Grainger plc

(“Grainger”, the “Group” or the “Company”)
Preliminary Results for the year ended 30 September 2015

GRAINGER REPORTS SOLID PROGRESS AND KEY MILESTONES IN DELIVERING STRATEGY

Grainger plc, the UK’s largest listed residential property owner and manager, today announces its preliminary results for year ended 30 September 2015.

HIGHLIGHTS

- **Strong value growth**, with gross net asset value (NAV) per share up 9.7% or 28p, to 319p (FY14: 291p) and triple net asset value (NNNAV) up 8.8% or 21p, to 263p (FY14: 242p);
- **Continuing strength in trading of reversionary assets on vacancy** with profits from these sales totalling £68.4m (FY14: £60.6m);
- UK vacant sales values 9.1% above September 2014 valuations (FY14: 14.1%); sales margins on vacancy of 50.5% (FY14: 49.2%) and sustained cash generation enabling further strategic investment into our growing PRS business;

MILESTONES IN DELIVERING STRATEGY

- **Group simplification:**
    - German business – Further to the announcement of Grainger’s intention to dispose of its wholly owned German assets, the process of which is well underway, yesterday the Company exchanged contracts to sell its other interest in Germany, our joint venture with Heitman, to a large German investor, which should generate a non-recurring pre-tax profit for Grainger of c.€16m (c.£11m);*
- **Continued investment and growth in PRS portfolio:**
    - Acquired 927 income producing PRS units over the period, bringing total UK PRS portfolio to c.3,650 units (including c.1,900 in co-investment vehicles), with a market value of c.£1,025m, and a further 112 units completed post-year end;
    - Total development pipeline of over 1,500 PRS units, the majority of which are expected to be developed over the next three years;
- **Reduced funding costs**
    - Renewed financing facilities have reduced the group’s cost of debt to 4.6% at the year end (FY14: 5.4%);

FINANCIAL PERFORMANCE

- Recurring profit £41.2m (FY14: £47.1m);
- Profit before tax of £50.0m (FY14: £81.1m), impacted by the £18.2m loss on re-acquisition of ERIL and a £7.0m adverse movement on derivatives;
- Loan to value at 45.5% (FY14: 46.5%);
- A final dividend of 2.11p per ordinary share (FY14: 1.89p), resulting in a total dividend for the year of 2.75p per ordinary share (FY14: 2.50p), an increase of 10%.**

** Please see this morning’s separate RNS announcement for further details.*
*** The dividend will be paid on 12 February 2016 to shareholders on the register at close of business on 29 December 2015.*

- **New senior management team appointed**
    - Appointments of Helen Gordon as CEO and Vanessa Simms as Finance Director provide business with experienced and motivated leadership to execute future strategy;
- **New CEO Strategy Update – 28 January 2016**
    - On 28 January 2016, Helen Gordon, Grainger's new CEO, will provide an update on the Board's strategy.

Baroness Ford, chairman of Grainger, commented:

"I am pleased that we have delivered a number of important changes this year. We continue to make good progress simplifying the Group and making strides in growing our private rented sector business, whilst reducing our cost of debt. We have successfully appointed a new management team with Helen Gordon as CEO and Vanessa Simms as Finance Director, both of whom will add significant value to our business. The business is well positioned to build on its core residential platform. Under Helen's leadership, I have every confidence that we are well placed for the future."

Andrew Cunningham, chief executive of Grainger, said:

"Over the past year, the business has performed well with net asset value rising by nearly 10 per cent. I am pleased that we have made progress with the proposed sale of our German assets and have agreed with our JV partner, Heitman, to bring forward the exit from our German JV. We have also continued to successfully build our private rented sector business, supported by our reversionary assets, which are continuing to deliver good value for the business, providing substantial and predictable cashflows for our investment in higher yielding PRS assets. In addition, we have extended our core facilities out to 2020 and have reduced our cost of borrowing.

"As I approach my retirement, I am pleased to be leaving Grainger in a strong position to move forward and build on its leadership in the UK residential market. With an exciting future ahead, I wish Helen and Vanessa every success in their new roles."

Analyst presentation:

Grainger plc will be holding a presentation for analysts and investors today at 9.00a.m. (GMT), Thursday 19 November 2015 at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

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

Webcast:

The presentation is available via the web and can be accessed here:
http://www.investis-live.com/grainger-plc/5603b7394731d008002a3c55/fy15

Conference call details:

Telephone Number	+44 (0) 20 3059 8125
Participant Password	**Grainger** – this must be quoted to the Operator in order for participants to gain access to the conference.

A replay of the call will be available after the event. Dial-in details for the archive call are:

Telephone Number (excl USA)	+44 121 260 4861
Telephone Number (USA)	1 844 2308 058
Passcode	1811892 followed by #

For further information, please contact:

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Chairman's Statement

In 2015 we have made some important changes at Grainger, in terms of both the leadership of our Company and our future strategy.

Leadership

Robin Broadhurst served the Company with great diligence and skill prior to his retirement in February 2015 after eight years as Chairman and we had intended that Ian Coull would succeed him. Due to ill health, however, Ian was unable to take up the role and so when I was asked by my Board colleagues to take over, I was more than willing to do this. I have now served on the Board for over seven years and have developed a deep admiration for the Company and for the tremendous work that our staff do to ensure that Grainger's customers are well served in safe, secure and decent homes.

Andrew Cunningham also signalled his intention to retire in 2016 after nineteen years as a Director, the last six as Chief Executive. Andrew will retire in early 2016, having seen the Company through the financial crisis and consequent challenges for the property sector. His steady hand and sound judgment meant that Grainger came through the difficult period of 2007-2010 in very good shape. Andrew will be succeeded by Helen Gordon, a highly regarded and very experienced property professional who brings a wealth of expertise gained from senior positions in property development, fund management and most recently, banking. Helen was selected following a thorough search process in which we attracted many first class candidates. The Board is looking forward to working with Helen as we reshape the business during 2016 in line with a refreshed strategy.

Mark Greenwood has been our Finance Director for the last five years. Mark is also retiring this year and we are grateful to him for the important contribution he has made to our business during his time with us.

We are delighted to welcome Vanessa Simms as our new Finance Director in early 2016. She joins us from Unite Group plc, where she has been Deputy Finance Director since 2012, and brings with her significant relevant PLC and real estate experience.

Strategy

When I took over as Chairman, I was pleased to have the backing of so many shareholders for accelerating the pace of change at Grainger, which consisted of making three important changes.

Firstly, we had a clear message that our drive to build the UK's leading private rented sector (PRS) business was well understood and that an increase in pace was greatly welcomed. We have been working hard to accelerate our progress in this area during 2015 with some important acquisitions and development projects. We remain committed to our strategic objective to build a substantial, market-leading PRS business. In our Annual Report and Accounts, we set out both the market opportunity and the risks and challenges associated with this strategy.

In order to accomplish this, our second planned change was to simplify our business model. Although Grainger has traditionally seen merit in diversification, it was clear that the overhead cost of such a strategy was high and that the business needed to be more focussed and play to our core competencies. Accordingly, in 2015 we have been reviewing each of our business lines and where these did not fit with the future shift to a PRS portfolio, we would look to divest, thereby driving enhanced shareholder value. We are well underway with the sale of our German assets, taking advantage of strong demand. We will continue this process of simplification where we are of the view that individual business lines do not align well with our future move to PRS assets.

Thirdly, as part of our on-going balance sheet management we announced early this year that we were reviewing our cost of debt. The majority of our debt was arranged in 2011 (when lending markets were still feeling the effects of the global financial crisis), but as the term of this funding approached an end, we sought to take advantage of the lower costs of borrowing available in the market today. Over the course of this year we have refinanced our core syndicate debt as well as a facility for one of our portfolios. The average cost of debt at the year end is 4.6% which is more appropriate for our future business.

In summary, our business will transition over the next few years from a traditional trading model that was historically aligned with house price inflation to one that is more income focussed, based on a market leading portfolio of PRS assets. The pace and shape of this change and the detail of the execution will be the priority for the new leadership team and a detailed review of our strategy for accomplishing this shift will be set out in the early part of 2016.

Our reversionary portfolio is still highly cash generative and, as these assets naturally become vacant, we are able to realise their full latent value. This process will be important in ensuring that as we grow our PRS portfolio, through both acquisition and development, it can be financed, in part, by recycling capital from this reversionary portfolio.

Board

I am pleased to have had tremendous support from my Board colleagues this year and have worked closely with Andrew Cunningham and Mark Greenwood to implement the changes required to our business. Each has accomplished so much in their final months with Grainger. I wish them both well in their retirement. I would also like to welcome Rob Wilkinson to the Board whose expertise in fund management and real estate will replace the contribution from Simon Davies, who retires from the Board this year. On behalf of the Board, I would like to thank Simon for his valuable input, and we wish him well for the future. Details of the work and activities of the Board and its Committees over the last year are set out in the corporate governance section of our Annual Report and Accounts.

Our staff

Finally, I would like to thank all of the staff at Grainger who deliver such an unrivalled service to our customers. We never forget that we have many thousands of families that make their home with Grainger and we all take that responsibility very seriously. The Board is very grateful to our staff for the tremendous effort they make each and every day.

Baroness Margaret Ford
Chairman
19 November 2015

Chief Executive's Review

In addition to the solid trading performance this year, we have continued to simplify the Group's operations and accelerate the growth of our private rented sector (PRS) business. Over time we will maximise the returns from our regulated tenancy portfolio as properties naturally fall vacant and are sold. In turn we will grow the PRS business to increase the proportion of our income generated by rents. Underpinning this long-term strategic change is our continuing simplification of the business. We have announced the sale of our German JV with Heitman and our intention to dispose of our German assets, which together will leave us as a UK-only focussed residential business.

Financial performance

We have seen strong levels of growth in our key performance measures. NAV has increased by 9.7% and NNNAV by 8.8% and our return on shareholder equity was 10.0%. At the asset level our UK portfolio increased in value by 5.7% and we sold our vacant properties at 9.1% above last September's valuation at a margin of 50.5%, producing a strong sales profit performance of £68.4m, 12.9% above last year's figure of £60.6m. After several years of outperformance, this year our UK residential portfolios performed broadly in line with the wider UK housing market. We continue to see positive signs of future growth in the English regions and continue to invest accordingly.

Our profit before tax reduced to £50.0m from £81.1m, having been adversely affected by the £18.2m loss we incurred as we exercised our security rights to re-acquire the ERIL portfolio, a £7.0m increase in the derivatives fair value charge and a £4.6m reduction in fees and other income compared to last year.

Building a modern PRS business

The imbalances between housing supply and demand allied with the changing attitude towards home ownership have led to increased demand for good quality, well managed private rented accommodation. The PRS is the fastest growing housing tenure in the UK, with nearly one in five people renting privately today.This growing demand is a result of changing lifestyles and economic drivers, which are set to continue. We will meet some of the demand through the acquisition of existing assets and we have successfully bought 927 such units in the year for £86.7m, producing a gross yield of 7.7%. These acquisitions have the advantage of producing immediate income and the opportunity to produce future income and capital growth once absorbed into Grainger's residential management platform.

We have focussed much of our effort this year in building a pipeline of purpose built rental properties. We believe there is considerable demand for such assets, particularly when linked to good property management and high customer service standards. Along with the compelling market opportunity, there are also challenges and risks associated with our strategy. We set these out in detail in our Annual Report and Accounts.

The attractiveness of purpose built PRS assets to the consumer market has been evidenced by our experience at our first such development released to the private rental market earlier this year, Abbeville Apartments in Barking. This building was fully let in less than eight weeks at rent levels above both our expectations and the local market and is producing a gross yield on cost of 10.2%. The block was built under a forward purchase agreement and we will deliver further projects through similar purchase or funding agreements.

This pipeline of assets is further enhanced by our direct development activities, for example at land that we own at Seven Sisters, on sites being developed with the Royal Borough of Kensington and Chelsea and at strategic land sites such as Berewood in Hampshire and Wellesley near Aldershot. Going forward the activities of our development division will increasingly be focussed on delivering product for our PRS business.

In total including acquisitions completed since our year end, we now own, or manage in co-investment vehicles, c.3,650 PRS units in the UK with a further pipeline of c.1,500 units either already secured or at an advanced stage, of which we expect the majority to be developed over the next three years.

Creating a sustainable business

We recognise the importance of creating a sustainable business for all our stakeholders. In particular we are conscious of our responsibility to provide homes to our customers with a personal level of service. Consequently we continue to develop ways of communicating with our tenants – whether through tenants charters or customer satisfaction surveys. We believe that this communication and feedback will become increasingly important in creating a distinctive PRS product in a competitive environment.

We are delighted that our commitment to sustainability and customer service has been recognised in a number of ways this year – Green Star Status in the Global Real Estate Sustainability Benchmark, and being awarded Residential Asset Manager for the fourth successive year in the Property Week RESI Awards amongst others.

Outlook

This year has seen us make real progress in accelerating the strategic change of the business. We are simplifying our activities to create a UK focussed residential specialist with exposure to two main asset classes – a highly cash generative portfolio of reversionary properties which deliver a unique exposure to both capital appreciation and rental income and a growing portfolio of PRS properties which will provide consistent rental income streams. As part of this simplification, we have exchanged contracts for the sale of our German JV with Heitman, which follows our stated intention to dispose of our wholly owned German assets. Following completion of these transactions, we will be a UK-only focussed residential business.

As we simplify the Group, our balance sheet will be significantly strengthened, providinga robust financial platform on which to build a modern PRS business.

The beginning of the 2015/16 year continues to provide evidence of the robust trading characteristics of the business. As at 31 October 2015 our total Group sales pipeline[1] amounted to £68m, which should deliver £33m of profit, with vacant UK sales values on completed sales 1.0% above September 2015 valuations (October 14: £77m, £35m and 1.9% respectively).

Our extensive and unrivalled experience in all aspects of the residential market puts us in an excellent place to be the market leader. It is an important time for the sector and the whole business looks forward to the future with confidence and excitement.

Andrew Cunningham
Chief Executive
19 November 2015

1. Completed sales, contracts exchanged and properties in solicitors' hands.

Performance Overview and Financial Review

Performance Overview

This section reviews the overall Group financial performance, the growth in assets and provides further detail on our income streams.

Reversionary assets

Our reversionary asset portfolio is valued at £1.74bn and comprises 8,498 units in the UK, predominantly in England.

Division	Units	Market value £m
Wholly owned assets	8,234	1,654
Assets under management (co-investments)	264	83
Total Reversionary	**8,498**	**1,737**

Private rented sector (PRS) assets

Our total managed PRS portfolio is valued at £1.36bn and comprises 8,983 units.

	UK		Germany		Total	
	Units	**Market value £m**	**Units**	**Market value £m**	**Units**	**Market value £m**
Wholly owned assets	1,739	399	2,813	143	4,552	542
Assets under management (co-investment)	1,914	625	2,517	193	4,431	818
Total PRS	**3,653**	**1,024**	**5,330**	**336**	**8,983**	**1,360**

	Units	Market Value £m
Total reversionary and private rented sector assets	**17,481**	**3,097**
Development assets	-	95
Assets managed for third parties	2,009	168
Total assets owned and managed	**19,490**	**3,360**

Group Performance

For the twelve months ended 30 September 2015, Gross NAV increased by 9.7% to 319p and NNNAV by 8.8% to 263p.

(£m)	Gross NAV pence/share	NNNAV pence/share
30 September 2014	**291**	**242**
Profit after tax	10	10
Revaluation gain on trading stock:		
Discount reduction	13	13
Value increase	24	24
Elimination of previously recognised surplus on sales	(16)	(16)
Dividends paid	(2)	(2)
Impact of swap break costs	(4)	-
Impact of derivatives and hedging net of tax	1	-
Fair value of fixed rate loan net of tax	-	(3)
Deferred/ Contingent tax	2	(4)
Other	-	(1)
30 September 2015	**319**	**263**

Grainger's reversionary surplus, which is the uplift from the reported market value of our properties to the vacant possession value, including our share of investments in joint ventures and associates, is valued at £507m, equivalent to 121p per share before tax (FY14: £503m; 120p). For our wholly owned assets, this is £477m before tax, 114p per share (FY14: £455m, 109p). This surplus is based on current values (it excludes future house price inflation), is supplementary to our net asset calculations and represents part of the cash and profit which will be crystallised when the properties are sold on vacancy.

UK residential portfolios movements in the year

	2015		2014	
	VPV	Market value	VPV	Market value
Grainger's UK Residential portfolio	5.6%	10.2%	14.6%	15.9%
Grainger's Retirement Solutions portfolio	5.9%	6.6%	6.0%	9.4%
Grainger's combined UK portfolio	5.7%	9.6%	12.0%	14.6%

Our UK residential portfolios have performed well in 2015. The vacant possession value (VPV) in our combined UK portfolios rose by 5.7% whilst their market value rose by 9.6%. A particular contributor to the rise in market value has been the recognition, on advice from our independent valuers, of a narrowing of the discount applied to the vacant possession value to arrive at our market value. This is supported by continuing evidence from tenanted transactions across the whole market. It is also reflective of our own experience when selling and buying tenanted properties. The underlying drivers of the narrowing of the discount are that the average age of the tenants is increasing giving a shorter period to vacancy, there is increasing demand for regulated properties and rents are moving closer to market levels.

The weighted average discount to vacant possession value on our regulated tenancy portfolio has narrowed from 22.8% to 20.0%, increasing NAV by 12.6p and NNNAV by 10.1p (post tax) per share respectively. The impact of this has been to increase the revaluation gain on owned investment properties in the income statement by £1.5m and the uplift on trading stock from statutory book value to market value in our NAV measures by £51.4m.

IPD Region	Regulated tenancies IV Discount % 2014	Regulated tenancies IV Discount % 2015	Assured Short hold Tenancies IV Discount % 2014	Assured Short hold Tenancies IV Discount % 2015
1 – 3 London	77.5	80.0	90.0	95.0
4 – 12 Other regions	75.0	80.0	90.0	95.0

Development portfolio

As at 30 September 2015, the market value of our UK development portfolio was £95.0m (FY14: £107.2m), the reduction being largely due to sales at our Macaulay Walk development during the year.

The gross development value, including joint ventures and partnerships, with detailed planning consent is valued at £550m (FY14: £434m). This includes our 50% share of the King Street, Hammersmith development in conjunction with Helical Bar, which has a total gross development value of £202m, following the receipt of planning permission in November 2013 and seven sites in the Royal Borough of Kensington and Chelsea with a gross development value of £96m.

Co-investment vehicles

Grainger's equity investment in its joint ventures and associates equates to £179.2m (FY14: £177.2m) and principally comprises:

- our 24.9% investment in GRIP, for which we provide property and asset management services, co-investing with APG;
- a 50% investment in Walworth Investment Properties Limited (WIP), our joint venture with Dorrington, which owns the Walworth Estate;
- our 25% investment in the two Stuttgart portfolios in Germany with Heitman, with contracts exchanged for sale post year end;
- a 50% interest in the Hammersmith joint venture with Helical Bar;
- During the year we disposed of our 50% interest in the Sovereign joint venture with Moorfield to Lonestar Real Estate Fund III. This disposal gave rise to a profit of £4.4m which has been treated as a non-recurring item.

The gross asset value of co-investment vehicles at 30 September 2015 was £1,050m (FY14: £1,016m). Grainger's total return from co-investment vehicles in the year amounted to 16.6% (FY14: 23.5%.)

JVs/Associates Summary

	Gross Asset Value 2015 £m	Gross Asset Value 2014 £m	Grainger Equity Investment 2015 £m	Grainger Equity Investment 2014 £m
GRIP	552	500	86	85
WIP	197	176	60	52
Sovereign*	-	55	-	14
Heitman	228	212	22	17
Other	73	73	11	9
Overall Total	**1,050**	**1,016**	**179**	**177**

* Our interest in Sovereign was sold during the year.

Germany

The overall German residential market has continued to perform well and investor interest in the market has continued to strengthen. As announced on 13 August 2015 in our trading update we believe now is an appropriate time to capture the growth in value of our wholly owned assets there and re-invest the proceeds within our UK PRS business. The process of preparing for the sale of our German assets is well underway although, at the year end, not advanced enough for us to classify the business as held for sale.

Our Heitman associate in Germany has delivered a positive performance in 2015, supported by our active asset management approach, returning 25% to Grainger in 2015 (FY14, 15%).

This morning we have announced that we have agreed with our partner, Heitman, to bring forward our exit from our German JV ("MH Grainger JV Sarl", the "JV") and sell it to a large German investor, for a total consideration of c.€136m (c.£97m).

As well as representing a strong return on capital invested, this successful transaction is a further step forward in the Group's stated objective of simplifying its business model, enabling Grainger to align and focus its resources on growing its UK Private Rented Sector business. Today's announcement follows on from Grainger's previously stated intention to sell its wholly owned German assets, which is underway.

Grainger will receive a total gross consideration of c.€48m (c.£34m) for its 25% interest in the JV and performance related premium return on equity, subject to closing balance sheet adjustments. The sale should generate a pre-tax profit compared to the 30 September 2015 investment value of c.€16m (c.£11m) which will be treated as a non-recurring item (c.3p/share NAV benefit before tax). Grainger's internal rate of return on its investment in the German JV over the period since its establishment in late 2012 is 42%. Contracts have been exchanged with completion anticipated by 31 December 2015, subject to regulatory approval by Germany's Federal Cartel Office.

Purchases

Our strong cash generation continues to support reinvestment and we have spent £106m on property purchases in our UK Residential business (FY14: £182m). During the year, we have acquired 927 tenanted PRS units located predominantly in the English regions for £86.7m. On an annualised basis these acquisitions should deliver around £6.7m of gross rental income, reflecting a yield on cost of 7.7%. These acquisitions, and those completed since the year end take Grainger's overall UK owned and managed PRS portfolio to c.3,650 units, one of the largest portfolios in the UK.

Assets under management

The total market value of assets under management ('AUM') at 30 September 2015 was £3,360m, up from £3,159m the previous year. 19,490 units were under management at the year-end (FY14: 19,831). Whilst the number of units has fallen slightly following disposals, strong valuation gains achieved this year on both the wholly owned assets and our co-investment assets has resulted in a net increase in AUM of £201m.

Sales

	Full Year 2015			Full Year 2014		
	No. of units	Gross sales value (£m)	Profit (£m)	No. of units	Gross sales value (£m)	Profit (£m)
Trading sales on vacancy						
UK Residential	310	92.0	52.8	287	78.1	42.9
Retirement Solutions	321	43.4	15.6	364	45.2	17.7
	631	135.4	68.4	651	123.3	60.6
Tenanted sales	98	19.5	4.8	1,331	96.6	10.4
Other sales	32	4.0	3.2	27	6.5	5.5
Residential Total	761	158.9	76.4	2,009	226.4	76.5
Development	-	33.7	9.8	-	32.8	12.3
UK Total	761	192.6	86.2	2,009	259.2	88.8
Germany	43	2.3	0.1	191	15.2	(0.2)
Overall Total	**804**	**194.9**	**86.3**	**2,200**	**274.4**	**88.6**
Deduct: Sales of CHARM properties	(61)	(7.5)	(0.4)	(67)	(7.2)	(0.6)
Statutory sales and profit	743	187.4	85.9	2,133	267.2	88.0

UK Residential & Retirement Solutions

The Company's trading business performed very strongly throughout the year. Margins on sales of vacant properties increased to 50.5% (FY14: 49.2%) and sales of vacant properties were made at an average of 9.1% above September 2014 VPV (2014 excess to 2013 VPV: 14.1%).

Sales of tenanted properties and other sales decreased from £103.1m in 2014 to £23.5m. The largest disposal in the previous year was the sale of a home reversion (Retirement Solutions) portfolio in January 2014 for £84.7m, which generated a profit of £9.9m. This was subsequently re-acquired on 2 April 2015 following the company exercising its security under the sale contract.

Although we expected a deminimus level of profits from tenanted investment sales, we undertook a few opportunistic disposals which enabled us to deliver £4.8m of profit (FY14: £10.4m).

Development

The Development business had sales of £33.7m and generated £9.8m of profit (FY14: £32.8m of sales and £12.3m of profit). This performance was weighted towards the first half of FY15.

Our Macaulay Walk development has again been the principal profit contributor and has delivered an outstanding sales performance with 56 of a total of 57 private units sold by year end with the final unit sold in October. Sales have been completed at values between £850-£1,300/sqft. Since sales commenced at the development it has made a profit of £21.2m delivering a gross margin of 34%. The final phase fit-out of a further 24 residential units is well progressed and we anticipate completion before the end of the calendar year. We already have two units exchanged and two under offer.

Germany

The £2.3m of sales (FY14: £15.2m) relates to general portfolio management and optimisation activities. A broadly breakeven profit result (+£0.1m) built on the small loss (£0.2m) in the prior year which arises as assets are held as investment property and are revalued annually.

Net Rents

	2015	2014
UK Residential	£32.3m	£30.2m
Retirement Solutions	£1.7m	£1.5m
Germany	£3.8m	£5.1m
Development	£0.1m	£0.2m
Net Rents	**£37.9m**	**£37.0m**

We recorded an increase in net rent following the recent portfolio purchases of stabilised PRS assets. Total net rents in the year amounted to £37.9m (FY14: £37.0m).

Our UK Residential portfolio generated net rental income in the year of £32.3m (FY14: £30.2m).

The German business saw net rents of £3.8m (FY14: £5.1m), the reduction principally reflecting the higher level of vacancies arising as we have been upgrading one of our large portfolios, FRM.

Certain assets in the Retirement Solutions portfolio also produce a net rental income and this amounted to £1.7m in the year (FY14: £1.5m).

The UK PRS (market rented) properties which we manage saw like-for-like rent increases, excluding the impact of refurbishment, on new lets of 5.6% and on renewals of 2.4%, compared to the market average of 2.7% according to the Office of National Statistics.

Across our wholly-owned portfolio, rental increases generated an additional £1.5m of gross rental income.

Fees and other income

2015	2014
£8.2m	**£12.8m**

The majority of fee income is derived from asset and property management fees from co-investment vehicles and management contracts.

In the prior year we saw material contributions from performance fees on our G:Ramp arrangement with Lloyds Banking Group. As predicted we have a reduced level of activity in 2015 as this particular arrangement approaches its conclusion. Hence this year we saw a fall in fees and other income from £12.8m to £8.2m. The largest single contributor to fee income is £3.4m arising from management of the GRIP portfolio co-owned with APG.

Financial Review

Our key measures of financial performance are:

	2015	2014
Gross net asset value per share (pence)	319p	291p
Triple net asset value per share (pence)	263p	242p
Operating profit before valuation movements and non-recurring items (OPBVM)	£101.9m	£107.5m
Recurring profit	£41.2m	£47.1m
Profit before tax	£50.0m	£81.1m
Excess on sale of normal sales to previous valuation	9.1%	14.1%
Return on capital employed *	9.5%	17.0%
Return on shareholder equity **	10.0%	25.6%

*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 triple asset value (NNNAV) in the year plus the dividend per share relating to each year as a percentage of opening NNNAV.

The table below summarises our OPBVM, recurring profit and profit before tax.

	2015 £m	2014 £m
Profit on sale of assets	86.3	88.6
Net rents	37.9	37.0
Management fees/other income	8.2	12.8
Overheads/other	(30.5)	(30.9)
OPBVM	**101.9**	**107.5**
Net finance costs	(62.3)	(63.4)
Joint ventures and associates	1.6	3.0
Recurring Profit before tax	**41.2**	**47.1**
Valuation movements including derivatives	26.1	35.3
Non-recurring items	(17.3)	(1.3)
Profit before tax	**50.0**	**81.1**

Divisional analysis of OPBVM

	Profit on sale of assets	Net Rents	Management fees/ other income	Overheads/ Other	Total 2015	Total 2014
	£m	£m	£m	£m	£m	£m
UK Residential portfolio	60.8	32.3	0.5	(9.2)	84.4	71.1
Retirement Solutions portfolio	15.6	1.7	1.6	6.7	25.6	34.8
Fund and third party management	-	-	4.3	(4.9)	(0.6)	2.4
Development assets	9.8	0.1	0.5	(1.7)	8.7	11.9
German residential portfolio	0.1	3.8	1.1	(2.9)	2.1	2.7
Group and other	-	-	0.2	(18.5)	(18.3)	(15.4)
OPBVM 2015	86.3	37.9	8.2	(30.5)	101.9	-
OPBVM 2014	88.6	37.0	12.8	(30.9)	-	107.5

Main movements within OPBVM	**£m**
2014 OPBVM	107.5
Increase in gross rents	1.3
Increase in residential profit on sale	0.3
Decrease in development trading profit	(2.5)
Increase in interest income from CHARM	2.4
Decrease in gross management fee and other income	(4.6)
Increase in property expenses, overheads and other income and expenses	(2.5)
2015 OPBVM	**101.9**

The major movements within OPBVM are:

- A reduction in management fee income with 2014 benefitting from the receipt of performance fees from G:RAMP (our residential asset management agreement with Lloyds Banking Group).
- An increase in interest income from CHARM as a result of an increase in projected cash flows with an increase in vacant possession values of 6.2% this year compared to a forecast 4.0% increase.
- In the development division both 2015 and 2014 have benefitted from strong profits from our Macaulay Walk development where profit in 2015 was slightly lower than in 2014 accounting for the majority of the £2.5m reduction in development trading profit.

Interest income and expense

The net recurring interest charge has decreased from £63.4m in 2014 to £62.3m at 30 September 2015.

Joint ventures and associates

Joint ventures and associates contributed a profit of £1.6m to recurring profit in the year (FY14: £3.0m). (The major contribution from these entities is seen through revaluation – see over).

Valuation and non-recurring items

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

	2015 £m	2014 £m	Movement £m
Valuation			
Adjustment of inventories to net realisable value	(1.2)	0.8	(2.0)
Valuation gain on UK investment property	17.0	7.6	9.4
One-off valuation deficit on German FRM investment property	-	(5.9)	5.9
Valuation gain on German investment property including share of Heitman joint venture	2.5	1.2	1.3
Impairment of joint ventures	(4.1)	(2.4)	(1.7)
Change in fair value of derivatives	(5.8)	1.2	(7.0)
Valuation gains on UK investment property in joint ventures and associates	18.1	33.2	(15.1)
Change in fair value of derivatives of joint ventures and associates	(0.4)	(0.4)	-
	26.1	**35.3**	**(9.2)**
Non-recurring			
Profit on disposal of subsidiary/joint venture	4.4	0.8	3.6
ERIL impairment of receivable plus costs	(11.4)	-	(11.4)
ERIL mark to market debt adjustment net of tax	(6.8)	-	(6.8)
Accelerated loan fees write off/ other	(3.5)	(2.1)	(1.4)
	(17.3)	**(1.3)**	**(16.0)**
Total	**8.8**	**34.0**	**(25.2)**

UK investment property valuation gain

The net valuation uplift in 2015 on our UK wholly owned investment property assets, relating primarily to the Group's wholly owned investment property in its UK Residential division showed an uplift of £17.0m (FY14: £7.6m).

Derivative movements

Fair value movements on derivatives is a charge of £6.2m relating to the Group's derivative contracts including £0.4m relating to our share of derivatives within joint ventures and associates.

The fair value of swaps at 30 September 2015 is a net liability of £33.5m compared to a net liability of £48.0m at 30 September 2014. The reduction relates primarily to £17.9m of swaps cash settled during the year.

Valuation gains in UK joint ventures/ associates

Valuation gains within UK joint venture and associates amounted to £20.2m before deferred tax, or £18.1m after tax (FY14: £37.0m and £33.2m) comprising gains from our joint venture and associate operations with our partners Dorrington and APG.

Germany investment property valuation gains

The German portfolios in direct ownership and in the Heitman joint venture showed an overall valuation gain before deferred tax of £5.1m, (£2.5m after tax) (FY14: a deficit of £3.9m before tax and £4.6m after tax).

Non-recurring

Non-recurring items of £17.3m comprise a loss of £18.2m reported at the half year with respect to the reacquisition of the ERIL portfolio along with a £4.4m profit arising from the disposal of our joint venture interest in Sovereign and a charge of £3.5m relating to the accelerated write off of loan costs on the refinancing of our bank syndicate debt.

Profit before tax

Having taken account of all of the above movements, profit before tax was £50.0m compared to a profit before tax of £81.1m in 2014. The most significant movements which contributed to the decrease were the £18.2m loss on re-acquisition of ERIL, a £7.0m adverse movement on derivatives and a £4.6m reduction in fees and other income.

Tax

The Group has an overall tax charge of £7.3m for the year, comprising a £7.4m UK tax charge and a £0.1m overseas tax credit.

The net reduction of £2.9m, from the expected charge of £10.2m, results from a prior period credit of £4.7m, a £2.8m reduction as tax on JV and Associates' profit is included above the tax line in the Income Statement, a £0.3m reduction from other losses and non-taxable items, offset by non-deductible expenditure totalling £4.9m.

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, which was reconfirmed this year, and to which the Group is committed.

The Group made net corporation tax payments totalling £4.9m in the year.

Earnings per share

Basic earnings per share is a profit of 10.4p (FY14: a profit of 18.1p). A year-on-year comparison is shown below:

	£m	Pence per share
2014 Profit/earnings per share	**74.7**	**18.1**
Movements in:		
OPBVM	(5.6)	(1.4)
Contribution from joint ventures and associates	(1.4)	(0.3)
Fair value of derivatives	(7.0)	(1.7)
Revaluation of investment properties	1.5	0.4
Net interest payable	1.0	0.3
Non-recurring items	(16.0)	(3.9)
Taxation/other	(4.5)	(1.1)
2015 Profit/ earnings per share	**42.7**	**10.4**

Dividend for the year

After considering the investment and working capital needs of the business, the directors have recommended a final dividend of 2.11p per ordinary share (FY14: 1.89p) which equates to £8.7m (FY14: £7.8m). This is in addition to the interim dividend of 0.64p per ordinary share (FY14: 0.61p). The total dividend for the year will therefore be 2.75p per ordinary share (FY14: 2.50p), an increase of 10%. Earnings cover dividends by 3.8 times. The dividend will be paid on 12 February 2016 to shareholders on the register at close of business on 29 December 2015.

Net asset values

We set out below two key measures to enable shareholders to compare our performance year on year.

	30 September 2015	30 September 2014	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	319p	291p	10%
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	263p	242p	9%

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

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

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	1,334	319
Deferred and contingent tax	(179)	(43)
Fair value of derivatives adjustments net of tax	(54)	(13)
NNNAV	**1,101**	**263**

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

	£m	Pence per share
Gross NAV at 30 September 2014	**1,215**	**291**
Profit after tax	43	10
Revaluation gains on trading stock	155	37
Elimination of previously recognised surplus on sales	(66)	(16)
Dividends paid	(10)	(2)
Interest rate swap breaks net of tax	(13)	(3)
Deferred tax on property valuations	10	2
Gross NAV at 30 September 2015	**1,334**	**319**

The major movements in NNNAV in the year are:

	£m	Pence per share
NNNAV at 30 September 2014	**1,012**	**242**
Profit after tax	43	10
Revaluation gains on trading stock	155	37
Elimination of previously recognised surplus on sales	(66)	(16)
Dividends paid	(10)	(2)
Fair value of fixed rate loan net of tax	(12)	(3)
Contingent tax	(18)	(4)
Other	(3)	(1)
NNNAV at 30 September 2015	**1,101**	**263**

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

Division	**Trading Stock £m**	**Income Statement £m**	**Total increase in value £m**
UK Residential	136	15	151
Retirement Solutions	18	2	20
Development	(2)	-	(2)
UK Joint venture and associates*	3	18	21
German Portfolios*	-	3	3
	155	**38**	**193**

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

An increase in market value of 1% across the Group's residential property including our share of joint ventures and associates leads to an increase in value of £24.7m before deferred and contingent tax and £19.6m after tax. This is equivalent to 6p per share on NAV and 5p per share on NNNAV.

Market value analysis of property assets

	Shown as stock at cost £m	**Market value adjustment £m**	**Market value £m**	**Investment property/financial interest in property assets £m**	**Total £m**
Residential	1,057	688	1,745	451	2,196
Development	95	-	95	-	95
Total at 30 September 2015	**1,152**	**688**	**1,840**	**451**	**2,291**
Total at 30 September 2014	1,020	597	1,617	431	2,048

Incudes property assets within held-for-sale

Financial resources, interest cost and derivative movements

	2015	2014
Net Debt	£1,138m	£1,044m
Consolidated Loan to Value	45.5%	46.5%
Core Loan to Value	40.6%	42.0%
Core interest Cover	3.1	3.7
Average maturity of drawn facilities	5.2 years	4.8 years
Headroom	£142m	£297m
Average cost of Debt[1]	5.3%	6.0%
Average cost of Debt at period end[2]	4.6%	5.4%

As at 30 September 2015 net debt was £1,138m, an increase of £94m from the 30 September 2014 level of £1,044m. Our consolidated loan to value now stands at 45.5% (FY14: 46.5%). LTV on the core facility was 40.6% (FY14: 42.0%) compared to a maximum allowable LTV covenant under that facility of 75%. The interest cover ratio on the core facility stood at 3.1 times (2014: 3.7 times) compared to a minimum interest cover covenant of 1.35 times.

As at 30 September 2015, the average maturity of the Group's drawn debt was 5.2 years (FY14: 4.8 years).

In August 2015 the group refinanced its syndicated core facility which had been due to mature in July 2016. The new £580m facility will mature in August 2020. The margin on the facility reduced by 50bps to 170bps and the facility structure enables further pricing benefits to be gained at future lower levels of loan to value.

On 1 October 2015, an amendment and restatement of the Grainger Invest property portfolio bank facility was concluded with the existing lenders, HSBC and Santander, reducing its cost, extending its maturity and increasing its size to £150m from £120m.

Following the refinancing of the Grainger Invest Portfolio, which was completed on 1 October 2015 and which had £109m of outstanding debt due in March 2016 at the balance sheet date. there are now no significant debt repayments until 2020.

At 30 September 2015 the Group had free cash balances of £44m plus available overdraft of £1m along with undrawn committed facilities of £97m. Thus headroom totalled £142m (FY14: £297m). In early October, on the refinancing of the Grainger Invest facility noted above this had increased, on a proforma basis, to £183m.

The Group's average cost of debt at the period end, including costs but excluding commitment fees, was 4.6% (FY14: 5.4%).

At 30 September 2015, gross debt was 77% hedged (FY14: 68%) of which 11% was subject to caps (FY14: 4%).

The material cash outflows were attributable to property purchases, capex and investment totalling £148m, property expenses and overheads of £57m, interest payments of £60m, and swap settlements of £18m. The £65m acquisition of the Just Retirement loan as part of the re-acquisition of ERIL also contributed to the increase in net debt. These outflows were largely offset by gross rents, sales and fees of £258m.

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

Mark Greenwood
Finance director
19 November 2015

[1] Including costs and commitment fees
[2] Including costs but excluding commitment fees

Consolidated income statement (audited)

For the year ended 30 September 2015	Notes	2015 £m	2014 £m
Group revenue	3, 4	**244.1**	319.1
Net rental income	5	**37.9**	35.9
Profit on disposal of trading property	6	**85.4**	87.2
Administrative expenses	8	**(36.1)**	(34.7)
Fees and other income	9	**8.2**	12.8
Other expenses	10	**(5.6)**	(3.6)
Profit on disposal of investment property	7	**0.5**	0.8
Income from financial interest in property assets	16	**9.2**	7.0
Profit on disposal of subsidiary		**-**	0.7
Profit on disposal of joint venture	15	**4.4**	0.1
Write down/ (Write back) of inventories to net realisable value	2	**(1.2)**	0.8
Impairment of joint venture	15	**(4.1)**	(2.4)
Impairment of deferred consideration receivable	23	**(15.8)**	
Operating profit before net valuation gains on investment property		**82.8**	104.6
Net valuation gains on investment property	13	**13.9**	1.5
Operating profit after net valuation gains on investment property		**96.7**	106.1
Change in fair value of derivatives		**(5.8)**	1.2
Finance costs		**(67.7)**	(66.3)
Finance income		**1.9**	2.9
Share of profit of associates after tax	14	**15.4**	21.1
Share of profit of joint ventures after tax	15	**9.5**	16.1
Profit before tax		**50.0**	81.1
Tax charge for the year	19	**(7.3)**	(6.4)
Profit for the year attributable to the owners of the Company		**42.7**	74.7
Basic earnings per share	11	**10.4p**	18.1p
Diluted earnings per share	11	**10.3p**	17.9p

Consolidated statement of comprehensive income (audited)

For the year ended 30 September 2015	Notes	2015 £m	2014 £m
Profit for the year		**42.7**	74.7
Items that will not be transferred to consolidated income statement:			
Actuarial (loss)/ gain on BPT Limited defined benefit pension scheme		**(0.6)**	0.9
Items that will be reclassified subsequently to consolidated income statement:			
Fair value movement on financial interest in property assets	16	**-**	1.0
Exchange differences on translating foreign operations		**(0.7)**	(0.3)
Changes in fair value of cash flow hedges		**(0.8)**	5.4
Other comprehensive income and expense for the year before tax		**(2.1)**	7.0
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to consolidated income statement		**0.1**	(0.1)
Tax relating to items that will be reclassified subsequently to consolidated income statement		**(0.7)**	(1.5)
Other comprehensive income and expense for the year after tax		**(2.7)**	5.4
Total comprehensive income and expense for the year attributable to the owners of the Company		**40.0**	80.1

Included within other comprehensive income is a charge of £0.6m net of tax (2014: credit of £0.9m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position (audited)

As at 30 September 2015	Notes	2015 £m	2014 £m
ASSETS			
Non-current assets			
Investment property	13	**357.8**	332.9
Property, plant and equipment		**1.6**	2.1
Investment in associates	14	**108.4**	103.5
Investment in joint ventures	15	**70.8**	73.6
Financial interest in property assets	16	**93.7**	94.5
Deferred tax assets	19	**12.0**	12.2
Intangible assets		**2.7**	2.2
		647.0	621.0
Current assets			
Inventories – trading property		**1,152.2**	1,020.2
Trade and other receivables	17	**31.6**	74.9
Derivative financial instruments	21	**2.0**	-
Cash and cash equivalents		**88.8**	74.4
Assets classified as held-for-sale		**-**	3.4
		1,274.6	1,172.9
Total assets		**1,921.6**	1,793.9
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	18	**1,093.1**	1,085.0
Retirement benefits		**1.7**	2.2
Provisions for other liabilities and charges		**0.2**	0.3
Deferred tax liabilities	19	**32.3**	25.8
		1,127.3	1,113.3
Current liabilities			
Interest-bearing loans and borrowings	18	**133.3**	33.1
Trade and other payables	20	**56.9**	54.5
Provisions for other liabilities and charges		**0.7**	0.8
Current tax liabilities		**3.0**	6.5
Derivative financial instruments	21	**35.5**	48.0
		229.4	142.9
Total liabilities		**1,356.7**	1,256.2
Net assets		**564.9**	537.7
EQUITY			
Capital and reserves attributable to the owners of the Company			
Issued share capital		**20.9**	20.9
Share premium		**110.7**	110.4
Merger reserve		**20.1**	20.1
Capital redemption reserve		**0.3**	0.3
Cash flow hedge reserve		**(3.5)**	(1.4)
Available-for-sale reserve		**4.6**	4.6
Retained earnings		**411.7**	382.7
Equity attributable to the owners of the Company		**564.8**	537.6
Non-controlling interests		**0.1**	0.1
Total equity		**564.9**	537.7

Consolidated statement of changes in equity (audited)

	Issued share capital	Share premium	Merger reserve	Capital redemption reserve	Cash flow hedge reserve	Equity component of convertible bond	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 1 October 2013	**20.8**	**109.8**	**20.1**	**0.3**	**(5.5)**	**5.0**	**3.8**	**311.1**	**0.1**	**465.5**
Profit for the year	–	–	–	–	–	–	–	74.7	–	74.7
Actuarial gain on BPT Limited defined benefit pension scheme	–	–	–	–	–	–	–	0.9	–	0.9
Fair value movement on financial interest in property assets	–	–	–	–	–	–	1.0	–	–	1.0
Exchange adjustments offset in reserves	–	–	–	–	–	–	–	(0.3)	–	(0.3)
Changes in fair value of cash flow hedges	–	–	–	–	5.4	–	–	–	–	5.4
Tax relating to components of other comprehensive income	–	–	–	–	(1.3)	–	(0.2)	(0.1)	–	(1.6)
Total comprehensive income and expense for the year	–	–	–	–	4.1	–	0.8	75.2	–	80.1
Repayment of convertible bond	–	–	–	–	–	(5.0)	–	5.0	–	–
Award of SAYE shares	0.1	0.6	–	–	–	–	–	–	–	0.7
Purchase of own shares	–	–	–	–	–	–	–	(2.1)	–	(2.1)
Share-based payments charge	–	–	–	–	–	–	–	2.0	–	2.0
Dividends paid	–	–	–	–	–	–	–	(8.5)	–	(8.5)
Balance as at 30 September 2014	**20.9**	**110.4**	**20.1**	**0.3**	**(1.4)**	**–**	**4.6**	**382.7**	**0.1**	**537.7**
Profit for the year	–	–	–	–	–	–	–	42.7	–	42.7
Actuarial loss on BPT Limited defined benefit pension scheme	–	–	–	–	–	–	–	(0.6)	–	(0.6)
Exchange adjustments offset in reserves	–	–	–	–	–	–	–	(0.7)	–	(0.7)
Changes in fair value of cash flow hedges	–	–	–	–	(0.8)	–	–	–	–	(0.8)
Tax relating to components of other comprehensive income	–	–	–	–	(1.3)	–	–	0.7	–	(0.6)
Total comprehensive income and expense for the year	–	–	–	–	(2.1)	–	–	42.1	–	40.0
Award of SAYE shares	–	0.3	–	–	–	–	–	–	–	0.3
Purchase of own shares	–	–	–	–	–	–	–	(4.7)	–	(4.7)
Share-based payments charge	–	–	–	–	–	–	–	2.0	–	2.0
Dividends paid	–	–	–	–	–	–	–	(10.4)	–	(10.4)
Balance as at 30 September 2015	**20.9**	**110.7**	**20.1**	**0.3**	**(3.5)**	**–**	**4.6**	**411.7**	**0.1**	**564.9**

Consolidated statement of cash flows (audited)

For the year ended 30 September 2015	Notes	2015 £m	2014 £m
Cash flow from operating activities			
Profit for the year		**42.7**	74.7
Depreciation and amortisation		**1.1**	0.9
Net valuation gains on investment property	13	**(13.9)**	(1.5)
Net finance costs		**65.8**	63.4
Profit on disposal of subsidiary		**–**	(0.7)
Profit on disposal of joint venture	15	**(4.4)**	(0.1)
Share of profit of associates and joint ventures	14, 15	**(24.9)**	(37.2)
Profit on disposal of investment property	7	**(0.5)**	(0.8)
Share-based payment charge		**2.0**	2.0
Change in fair value of derivatives		**5.8**	(1.2)
Impairment of joint venture	15	**4.1**	–
Impairment of deferred consideration receivable	23	**15.8**	–
Interest income from financial interest in property assets	16	**(9.2)**	(7.0)
Tax	19	**7.3**	6.4
Operating profit before changes in working capital		**91.7**	98.9
Decrease/ (increase) in trade and other receivables		**8.2**	(31.3)
Decrease in trade and other payables		**(0.5)**	(6.2)
Decrease in provisions for liabilities and charges		**(0.2)**	(3.2)
Increase in trading property		**(34.4)**	(65.9)
Cash generated by/ (used by) operations		**64.8**	(7.7)
Interest paid		**(60.8)**	(54.5)
Tax paid		**(4.9)**	(7.2)
Payments to defined benefit pension scheme		**(1.1)**	(1.1)
Net cash outflow from operating activities		**(2.0)**	(70.5)
Cash flow from investing activities			
Proceeds from sale of investment property	7	**14.5**	22.1
Proceeds from financial interest in property assets	16	**10.0**	9.8
Proceeds from sale of joint venture	15	**18.4**	–
Interest received		**0.6**	1.7
Distributions received	14, 15	**2.7**	4.3
Investment in associates and joint ventures	14, 15	**(0.2)**	(5.1)
Acquisition of subsidiary net of cash acquired	23	**0.6**	–
Acquisition of investment property	13	**(29.6)**	(3.4)
Acquisition of property, plant and equipment and intangible assets		**(1.2)**	(2.7)
Net cash inflow from investing activities		**15.8**	26.7
Cash flows from financing activities			
Awards of SAYE options		**0.3**	0.6
Purchase of own shares		**(4.7)**	(2.1)
Proceeds from new borrowings		**523.0**	381.2
Issue of corporate bond		**–**	275.8
Repayment of convertible bond		**–**	(24.3)
Payment of loan costs		**(5.9)**	5.1
Purchase of interest rate caps		**(2.0)**	–
Settlement of derivative contracts		**(17.9)**	(35.3)
Repayment of borrowings		**(481.2)**	(561.5)
Dividends paid	12	**(10.4)**	(8.5)
Net cash inflow from financing activities		**1.2**	31.0

Notes to the Preliminary Announcement of audited financial results

Consolidated statement of cash flows continued (audited)

For the year ended 30 September 2015	Notes	2015 £m	2014 £m
Net increase/ (decrease) in cash and cash equivalents		**15.0**	(12.8)
Cash and cash equivalents at the beginning of the year		**74.4**	90.3
Net exchange movements on cash and cash equivalents		**(0.6)**	(3.1)
Cash and cash equivalents at the end of the year		**88.8**	74.4

1 Accounting policies

1a Basis of preparation

The Board approved this preliminary announcement on 19 November 2015.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2014 or 30 September 2015. Statutory accounts for the year ended 30 September 2014 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2015 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors in 2015, KPMG LLP, have reported on the 2015 accounts and the previous auditors, PricewaterhouseCoopers LLP, have reported on the 2014 accounts. The reports of both auditors were unqualified, did not include reference 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 2015 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, financial interest in property assets and assets classified as held-for-sale.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2015.

The financial information included in this preliminary announcement has been prepared in accordance with the principles of EU endorsed International Financial Standards ('IFRS'), IFRS IC 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 and interpretations

There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have a material impact on the Group.

The Group is assessing the impact of the following revised standards and interpretations that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU the adoption date is less certain.

Annual Improvements to IFRSs 2012 – 2014, effective 2017 financial year;

IFRS 9 Financial Instruments: Classification and Measurement, effective 2019 financial year (not yet endorsed by the EU);

IFRS 15 Revenue from Contracts with Customers, effective 2018 financial year (not yet endorsed by the EU)

1c Valuation of residential property

The Group's residential trading property is carried in the statement of financial position at the lower of cost and net realisable value. The Group's investment property is carried in the statement of financial position at fair value where fair value is the same as market value. The Group does, however, in its principal net asset value measures, NAV and NNNAV, include trading stock at market value.

The composition of property assets at both their statutory book value and at their market value is set out in the following table:-

1c Valuation of residential property (continued)

	UK residential ('UKR') £m	Retirement solutions ('RS') £m	Fund and third-party management ('Funds') £m	UK and European developments ('Development') £m	German residential ('Germany') £m	Total £m	% of properties for which external valuer provides valuation %
Trading property	836.9	220.0	–	95.3	–	**1,152.2**	
Investment property	169.1	46.1	–	–	142.6	**357.8**	
Financial asset	–	93.7	–	–	–	**93.7**	
Total statutory book value	**1,006.0**	**359.8**	–	**95.3**	**142.6**	**1,603.7**	
Allsop LLP							
UK Residential	1,160.3	–	–	–	–	**1,160.3**	**55%**
Retirement Solutions	–	338.2	–	–	–	**338.2**	–
Grainger Invest	327.2	–	–	–	–	**327.2**	**100%**
Tricomm Investment valuation	111.5	–	–	–	–	**111.5**	**100%**
Financial asset (CHARM)	–	93.7	–	–	–	**93.7**	–
Abbeville Apartments	22.9	–	–	–	–	**22.9**	**100%**
Cushman and Wakefield LLP	–	–	–	–	142.6	**142.6**	**96%**
CBRE Limited	–	–	–	95.0	–	**95.0**	**100%**
Total assets at market value	**1,621.9**	**431.9**	–	**95.0**	**142.6**	**2,291.4**	
Trading property	1,452.8	292.1	–	95.0	–	**1,839.9**	
Investment property	169.1	46.1	–	–	142.6	**357.8**	
Financial asset	–	93.7	–	–	–	**93.7**	
Total assets at market value	**1,621.9**	**431.9**	–	**95.0**	**142.6**	**2,291.4**	
Statutory book value	1,006.0	359.8	–	95.3	142.6	**1,603.7**	
Market value uplift*	615.9	72.1	–	(0.3)	–	**687.7**	
	1,621.9	**431.9**	**–**	**95.0**	**142.6**	**2,291.4**	
Net revaluation gain recognised in the income statement for wholly owned properties	14.6	2.4	–	–	(3.1)	**13.9**	
Net revaluation gain relating to joint ventures and associates **	–	–	20.2	–	8.2	**28.4**	
Net revaluation gain recognised in the year**	**14.6**	**2.4**	**20.2**	**–**	**5.1**	**42.3**	

* The market value uplift is the difference between the statutory book value and the market value of the Group's properties. Refer to note 3 for market value net asset measures.

** Includes Group share of joint ventures and associates revaluation gain before tax

1d Group risk factors

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2015 Annual Report and Accounts.

A number of risks faced by the Group are not directly within our control such as the deterioration and/ or lack of stability of wider economic markets or the lack of availability of finance from the market.

Specific risks include the failure to implement our PRS strategy, the failure of a key third party supplier together with our on-going obligations to comply with Health & Safety requirements and other regulatory demands.

1e Forward-looking statements

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

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

2. Analysis of profit before tax

The results for the years ended 30 September 2015 and 2014 respectively have been affected by valuation movements and non-recurring items. The table below provides further analysis of the consolidated income statement showing the results of trading activities separately from these other items.

	2015				2014			
(£m)	Trading	Valuation	Non-recurring	Total	Trading	Valuation	Non-recurring	Total
Group revenue	**244.1**	–	–	**244.1**	319.1	–	–	319.1
Net rental income	**37.9**	–	–	**37.9**	37.0	–	(1.1)	35.9
Profit on disposal of trading property	**85.4**	–	–	**85.4**	87.2	–	–	87.2
Administrative expenses	**(36.1)**	–	–	**(36.1)**	(34.7)	–	–	(34.7)
Fees and other income	**8.2**	–	–	**8.2**	12.8	–	–	12.8
Other expenses	**(3.2)**	–	**(2.4)**	**(5.6)**	(2.6)	–	(1.0)	(3.6)
Profit on disposal of investment property	**0.5**	–	–	**0.5**	0.8	–	–	0.8
Income from financial interest in property assets	**9.2**	–	–	**9.2**	7.0	–	–	7.0
Profit on disposal of subsidiary	–	–	–	–	–	–	0.7	0.7
Profit on disposal of joint venture	–	–	**4.4**	**4.4**	–	–	0.1	0.1
(Writedown)/ write back of inventories to net realisable value	–	**(1.2)**	–	**(1.2)**	–	0.8	–	0.8
Impairment of joint venture	–	**(4.1)**	–	**(4.1)**	–	(2.4)	–	(2.4)
Impairment of deferred consideration receivable	–	–	**(15.8)**	**(15.8)**	–	–	–	–
Operating profit before net valuation gains on investment property	**101.9**	**(5.3)**	**(13.8)**	**82.8**	107.5	(1.6)	(1.3)	104.6
Net valuation gains on investment property	–	**13.9**	–	**13.9**	–	1.5	–	1.5
Operating profit after net valuation gains on investment property	**101.9**	**8.6**	**(13.8)**	**96.7**	107.5	(0.1)	(1.3)	106.1
Change in fair value of derivatives	–	**(5.8)**	–	**(5.8)**	–	1.2	–	1.2
Finance costs	**(64.2)**	–	**(3.5)**	**(67.7)**	(66.3)	–	–	(66.3)
Finance income	**1.9**	–	–	**1.9**	2.9	–	–	2.9
Share of profit of associates after tax	**1.3**	**14.1**	–	**15.4**	3.0	18.1	–	21.1
Share of profit of joint ventures after tax	**0.3**	**9.2**	–	**9.5**	–	16.1	–	16.1
Profit before tax	**41.2**	**26.1**	**(17.3)**	**50.0**	47.1	35.3	(1.3)	81.1

Profit before tax in the trading columns above of £41.2m (2014: £47.1m) is the recurring profit of the Group.

The non-recurring items in 2015 include a loss of £18.2m in relation to the re-acquisition of Equity Release (Increments) Limited (ERIL), a £4.4m profit on the sale of the Sovereign joint venture, and a £3.5m charge relating to the accelerated write off of loan costs after refinancing of bank syndicate debt during 2015. The impairment of joint venture of £4.1m relates to the Group's investments in Curzon Park Limited and its Prague joint venture.

In the prior year the £1.1m non-recurring cost presented within net rental income relates to a provision for contractor remedial costs which we are taking action to recoup. The £2.4m impairment of joint venture relates to the Group's investment in it's Prague joint venture.

3. Segmental information

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

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

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

Information relating to the Group's operating profit or loss by segments is set out below. The table distinguishes between trading, valuation and non-recurring items and should be read in conjunction with Note 2.

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

Notes to the Preliminary Announcement of audited financial results (continued)

3. Segmental information (continued)

2015 Income Statement

(£m)	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	Total
Group revenue							
Segment revenue-external	154.3	35.7	4.3	34.4	15.2	0.2	244.1
Net rental income	32.3	1.7	–	0.1	3.8	–	37.9
Profit on disposal of trading property	60.5	15.1	–	9.8	–	–	85.4
Administrative expenses	(8.9)	(2.0)	(3.9)	(1.1)	(2.9)	(17.3)	(36.1)
Fees and other income	0.5	1.6	4.3	0.5	1.1	0.2	8.2
Other expenses	(0.4)	–	(1.0)	(0.6)	–	(1.2)	(3.2)
Profit on disposal of investment property	0.4	–	–	–	0.1	–	0.5
Income from financial interest in property assets	–	9.2	–	–	–	–	9.2
Operating profit before net valuation gains on investment property	84.4	25.6	(0.6)	8.7	2.1	(18.3)	101.9
Net trading interest payable	(8.0)	(10.8)	1.5	(0.1)	(2.6)	(42.3)	(62.3)
Share of trading profit of joint ventures and associates after tax	–	0.5	0.9	–	0.2	–	1.6
Trading profit before tax, valuation and non-recurring items	76.4	15.3	1.8	8.6	(0.3)	(60.6)	41.2
Write down of inventories to net realisable value	(1.0)	–	–	(0.2)	–	–	(1.2)
Net valuation gains on investment property	14.6	2.4	–	–	(3.1)	–	13.9
Impairment of joint venture	–	–	–	(4.1)	–	–	(4.1)
Profit on disposal of joint venture	–	4.4	–	–	–	–	4.4
Change in fair value of derivatives	–	–	–	–	0.5	(6.3)	(5.8)
Share of valuation gains in joint ventures and associates after tax	–	–	17.7	–	5.6	–	23.3
Impairment of deferred consideration receivable	–	(15.8)	–	–	–	–	(15.8)
Other net non-recurring items	–	(2.4)	–	–	–	(3.5)	(5.9)
Profit before tax							50.0

3. Segmental information (continued)

2014 Income Statement

(£m)	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	Total
Group revenue							
Segment revenue-external	136.8	123.1	8.5	34.1	16.5	0.1	319.1
Net rental income	30.2	1.5	–	0.2	5.1	–	37.0
Profit on disposal of trading property	47.8	27.1	–	12.3	–	–	87.2
Administrative expenses	(8.3)	(2.3)	(4.6)	(1.6)	(3.1)	(14.8)	(34.7)
Fees and other income	0.4	1.7	8.5	1.1	1.0	0.1	12.8
Other expenses	(0.1)	(0.1)	(1.5)	(0.1)	(0.1)	(0.7)	(2.6)
Profit on disposal of investment property	1.1	(0.1)	–	–	(0.2)	–	0.8
Income from financial interest in property assets	–	7.0	–	–	–	–	7.0
Operating profit before net valuation gains on investment property	71.1	34.8	2.4	11.9	2.7	(15.4)	107.5
Net trading interest payable	(8.4)	(9.1)	1.6	(1.0)	(2.7)	(43.8)	(63.4)
Share of trading profit/(loss) of joint ventures and associates after tax	–	0.6	2.6	(0.1)	(0.1)	–	3.0
Trading profit before tax, valuation and non-recurring items	62.7	26.3	6.6	10.8	(0.1)	(59.2)	47.1
Write back of inventories to net realisable value	0.5	–	–	0.3	–	–	0.8
Net valuation gains on investment property	6.4	1.2	–	–	(6.1)	–	1.5
Impairment of joint venture	–	–	–	(2.4)	–	–	(2.4)
Profit on disposal of subsidiary	–	0.7	–	–	–	–	0.7
Profit on disposal of joint venture	–	–	–	–	0.1	–	0.1
Change in fair value of derivatives	–	–	(0.2)	–	(0.1)	1.5	1.2
Share of valuation gains in joint ventures and associates after tax	–	–	33.2	–	1.0	–	34.2
Other net non-recurring items	(2.0)	–		–	(0.1)	–	(2.1)
Profit before tax							81.1

3. Segmental information (continued)

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

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

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

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

2015 Segment net assets

(£m)	UK residential	Retirement solutions	Fund and third-party management	UK and European development	German residential	Other	Total
Total segment net assets (statutory)	223.3	116.4	92.3	81.7	80.2	(29.0)	564.9
Total segment net assets (NAV)	864.1	190.0	100.6	81.4	87.1	10.9	1,334.1
Total segment net assets (NNNAV)	696.9	156.2	92.0	81.5	81.3	(6.4)	1,101.5

3. Segmental information (continued)

2015 Reconciliation of NAV measures

(£m)	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	Gross NAV balance sheet	Deferred and contingent tax	Derivatives	Triple NAV balance sheet
Investment property	357.8	–	357.8	–	–	357.8
Investment in associates	108.4	4.8	113.2	(3.5)	(1.3)	108.4
Investment in joint ventures	70.8	8.0	78.8	(7.8)	(0.2)	70.8
Financial interest in property assets	93.7	–	93.7	–	–	93.7
Intangible assets	2.7	–	2.7	–	–	2.7
Inventories – trading property	1,152.2	687.7	1,839.9	–	–	1,839.9
Trade and other receivables	31.6	–	31.6	–	–	31.6
Derivative financial instruments	2.0	(2.0)	–	–	2.0	2.0
Cash and cash equivalents	88.8	–	88.8	–	–	88.8
Property, plant and equipment	1.6	–	1.6	–	–	1.6
Deferred tax asset	12.0	(7.1)	4.9	–	13.6	18.5
Value of own shares held	–	12.3	12.3	–	–	12.3
Total assets	**1,921.6**	**703.7**	**2,625.3**	**(11.3)**	**14.1**	**2,628.1**
Interest-bearing loans and borrowings	(1,226.4)	–	(1,226.4)	–	(32.3)	(1,258.7)
Trade and other payables	(56.9)	–	(56.9)	–	–	(56.9)
Retirement benefits	(1.7)	–	(1.7)	–	–	(1.7)
Current tax liabilities	(3.0)	–	(3.0)	–	–	(3.0)
Provisions for other liabilities and charges	(0.9)	–	(0.9)	–	–	(0.9)
Deferred and contingent tax liabilities	(32.3)	30.0	(2.3)	(167.6)	–	(169.9)
Derivative financial instruments	(35.5)	35.5	–	–	(35.5)	(35.5)
Total liabilities	**(1,356.7)**	**65.5**	**(1,291.2)**	**(167.6)**	**(67.8)**	**(1,526.6)**
Net assets	**564.9**	**769.2**	**1,334.1**	**(178.9)**	**(53.7)**	**1,101.5**

2014 Segment net assets

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

3. Segmental information (continued)

2014 Reconciliation of NAV measures

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

4. Group revenue

	2015 £m	2014 £m
Gross rental income (see note 5)	**58.7**	57.4
Service charge income on a principal basis (see note 5)	**4.7**	4.2
Gross proceeds from sale of trading property (see note 6)	**172.5**	244.7
Fees and other income (see note 9)	**8.2**	12.8
	244.1	319.1

5. Net rental income

	2015 £m	2014 £m
Gross rental income	**58.7**	57.4
Service charge income on a principal basis	**4.7**	4.2
Property repair and maintenance costs	**(20.5)**	(20.4)
Service charge expense on a principal basis	**(5.0)**	(5.3)
	37.9	35.9

6. Profit on disposal of trading property

	2015 £m	2014 £m
Gross proceeds from sale of trading property	**172.5**	244.7
Selling costs	**(3.5)**	(6.1)
Net proceeds from sale of trading property	**169.0**	238.6
Carrying value of trading property sold	**(83.6)**	(151.4)
	85.4	87.2

7. Profit on disposal of investment property

	2015 £m	2014 £m
Gross proceeds from sale of investment property	**14.9**	22.5
Selling costs	**(0.4)**	(0.6)
Net proceeds from sale of trading property	**14.5**	21.9
Carrying value of trading property sold:		
- Investment property	**(10.2)**	(12.5)
- Assets classified as held-for-sale	**(3.8)**	(8.6)
	0.5	0.8

8. Administrative expenses

	2015 £m	2014 £m
Total Group expenses	**36.1**	34.7

9. Fees and other income

	2015 £m	2014 £m
Property and asset management fee income	**7.5**	12.3
Other sundry income	**0.7**	0.5
	8.2	12.8

10. Other expenses

	2015 £m	2014 £m
External costs relating to fee income	**0.2**	0.9
Transaction expenses	**4.9**	2.5
Business improvement costs	**0.5**	0.2
	5.6	3.6

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held both in Trust and as treasury shares to meet its obligations under the Long Term Incentive Scheme ("LTIS") Deferred Bonus Plan ("DBP") and SAYE schemes 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 LTIS and DBP, based upon the number of shares that would be issued if 30 September 2015 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

	30 September 2015			30 September 2014		
	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	**42.7**	**412,440**	**10.4**	74.7	411,806	18.1
Effect of potentially dilutive securities						
Share options and contingent shares	**-**	**2,927**	**(0.1)**	–	4,333	(0.2)
Diluted earnings per share						
Profit attributable to equity holders	**42.7**	**415,367**	**10.3**	74.7	416,139	17.9

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 Company's discretion. Dividends paid in the year are shown below:

	2015 £m	2014 £m
Ordinary dividends on equity shares:		
Final dividend for the year ended 30 September 2013 – 1.46p per share	**-**	6.0
Interim dividend for the year ended 30 September 2014 – 0.61p per share	**-**	2.5
Final dividend for the year ended 30 September 2014 –1.89p per share	**7.8**	-
Interim dividend for the year ended 30 September 2015 – 0.64p per share	**2.6**	-
	10.4	8.5

A final dividend in respect of the year ended 30 September 2015 of 2.11p per share amounting to £8.7m will be proposed at the 2016 AGM. If approved, this dividend will be paid on 12 February 2016 to shareholders on the register at close of business on 29 December 2015. The 2015 interim dividend of 0.64p per share was paid in July 2015. This gives a total dividend for 2015 of 2.75p per share (2014: 2.50p per share).

13. Investment property

	2015 £m	2014 £m
Opening balance	**332.9**	354.1
Additions	**29.6**	3.4
Disposals	**(10.2)**	(12.5)
Net transfer to assets classified as held-for-sale	**(0.4)**	(2.2)
Net valuation gains	**13.9**	1.5
Exchange adjustments	**(8.0)**	(11.4)
Closing balance	**357.8**	332.9

14. Investment in associates

	2015 £m	2014 £m
Opening balance	**103.5**	88.2
Share of profit for the year	**15.4**	21.1
Dividends received	**(2.1)**	(3.4)
Loans (repaid by)/ advanced to associates	**(7.2)**	0.7
Loan interest received	**-**	(1.2)
Exchange movements	**(0.8)**	(1.4)
Share of change in fair value of cash flow hedges taken through other comprehensive income	**(0.4)**	(0.5)
Closing balance	**108.4**	103.5

As at 30 September 2015, the Group's interest in associates was as follows:

	% of ordinary share capital/ units held	Country of incorporation
G:res1 Limited	26.2	Jersey
GRIP Unit Trust	24.9	Jersey
MH Grainger JV Sarl*	21.0	Luxembourg
Vesta LP	15.0	United Kingdom

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

15. Investment in joint ventures

	Net assets £m	Loans £m	Total £m
At 30 September 2013	42.9	14.8	57.7
Loans advanced	–	2.8	2.8
Increase in provisions against loans	–	(0.4)	(0.4)
Loan interest received	–	(0.3)	(0.3)
Disposal	(0.4)	–	(0.4)
Share of profit for the year	14.4	1.7	16.1
Exchange adjustment	(0.1)	(0.9)	(1.0)
Distributions received	(0.9)	–	(0.9)
At 30 September 2014	**55.9**	**17.7**	**73.6**
Loans advanced	–	7.4	7.4
Increase in provisions against loans	–	(4.1)	(4.1)
Loan interest received	–	(0.7)	(0.7)
Disposal	(14.6)	0.6	(14.0)
Share of profit for the year	9.5	–	9.5
Transfer	(0.8)	0.8	–
Share of change in fair value of cash flow hedges taken through other comprehensive income	(0.3)	–	(0.3)
Distributions received	(0.6)	–	(0.6)
At 30 September 2015	**49.1**	**21.7**	**70.8**

On 1 June 2015 the Group disposed of its joint venture interest in New Sovereign Reversions Limited to Lone Star Real Estates Fund III. The consideration received was £18.4m, resulting in a profit on sale of £4.4m.

On 17 October 2013 the Group disposed of its 50% interest in Gebau Vermogen GmbH to our joint venture partners, for a consideration of €0.5m (£0.4m), resulting in a profit on sale of £0.1m following receipt of a dividend.

At 30 September 2015, the Group's interest in joint ventures was as follows:

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

16. Financial interest in property assets

	2015 £m	2014 £m
Opening balance	**94.5**	96.3
Cash received from the instrument	**(10.0)**	(9.8)
Amounts taken to income statement	**9.2**	7.0
Amounts taken to other comprehensive income before tax	**–**	1.0
Closing balance	**93.7**	94.5

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

The fair value of our interest changes as cash flows are realised and this increase of £nil (2014: increase of £1.0m) has been recognised in the statement of other comprehensive income and the available-for-sale reserve.

17. Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**23.2**	62.4
Deduct: Provision for impairment of trade receivables	**(1.8)**	(2.2)
Trade receivables – net	**21.4**	60.2
Other receivables	**2.3**	5.5
Prepayments	**7.9**	9.2
	31.6	74.9

18. Interest-bearing loans and borrowings

	2015 £m	2014 £m
Current liabilities		
Bank loans	**124.4**	33.5
Non-bank financial institution	**9.3**	(0.1)
Mortgages	**0.2**	0.3
Corporate bond	**(0.6)**	(0.6)
	133.3	33.1
Non-current liabilities		
Bank loans	**537.7**	612.6
Non-bank financial institution	**266.2**	182.6
Mortgages	**16.8**	18.0
Corporate bond	**272.4**	271.8
	1,093.1	1,085.0
Total interest-bearing loans and borrowings	**1,226.4**	1,118.1

19. Tax

	2015 £m	2014 £m
Current tax		
Corporation tax on profit	**5.1**	5.3
Adjustments relating to prior years	**(3.7)**	(5.5)
	1.4	(0.2)
Deferred tax		
Origination and reversal of temporary differences	**6.9**	7.6
Adjustments relating to prior years	**(1.0)**	(1.0)
	5.9	6.6
Income tax charge for the year	**7.3**	6.4

The main rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's results for this financial year are taxed at an effective rate of 20.5%. The change in tax rate has no impact on the income statement in the current year (2014: no impact).

The tax charge for the year of £7.3m (2014: £6.4m) comprises:

	2015 £m	2014 £m
UK tax	**7.4**	7.3
Overseas tax	**(0.1)**	(0.9)
	7.3	6.4

	2015 £m	2014 £m
Deferred tax balances are disclosed as follows:		
Deferred tax assets: non-current assets	**12.0**	12.2
Deferred tax liabilities: non-current liabilities	**(32.3)**	(25.8)
Deferred tax	**(20.3)**	(13.6)

20. Trade and other payables

	2015 £m	2014 £m
Deposits received	**2.9**	2.4
Trade payables	**12.8**	12.0
Tax and social security	**0.5**	2.4
Accruals and deferred income	**40.7**	37.7
	56.9	54.5

Accruals and deferred income includes £10.8m (2014: £12.9m) of rent received in advance relating to lifetime leases. It is not possible for the Group to identify which properties will become vacant within the next 12 months and therefore to identify the proportion of rent received in advance which is expected to be released to the income statement within the next 12 months.

21. Derivative financial instruments

	2015		2014	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Interest rate swaps – in cash flow hedge accounting relationships	–	**5.0**	–	5.2
Interest rate swaps – not in cash flow hedge accounting relationships	**2.0**	**30.5**	–	42.8
	2.0	**35.5**	–	48.0

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

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through the income statement of £5.8m (2014: credit of £1.2m).

22. Related party transactions

During the year ended 30 September 2015 the Group transacted with its joint ventures and associates (details of which are set out in notes 14 and 15). The related party transactions recognised in the Income statement and Statement of financial position are as follows:

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

	2015 Fees recognised £'000	**2015 Year end balance £'000**	**2014 Fees recognised £'000**	**2014 Year end balance £'000**
GRIP Unit Trust	**3,398**	**1,527**	3,131	933
Stuttgart Portfolios	**924**	**–**	956	–
New Sovereign Reversions Limited	**704**	**–**	1,051	193
Walworth Investment Properties Limited	**40**	**40**	40	40
	5,066	**1,567**	5,178	1,166

As described in Note 15, on 1 June 2015, the Group sold its 50% equity interest in New Sovereign Reversions Limited to Lone Star Real Estate Fund III. The fees shown in the table above represent asset management fees earned by the Group from 1 October 2014 up to completion on 1 June 2015.

22. Related Party Transactions (continued)

	2015 Interest recognised £'000	**2015 Year end loan balance £m**	**2015 Interest Rate %**	2014 Interest recognised £'000	2014 Year end loan balance £m	2014 Interest Rate %
GRIP Unit Trust	**1,010**	**24.1**	**4.75**	1,100	31.6	4.75
MH Grainger JV Sarl	**97**	**–**	**7.50**	812	9.6	7.50
Stuttgart Portfolios	**11**	**–**	**8.00**	60	0.6	8.00
New Sovereign Reversions Limited	**(12)**	**–**	**LIBOR+2.35**	(23)	(0.6)	LIBOR + 2.35
Czech Republic combined	**–**	**6.9**	**1.25**	–	7.4	1.25
Curzon Park Limited	**–**	**19.5**	**Nil**	–	18.6	Nil
King Street Developments (Hammersmith) Limited	**–**	**5.9**	**Nil**	–	3.2	Nil
Walworth Investment Properties Limited	**456**	**6.6**	**7.00**	455	6.8	7.00
Vesta LP	**–**	**0.1**	**Nil**	–	–	–
	1,562	**63.1**		2,404	77.2	

The Group's key management are the only other related party. Details of key management compensation are provided in the Annual Report.

23. Business Combination

Acquisition of Equity Release (Increments) Limited

In January 2014, the Group sold Equity Release (Increments) Limited ('ERIL'), a retirement solutions subsidiary owning a home reversions portfolio, to Clifden Holdings Limited ('CHL'). The terms of sale included deferred consideration of £35.1m (40% of the total consideration) which was required to be paid no later than January 2015. CHL intended to fund the payment of the deferred consideration from the proceeds of a securitisation which they subsequently failed to execute. As a result, CHL failed to pay the deferred consideration when it fell due.

As a result of CHL's failure to settle the outstanding receivable, the Group exercised its rights to appoint administrators of CHL and to re-acquire ERIL for a nominal value of £1 on 2 April 2015.

The acquisition is of a business capable of being conducted and managed for the purpose of providing economic benefit to the Group. Accordingly, the directors consider this transaction to be a business combination.

The fair value of the identifiable assets and liabilities of ERIL as at the date of acquisition were:

	Fair value recognised on acquisition £m
Inventories - trading property	96.5
Trade and other receivables	0.1
Cash and cash equivalents	0.6
Deferred tax asset	1.9
	99.1
Accruals and deferred income	1.0
Other creditors	3.0
Interest-bearing loans and borrowings	73.7
Deferred tax liability	2.1
	79.8
Total identifiable net assets at fair value	19.3
Purchase consideration transferred	**19.3**

Assets acquired and liabilities assumed

- The purchase consideration transferred of £19.3m represents that part of the deferred consideration receivable of £35.1m that was recoverable from the fair value of the business acquired as shown above.
- The balance of the deferred consideration receivable of £15.8m has been impaired and written off as a charge in the consolidated income statement under the heading "Impairment of deferred consideration receivable".
- The costs of the acquisition of £2.4m have been expensed in the consolidated income statement within the heading "Other expenses".
- The overall charge on re-acquisition of ERIL is therefore £18.2m and this has been charged to the consolidated income statement and is shown within non-recurring items in Note 3.
- From the date of acquisition, ERIL has contributed £nil to profit after tax and £5.2m to Group revenue. If the combination had taken place at the beginning of the financial year, we estimate, on a pro forma basis, that the profit after tax for the Group would have been £41.0m and Group revenue would have been £252.4m.

24. Post balance sheet events

On 18 November 2015, the Group, along with its joint venture partner, Heitman, exchanged contracts with a large German investor for the sale of its interest in MH Grainger JV Sarl and its interest in Grainger Stuttgart Portfolio one GmbH & Co KG and Grainger Stuttgart Portfolio two GmbH & Co KG. Completion of the sale is anticipated to take place by 31 December 2015 subject to regulatory approval by Germany's Federal Cartel Office. Sales proceeds are expected to be c.€48m (c.£34m) which should generate a profit on sale of c.€16m (c.£11m).

On 1 October 2015 an amendment and restatement of the Grainger Invest Property portfolio bank facility was concluded with the existing banks, HSBC and Santander. The facility of £150m increases the Group's overall bank facilities by £30m.

By order of the Board

Mark Greenwood
Director
19 November 2015

Copies of this statement are being made available to shareholders through the Group's website. Copies may be obtained from the Group's registered office, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE. Further details of this announcement can be found on the Group's website, www.graingerplc.co.uk.