headroom totals £148m as at 30 September 2012 (2011: £214m).

The Group's average interest rate excluding costs as at 30 September 2012 (based on current Libor/Euribor rates and on current debt hedging was 6.0% (September 2011: 5.3%).

The Group's average cost of debt, including costs, through the year to 30 September was 6.1% (September 2011: 5.4%).

The business has produced £267m of cash from its operating activities derived from net rents and other income, property sales and other working capital movements net of overheads. The largest outflow of cash is £77m of net interest.

At 30 September 2012 and taking into account the reduction in net debt of £118m arising from the Heitman transaction, net debt levels had fallen from £1,454m at September 2011 to £1,194m which is a decrease of £260m. Net debt is now £376m lower than eighteen months ago at 31 March 2011 when net debt was £1,570m.

At 30 September 2012 gross debt was 85% hedged (September 2011: 73%) of which 4% was subject to caps. This reduces to 84% following the Heitman transaction.

At the year-end LTV on the core facility was 48% (September 2011: 52%). This compares to a minimum required LTV covenant of 75%. Taking into account the reduction in net debt of £118m arising from the Heitman transaction Group consolidated LTV was 55% (September 2011: 61%) and upon receipt of proceeds on completion the LTV will fall to 54%.

At 30 September 2012 the interest cover ratio on the core facility stood at 3.0 times (September 2011: 3.1 times). This compares to an interest cover covenant of 1.35 times.

Given the progress already made and our objective of materially reducing debt and gearing we have set ourselves the specific target of attaining a Group net debt figure of less than £1bn by the end of 2013.

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

Mark Greenwood
Finance Director
22 November 2012

Consolidated income statement (unaudited)

For the year ended 30 September 2012	Notes	**2012** £m	2011 restated £m
Group revenue	3,4	**311.4**	296.2
Net rental income	5	**62.8**	62.4
Profit on disposal of trading property	6	**74.0**	79.1
Administrative expenses	8	**(31.0)**	(33.1)
Other income	9	**11.0**	8.0
Other expenses	10	**(3.4)**	(3.8)
Net gain on acquisition of subsidiary		**-**	16.1
Goodwill impairment		**-**	(2.2)
Profit on disposal of investment property	7	**3.0**	1.1
Finance income from financial interest in property assets	16	**7.7**	7.9
Write down of inventories to net realisable value		**(0.1)**	(1.8)
Provision for impairment of loans receivable net of write backs		**-**	(4.2)
Operating profit before net valuation gains/(deficits) on investment property		**124.0**	129.5
Net valuation gains/(deficits) on investment property	13	**2.1**	(2.0)
Write down of investment property in disposal group	22	**(6.9)**	-
Operating profit after net valuation gains/(deficits) on investment property		**119.2**	127.5
Change in fair value of derivatives	20	**(31.2)**	(28.0)
Finance costs		**(95.3)**	(82.6)
Finance income		**2.1**	2.7
Share of profit of associates after tax	14	**4.5**	4.4
Share of (loss)/profit of joint ventures after tax	15	**(1.0)**	2.1
(Loss)/profit before tax		**(1.7)**	26.1
Tax credit before exceptional item		**2.1**	2.8
Exceptional tax credit		**-**	10.2
Tax credit for the year	19	**2.1**	13.0
Profit for the year attributable to the owners of the company		**0.4**	39.1

Consolidated statement of comprehensive income (unaudited)

For the year ended 30 September 2012	Notes	**2012** £m	2011 £m
Profit for the year		**0.4**	39.1
Actuarial (loss)/gain on BPT Limited defined benefit pension scheme		**(2.0)**	1.2
Fair value movement on financial interest in property assets	16	**(0.4)**	(0.3)
Exchange adjustments offset in reserves		**(0.6)**	(0.9)
Changes in fair value of cash flow hedges		**14.1**	13.2
Other comprehensive income and expense for the year before tax		**11.1**	13.2
Tax relating to components of other comprehensive income	19	**(2.4)**	(4.5)
Other comprehensive income and expense for the year		**8.7**	8.7
Total comprehensive income and expense for the year attributable to the owners of the company		**9.1**	47.8
Basic earnings per share	11	**0.1p**	9.5p
Diluted earnings per share	11	**0.1p**	9.4p

Included within comprehensive income is £5.0m (2011: £8.8m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position (unaudited)

As at 30 September 2012	Notes	**2012 £m**	2011 £m
ASSETS			
Non-current assets			
Investment property	13	**525.9**	819.9
Property, plant and equipment		**0.8**	1.2
Investment in associates	14	**41.2**	34.6
Investment in joint ventures	15	**19.2**	23.9
Financial interest in property assets	16	**99.0**	102.3
Deferred tax assets	19	**44.5**	42.7
Goodwill		**5.3**	5.3
		735.9	1,029.9
Current assets			
Inventories – trading property		**1,023.4**	1,105.1
Trade and other receivables	17	**35.6**	18.3
Derivative financial instruments		**-**	0.2
Cash and cash equivalents		**73.3**	90.9
Assets classified as held-for-sale	22	**222.1**	-
		1,354.4	1,214.5
Total assets		**2,090.3**	2,244.4
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	18	**1,240.1**	1,428.0
Trade and other payables		**-**	4.0
Retirement benefits		**5.8**	4.5
Provisions for other liabilities and charges		**0.5**	0.6
Deferred tax liabilities	19	**37.8**	47.7
		1,284.2	1,484.8
Current liabilities			
Interest-bearing loans and borrowings	18	**27.3**	116.7
Trade and other payables	21	**88.4**	76.4
Current tax liabilities	19	**24.4**	24.6
Derivative financial instruments	20	**145.4**	154.5
Liabilities associated with assets classified as held-for-sale	22	**129.7**	-
		415.2	372.2
Total liabilities		**1,699.4**	1,857.0
Net assets		**390.9**	387.4
EQUITY			
Capital and reserves attributable to the owners of the company			
Issued share capital		**20.8**	20.8
Share premium		**109.8**	109.8
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(24.5)**	(34.4)
Equity component of convertible bond		**5.0**	5.0
Available-for-sale reserve		**3.9**	4.1
Retained earnings		**255.4**	261.6
Equity attributable to the owners of the company		**390.8**	387.3
Non-controlling interests		**0.1**	0.1
Total equity		**390.9**	387.4

Consolidated Statement of changes in equity (unaudited)

	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Equity component of convertible bond £m	Available-for-sale reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance as at 1 October 2010	20.8	109.8	20.1	0.3	(43.0)	5.0	4.2	228.0	0.1	345.3
Profit for the year	–	–	–	–	–	–	–	39.1	–	39.1
Actuarial gain on BPT Limited defined benefit pension scheme	–	–	–	–	–	–	–	1.2	–	1.2
Fair value movement on financial interest in property assets	–	–	–	–	–	–	(0.3)	–	–	(0.3)
Exchange adjustments offset in reserves	–	–	–	–	–	–	–	(0.9)	–	(0.9)
Changes in fair value of cash flow hedges	–	–	–	–	13.2	–	–	–	–	13.2
Tax relating to components of other comprehensive income	–	–	–	–	(4.6)	–	0.2	(0.1)	–	(4.5)
Total comprehensive income and expense for the year	–	–	–	–	8.6	–	(0.1)	39.3	–	47.8
Purchase of own shares	–	–	–	–	–	–	–	(2.8)	–	(2.8)
Share-based payments charge	–	–	–	–	–	–	–	2.0	–	2.0
Dividends paid	–	–	–	–	–	–	–	(4.9)	–	(4.9)
Balance as at 30 September 2011	**20.8**	**109.8**	**20.1**	**0.3**	**(34.4)**	**5.0**	**4.1**	**261.6**	**0.1**	**387.4**
Profit for the year	-	-	-	-	-	-	-	0.4	-	0.4
Actuarial loss on BPT Limited defined benefit pension scheme	-	-	-	-	-	-	-	(2.0)	-	(2.0)
Fair value movement on financial interest in property assets	-	-	-	-	-	-	(0.4)	-	-	(0.4)
Exchange adjustments offset in reserves	-	-	-	-	-	-	-	(0.6)	-	(0.6)
Changes in fair value of cash flow hedges	-	-	-	-	14.1	-	-	-	-	14.1
Tax relating to components of other comprehensive income	-	-	-	-	(4.2)	-	0.2	1.6	-	(2.4)
Total comprehensive income and expense for the year	-	-	-	-	9.9	-	(0.2)	(0.6)	-	9.1
Purchase of own shares	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Proceeds from SAYE shares	-	-	-	-	-	-	-	0.4	-	0.4
Share-based payments charge	-	-	-	-	-	-	-	2.1	-	2.1
Dividends paid	-	-	-	-	-	-	-	(7.6)	-	(7.6)
Balance as at 30 September 2012	**20.8**	**109.8**	**20.1**	**0.3**	**(24.5)**	**5.0**	**3.9**	**255.4**	**0.1**	**390.9**

Consolidated statement of cash flows (unaudited)

For the year ended 30 September 2012	Notes	2012 £m	2011 £m
Cash flow from operating activities			
Profit for the year		**0.4**	39.1
Depreciation		**0.4**	0.6
Net gain on acquisition of subsidiary		**-**	(16.1)
Goodwill impairment		**-**	2.2
Write down of investment property in disposal group	22	**6.9**	-
Net valuation (gains)/ deficits on investment property	13	**(2.1)**	2.0
Net finance costs		**93.2**	79.9
Share of profit of associates and joint ventures	14,15	**(3.5)**	(6.5)
Profit on disposal of investment property	7	**(3.0)**	(1.1)
Provision for impairment of loans receivable net of write-backs		**-**	4.2
Share-based payment charge		**2.1**	2.0
Change in fair value of derivatives		**31.2**	28.0
Interest income from financial interest in property assets	16	**(7.7)**	(7.9)
Taxation	19	**(2.1)**	(13.0)
Operating profit before changes in working capital		**115.8**	113.4
Increase in trade and other receivables		**(13.5)**	(0.8)
Decrease in trade and other payables		**(3.8)**	(4.8)
Decrease in provisions for liabilities and charges		**(0.1)**	(0.2)
Decrease in trading property		**78.3**	71.7
Cash generated from operations		**176.7**	179.3
Interest paid		**(78.1)**	(73.1)
Taxation paid	19	**(12.0)**	(4.4)
Net cash inflow from operating activities		**86.6**	101.8
Cash flow from investing activities			
Proceeds from sale of investment property	7	**48.3**	24.6
Proceeds from financial interest in property assets	16	**10.6**	9.2
Proceeds from redemption of equity units in associate	14	**-**	0.1
Dividend and loan repayment from joint venture	15	**3.5**	-
Interest received		**0.7**	1.9
Proceeds from disposal of interest in subsidiary		**-**	17.5
Acquisition of subsidiaries, net of cash acquired		**-**	(23.1)
Investment in associates and joint ventures	15	**(0.5)**	(2.4)
Acquisition of investment property and property, plant and equipment	13	**(5.5)**	(5.9)
Net cash inflow from investing activities		**57.1**	21.9
Cash flows from financing activities			
Proceeds from SAYE options		**0.4**	-
Purchase of own shares		**(0.5)**	(2.8)
Proceeds from new borrowings		**79.0**	220.0
Payment of loan costs		**(10.5)**	-
Settlement of derivative contracts		**(1.2)**	-
Repayment of borrowings		**(215.5)**	(335.1)
Dividends paid	12	**(7.6)**	(4.9)
Payments to defined benefit pension scheme		**(1.0)**	(0.6)
Net cash outflow from financing activities		**(156.9)**	(123.4)
Net (decrease)/increase in cash and cash equivalents		**(13.2)**	0.3
Cash and cash equivalents at the beginning of the year		**90.9**	91.5
Net exchange movements on cash and cash equivalents		**(1.8)**	(0.9)
Total cash and cash equivalents at the end of the year		**75.9**	90.9
Cash held in assets classified as held-for-sale	22	**(2.6)**	-
Cash and cash equivalents at the end of the year		**73.3**	90.9

Notes to the Preliminary Announcement of unaudited results

1a. Basis of Preparation

The Board approved this preliminary announcement on 22 November 2012.

The financial information included in this preliminary announcement is unaudited and does not constitute the Group's statutory accounts for the years ended 30 September 2011 or 30 September 2012. Statutory accounts for the year ended 30 September 2011 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2012 will be delivered to the Registrar of Companies following the company's annual general meeting.

The auditors have reported on the 2011 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 30 September 2012 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2011.

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

1b. Adoption of new and revised international Financial Reporting Standards

New standards and interpretations in the year

At the date of approval of these financial statements, the following interpretations and amendments were issued, endorsed by the EU and are mandatory for the group for the first time for the financial year beginning 1 October 2011.

Amendments to existing standards

- Amendment to IFRS 1 'First time adoption' was updated to clarify that a first-time adopter that changes its accounting policies or its use of IFRS 1 exemptions after publishing a set of IAS 34 interim financial information should explain those changes and include the effects of such changes in its opening reconciliations within the first annual IFRS reporting.
- Amendments to IFRS 1 'First time adoption' was updated to extend the exemption to use a 'deemed cost' arising from a revaluation triggered by an event such as a privatisation that occurred at or before the date of transition to IFRS, to revaluations that occur during the period covered by the first IFRS financial statements.
- Amendments to IFRS 1 'First time Adoption' amends fixed dates and includes guidance on implementations affected by hyperinflation.
- Amendments to IFRS 1 'First time adoption' was updated to clarify that entities subject to rate regulation are allowed to use previous GAAP carrying amounts of property, plant and
- equipment or intangible assets as deemed cost on an item-by-item basis.
- Amendments to IFRS 3 'Business combinations' was updated to extend the application guidance to all share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.
- Amendments to IFRS 3 'Business combinations' was updated to clarify that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS.

- Amendments to IFRS 7 'Financial Instruments: Disclosures' includes changes to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures of transfers of financial assets.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' was updated to include multiple clarifications related to the disclosure of financial instruments.
- Amendments to IAS 24 (revised) 'Related party disclosures' was updated to remove the requirement for government related entities to disclose details of all transactions with government-related entities and it clarifies and simplifies the definition of a related party.
- Amendment to IAS 27 'Consolidated and Separate Financial Statements' was updated to clarify that the consequential amendments to IAS 21, IAS 28 and IAS 31 following the 2008 revisions to IAS 27 are to be applied prospectively.
- Amendment to IAS 34 'Interim Financial Reporting' was updated to place greater emphasis on the disclosure principles involving significant events and transactions, including changes to fair value measurements, and the need to update relevant information from the most recent annual report.

International Financial Reporting Interpretations Committee ('IFRIC') interpretations

- IFRIC 15 'Arrangement for construction of real estates' clarifies when IAS 18 'Revenue Recognition' and IAS 11 'Construction contracts' should be applied to particular transactions.
- IFRIC 18 'Transfer of assets from customers' clarifies the accounting for arrangements where an item of property, plant and equipment that is provided by the customer is used to provide an ongoing service.
- IFRIC 19 'Extinguishing financial liabilities with equity instruments' clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the creditor issuing its own equity instruments to the debtor.

Amendments to existing interpretations

- Amendment to IFRIC 13 'Customer loyalty programmes' to clarify the term 'fair value' in the context of measuring award credits under customer loyalty programmes.
- Amendment to IFRIC 14 'Prepayments of a minimum funding requirement' applies only to entities that are required to make minimum funding contributions to a defined benefit pension plan.

These standards and amendments to these standards and interpretations have had no material financial impact on these financial statements.

1c. <u>Group risk factors</u>

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

- A negative impact on Germany and the UK from a deterioration of the Eurozone
- Long term flat or negative growth in value of group assets
- Availability of sufficient funds at the right price
- A rapid, cataclysmic decline in house prices.

The principal risks facing the Group will be set out in more detail in the 2012 Annual Report and Accounts.

Notes to the Preliminary Announcement of unaudited results (continued)

2 Analysis of profit after tax

The results for the years ended 30 September 2011 and 2012, respectively, have been affected by valuation movements and non-recurring items. The table below provides further analysis of the consolidated income statement showing the results of trading activities separately from these other items.

	2012				2011 (restated)			
	Trading £m	**Valuation £m**	**Non-recurring £m**	**Total £m**	Trading £m	Valuation £m	Non-recurring £m	Total £m
Group revenue	**311.4**	**-**	**-**	**311.4**	296.2	-	-	296.2
Net rental income	**63.5**	**-**	**(0.7)**	**62.8**	62.4	-	-	62.4
Profit on disposal of trading property	**74.0**	**-**	**-**	**74.0**	79.1	-	-	79.1
Administrative expenses	**(31.0)**	**-**	**-**	**(31.0)**	(32.3)	-	(0.8)	(33.1)
Other income	**11.0**	**-**	**-**	**11.0**	8.0	-	-	8.0
Other expenses	**(1.8)**	**-**	**(1.6)**	**(3.4)**	-	-	(3.8)	(3.8)
Net gain on acquisition of subsidiary	**-**	**-**	**-**	**-**	-	16.1	-	16.1
Goodwill impairment	**-**	**-**	**-**	**-**	-	(2.2)	-	(2.2)
Profit on disposal of investment property	**3.0**	**-**	**-**	**3.0**	1.1	-	-	1.1
Finance income from financial interest in property assets	**7.7**	**-**	**-**	**7.7**	7.9	-	-	7.9
Write down of inventories to net realisable value	**-**	**(0.1)**	**-**	**(0.1)**	-	(1.8)	-	(1.8)
Provision for impairment of loans receivable net of write-backs	**-**	**-**	**-**	**-**	-	(4.2)	-	(4.2)
Operating profit before net valuation gains/(deficits) on investment property	**126.4**	**(0.1)**	**(2.3)**	**124.0**	126.2	7.9	(4.6)	129.5
Net valuation gains/(deficits) on investment property	**-**	**2.1**	**-**	**2.1**	-	(2.0)	-	(2.0)
Write down of investment property in disposal group	**-**	**-**	**(6.9)**	**(6.9)**	-	-	-	-
Operating profit after net valuation gains/(deficits) on investment property	**126.4**	**2.0**	**(9.2)**	**119.2**	126.2	5.9	(4.6)	127.5
Change in fair value of derivatives	**-**	**(31.2)**	**-**	**(31.2)**	-	(28.0)	–	(28.0)
Finance costs	**(92.8)**	**-**	**(2.5)**	**(95.3)**	(79.0)	-	(3.6)	(82.6)
Finance income	**2.1**	**-**	**-**	**2.1**	2.7	-	-	2.7
Share of profit of associates after tax	**(0.1)**	**4.6**	**-**	**4.5**	0.2	4.2	-	4.4
Share of (loss)/profit of joint ventures after tax	**(1.0)**	**-**	**-**	**(1.0)**	(1.8)	3.9	-	2.1
(Loss)/profit before tax	**34.6**	**(24.6)**	**(11.7)**	**(1.7)**	48.3	(14.0)	(8.2)	26.1
Tax	**(6.3)**	**6.7**	**1.7**	**2.1**	(7.9)	10.7	10.2	13.0
Profit after tax	**28.3**	**(17.9)**	**(10.0)**	**0.4**	40.4	(3.3)	2.0	39.1

Notes to the Preliminary Announcement of unaudited results (continued)

3. Segmental information

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

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

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

The key operating performance measure of profit or loss used by the CODM is the trading profit or loss before valuation gains or deficits on investment property and excluding all revaluation and non-recurring items (OPBVM) as set out in Note 2. The CODM reviews by segment two key balance sheet measures of net asset value. These are Gross Net Value and Triple Net Asset Value.

2012 Income statement

(£m)	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other segments	Total
Group revenue							
Segment revenue-external	**211.4**	**35.5**	**8.3**	**19.6**	**36.6**	**-**	**311.4**
Net rental income	**42.5**	**3.7**	**-**	**0.2**	**17.1**	**-**	**63.5**
Profit on disposal of trading property	**57.6**	**12.7**	**-**	**3.4**	**0.3**	**-**	**74.0**
Administrative expenses	**(8.6)**	**(2.9)**	**(4.6)**	**(1.3)**	**(2.6)**	**(11.0)**	**(31.0)**
Other income and expenses	**1.0**	**1.1**	**6.5**	**0.5**	**0.1**	**-**	**9.2**
Profit on disposal of investment property	**2.2**	**-**	**-**	**-**	**0.8**	**-**	**3.0**
Finance income from financial interest in property assets	**-**	**7.7**	**-**	**-**	**-**	**-**	**7.7**
Operating profit before net valuation deficits on investment property	**94.7**	**22.3**	**1.9**	**2.8**	**15.7**	**(11.0)**	**126.4**
Net trading interest payable	**(10.0)**	**(8.3)**	**-**	**1.4**	**(12.7)**	**(61.1)**	**(90.7)**
Share of trading loss of joint ventures and associates after tax	**-**	**(0.7)**	**(0.1)**	**(0.3)**	**-**	**-**	**(1.1)**
Trading profit before tax, valuation and non-recurring items							**34.6**
Write down of inventories to net realisable value	**(0.1)**	**-**	**-**	**-**	**-**	**-**	**(0.1)**
Net valuation gains/(deficits) on investment property	**8.2**	**(3.3)**	**-**	**-**	**(2.8)**	**-**	**2.1**
Change in fair value derivatives	**-**	**-**	**-**	**-**	**-**	**(31.2)**	**(31.2)**
Share of valuation gains in joint ventures and associates after tax	**-**	**-**	**4.6**	**-**	**-**	**-**	**4.6**
Other net non-recurring items	**(0.9)**	**-**	**-**	**(0.1)**	**(8.5)**	**(2.2)**	**(11.7)**
Loss before tax							**(1.7)**

Notes to the Preliminary Announcement of unaudited results (continued)

2011 Income Statement

(£m)	UK residential	Retirement solutions	Fund and third party management	UK and European development	German residential	All other segments	Total
Group revenue							
Segment revenue-external	200.6	25.9	6.3	22.8	40.6	–	296.2
Net rental income	38.4	3.8	–	–	20.2	–	62.4
Profit on disposal of trading property	54.7	9.3	–	15.1	–	–	79.1
Administrative expenses	(7.9)	(2.7)	(4.5)	(1.1)	(3.1)	(13.0)	(32.3)
Other income and expenses	0.5	0.5	6.3	0.4	0.3	–	8.0
Profit/(loss) on disposal of investment property	0.3	(0.1)	–	–	0.9	–	1.1
Finance income from financial interest in property assets	–	7.9	–	–	–	–	7.9
Operating profit before net valuation deficits on investment property	86.0	18.7	1.8	14.4	18.3	(13.0)	126.2
Net trading interest payable	(2.9)	(3.2)	1.2	0.1	(13.9)	(57.6)	(76.3)
Share of trading loss of joint ventures and associates after tax	–	(0.1)	(1.0)	(0.5)	–	–	(1.6)
Trading profit before tax, valuation and non-recurring items							48.3
Write down of inventories to net realisable value	(0.8)	–	–	(1.0)	–	–	(1.8)
Net valuation gains/(deficits) on investment property	4.7	(5.1)	–	–	(1.6)	–	(2.0)
Change in fair value of derivatives	–	–	(0.8)	–	(1.6)	(25.6)	(28.0)
Provision for impairment of loans receivable net of write-backs	–	–	3.3	(5.2)	–	(2.3)	(4.2)
Net gain on acquisition of subsidiary	16.1	–	–	–	–	–	16.1
Goodwill impairment	(0.9)	–	–	–	(1.3)	–	(2.2)
Share of valuation gains in joint ventures and associates after tax	–	–	8.1	–	–	–	8.1
Other net non-recurring items	(2.3)	(0.1)	(0.2)	(0.2)	(0.8)	(4.6)	(8.2)
Profit before tax							26.1

The majority of the Group's properties are held as trading stock and are shown in the statutory balance sheet at the lower cost and net realisable value. This does not reflect the market value of the assets and so our key balance sheet measures of net asset value include trading stock at market value. The two principal net asset value measures reviewed by the CODM are gross net asset value (NAV) and triple net asset value (NNNAV).

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

NNNAV reverses some of the adjustments made between statutory net assets and NAV. All of the adjustments for the value of derivative financial instruments net of deferred tax, including those in joint ventures and associates, are reversed. The adjustment for the deferred tax on property revaluations is also reversed. In addition, adjustments are made to net assets to reflect the fair value, net of deferred tax, of the Group's fixed rate debt and to deduct from net assets the contingent tax calculated by applying the expected rate of tax to the adjustment to increase the value of trading stock from its statutory accounts value of the lower of cost and net realisable value, to its market value.

These measures are set out below by segment along with a reconciliation to the summarised statutory balance sheet.

Notes to the Preliminary Announcement of unaudited results (continued)

2012 Segment net assets

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

2012 Reconciliation of NAV measures

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

2011 Segment net assets

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

2011 Reconciliation of NAV measures

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

Notes to the Preliminary Announcement of unaudited results (continued)

4 Group revenue

	2012 £m	2011 £m
Gross rental income (see note 5)	**89.8**	86.3
Service charge income on a principal basis (see note 5)	**9.0**	10.1
Proceeds from sale of trading property (see note 6)	**201.6**	191.8
Management fee and other income (see note 9)	**11.0**	8.0
	311.4	296.2

5 Net rental income

	2012 £m	2011 (restated) £m
Gross rental income	**89.8**	86.3
Service charge income on a principal basis	**9.0**	10.1
Property repair and maintenance costs	**(25.6)**	(22.4)
Service charge expenses on a principal basis	**(10.4)**	(11.6)
	62.8	62.4

6 Profit on disposal of trading property

	2012 £m	2011 (restated) £m
Gross proceeds from sale of trading property	**201.6**	191.8
Selling costs	**(5.6)**	(4.5)
Net proceeds from sale of trading property	**196.0**	187.3
Carrying value of trading property sold	**(122.0)**	(108.2)
	74.0	79.1

7 Profit on disposal of investment property

	2012 £m	2011 (restated) £m
Gross proceeds from sale of investment property	**48.9**	25.2
Selling costs	**(0.6)**	(0.6)
Net proceeds from sale of investment property	**48.3**	24.6
Carrying value of investment property sold	**(45.3)**	(23.5)
	3.0	1.1

Notes to the Preliminary Announcement of unaudited results (continued)

8 Administrative expenses

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

	2012	2011
		(restated)
	£m	£m
Total group expenses	**31.0**	33.1

9 Other income

	2012	2011
		(restated)
	£m	£m
Property and asset management fee income	**10.0**	6.9
Other sundry income	**1.0**	1.1
	11.0	8.0

10 Other expenses

	2012	2011
		(restated)
	£m	£m
Cost on acquisition of subsidiary undertakings	**-**	2.4
External costs relating to fee income	**1.8**	-
Other transaction expenses	**1.6**	1.4
	3.4	3.8

Other income and expenses were presented as a single line item in the 2011 consolidated income statement and notes to the accounts. In 2012 other income and other expenses have been presented separately and the comparatives restated.

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held both in trust and as treasury shares to meet its obligations under the long-term incentive scheme ('LTIS'), Deferred Bonus Plan ('DBP') and SAYE schemes.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its convertible bond, its share option schemes and contingent share awards under the LTIS and DBP, based upon the number of shares that would be issued if 30 September 2012 was the end of the contingency period. The profit for the year is adjusted to add back the after tax interest cost on the debt component of the convertible bond. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

Notes to the Preliminary Announcement of unaudited results (continued)

	30 September 2012			30 September 2011		
	Profit for the year £m	**Weighted average number of shares (thousands)**	**Earnings per share pence**	Profit for the year £m	Weighted average number of shares (thousands)	Earnings per share pence
Basic earnings per share						
Profit attributable to equity holders	**0.4**	**409,937**	**0.1**	39.1	410,003	9.5
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**4,971**	**-**	–	5,472	(0.1)
Diluted earnings per share						
Profit attributable to equity holders	**0.4**	**414,908**	**0.1**	39.1	415,475	9.4

12 Dividends

Under IAS 10, final dividends are excluded from the statement of financial position either until they are approved by the Company in general meeting or until they have been appropriately authorised and are no longer at the discretion of the Group. Dividends paid in the year are shown below:

	2012 £m	2011 £m
Ordinary dividends on equity shares:		
Final dividend for the year ended 30 September 2010 – 1.20p per share	**–**	4.9
Final dividend for the year ended 30 September 2011 – 1.30p per share	**5.3**	–
Interim dividend for the year ended 30 September 2012 – 0.55p per share	**2.3**	–
	7.6	4.9

A final dividend in respect of the year ended 30 September 2012 of 1.37p per share amounting to £5.6m will be proposed at the 2013 Annual General Meeting. If approved, this dividend will be paid on 8th February 2013 to shareholders on the register at close of business on 7th December 2012. The 2012 interim dividend of 0.55p per share was paid in July 2012. This gives a total dividend for 2012 of 1.92p per share (2011: 1.83p per share).

13 Investment property

	2012 £m	2011 £m
Opening balance	**819.9**	634.7
Additions:		
Acquisitions arising from business combinations	**-**	207.8
Subsequent expenditure	**5.5**	5.4
Disposals	**(45.3)**	(23.5)
Transfer to assets classified as held-for-sale	**(218.1)**	-
Write down of investment property in disposal group	**(6.9)**	-
Net valuation gains/(deficits)	**2.1**	(2.0)
Exchange adjustments	**(31.3)**	(2.5)
Closing balance	**525.9**	819.9

Notes to the Preliminary Announcement of unaudited results (continued)

14 Investment in associates

	2012 £m	2011 £m
Opening balance	**34.6**	28.7
Share of profit	**4.5**	4.4
Proceeds on redemption of equity units	**-**	(0.1)
Acquisition of additional equity in G:res	**-**	0.3
Share of change in fair value of cash flow hedges taken through other comprehensive income	**2.1**	1.3
Closing balance	**41.2**	34.6

15 Investment in joint ventures

	2012 £m	2011 £m
Opening balance	**23.9**	91.0
Loans advanced	**0.5**	3.3
Loans repaid by joint venture	**(1.6)**	-
Provision for impairment of loans receivable	**-**	(1.9)
Share of (loss)/profit	**(1.0)**	2.1
Consolidation adjustment	**-**	(1.3)
Net assets acquired through sale of subsidiary into a joint venture	**-**	19.2
Net assets disposed of through transfer to subsidiary	**-**	(88.4)
Goodwill impairment arising on investment in Gebau Vermogen GmbH	**-**	(1.3)
Exchange adjustment	**(0.7)**	(0.1)
Distributions received	**(1.9)**	-
Share of change in fair value of cash flow hedges taken through other comprehensive income	**–**	1.3
Closing balance	**19.2**	23.9

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

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

Loans repaid of £1.6m in 2012 relates to repayment of loans to the Group by its Sovereign joint venture. Distributions received of £1.9m in 2012 relates to a dividend received from the Sovereign joint venture.

At 30 September 2012, the Group's interest in joint ventures was as follows:

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

Notes to the Preliminary Announcement of unaudited results (continued)

16 Financial interest in property assets

	2012 £m	2011 £m
Opening balance	**102.3**	103.9
Cash received from the instrument	**(10.6)**	(9.2)
Amounts taken to income statement	**7.7**	7.9
Amounts taken to other comprehensive income before tax	**(0.4)**	(0.3)
Closing balance	**99.0**	102.3

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

The fair value of our interest has decreased as cash flows are realised and this decrease of £0.4m has been recognised in the statement of other comprehensive income and the available-for-sale reserve.

17 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**27.4**	11.5
Deduct: Provision for impairment of trade receivables	**(1.4)**	(2.1)
Trade receivables – net	**26.0**	9.4
Other receivables	**4.9**	17.7
Deduct: Provision for impairment of other receivables	**-**	(12.9)
Other receivables – net	**4.9**	4.8
Prepayments	**4.7**	4.1
	35.6	18.3

18 Interest-bearing loans and borrowings

	2012 £m	2011 £m
Current liabilities		
Bank loans	**21.0**	116.3
Loan notes	**6.0**	–
Mortgages	**0.3**	0.4
	27.3	116.7
Non-current liabilities		
Bank loans	**1,023.0**	1,285.7
Non-bank financial institution	**174.9**	98.9
Mortgages	**18.9**	20.9
Convertible bond	**23.3**	22.5
	1,240.1	1,428.0
Total interest-bearing loans and borrowings	**1,267.4**	1,544.7

Notes to the Preliminary Announcement of unaudited results (continued)

19 Taxation

Movements in taxation during the year are set out below:

2012 Movement in taxation	Opening balance £m	Payments made in the year £m	Movements recognised in income £m	Exchange adjustments £m	Movements recognised in other comprehensive income £m	Closing balance £m
Current tax	**24.6**	**(12.0)**	**12.0**	**(0.2)**	**-**	**24.4**
Deferred tax						
Trading property uplift to fair value on acquisition	**37.8**	**-**	**(8.3)**	**-**	**-**	**29.5**
Investment property revaluation	**7.2**	**-**	**(0.8)**	**(0.3)**	**-**	**6.1**
Accelerated capital allowances	**1.3**	**-**	**(0.6)**	**-**	**-**	**0.7**
Short-term temporary differences	**(28.2)**	**-**	**(4.4)**	**-**	**-**	**(32.6)**
Actuarial deficit on BPT Limited pension scheme	**(0.2)**	**-**	**-**	**-**	**(0.5)**	**(0.7)**
Equity component of available-for-sale financial asset	**1.4**	**-**	**-**	**-**	**(0.2)**	**1.2**
Fair value movement in cash flow hedges and exchange adjustments	**(14.3)**	**-**	**-**	**0.3**	**3.1**	**(10.9)**
	5.0	**-**	**(14.1)**	**-**	**2.4**	**(6.7)**
Total tax – 2012 movement	**29.6**	**(12.0)**	**(2.1)**	**(0.2)**	**2.4**	**17.7**

The tax credit for the year of £2.1m (2011: credit of £13.0m) comprises:

	2012 £m	2011 £m
UK taxation	**1.0**	(11.5)
Overseas taxation	**(3.1)**	(1.5)
	(2.1)	(13.0)

The main rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012 and will change to 23% from 1 April 2013. Accordingly the Group's results for this accounting period are taxed at an effective rate of 25% and should be taxed at 23.5% in the 2013 period. The change in tax rate has resulted in a £0.2m charge to the income statement in the current year.

	2012 £m	2011 £m
Deferred tax balances are disclosed as follows:		
Deferred tax assets- non-current assets	**44.5**	42.7
Deferred tax liabilities- non-current liabilities	**(37.8)**	(47.7)
Deferred tax net asset/(liability)	**6.7**	(5.0)

20 Derivative financial instruments

	2012		2011	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Interest rate swaps – in cash flow hedge accounting relationships	**-**	**50.7**	–	62.7
Interest rate swaps – not in cash flow hedge accounting relationships	**-**	**94.7**	0.2	91.8
	-	**145.4**	0.2	154.5

Notes to the Preliminary Announcement of unaudited results (continued)

In accordance with IAS 39, the Group has reviewed its interest rate hedges. In the absence of hedge accounting, movements in fair value have been taken directly to the income statement. However, where derivatives qualify for cash flow hedge accounting, the movement in fair value is taken to other comprehensive income through the cash flow hedge reserve.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through income statement of £31.2m (2011:£28.0m).

21 Trade and other payables

	2012 **£m**	2011 £m
Deposits received	**2.6**	4.0
Trade payables	**13.8**	12.7
Taxation and social security	**5.5**	1.5
Accruals and deferred income	**40.8**	58.2
Other payables	**21.7**	-
Deferred consideration payable	**4.0**	-
	88.4	76.4

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

Accruals and deferred income includes £17.3m (2011: £20.1m) of rent received in advance relating to lifetime leases. Other payables of £21.7m (2011: £nil) relates to the settlement of interest rate swap contracts which took place in October 2012.

22 Amounts held-for-sale

The Group has identified certain of its investment properties as held-for-sale in accordance with the criteria set out in IFRS 5.

The Group announced on 9 November 2012, that it had signed an agreement with Heitman, to create a new company in which Grainger will have a 25% equity holding. This company will acquire two wholly owned subsidiaries of the Group for cash of €54.4m. This has been classified as a disposal group with the assets and liabilities shown as held-for-sale as at 30 September 2012.

A write down of £6.9m (€8.4m), before tax, has been recognised representing the director's assessment of the loss on revaluation to fair value, under IAS 40, of the investment property in the disposal group based on the transaction. A reduction in deferred tax liabilities of £1.7m (€2.1m) arises in relation to the loss on revaluation. The net income statement impact after tax is therefore £5.2m (€6.3m).

In addition, investment property in the Retirement Solutions portfolio with a value of £24.9m is being actively marketed. Investment property within the Germany portfolio, with a value of €19.1m (£15.3m) is also being actively marketed. Both are expected to be sold within the next financial year.

Included on the face of the consolidated statement of financial position are total assets of £222.1m and total liabilities associated with those assets of £129.7m classified as held-for-sale. These balances comprise the following:-

Notes to the Preliminary Announcement of unaudited results (continued)

	£m	£m
Total Assets		
Disposal group		
Investment property	177.9	
Cash and cash equivalent	2.6	
Trade and other receivables	1.4	
		181.9
Investment property – Germany portfolio		15.3
Investment property – Retirement Solutions portfolio		24.9
		222.1
Total Liabilities		
Disposal group		
Interest bearing loans and borrowings	120.9	
Trade and other payables	4.0	
Derivative financial instruments	4.8	
		129.7
		129.7

23 Post balance sheet events

On 9 November 2012, the Group announced that it had signed an agreement with Heitman, to create a new company which will acquire, through a share purchase, a portfolio of German residential assets currently wholly owned by the Group. As a result of the transaction, the new company will acquire €232m of investment property from the Group and €152m of debt will be transferred to it from the Group. Grainger will hold a 25% equity stake in the new company which the Group will account for as an associate. The Group will provide management services for which it will receive standard management and incentive fees. It is anticipated that completion will take place before the end of the 2012 calendar year.

On 5 October 2012, the Group signed a facility agreement with Coreal Credit Bank for a loan of €164.9m to refinance the existing facility from Eurohypo which expires in October 2013. The facility was drawn on 25 October 2012 and was used to settle the Eurohypo loan in full. €152m of the Coreal loan will be transferred to the new company referred to above.

Copies of this announcement may be obtained from the Group's registered office, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE. Copies of this announcement can also be found on the Group's website www.graingerplc.co.uk.