7 November 2013

Grainger plc

("Grainger", the "Group" or the "Company")
Preliminary Results for the year ended 30 September 2013

GRAINGER REPORTS STRONG GROWTH IN ASSET VALUES

Strong overall performance

- Strong rise in net asset value: Triple net asset value rose 38p (24%) to 195p per share (2012: 157p) and gross NAV by 19p (9%) to 242p per share (2012: 223p)

- Pre-tax profit increased significantly to £64.3m (2012: loss of £1.7m)

- Net debt reduced by £235m to £959m with consolidated LTV falling to 48% (2012: 55%)

Continued market outperformance

- Market values of our residential UK portfolios grew by 8.3% (2012: 3.9%) compared to a 5.6% average increase for the combined Nationwide and Halifax house price indices

- Margins on sales of vacant properties increased to 44.9% (2012: 39.6%)

- Sales of vacant properties made at an average of 7.9% above September 2012 vacant possession value (2012: 6.1%), supporting valuations

Dividend

- Final dividend of 1.46p per ordinary share (2012: 1.37p) making a total dividend for the year 2.04p per ordinary share (2012: 1.92p), an increase of 6.25%, resuming a progressive dividend policy while maintaining capacity for accretive reinvestment in the business

Strong income streams

- Receipts from **sales** of assets were £352.9m (2012: £258.4m) including sales of tenanted properties

- Net **rents** were £48.5m (2012: £62.8m), reducing as expected as assets were injected into co-investment structures during the year

- **Fees** from co-invested and co-managed vehicles and other income increased by 17% to £12.9m (2012: £11.0m)

- The contribution from our investment in joint ventures and associates, comprising our share of recurring profit plus our share of revaluation surpluses, amounted to £15.4m (2012: £3.5m)

Robin Broadhurst, Chairman of Grainger plc, commented:

"The first year of our second century has seen strong increases in asset values and reduced debt. Grainger continues to be uniquely placed to take a leading role in a dynamic residential sector which is likely to become increasingly institutional. We are progressing opportunities in the private rented sector and our first build-to-rent scheme at London Road, Barking is already under construction. In addition, we have also been successful in creating new, and reinforcing existing, strategic alliances with high quality partners, such as APG and Heitman. These arrangements enhance our returns and endorse the value of our in-house expertise and operational platforms in the UK and Germany.

We have positioned the business both to take advantage of the positive changes in the owner occupied market (through our reversionary portfolio) and the private rented market sector (through our market rental portfolio)."

Analyst presentation

Grainger plc will be holding a presentation for analysts and investors today at 9.00a.m (GMT), Thursday 7 November 2013 at FTI Consulting, 26 Southampton Buildings, Holborn Gate, London WC2A 1PB.

The presentation will begin promptly at 9.15am (GMT).

The presentation is also available via the web and can be accessed here: http://www.axisto-live.com/investis/clients/grainger-plc/presentations/52498082290a749c58028f79/preliminary-results-2013

There is also a dial-in facility and a copy of the presentation slides will be available on Grainger's website, www.graingerplc.co.uk.

Conference call details:

Telephone Number	+44 20 3059 8125
Participant Password	Grainger

A replay of the call will be available after the event until May 2014. Dial-in details for the archive call are:

Telephone Number	+44 121 260 4861
Passcode	4720450

For further information, please contact:

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Chairman's Statement

The first year of our second century has seen strong increases in asset values and reduced debt.

As I wrote in my statement last year Grainger continues to be uniquely placed to take a leading role in what is a dynamic and changing residential sector. In the year our business has produced strong growth in asset values, substantially increased profit and generated cash to reduce debt. We have taken forward opportunities in the private rented sector and our first build-to-rent scheme at London Road, Barking is already under construction. We have also been creating new, and reinforcing existing, strategic alliances with high quality partners. These arrangements enhance our returns.

Results

Triple net asset value ("NNNAV") rose 38p (24%) to 195p per share (2012: 157p). Gross net asset value rose 19p (9%) to 242p per share (2012: 223p).

The composition of our profit reflects our evolution into a lower geared business. Recurring profit has increased to £37.0m (2012: £34.6m), with reduced interest cost more than outweighing reduced operating profit on a less capital intensive asset base. Supported by strong valuation gains and positive movement on interest rate derivatives, our pre-tax profit rose significantly to £64.3m after a year-on-year favourable movement of £39.1m on derivatives (2012: loss of £1.7m).

In line with our stated strategy, we continued to reduce net debt which fell in the period by £235m from £1,194m to £959m. This reduction combined with our continued outperformance in UK asset values means that the Group's consolidated loan to value ("LTV") is now 48% (2012: 55%). Since March 2011 we have reduced our net debt by a total of £611m whilst increasing our NNNAV by £152m (23%).

Dividends

The directors have recommended a final dividend of 1.46p per ordinary share (2012: 1.37p) to be paid on 7 February 2014 to shareholders on the register at close of business on 20 December 2013. The total dividend for the year will therefore be 2.04p per ordinary share (2012:1.92p), an increase of 6.25%, following the interim dividend of 0.58p per ordinary share (2012: 0.55p). The dividend is covered 6.4 times by earnings.

Board changes

As announced during the year, there have been two changes since 30 September 2012. Henry Pitman retired from the Board at our Annual General Meeting on 6 February 2013 and I would like to take this opportunity to thank him for his contribution to the Group during his six year tenure. Simon Davies was appointed to the Board on 20 November 2012 and we are already benefiting from his wealth of experience, including that gained during his seventeen years at Threadneedle Investments which included the roles of Chief Executive and Chairman.

Outlook

The last few years have shown our ability to outperform when market conditions are challenging. Our results for 2013 show us continuing to outperform in strengthening markets.

The major housing market indices (Nationwide and Halifax) show that national UK house prices have strengthened on average over the twelve months to 30 September 2013 by 5.6%. Transaction volumes have also increased, with the Council of Mortgage Lenders (CML) reporting gross mortgage lending at an estimated £16.2bn in September 2013, 41% higher than September 2012. The UK economy is showing more general signs of growth with GDP showing an increase of 0.8% in Q3 2013, up by 1.5% from Q3 2012. The issues around the Euro, whilst not yet fully resolved, have abated and the September German election result, whilst a coalition is yet to be confirmed, is a sign of stability in the Eurozone's largest economy which bodes well for the future of assets which we own either directly or indirectly in Germany.

The Government support for the owner occupied market has been very evident in 2013. The Help to Buy scheme has enabled more buyers to access mortgage finance and this will continue as the scheme is expanded. Local housing market price performance will however continue to experience variations driven by housing supply and demand, which in turn is driven by the strength of the local economy.

The Government has also been increasing its support of the private rented sector, introducing two major financial incentive schemes to help stimulate growth and investment in the sector. These are the £1bn Build to Rent Fund and £10bn of Government Housing Guarantees to support growth in the rental sector. In addition, it has also established a specialist Private Rented Sector ("PRS") Taskforce to support growth in the sector, comprising experts from the private sector with residential experience including the secondment of a senior manager from Grainger. We will continue to engage closely with the Government and Taskforce and are confident that we will benefit from these financial incentive schemes in due course.

We have positioned the business both to take advantage of the positive changes in the owner occupied market (through our reversionary portfolio) and the private rented sector (through our market rental portfolio) including both assets on our balance sheet and in funds and joint ventures. Whilst taking this positive stance we have also further protected the group from the effect of any future cooling of the markets by reducing leverage.

Strategy and Financial Position

Grainger is a specialist residential company. Our objective is to be a leader in the residential market, delivering sustainable long term returns to our investors and our partners from a combination of sales, rents and fee income.

Our strategy and our business reflect the changing dynamics of the residential market and the current point in the market cycle. We will use our core skills (trading, managing, investing, developing and fund management) and our agility to take advantage of the opportunities presented by these changes.

In the past year we have managed the composition of profit between trading, rents and fees and attained another key objective of reducing net debt and LTV. The deleveraging resulted in a higher level of property sales in 2013 compared to 2012. Adjusting for the effect of profit from sales from tenanted property, the proportion of net rents and gross fees compared to rents, fees and trading profits from vacant sales in 2013 is 54% (2012: 59%). We intend to increase our income from net rents and fees over the coming years, taking advantage of the Group's in-depth expertise and operating platforms.

Having achieved a net debt position of £959m and loan to value of 48.0% we are within a range of gearing of 45% to 50% which we feel is appropriate in the medium term. We believe that LTV, rather than absolute debt levels, will be a more relevant measure through which we can manage the capital structure. Whilst mindful of maintaining appropriate leverage, we are now in a position, with headroom of £292m and on-going cash generation, to take advantage of opportunities that are aligned with the strategy outlined above so long as they generate acceptable returns for our shareholders. In this context we are pleased to confirm that we will pursue a progressive dividend policy.

Our centenary year has been another period of huge achievement. My thanks go to our highly skilled, enthusiastic and committed staff whose efforts have allowed us to reach this position.

We see 2014 as being a year of continuing strength in our markets and we anticipate another year of outperformance.

Robin Broadhurst
Chairman
7 November 2013

Chief Executive's Review

We have seen another period of outperformance from our UK assets this year. Margins on normal trading sales have increased as have net asset values and we have delivered on our target to reduce debt and gearing. Our UK assets have again outperformed the National indices with their market value rising by 8.3% compared to the average increase of 5.6% in the Nationwide and Halifax indices. Within central and inner London the market value of our assets rose by 15.6% compared to an average increase of 9.5% in the Nationwide and Halifax indices for those regions.

Market Overview

The housing market continues to improve particularly beyond London and the South East which has already seen considerable house price growth. It is important that the Government ensures the increased purchasing ability of homebuyers is matched by an increase in housing supply to avoid excessive house price inflation although we currently see no signs of this.

The residential market continued to show regional variations in 2013. However there was an underlying upward trend in house prices across the whole of the UK according to the Land Registry, Nationwide and Halifax house price indices. For the first time since 2007, Nationwide's Q3 index showed annual house price growth in all thirteen UK regions. In London and the South East, where 60% of our assets by market value are located we saw year on year growth of 10.7% in vacant possession values ("VPV") (2012: 6.0%).

There remains a significant mis-match between housing supply and demand in the UK, and the three major political parties in the UK recognise the need for a major increase in housing supply of all tenure types.

The UK government has supported the housing market in a number of ways. In the home ownership mortgage market the Government has introduced two financial support measures – Funding for Lending and Help to Buy – which have led to an increase in the number of housing transactions over the last year. This, in turn, has boosted confidence among house-builders and developers and, according to the Purchasing Managers' Index (PMI), housing construction activity is at its highest point since November 2003.

Following the Montague Review, the Government has made significant strides in implementing policies to stimulate investment and growth in the sector. In particular, it has introduced a £1bn fund for the construction of Build-to-Rent developments and set aside £10bn of Housing Guarantees, whereby it will guarantee borrowers' liabilities against new rental homes. In addition, the Government has established the PRS Taskforce, a specialist group of private sector experts within Government, including a Grainger secondee, responsible for kick-starting investment in the private rented sector. We are well placed to take advantage of these financial incentive schemes and are in regular dialogue with the Government and the Taskforce.

The general political consensus in the UK in support for growth and investment in the private rented sector, particularly focused on large scale, institutional investors, was clearly demonstrated by a recent inquiry by the Communities and Local Government Select Committee. In the same report, the Committee found that rent controls would have a significant negative impact on the sector and called for increased supply of privately rented housing to combat affordability issues. In mid-October 2013, the Government responded to the Select Committee's inquiry and alongside its response published a draft Tenant's Charter for the private rented sector. The Tenants' Charter, which is evidence of the Government's ambition to drive up standards in the sector, is business-friendly and will help improve understanding among both the landlord and tenant communities.

As a result of all these initiatives, we have seen increased activity and investor interest in the UK's private rented sector as we and others have engaged with the Government to put into practice our shared aspirations for this increasingly important tenure type.

Business Overview

Grainger has three main sources of income: receipts from sales of assets that are vacant (2013: £116.4m, 2012: £127.9m) and tenanted and other asset sales (2013: £236.5m, 2012: £130.5m); rents (2013: net rents of £48.5m, 2012: £62.8m); and fees from co-invested and co-managed vehicles and other income (2013: £12.9m, 2012: £11.0m).

In addition, the contribution from our investment in joint ventures and associates before tax and non-recurring items, comprising our share of profit plus our share of revaluation surpluses, amounted to a strongly increased figure of £15.4m (2012: £3.5m).

We have used our skills in trading, managing, developing, fund management and investing in residential property, to great effect in 2013 and have generated growth in the value of our property through our asset and property management expertise, both on our own behalf and that of our co-investors and partners.

Trading

	2013	2012
Profit from asset sales	£77.7m	£77.6m
Margins on vacant sales	44.9%	39.6%
Sales of tenanted and other sales	£236.5m	£130.5m

Profit from total asset sales increased by £0.1m to £77.7m (2012: £77.6m). Margins on sales of vacant properties increased to 44.9% (2012: 39.6%) and sales of vacant properties were made at an average of 7.9% above September 2012 VPV (2012 excess to 2011 VPV: 6.1%). Sales of tenanted properties and other sales increased from 2012 by £106.0m to £236.5m (2012: £130.5m). Whilst we do not expect this scale of tenanted sales in 2014, this nonetheless re-emphasises the liquidity of our portfolio and the defensive quality of our assets as well as our ability to manage the scale of our investments.

Managing

	2013	2012
Rise in market values of UK Residential portfolio	9.3%	4.8%
Rise in market values of Retirement Solutions portfolio	5.9%	1.0%

Market values of our UK residential portfolio rose by 9.3% (2012: 4.8%) and market values of our retirement solutions portfolio rose by 5.9% (2012: 1.0%). We mobilised the outsourcing of UK repairs and maintenance to Kier in September 2013 which has resulted in run rate savings of approximately £2m per annum. We also sold a further 1,534 properties for Lloyds Bank under our RAMP proposition.

Our performance was again recognised by our peers when we won the award of “Asset Manager of the Year” at the RESI Awards in May 2013 for the second year in a row, and when we were awarded “Best Property Company – Residential” at the Estates Gazette Awards in December 2012.

Developing

	2013	2012
Gross development value with detailed planning consent	£314m	£243m

At Wellesley, Aldershot we act as development partner for the Defence Infrastructure Organisation. Our application to redevelop the former Aldershot Garrison for 3,850 homes was granted consent within a six month timescale and work to facilitate the sale of the first phase has already commenced.

We also made progress on our Macaulay Walk scheme in Clapham. We have already pre-sold the social housing element to Networking Housing Group and we will commence sales of the 65 private houses/ apartments and 30,000 sq. ft. office space in early 2014. The estimated gross development value is £58m.

We announced in October 2012 that we had agreed a 125 year contract with the Royal Borough of Kensington and Chelsea to construct and manage a development of affordable, private rented and private homes for sale. In August this year we submitted a detailed planning application for 84 units with a gross development value of circa £110m, of which approximately £60m is build to rent.

We submitted a detailed planning application (in joint venture with Helical Bar) for 196 private residential units as part of a mixed use scheme in Hammersmith. The scheme also includes 20,000 sq ft of retail/leisure and a 40,000 sq ft Council office. This has a gross development value of circa £150m.

At Berewood, the construction work is progressing on site and the first residents moved into the new community this summer. Further to the sale of Phase I to Bloor Homes in September 2012, Grainger sold Phase 2 to Redrow Homes in September this year. The sale comprised 14.4 acres of serviced land on which Redrow will build 248 homes. Total sales revenue from this site now amounts to £24.9m and we anticipate that the next phase will come to market in December 2014.

The development business will be a material contributor to Group profit in 2014.

Fund Management and investing

	2013	**2012**
Gross asset value of co-investment vehicles	£924m	£524m
Grainger net equity investment in the vehicles	£145.9m	£60.3m
Grainger share of profit and revaluation surplus	£15.4m	£3.5m

In December 2012, we formed a strategic partnership with Heitman in Germany, allowing Grainger to retain a management mandate and earn a long term recurring fee income. The gross asset value of this entity at 30 September 2013 is €253m (£212m) and Grainger's net equity investment is €22.5m (£18.8m).

We also formed GRIP, a strategic partnership with Dutch pension fund asset manager APG, in January 2013 to take over the G:Res portfolio, keeping it under Grainger's property and asset management. GRIP is one of the largest PRS funds in the UK and has the ambition to continue to grow, through further acquisitions. The gross asset value of this entity is £429m and Grainger's net equity investment is £65.4m. As part of GRIP's acquisition strategy, Grainger retained management of its Tilt portfolio, through an arm's-length sale to GRIP, further increasing the recurring source of fee income from that vehicle in the process.

We formed a joint venture with Dorrington allowing Grainger to partly crystallise the capital growth in its Walworth Estate, South London, while maintaining a strategic long term stake. The gross asset value of this entity is £136m and the Company's net equity investment is £36.1m.

Asset Performance

	2013	
	VPV	**Market value**
Year-on-year HPI (Nationwide and Halifax)	5.6%	
UK Residential portfolio VPV rise and market value rise	8.2%	9.3%
Retirement solutions portfolio VPV rise and market value rise	2.3%	5.9%
Combined UK Grainger VPV rise and market value rise	6.4%	8.3%

	2013
Reversionary surplus in combined UK portfolio	£483m
Pence per share before tax	116p
Reversionary surplus including share of joint ventures/ associates	£527m
Pence per share before tax	127p
UK Residential portfolio excess on sale to September 2012 value	10.4%
Retirement Solutions portfolio excess on sale to September 2012 value	2.8%
Average excess on sale to September 2012 value	7.9%

We continued to outperform the general housing market in 2013. In the year to 30 September 2013 the two major housing indices (Nationwide and Halifax) showed an average rise of 5.6%. By contrast, the vacant possession value (VPV) in our combined UK portfolios rose by 6.4% whilst their market value rose by 8.3%. The valuations are supported by normal sales (675 units of vacant properties) which on average were made at 7.9% in excess of September 2012 VPV.

Within this, the VPV of our UK Residential portfolio, which benefits from a concentration weighted towards London and the South East of England, rose by 8.2%. The VPV of the more geographically diverse Retirement Solutions assets rose by 2.3%.

The assets in our UK reversionary business continue to sell above their previous valuation. On average our regulated tenancies, supported by selective refurbishment prior to sale, sold at values 10.4% above their September 2012 VPV. Without the benefit of pre-sale refurbishment, sales were at 6.3% above September 2012 VPV. Properties in our retirement solutions business were sold at 2.8% above their September 2012 VPV.

We have been particularly selective in our acquisition activity during the year and have spent only £9.0m on property purchases (2012: £21.7m). Going forward, whilst we will require purchases to meet strict investment criteria, we will be actively seeking and creating investment opportunities.

Despite asset sales of £353m, the reversionary surplus attributable to our UK portfolio is £483m, 116p per share before tax and, including our share of the reversionary surplus in joint ventures and associates, is £527m, 127p per share before tax. This surplus, which does not include future house price inflation, represents the difference between the VPV and market value of our properties which we will realise on sale. This surplus is excluded from Gross NAV and NNNAV and represents a pipeline of profit which will be realised with no planning or construction risk of any sort.

In the year ended 30 September 2013, the market value of our UK development portfolio increased by £7.8m before sales. This increase primarily relates to Macaulay Walk where completion of all phases of the development is expected in early 2014.

Our German portfolio increased in value by 0.9% over the last year although this uplift was partly negated by an increase in real estate taxes which serve to reduce the valuation increase to £0.4m. The two Stuttgart portfolios in our co-investment with Heitman saw increases in market value of 2.2% over the nine months to September 2013. The Group's share of this increase amounted to £1.0m which has been taken through the income statement.

Grainger's equity investment in its joint ventures and associates amounts to £145.9m and principally comprises: our 24.9% investment in GRIP for which we provide property and asset management services, a 50% investment in Walworth Investment Property (WIP), our joint venture with Dorrington, which owns the Walworth Estate, our 25% investment in the two Stuttgart portfolios with Heitman, a 50% interest in the New Sovereign Reversions Ltd joint venture with Moorfield, a 50% interest in our joint ventures at Curzon Park, Prague and Hammersmith within the Development division, a 50% interest in our joint venture in Gebau and our remaining investment in G:Res 1 Limited.

Operational and financial gearing

We have been taking actions in the year to reduce both the operational and financial gearing of the business. Property expenses, on a run rate basis as at 30 September 2013 compared to 30 September 2012 have fallen by £2.5m. We have reduced Group net debt by £235m to £959m in the past twelve months. Over the same period growth NNNAV level is 38p (24%) to 195p since September 2012 when it was 157p. Growth at gross net asset value is 19p (9%) to 242p since 30 September 2012 when it was 223p.

Sales

	Full Year 2013			Full Year 2012		
	No. of units	**Gross sales value (£m)**	**Profit (£m)**	**No. of units**	**Gross sales value (£m)**	**Profit (£m)**
Trading sales on vacancy						
UKR	337	79.5	40.2	390	89.2	37.4
RS	338	36.9	12.0	323	38.7	13.3
	675	116.4	52.2	713	127.9	50.7
Tenanted Sales	1,684	200.0	23.4	489	58.2	9.9
Other Sales	17	3.5	1.4	8	29.0	12.5
Residential Total	2,376	319.9	77.0	1,210	215.1	73.1
Development	-	15.0	1.9	-	18.9	3.4
UK Total	2,376	334.9	78.9	1,210	234.0	76.5
Germany	245	18.0	(1.2)	294	24.4	1.1
Overall Total	**2,621**	**352.9**	**77.7**	**1,504**	**258.4**	**77.6**
Deduct: Sales of CHARM properties	59	5.8	0.4	68	7.9	0.6
Statutory sales and profit	2,562	347.1	77.3	1,436	250.5	77.0

The majority of our sales revenue is generated through the sale of properties when they fall vacant (also known as normal sales). In addition, when we decide that a particular property or portfolio no longer offers attractive future value growth we sell these properties while occupied (tenanted sales). We also take advantage of opportunities to add value by utilising our in-house expertise to refurbish a select number of properties before sale.

This year, profit from sales of property was £77.7m, compared to £77.6m in the previous year. Total gross sales proceeds were £352.9m, compared to £258.4m in 2012. Normal sales generated proceeds of £116.4m compared to £127.9m in the previous year at margins of 44.9% (2012: 39.6%). Tenanted sales rose this year to £200.0m from £58.2m in 2012. These figures reiterate how well our properties continue to sell due to their low average value and un-refurbished nature.

Several large, one-off portfolio sales contributed to this year's sales of tenanted properties, an intentional result of our strategic objective both to reduce our debt and to remove less well performing property from the portfolio. Some investment sales, however, were sold into third party entities in which Grainger has an existing equity stake, allowing us both to repatriate capital and continue to share in the future upside of the assets' value. The sales value recorded is the share of proceeds sold externally and includes the sale of the Walworth Estate, with £56.0m being a 50% share of the full sales value, and the sale of the Tilt Estate to GRIP Fund, with £43.6m being a 75.1% share of the full sales value.

Our vacant sales revenue – a stable and reliable cash flow – will not only continue to be supported through the natural vacancy rate on our reversionary assets, but will also be supported by a number of forthcoming development projects including Berewood, Hortensia Road (RBKC), Macaulay Walk and Young Street (RBKC) in future years.

Our 2013/14 financial year has started well. As at 31 October 2013 our total Group sales pipeline (completed sales, contracts exchanged and properties in solicitors' hands) amounted to £52.3m with UK vacant sales values 6.3% above September 2013 valuations (2012: £38.4m and 4.1% respectively).

Rents

Net rents	2013 £m	2012 £m
UK Residential	37.2	41.8
Germany	8.7	17.1
Retirement Solutions	2.3	3.7
Development	0.3	0.2
Total	**48.5**	**62.8**

Rental income is a regular and predictable income stream for our business. The main contributors to our rental income stream are our wholly owned UK and German portfolios. Our opportunities to increase rent come largely from rent reviews of existing tenanted assets.

In our market let properties and those we manage on behalf of others, rents follow market trends and reflect the quality of the individual unit. As the average length of tenure is around 20 months, we have regular opportunities to ensure that we maximise rents (and our related fees) through our market awareness, the proactivity of our lettings team and our asset management activities.

Our regulated tenancy portfolio also provides a reliable rental income stream albeit at a lower gross yield than our market rented portfolio since the rents charged on our regulated tenancies are sub-market rents. Application can be made for rents on regulated tenancies to be re-registered every two years by local Government rent officers. Any rent increase is capped at the percentage change in UK RPI since the rent was last registered plus a percentage prescribed by law, which is currently 5%. In the past year our regulated tenancy portfolio generated £30m of gross rent.

The UK rental market continues to grow with strong consumer demand and significant interest among international institutional investors. The UK private rented sector is beginning to show signs of maturity, with recent investments from major pension funds and the breakthrough of several build-to-rent schemes, including our development in Barking, East London. We expect this momentum to continue, providing future opportunities for leveraging our expertise and skills to generate further rental income.

Total net rents in the year amounted to £48.5m (2012: £62.8m). Our UK Residential portfolio generated net rental income in the year of £37.2m (2012: £41.8m), an anticipated reduction following the portfolio transfers into co-investment structures referred to above. Underlying rental levels per asset, however, remain strong. The German business delivered net rents, before property management expenses, of €11.6m (2012: €22.8m). Again, the reduction was anticipated and resulted from the transfer of the two Stuttgart portfolios into our co-investment vehicle with Heitman. Certain assets in the Retirement Solutions portfolio also produce a net rental income and this amounted to £2.3m in the year (2012: £3.7m).

Fees and other income

	2013 £m	2012 £m
Fund and third party management	9.6	8.3
Retirement solutions	1.1	1.0
Germany	0.8	-
UK Residential	0.5	0.2
Development	0.5	0.5
Other Income	0.4	1.0
Total	**12.9**	**11.0**

A key strategic element of Grainger's business is to seek opportunities to generate recurring income, including fees. Over the past years we have been successful in increasing fee income through a number of different ventures. Fee income currently makes up 11% of Grainger's total income, and has increased by 128% over three years.

Gross fee income was £12.5m, an increase of 24% compared to £10.0m in 2012 and derives from asset and property management fees from our co-investment vehicles and management contracts. In addition, the Group earned other income of £0.4m (2012: £1.0m).

The UK Residential division generated £0.5m in service charge management fees and £0.2m in other income. In Retirement Solutions, management fees of £1.1m and other income of £0.1m were earned. Management fees relate to the management both of the assets owned by our Sovereign joint venture and the third-party assets managed under external management contracts with Sovereign.

During 2011 Grainger was appointed as development partner for Wellesley, the Aldershot Urban Extension, working with the Defence Infrastructure Organisation, part of the Ministry of Defence. This year this partnership generated a management fee income of £0.3m (2012: £0.3m). As land sales commence, our fees for this project will increase.

Fund and third party management fees of £9.6m comprise management fees from RAMP and GRIP.

Strategy and Future Outlook

In the past, our core business has been heavily focussed on the long term ownership and trading of reversionary assets, principally those subject to regulated tenancies. These assets have and will continue to provide predictable income from sales and rental income, and can provide opportunities to deliver low risk, above-market returns. They also benefit from enhanced value growth due to their London and South East weighting. Market dynamics suggest, however, that in the future there will be greater demand for a more mature, customer focused private rental market. Grainger's experience and expertise make it ideally suited to thrive in this market. This focus on the private rented sector will therefore become a more significant part of our business in the future.

Allied to growth in the rental market are increasing numbers of opportunities for the creation of joint ventures and fund management structures where we can leverage our core skills to create added value for our shareholders and partners and thereby generate recurring fee income for the business. We will continue to strengthen our capabilities in these areas.

In addition the successful delivery of our strategy over recent years has created a scalable platform in terms of skilled people, expert processes, and financial strength that enables us to compete effectively now and in the future across the residential market. Over this period, we have reduced our debt, achieved a balance of income between sales, rents and fees and increased our two net asset measures, NAV and NNNAV.

The four strands of our strategy remain: leading the market, ensuring our assets are located and managed to deliver the best returns, balancing the sources of our income and optimising our financial and operational gearing. As market conditions change so too will each of these strands to ensure an appropriate fit to the opportunities that will arise.

In some cases we will be able to acquire stock by forward commitment to the developers, as we have done at London Road, Barking with Bouygues Development UK. We are currently active in the 'doughnut' zones around central London to acquire similar but somewhat larger opportunities.

At Berewood, we are developing our own stock of PRS housing that we will hold and manage for the long term and we are investigating similar potential at Aldershot. These are examples of where we can accelerate the delivery of new homes on large development sites that we own or manage. As well as selling land with planning permission to house builders for the owner occupier market, we will build stock that we will commit to rent for the longer term. This has a number of advantages to Grainger: first, it allows us to complete large sites more quickly; secondly it ensures we will not compete with the house builders (the natural purchasers of our development plots); and, thirdly, it enables us to secure significant economies of scale in property management.

We are now operating within a range of gearing of 45%-50% which we consider is appropriate in the medium term. We will also actively manage our average cost of debt downwards from its current level, towards 5.0%, which will assist the relationship between rents and fees and interest costs.

After allowing for further vacant sales in the normal course of business, this means that the Group is able to create and take advantage of acquisition and investment opportunities. As well as our appetite for regulated tenancy portfolios and individual regulated properties our focus will include the development of purpose built residential rental stock (build to rent) in London and the South East and, increasingly, in key regional city locations.

The Company is now strongly positioned to take advantage of the current positive market conditions and we look forward to another successful year of forward momentum and value creation.

Andrew Cunningham
Chief Executive Officer
7 November 2013

Financial Review

Our key measures of financial performance are:

	2013	2012
Gross net asset value per share (pence)	242p	223p
Triple net asset value per share (pence)	195p	157p
Operating profit before valuation movements and non-recurring items (OPBVM)	£107.6m	£126.4m
Recurring Profit	£37.0m	£34.6m
Profit/ (loss) before tax	£64.3m	£(1.7)m
Excess on sale of normal sales to previous valuation	7.9%	6.1%
Return on capital employed *	8.1%	5.9%
Return on shareholder equity **	25.2%	3.8%

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

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

The table below summarises our operating profit before valuation movements and non-recurring items (OPBVM), recurring profit and profit before tax.

	2013 £m	2012 £m
Profit on sale of assets	77.7	77.6
Net Rents	48.5	63.5
Management fees/ other income	12.9	11.0
CHARM	5.7	7.1
Overheads /other expenses	(37.2)	(32.8)
OPBVM	**107.6**	**126.4**
Finance costs, net	(71.3)	(90.7)
JV's and associates	0.7	(1.1)
Recurring Profit before tax	**37.0**	**34.6**
Valuation movements including derivatives	33.2	(24.6)
Non-recurring items	(5.9)	(11.7)
Profit/ (loss) before tax	**64.3**	**(1.7)**

We have three income streams within OPBVM. These are sales of residential properties, rental income and management fees/ other income. Within OPBVM we also include income from our CHARM asset, property expenses, overheads and other expenses. A summary of OPBVM by division and of the main movements in the year is set out below:

Divisional Analysis of OPBVM

	Profit on sale of assets £m	Net Rents £m	Management fees/ other income £m	Overheads/ Other £m	Total 2013 £m	Total 2012 £m
UK Residential portfolio	64.5	37.2	0.7	(7.8)	94.6	94.7
Retirement Solutions portfolio	12.5	2.3	1.2	3.0	19.0	22.3
Fund and third party management	-	-	9.6	(6.7)	2.9	1.9
Development assets	1.9	0.3	0.5	(1.5)	1.2	2.8
German residential portfolio	(1.2)	8.7	0.9	(3.7)	4.7	15.7
Group and other	-	-	-	(14.8)	(14.8)	(11.0)
OPBVM 2013	77.7	48.5	12.9	(31.5)	107.6	-
OPBVM 2012	77.6	63.5	11.0	(25.7)	-	126.4

Main movements within OPBVM	£m
2012 OPBVM	126.4
Decrease in gross rents	(18.5)
Increase in residential profit on sale	1.8
Increase in gross management fee and other income	1.9
Decrease in interest income from CHARM	(1.6)
Decrease in development trading profit	(1.5)
Decrease in property expenses and overheads	0.8
Increase in other expenses	(1.7)
2013 OPBVM	**107.6**

The major movements within OPBVM are:

- A decrease of £18.5m in gross rents. This has arisen, as predicted, primarily as a result of the transfer of assets into co-investment vehicles during the year, in Germany with Heitman, and with Dorrington and APG in the UK. This reduced gross rents by £12.9m, with the decrease of £10.5m in Germany being the major contributor to the fall in their OPBVM. Sales across the Group have resulted in a reduction in gross rents of £6.6m, offset by £1.8m of rental increases.
- An increase of £1.8m in relation to profit on sale of residential property assets, primarily due to an increase in margin on vacant sales from 39.6% to 44.9%.
- An increase in gross management fees and other income of £1.9m arising primarily from RAMP, which generated an additional £1.3m of fee income, and the addition of fee income from our German co-investment vehicle within Heitman which contributed £0.8m.

Interest income and expense

The net recurring interest charge has decreased by £19.4m from £90.7m in 2012 to £71.3m at 30 September 2013. This follows from the reduction in debt which was (on a daily average) £1,248m in 2013 (2012: £1,528m), and a lower average cost of debt of 5.7% (2012: 6.1%).

Joint ventures and associates

Joint ventures and associates contributed a profit of £0.7m to recurring profit in the year (2012: loss of £1.1m).

Valuation and non-recurring items

Valuation and non-recurring items in 2013 compared with 2012 is analysed as follows:

	30 September 2013 £m	30 September 2012 £m	Movement
Valuation			
Write down of inventories to net realisable value	0.7	(0.1)	0.8
Valuation gain on investment property	2.9	2.1	0.8
Goodwill impairment	(4.7)	-	(4.7)
Change in fair value of derivatives	21.6	(31.2)	52.8
Valuation gains on investment property in joint venture and associates before tax	14.7	4.6	10.1
Tax on Valuation gains on investment property in joint ventures and associates	(2.3)	-	(2.3)
Change in fair value of derivatives of joint venture and associates	0.3	-	0.3
Non-recurring		-	-
Net gain on purchase of Tricomm debt	1.6	-	1.6
Loss on disposal of subsidiary	(2.3)	-	(2.3)
Costs/ charges/ gains relating to GRIP/ G:res	(2.6)	-	(2.6)
Write down of investment property in disposal group	-	(6.9)	6.9
Other non-recurring costs	(2.6)	(4.8)	2.2
	27.3	**(36.3)**	**63.6**

Tricomm debt settlement

On 27 March 2013 we purchased debt specifically associated with our Tricomm portfolio using our core Group facilities. This was at a discount of 25% to the principal amount of £67m, resulting in a non-recurring profit and a reduction in Group net debt of £15.3m along with an increase in NAV and NNNAV of 3.7p. The associated interest rate swap did not require settlement but we have transferred the movement on its mark to market since acquisition of £13.7m through our income statement in the period. The overall income statement impact is therefore a net gain of £1.6m.

This transaction follows our purchase of the portfolio in 2011 when we acquired net assets of £33.4m (which were reduced in full for the swap mark to market liability at the time of £8.6m) for a consideration of £18.5m leading to a profit on acquisition of £14.9m.

Investment property valuation gain

There was a valuation uplift in 2013 of £2.9m relating primarily to the Group's wholly owned investment property in its UK Residential division. This compares to an uplift of £2.1m to 30 September 2012.

Derivative movements

Fair value movements on derivatives is a credit of £21.6m excluding the Tricomm movement noted above. This includes a positive valuation gain of £31.8m and a further transfer from reserves to income statement of £10.2m relating to swaps settled during the current and prior periods.

The fair value of swaps at 30 September 2013 is a liability of £91.1m compared to £171.9m at 30 September 2012. The September 2012 balance included £21.7m relating to an agreed swap settlement and £4.8m included in liabilities associated with assets held-for-sale.

Valuation gains in joint ventures/ associates

Valuation gains within joint venture and associates amounted to £12.4m after deferred tax comprising gains from our joint venture and associate operations with Heitman, Dorrington and APG.

Other

In addition to those items mentioned above the other non-recurring items in 2013 included costs, charges and gains, including the recycling of swaps, of £2.6m in relation to the transfer of assets from G:Res to GRIP; a £2.3m loss on sale on our German co-investment vehicle with Heitman; and an impairment of goodwill of £4.7m on the sale of the Tilt portfolio to GRIP.

Profit before tax

Having taken account of all of the above movements, profit before tax was £64.3m compared to a loss before tax of £1.7m in 2012. (See note 2 to the accounts in this announcement for further analysis).

Tax

The Group has an overall tax charge of £10.7m for the year, comprising an £11.8m UK tax charge and a £1.1m overseas tax credit.

The net reduction of £4.4m, from the expected charge of £15.1m, results primarily from a prior period credit of £7.5m relating to agreement of tax positions with the UK and German tax authorities, reduced by non-deductible expenditure totalling £2.7m.

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

The Group made net corporation tax payments totalling £16.4m in the year.

Earnings per share

Basic earnings per share is a profit of 13.1p (2012: a profit of 0.1p). A year-on-year comparison is shown below:

	£m	Pence per share
2012 Profit/earnings per share	0.4	0.1
Movements in:		
OPBVM	(18.8)	(4.6)
Goodwill impairment	(4.7)	(1.2)
Contribution from joint ventures and associates excluding revaluation	(2.8)	(0.7)
Fair value of derivatives	52.8	12.9
Revaluation of investment properties including joint ventures and associates net of tax	13.2	3.2
Provisions against trading stock values and loans	0.8	0.2
Net interest payable	22.0	5.4
Taxation/ Other	(9.3)	(2.2)
2013 Profit/ earnings per share	**53.6**	**13.1**

Dividend for the year

After considering the investment and working capital needs of the business, the Directors have recommended a final dividend of 1.46p per ordinary share (2012: 1.37p) which equates to £6.0m (2012: £5.6m). This is in addition to the interim dividend of 0.58p per ordinary share (2012: 0.55p). The total dividend for the year will therefore be 2.04p per ordinary share (2012: 1.92p) an increase of 6.25%. Earnings cover dividends by 6.4 times.

Net asset values

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

	30 September 2013	30 September 2012	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	242p	223p	9%
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	195p	157p	24%

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

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

Reconciliation of Gross NAV to NNNAV

	£m	Pence per share
Gross NAV	1,008	242
Deferred and contingent tax	(113)	(27)
Fair value of derivatives adjustments net of tax	(84)	(20)
NNNAV	**811**	**195**

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

	£m	Pence per share
Gross NAV at 30 September 2012	**929**	**223**
Profit after tax	54	13
Revaluation gains on trading stock	126	30
Elimination of previously recognised surplus on sales	(55)	(13)
Dividends paid	(8)	(2)
Impact of derivatives and hedging net of tax	(33)	(8)
Other	(5)	(1)
Gross NAV at 30 September 2013	**1,008**	**242**

The major movements in NNNAV in the year are:

	£m	Pence per share
NNNAV at 30 September 2012	**654**	**157**
Profit after tax	54	13
Revaluation gains on trading stock	126	30
Elimination of previously recognised surplus on sales	(55)	(13)
Dividends paid	(8)	(2)
Cashflow hedge reserve net of tax	29	7
Contingent tax	(4)	(1)
Other	15	4
NNNAV at 30 September 2013	**811**	**195**

The effect of HPI and our outperformance of it has been a major contributor to growth in asset value. 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 Portfolio	96	3	99
Retirement Solutions Portfolio	21	-	21
Development	8	-	8
JV and associates	1	15	16
	126	**18**	**144**

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 £20.4m before deferred and contingent tax and £16.0m after tax. This is equivalent to 5p per share on NAV and 4p per share on NNNAV.

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

	Shown as stock at cost £m	Market value adjustment £m	Market value £m	Investment property/financial interest in property assets £m	Total* £m
Residential	872	427	1,299	460	1,759
Development	78	6	84	-	84
Total at 30 September 2013	**950**	**433**	**1,383**	**460**	**1,843**
Total at 30 September 2012	1,023	364	1,387	843	2,230

* Incudes property assets within held-for-sale

Financial resources, interest cost and derivative movements

	2013	2012
Net Debt	£959m	£1,194m
Consolidated Loan to Value	48%	55%
Core Loan to Value	40%	48%
Core interest Cover	5.0	3.0
Average maturity of drawn facilities	4.6 years	5.1 years
Headroom	£292m	£148m
Average cost of Debt including costs	5.7%	6.1%

We delivered early on our commitment to reduce net debt to below £1bn by the end of 2013. As at 30 September 2013 net debt was £959m, a reduction of £235m from the 30 September 2012 level of £1,194m and a reduction of £611m in the 30 months since 31 March 2011 when net debt was £1,570m. Our consolidated loan to value now stands at 48% (2012: 55%). LTV on the core facility was 40% (2012: 48%). This compares to a maximum allowable LTV covenant under that facility of 75%. The interest cover ratio on the core facility stood at 5.0 times (2012: 3.0 times). This compares to a minimum interest cover covenant of 1.35 times.

The reduction in debt is after £39m cash outflow on breaking certain "fixed" rate swaps, investing £22.8m into our associate venture with APG and a rise in our euro denominated debt of £9m through exchange rate movements. Notable factors which have served to reduce debt are strong vacant sales of £116m, transfers of assets into strategic alliances of £100m and sales of tenanted and other assets of £137m.

As at 30 September 2013, the average maturity of the Group's committed facilities was 4.4 years (2012: 5.1 years) and the average maturity of the Group's drawn debt was 4.6 years (2012: 5.5 years).

The Group has free cash balances of £62m plus available overdraft of £5m along with undrawn committed facilities of £225m. Thus, headroom totals £292m as at 30 September 2013 (2012: £148m). This headroom is already sufficient, without any further actions, to repay the element of the core debt facility of £137m due in December 2014. There are no further significant repayments until March 2016.

The Group's average interest rate, excluding costs as at 30 September 2013 (based on current Libor/Euribor rates and on current debt hedging), was 5.5% (2012: 6.0%).

The Group's average cost of debt, including costs, through the year to 30 September was 5.7% (year to September 2012: 6.1%).

At 30 September 2013, gross debt was 68% hedged (2012: 85%) of which 3% was subject to caps (2012: 4%).

The business has produced £431m of cash from gross rents, property sales net of fees and fee and other income. The largest outflows of cash are £39m to settle swaps and £60m of interest.

We will also ensure we create options for ourselves as regards the medium to long term financing for the Group and act at appropriate times. These considerations will take into account diversification of funding sources (which may include accessing the debt capital markets), maturity profile, and average maturity as well as cost. This will include regular reviews of our level of interest rate hedging and in particular our portfolio of interest rate swaps.

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
7 November 2013

Consolidated income statement (audited)

For the year ended 30 September 2013	Notes	2013 £m	2012 £m
Group revenue	3,4	283.2	311.4
Net rental income	5	48.5	62.8
Profit on disposal of trading property	6	75.5	74.0
Administrative expenses	8	(33.6)	(31.0)
Other income	9	12.9	11.0
Other expenses	10	(6.3)	(3.4)
Goodwill impairment		(4.7)	–
Profit on disposal of investment property	7	1.8	3.0
Income from financial interest in property assets	16	6.1	7.7
Profit on acquisition of equity in associate		2.1	–
Loss on disposal of subsidiary		(2.3)	–
Write back/(down) of inventories to net realisable value		0.7	(0.1)
Operating profit before net valuation gains on investment property		100.7	124.0
Net valuation gains on investment property	7	2.9	2.1
Write down of investment property in disposal group		–	(6.9)
Operating profit after net valuation gains and write downs on investment property		103.6	119.2
Change in fair value of derivatives	21	7.9	(31.2)
Finance costs		(73.3)	(95.3)
Finance income		17.3	2.1
Share of profit of associates after tax	14	1.0	4.5
Share of profit/(loss) of joint ventures after tax	15	7.8	(1.0)
Profit/(loss) before tax		64.3	(1.7)
Tax (charge)/credit for the year	19	(10.7)	2.1
Profit for the year attributable to the owners of the company		53.6	0.4
Basic earnings per share	11	13.1p	0.1p
Diluted earnings per share	11	12.8p	0.1p

Consolidated statement of comprehensive income (audited)

For the year ended 30 September 2013	Notes	2013 £m	2012 £m
Profit for the year		53.6	0.4
Items that will not be transferred to consolidated income statement:			
Actuarial gain/(loss) on BPT Limited defined benefit pension scheme		0.7	(2.0)
Items that will be reclassified subsequently to consolidated income statement:			
Fair value movement on financial interest in property assets	16	(0.3)	(0.4)
Exchange adjustments offset in reserves		0.5	(0.6)
Changes in fair value of cash flow hedges		36.2	14.1
Other comprehensive income and expense for the year before tax		37.1	11.1
Tax relating to components of other comprehensive income:			
Tax relating to items that will not be transferred to consolidated income statement	19	(0.2)	0.5
Tax relating to items that will be reclassified subsequently to consolidated income statement	19	(7.2)	(2.9)
Other comprehensive income and expense for the year after tax		29.7	8.7
Total comprehensive income and expense for the year attributable to the owners of the company		83.3	9.1

Included within other comprehensive income is £2.4m (2012: £5.0m) relating to associates and joint ventures accounted for under the equity method.

Consolidated statement of financial position (audited)

As at 30 September 2013	Notes	2013 £m	2012 £m
ASSETS			
Non-current assets			
Investment property	13	354.1	525.9
Property, plant and equipment		0.6	0.8
Investment in associates	14	88.2	41.2
Investment in joint ventures	15	57.7	19.2
Financial interest in property assets	16	96.3	99.0
Deferred tax assets	19	20.1	44.5
Intangible assets		1.4	5.3
		618.4	735.9
Current assets			
Inventories – trading property		949.6	1,023.4
Trade and other receivables	17	43.1	35.6
Cash and cash equivalents		90.3	73.3
Assets classified as held-for-sale		9.9	222.1
		1,092.9	1,354.4
Total assets		1,711.3	2,090.3
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	18	1,006.6	1,240.1
Retirement benefits		4.1	5.8
Provisions for other liabilities and charges		0.4	0.5
Deferred tax liabilities	19	25.7	37.8
		1,036.8	1,284.2
Current liabilities			
Interest-bearing loans and borrowings	18	42.4	27.3
Trade and other payables	20	58.7	88.4
Provisions for other liabilities and charges		2.9	–
Current tax liabilities	19	13.9	24.4
Derivative financial instruments	21	91.1	145.4
Liabilities associated with assets held-for-sale		–	129.7
		209.0	415.2
Total liabilities		1,245.8	1,699.4
Net assets		465.5	390.9
EQUITY			
Capital and reserves attributable to the owners of the company			
Issued share capital		20.8	20.8
Share premium		109.8	109.8
Merger reserve		20.1	20.1
Capital redemption reserve		0.3	0.3
Cash flow hedge reserve		(5.5)	(24.5)
Equity component of convertible bond		5.0	5.0
Available-for-sale reserve		3.8	3.9
Retained earnings		311.1	255.4
Equity attributable to the owners of the company		465.4	390.8
Non-controlling interests		0.1	0.1
Total equity		465.5	390.9

Consolidated Statement of changes in equity (audited)

	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Equity component of convertible bond £m	Available - for-sale reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance as at 1 October 2011	20.8	109.8	20.1	0.3	(34.4)	5.0	4.1	261.6	0.1	387.4
Profit for the year	–	–	–	–	–	–	–	0.4	–	0.4
Actuarial gain on BPT Limited defined benefit pension scheme	–	–	–	–	–	–	–	(2.0)	–	(2.0)
Fair value movement on financial interest in property assets	–	–	–	–	–	–	(0.4)	–	–	(0.4)
Exchange adjustments offset in reserves	–	–	–	–	–	–	–	(0.6)	–	(0.6)
Changes in fair value of cash flow hedges	–	–	–	–	14.1	–	–	–	–	14.1
Tax relating to components of other comprehensive income	–	–	–	–	(4.2)	–	0.2	1.6	–	(2.4)
Total comprehensive income and expense for the year	–	–	–	–	9.9	–	(0.2)	(0.6)	–	9.1
Purchase of own shares	–	–	–	–	–	–	–	(0.5)	–	(0.5)
Proceeds from SAYE shares	–	–	–	–	–	–	–	0.4	–	0.4
Share-based payments charge	–	–	–	–	–	–	–	2.1	–	2.1
Dividends paid	–	–	–	–	–	–	–	(7.6)	–	(7.6)
Balance as at 30 September 2012	20.8	109.8	20.1	0.3	(24.5)	5.0	3.9	255.4	0.1	390.9
Profit for the year	–	–	–	–	–	–	–	53.6	–	53.6
Actuarial gain on BPT Limited defined benefit pension scheme	–	–	–	–	–	–	–	0.7	–	0.7
Fair value movement on financial interest in property assets	–	–	–	–	–	–	(0.3)	–	–	(0.3)
Exchange adjustments offset in reserves	–	–	–	–	–	–	–	0.5	–	0.5
Changes in fair value of cash flow hedges	–	–	–	–	36.2	–	–	–	–	36.2
Tax relating to components of other comprehensive income	–	–	–	–	(7.4)	–	0.2	(0.2)	–	(7.4)
Total comprehensive income and expense for the year	–	–	–	–	28.8	–	(0.1)	54.6	–	83.3
Reclassification	–	–	–	–	(9.8)	–	–	9.8	–	–
Purchase of own shares	–	–	–	–	–	–	–	(3.0)	–	(3.0)
Share-based payments charge	–	–	–	–	–	–	–	2.3	–	2.3
Dividends paid	–	–	–	–	–	–	–	(8.0)	–	(8.0)
Balance as at 30 September 2013	20.8	109.8	20.1	0.3	(5.5)	5.0	3.8	311.1	0.1	465.5

Consolidated statement of cash flows (audited)

For the year ended 30 September 2013	Notes	2013 £m	2012 £m
Cash flow from operating activities			
Profit for the year		53.6	0.4
Depreciation		0.2	0.4
Goodwill impairment		4.7	–
Write down of investment property in disposal group		–	6.9
Net valuation gains on investment property	13	(2.9)	(2.1)
Net finance costs		56.0	93.2
Loss on disposal of subsidiary		2.3	–
Share of profit of associates and joint ventures	14,15	(8.8)	(3.5)
Profit on disposal of investment property	7	(1.8)	(3.0)
Profit on acquisition of equity in associate		(2.1)	–
Share-based payment charge		2.3	2.1
Change in fair value of derivatives		(7.9)	31.2
Interest income from financial interest in property assets	16	(6.1)	(7.7)
Taxation	19	10.7	(2.1)
Operating profit before changes in working capital		100.2	115.8
Increase in trade and other receivables		(7.6)	(13.5)
Decrease in trade and other payables		(3.5)	(3.8)
Decrease in provisions for liabilities and charges		(0.8)	(0.1)
Decrease in trading property		73.8	78.3
Cash generated from operations		162.1	176.7
Interest paid		(60.3)	(78.1)
Taxation paid	19	(16.4)	(12.0)
Payments to defined benefit pension scheme		(1.1)	(1.0)
Net cash inflow from operating activities		84.3	85.6
Cash flow from investing activities			
Proceeds from sale of investment property	7	219.9	48.3
Proceeds from financial interest in property assets	16	8.5	10.6
Proceeds from sale of subsidiary		45.0	3.5
Interest received		0.5	0.7
Distributions received	14, 15	1.4	–
Investment in associates and joint ventures	14, 15	(57.8)	(0.5)
Acquisition of investment property	18	(4.3)	(5.5)
Acquisition of property, plant and equipment and intangible assets		(0.9)	–
Net cash inflow from investing activities		212.3	57.1
Cash flows from financing activities			
Proceeds from SAYE options		–	0.4
Purchase of own shares		(3.0)	(0.5)
Proceeds from new borrowings		150.1	79.0
Payment of loan costs		–	(10.5)
Settlement of derivative contracts		(39.3)	(1.2)
Repayment of borrowings		(380.0)	(215.5)
Dividends paid	12	(8.0)	(7.6)
Net cash outflow from financing activities		(280.2)	(155.9)
Net increase/(decrease) in cash and cash equivalents		16.4	(13.2)
Cash and cash equivalents at the beginning of the year		73.3	90.9
Net exchange movements on cash and cash equivalents		0.6	(1.8)
Total cash and cash equivalents at the end of the year		90.3	75.9
Cash held in assets classified as held-for-sale at the end of the year		–	(2.6)
Cash and cash equivalents at the end of the year		90.3	73.3

<u>Notes to the Preliminary Announcement of audited financial results</u>

1 Accounting policies

1a Basis of preparation

The Board approved this preliminary announcement on 7 November 2013.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2012 or 30 September 2013. Statutory accounts for the year ended 30 September 2012 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2013 will be delivered to the Registrar of Companies following the company's annual general meeting.

The auditors have reported on the 2013 and 2012 accounts; their report was unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 30 September 2013 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, derivative financial instruments and financial interest in property assets. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2012.

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

1b Adoption of new and revised International Financial Reporting Standards

New standards and interpretations in the year

i) **New and amended standards issued in the year** At the date of approval of these financial statements, the following interpretations and amendments were issued, endorsed by the EU and are mandatory for the group for the first time for the financial year beginning 1 October 2012. There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have had a material impact on the Group.

ii) New and amended standards

IAS 1, 'Financial Statement Presentation' has been amended and introduced the requirement to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassable to profit or loss subsequently (reclassification adjustments). The group has adopted this revised presentation in these financial statements.

IAS 12, 'Deferred Tax: Recovery of Underlying Assets' introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sales basis, unless an entity has a business model that would indicate the investment property will be consumed in the business.

iii) New and amended standards not yet effective

At the date of authorisation of these financial statements, there were a number of new standards, amendments to existing standards and interpretations in issue that have not been applied in preparing these consolidated financial statements. The group has no plan to adopt these standards earlier than the effective date. Those that are most relevant to the Group are set out below.

IAS 19, 'Employee benefits', was amended in June 2011 and is effective for annual periods beginning on or after 1 January 2013. For defined benefit plans, the Group will change its measurement principles by replacing the interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability including the IFRIC 14 Liability. There will also be a corresponding change in the amount recognised in other comprehensive income, so that the net impact on total comprehensive income and net assets will be nil. If this standard had been applied to the year ended 30 September 2013, it is estimated the income statement charge would have been increased by approximately £0.1m.

IFRS 10, ‘Consolidated Financial statements’, which establishes a single control model that applies to all entities including special purpose entities and requirements management to exercise judgement over which entities are required to be consolidated. IFRS 10 is effective for annual periods beginning on or after 1 January 2014.

IFRS 11, ‘Joint arrangements’, under IFRS 11 the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore subsequent accounting. IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

IFRS 12, ‘Disclosures of interests in other entities’ brings together all the disclosure requirements about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRS 13, ‘Fair value measurement’, provides consistency by making available a single source of guidance on how fair value is measured. IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

In addition, as part of the IASB’s project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’, the IASB has issued the phases of IFRS 9 covering the classification and measurement of financial assets and the accounting for financial liabilities. The other phases, covering hedge accounting and impairment, are still to be completed. In December 2011, the IASB decided that IFRS 9 will be effective for annual periods beginning on or after 1 January 2015. The date for EU adoption is not yet known.

All the above IFRSs, IFRIC interpretations and amendments to existing standards are endorsed by the European Union (‘EU’) at the date of approval of these financial statements.

The directors are currently considering the potential impact arising from the future adoption of these standards and interpretations listed above.

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. The group does, however, in its principal net asset value measures, NAV and NNNAV, include trading stock at market value. The market value of the group’s property which, in the case of investment property, is the same as fair value is detailed below.

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

The results and basis of each valuation and their impact on both the statutory financial statement and market value for the Group's NAV measures are set out in the following table:-

	UK Residential ("UKR") £m	Retirement Solutions ("RS") £m	Fund and third party management ("Funds") £m	UK & European Developments ("Dev") £m	German Residential ("Germany") £m	Total £m	% of properties for which external valuer provides valuation %
Trading property	645.5	226.4	–	77.7	–	949.6	
Investment Property ***	135.6	50.1	–	–	178.3	364.0	
Financial Asset	–	96.3	–	–	–	96.3	
Total statutory book value	781.1	372.8	–	77.7	178.3	1,409.9	
Allsop LLP							
Directors in-house Valuation	751.7	–	–	–	–	751.7	51%
RS	–	435.3	–	–	–	435.3	100%
Grainger Invest	287.4	–	–	–	–	287.4	100%
Investment Valuation	105.9	–	–	–	–	105.9	100%
Cushman and Wakefield LLP	–	–	–	–	178.3	178.3	100%
CBRE Limited	–	–	–	84.3	–	84.3	100%
Total assets at market value	1,145.0	435.3	–	84.3	178.3	1,842,9	
Trading Property	1,009.4	288.9	–	84.3	–	1,382.6	
Investment Property ***	135.6	50.1	–	–	178.3	364.0	
Financial Asset	–	96.3	–	–	–	96.3	
Total assets at market value	1,145.0	435.3	–	84.3	178.3	1,842.9	
Statutory Book Value	781.1	372.8	–	77.7	178.3	1,409.9	
Market Value Uplift*	363.9	62.5	–	6.6	–	433.0	
Net revaluation gain recognised in period**	1.9	0.3	14.0	–	1.4	17.6	

* 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

*** Includes investment property classified as held-for-sale

1d Group risk factors

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

- Long term flat or negative growth in value of group assets
- Lack of readily available funding to either the Group or third parties
- Unfavourable legislation and increased burden from regulatory environment

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2013 Annual Report and Accounts.

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 after tax

The results for the years ended 30 September 2012 and 2013 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.

	2013				2012			
	Trading £m	Valuation £m	Non-recurring £m	Total £m	Trading £m	Valuation £m	Non-recurring £m	Total £m
Group revenue	283.2	–	–	283.2	311.4	–	–	311.4
Net rental income	48.5	–	–	48.5	63.5	–	(0.7)	62.8
Profit on disposal of trading property	75.5	–	–	75.5	74.0	–	–	74.0
Administrative expenses	(33.6)	–	–	(33.6)	(31.0)	–	–	(31.0)
Other income	12.9	–	–	12.9	11.0	–	–	11.0
Other expenses	(3.6)	–	(2.7)	(6.3)	(1.8)	–	(1.6)	(3.4)
Goodwill impairment	–	(4.7)	–	(4.7)	–	–	–	–
Profit on disposal of investment property	1.8	–	–	1.8	3.0	–	–	3.0
Income from financial interest in property assets	6.1	–	–	6.1	7.7	–	–	7.7
Profit on acquisition of equity in associate	–	–	2.1	2.1	–	–	–	–
Loss on disposal of subsidiary	–	–	(2.3)	(2.3)	–	–	–	–
Write back/(down) of inventories to net realisable value	–	0.7	–	0.7	–	(0.1)	–	(0.1)
Operating profit before net valuation gains on investment property	107.6	(4.0)	(2.9)	100.7	126.4	(0.1)	(2.3)	124.0
Net valuation gains on investment property	–	2.9	–	2.9	–	2.1	–	2.1
Write down of investment property in disposal group	–	–	–	–	–	–	(6.9)	(6.9)
Operating profit after net valuation gains on investment property	107.6	(1.1)	(2.9)	103.6	126.4	2.0	(9.2)	119.2
Change in fair value of derivatives	–	21.6	(13.7)	7.9	–	(31.2)	–	(31.2)
Finance costs	(73.3)	–	–	(73.3)	(92.8)	–	(2.5)	(95.3)
Finance income	2.0	–	15.3	17.3	2.1	–	–	2.1
Share of profit of associates after tax	0.7	4.9	(4.6)	1.0	(0.1)	4.6	–	4.5
Share of profit/(loss) of joint ventures after tax	–	7.8	–	7.8	(1.0)	–	–	(1.0)
Profit/(loss) before tax	37.0	33.2	(5.9)	64.3	34.6	(24.6)	(11.7)	(1.7)

The non-recurring gain of £15.3m under ‘finance income’ and £13.7m charge under ‘changes in fair value of derivatives’ relate to the purchase at a discount of bank debt from Bank of America and recycling of the associated swap. The non-recurring charges of £2.7m (2012: £1.6m) under ‘other expenses’ primarily relate to transaction costs. The £2.1m gain shown under ‘profit on acquisition of equity in associate’ and £4.6m charge under ‘share of profit of associates after tax’ relates to the transfer of assets from G:Res to GRIP. The £2.3m loss on sale of subsidiary relates to our German co-investment vehicle with Heitman.

The prior year non-recurring charge of £0.7m under ‘net rental income’ relates to a specific provision made against a one-off structural issue at one of our properties The prior year non-recurring charge of £6.9m relates to the disposal group of assets transferred into a co-investment vehicle post year end. The prior year non-recurring charge of £2.5m under ‘Finance costs’ includes interest payable on overdue tax of £1.5m.

3. Segmental information

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

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

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

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

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

2013 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	204.7	31.1	9.6	15.7	22.1	–	283.2
Net rental income	37.2	2.3	–	0.3	8.7	–	48.5
Profit on disposal of trading property	61.8	11.8	–	1.9	–	–	75.5
Administrative expenses	(7.8)	(2.7)	(4.2)	(1.3)	(3.2)	(14.4)	(33.6)
Other income	0.7	1.2	9.6	0.5	0.9	–	12.9
Other expenses	–	–	(2.5)	(0.2)	(0.5)	(0.4)	(3.6)
Profit on disposal of investment property	2.7	0.3	–	–	(1.2)	–	1.8
Income from financial interest in property assets	–	6.1	–	–	–	–	6.1
Operating profit before net valuation deficits on investment property	94.6	19.0	2.9	1.2	4.7	(14.8)	107.6
Net trading interest payable	(9.0)	(9.3)	0.9	(0.2)	(5.8)	(47.9)	(71.3)
Share of trading loss of joint ventures and associates after tax	–	–	0.9	(0.2)	–	–	0.7
Trading profit before tax, valuation and non-recurring items							37.0
Write back of inventories to net realisable value	1.0	–	–	(0.3)	–	–	0.7
Net valuation gains/(deficits) on investment property	2.2	0.3	–	–	0.4	–	2.9
Goodwill Impairment	(4.7)	–	–	–	–	–	(4.7)
Profit on acquisition of equity in associate	–	–	2.1	–	–	–	2.1
Loss on disposal of subsidiary	–	–	–	–	(2.3)	–	(2.3)
Change in fair value of derivatives	–	–	–	–	–	21.6	21.6
Share of valuation gains in joint ventures and associates after tax	–	–	12.0	–	0.7	–	12.7
Net gain on purchase of debt	1.6	–	–	–	–	–	1.6
Other net non-recurring items	(1.5)	–	(5.0)	–	(0.7)	(0.1)	(7.3)
Profit before tax							64.3

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

2012 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	211.4	35.5	8.3	19.6	36.6	–	311.4
Net rental income	42.5	3.7	–	0.2	17.1	–	63.5
Profit on disposal of trading property	57.6	12.7	–	3.4	0.3	–	74.0
Administrative expenses	(8.6)	(2.9)	(4.6)	(1.3)	(2.6)	(11.0)	(31.0)
Other income and expenses	1.0	1.1	6.5	0.5	0.1	–	9.2
Profit on disposal of investment property	2.2	–	–	–	0.8	–	3.0
Income from financial interest in property assets	–	7.7	–	–	–	–	7.7
Operating profit before net valuation deficits on investment property	94.7	22.3	1.9	2.8	15.7	(11.0)	126.4
Net trading interest payable	(10.0)	(8.3)	–	1.4	(12.7)	(61.1)	(90.7)
Share of trading loss of joint ventures and associates after tax	–	(0.7)	(0.1)	(0.3)	–	–	(1.1)
Trading profit before tax, valuation and non-recurring items							34.6
Write down of inventories to net realisable value	(0.1)	–	–	–	–	–	(0.1)
Net valuation gains/(deficits) on investment property	8.2	(3.3)	–	–	(2.8)	–	2.1
Change in fair value of derivatives	–	–	–	–	–	(31.2)	(31.2)
Share of valuation gains in joint ventures and associates after tax	–	–	4.6	–	–	–	4.6
Other net non-recurring items	(0.9)	–	–	(0.1)	(8.5)	(2.2)	(11.7)
Loss before tax							(1.7)

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

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

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

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

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

2013 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)	164.5	131.6	68.6	57.0	91.5	(47.7)	465.5
Total segment net assets (NAV)	546.1	198.4	71.1	59.4	100.9	32.1	1,008.0
Total segment net assets (NNNAV)	455.7	172.4	68.6	58.9	91.5	(36.2)	810.9

2013 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	354.1	–	354.1	–	–	354.1
CHARM	96.3	–	96.3	–	–	96.3
Trading stock	949.6	433.0	1,382.6	–	–	1,382.6
JV/Associates	145.9	1.3	147.2	(3.5)	(0.4)	143.3
Cash	90.3	–	90.3	–	–	90.3
Deferred tax	20.1	(18.3)	1.8	–	20.9	22.7
Assets held for sale	9.9	–	9.9	–	–	9.9
Other assets	45.1	11.5	56.6	–	–	56.6
Total assets	1,711.3	427.5	2,138.8	(3.5)	20.5	2,155.8
External debt	(1,049.0)	–	(1,049.0)	–	(13.0)	(1,062.0)
Derivatives	(91.1)	91.1	–	–	(91.1)	(91.1)
Deferred tax	(25.7)	23.9	(1.8)	(110.0)	–	(111.8)
Other liabilities	(80.0)	–	(80.0)	–	–	(80.0)
Total liabilities	(1,245,8)	115.0	(1,130.8)	(110.0)	(104.1)	(1,344.9)
Net assets	465.5	542.5	1,008.0	(113.5)	(83.6)	810.9

2012 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)	838.8	287.3	44.1	90.6	118.4	(988.3)	390.9
Total segment net assets (NAV)	1,181.3	341.1	45.9	86.8	132.4	(858.7)	928.8
Total segment net assets (NNNAV)	1,080.6	307.0	44.1	87.6	118.2	(983.1)	654.4

2012 Reconciliation of NAV measures

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

4. Group Revenue

	2013 £m	2012 £m
Gross rental income (see note 5)	71.3	89.8
Service charge income on a principal basis (see note 5)	5.7	9.0
Proceeds from sale of trading property (see note 6)	193.3	201.6
Management fee and other income (see note 9)	12.9	11.0
	283.2	311.4

5. Net rental income

	2013 £m	2012 £m
Gross rental income	71.3	89.8
Service charge income on a principal basis	5.7	9.0
Property repair and maintenance costs	(21.7)	(25.6)
Service charge expense on a principal basis	(6.8)	(10.4)
	48.5	62.8

6. Profit on disposal of trading property

	2013 £m	2012 £m
Gross proceeds from sale of trading property	193.3	201.6
Selling costs	(5.1)	(5.6)
Net proceeds from sale of trading property	188.2	196.0
Carrying value of trading property sold	(112.7)	(122.0)
	75.5	74.0

7. Profit on disposal of investment property

	2013 £m	2012 £m
Gross proceeds from sale of investment property	153.8	48.9
Selling costs	(1.9)	(0.6)
Net proceeds from sale of investment property	151.9	48.3
Carrying value of investment property sold:		
Investment Property	(122.2)	(45.3)
Assets classified as held-for-sale	(27.9)	–
	1.8	3.0

During the year the group has sold investment properties into joint ventures and associates as noted in notes 14 and 15. The total proceeds and carrying value disclosed above have been adjusted to reflect the proportion of the sale that relates to an external party only. The adjustment to carrying value amounts to £68.0m, resulting in a carrying value of £190.2m as shown in note 13.

8. Administrative expenses

	2013 £m	2012 £m
Total group expenses	33.6	31.0

9. Other Income

	2013 £m	2012 £m
Property and asset management fee income	12.5	10.0
Other sundry income	0.4	1.0
	12.9	11.0

10. Other Expenses

	2013 £m	2012 £m
External costs relating to fee income	2.4	1.8
Non-recurring transaction expenses	2.7	1.6
Business improvement costs	1.2	–
	6.3	3.4

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held both in Trust and as treasury shares to meet its obligations under the Long Term Incentive Scheme ("LTIS") Deferred Bonus Plan ("DBP") and SAYE schemes.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its convertible bond, and its share option schemes and contingent share awards under the LTIS and DBP, based upon the number of shares that would be issued if 30 September 2013 was the end of the contingency period. The profit for the period is adjusted to add back the after tax interest cost on the debt component of the convertible bond. Where the effect of the above adjustments is anti-dilutive, they are excluded from the calculation of diluted earnings per share.

	30 September 2013			30 September 2012		
	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	53.6	410.808	13.1	0.4	409,937	0.1
Effect of potentially dilutive securities						
Share options and contingent shares	–	7.234	(0.3)	–	4,971	–
Diluted earnings per share						
Profit attributable to equity holders	53.6	418.042	12.8	0.4	414,908	0.1

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:

	2013 £m	2012 £m
Ordinary dividends on equity shares:		
Final dividend for the year ended 30 September 2011 – 1.30p per share	–	5.3
Interim dividend for the year ended 30 September 2012 – 0.55p per share	–	2.3
Final dividend for the year ended 30 September 2012 – 1.37p per share	5.6	–
Interim dividend for the year ended 30 September 2013 – 0.58p per share	2.4	–
	8.0	7.6

A final dividend in respect of the year ended 30 September 2013 of 1.46p per share amounting to £6.0m will be proposed at the 2014 AGM. If approved, this dividend will be paid on 7 February 2014 to shareholders on the register at close of business on 20 December 2013. The 2013 interim dividend of 0.58p per share was paid in July 2013. This gives a total dividend for 2013 of 2.04p per share (2012: 1.92p per share).

13. Investment property

	2013 £m	2012 £m
Opening balance	525.9	819.9
Additions	4.3	5.5
Disposals	(190.2)	(45.3)
Write down of investment property in disposal group	–	(6.9)
Transfer to assets classified as held-for-sale	(1.3)	(218.1)
Net valuation gains	2.9	2.1
Exchange adjustments	12.5	(31.3)
Closing balance	354.1	525.9

14. Investment in associates

	2013 £m	2012 £m
Opening balance	41.2	34.6
Share of profit	1.0	4.5
Further Investment	55.5	–
Dividends received	(48.2)	–
Loans advanced to Associates	35.6	–
Exchange movements	0.1	–
Share of change in fair value of cash flow hedges taken through other comprehensive income	3.0	2.1
Closing balance	88.2	41.2

On 10 December 2012 the group acquired a 21.0% interest in MH Grainger JV Sarl, a co-investment vehicle set up to acquire a portfolio of German residential assets previously wholly owned by the group.

During the period the group increased its holding in G:res1 Limited from 21.96% to 26.2%, recognising a gain of £1.1m.

On 21 January 2013, the GRIP Unit Trust was formed between the group and APG Strategic Real Estate Pool ("APG") and the group acquired a 27.2% interest. GRIP then acquired the full residential property portfolio previously owned by G:res1 Limited. £1.0m of the consideration due to G:Res1 was paid by GRIP directly to shareholders of G:Res1 Limited.

On 6 August 2013, the group diluted its share in GRIP to 24.9% as APG contributed a disproportionate share of the equity finance when GRIP acquired the Tilt estate portfolio of properties from the group.

Of the £48.2m dividends received, £44.1m were reinvested into GRIP, £3.3m were declared but not paid at 30 September 2013 and the remaining £0.8m was received in cash.

As stated above, the group made a profit on acquisition of equity in associate of £2.1m and this has been shown as a separate item in the consolidated income statement.

	2013 £m	2012 £m
Increased holding in G:Res1 Limited	1.1	–
Payment to G:Res1 shareholders	1.0	–
	2.1	–

As at 30 September 2013, the group's interest in associates was as follows:

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

* Grainger FRM GmbH holds a 20.969% interest in the equity of MH Grainger JV Sarl which owns 94.9% of the equity of Grainger Stuttgart Portfolio one GmbH and Grainger Stuttgart Portfolio two GmbH ("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 1 October 2011	17.8	6.1	23.9
Loans advanced	–	0.5	0.5
Loans repaid	–	(1.6)	(1.6)
Share of loss	(1.0)	–	(1.0)
Exchange adjustment	(0.4)	(0.3)	(0.7)
Distributions received	(1.9)	–	(1.9)
At 30 September 2012	14.5	4.7	19.2
Loans advanced	–	9.7	9.7
Decrease in provisions against loans	–	0.3	0.3
Net assets acquired through sale of assets into a joint venture	21.4	–	21.4
Share of profit	7.8	–	7.8
Reclassification of loss to other expenses	(0.3)	–	(0.3)
Exchange adjustment	0.1	0.1	0.2
Distributions received	(0.6)	–	(0.6)
At 30 September 2013	42.9	14.8	57.7

On 13 May 2013 the group formed a 50:50 joint venture, Walworth Investment Properties Limited ("WIP"), to acquire a portfolio of South London residential properties previously wholly-owned by the group.

On 17 October 2013 the group disposed of our 50% interest in Gebau Vermogen GmbH to our joint venture partners, for a consideration of €0.5m (£0.4m).

Loans advanced of £9.7m relate to loans advanced to WIP (2012: Loans repaid by the group's Sovereign joint venture of £1.6m). Distributions received of £0.6m (2012: £1.9m) relate to dividends received from the Sovereign joint venture.

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

At 30 September 2013, the group's interest in joint ventures was as follows:

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

16. Financial interest in property assets

	2013 £m	2012 £m
Opening balance	99.0	102.3
Cash received from the instrument	(8.5)	(10.6)
Amounts taken to income statement	6.1	7.7
Amounts taken to other comprehensive income before tax	(0.3)	(0.4)
Closing balance	96.3	99.0

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

The fair value of our interest has decreased as cash flows are realised and this decrease of £0.3m (2012: £0.4m) has been recognised in the statement of other comprehensive income and the available-for-sale reserve.

17. Trade and other receivables

	2013 £m	2012 £m
Trade receivables	31.3	27.4
Deduct: Provision for impairment of trade receivables	(1.3)	(1.4)
Trade receivables – net	30.0	26.0
Other receivables	7.4	4.9
Prepayments	5.7	4.7
	43.1	35.6

18. Interest bearing loans and borrowings

	2013 £m	2012 £m
Current liabilities		
Bank loans	12.6	21.0
Non-bank financial institution	5.2	6.0
Mortgages	0.3	0.3
Convertible bond	24.3	–
	42.4	27.3
Non-current liabilities		
Bank loans	810.5	1,023.0
Non-bank financial institution	176.5	174.9
Mortgages	19.6	18.9
Convertible bond	–	23.3
	1,006.6	1,240.1
Total interest-bearing loans and borrowings	1,049.0	1,267.4

19. Taxation

	2013 £m	2012 £m
Current tax		
Corporation tax on profit/(loss)	19.7	13.2
Adjustments relating to prior years	(13.8)	(1.2)
	5.9	12.0
Deferred tax		
Origination and reversal of temporary differences	(1.3)	(12.6)
Adjustments relating to prior years	6.3	(1.7)
Impact of tax rate change	(0.2)	0.2
	4.8	(14.1)
Income tax charge/(credit) for the year	10.7	(2.1)

The main rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013 and will change to 21% from 1 April 2014 and 20% from 1 April 2015. Accordingly the group's results for this accounting period are taxed at an effective rate of 23.5% and should be taxed at 22% in the 2014 period. The change in tax rate has resulted in a £0.2m credit to the income statement in the current year.

The tax charge for the year of £10.7m (2012: credit of £2.1m) comprises:

	2013 £m	2012 £m
UK taxation	11.8	1.0
Overseas taxation	(1.1)	(3.1)
	10.7	(2.1)

Deferred tax balances are disclosed as follows:-

	2013 £m	2012 £m
Deferred tax assets: non-current assets	20.1	44.5
Deferred tax liabilities: non-current liabilities	(25.7)	(37.8)
Deferred tax	(5.6)	6.7

20. Trade and other payables

	2013 £m	2012 £m
Deposits received	2.1	2.6
Trade payables	10.4	13.8
Taxation and social security	3.1	5.5
Accruals and deferred income	43.1	40.8
Other payables	–	21.7
Deferred consideration payable	–	4.0
	58.7	88.4

Accruals and deferred income includes £14.9m (2012: £17.3m) 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.

Other payables in 2012 of £21.7m related to the settlement value of the interest rate swap contracts which were agreed in September 2012 and settled in October 2012.

21. Derivative Financial Instruments

	2013		2012	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate swaps – in cash flow hedge accounting relationships	–	10.3	–	50.7
Interest rate swaps – not in cash flow hedge accounting relationships	–	80.8	–	94.7
	–	91.1	–	145.4

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 credit through the income statement of £7.9m (2012: a charge of £31.2m).

On 27 March 2013 the Group purchased debt related to the investment property in its subsidiary Tricomm Housing Limited from Bank of America using core group facilities. The debt was purchased at a discount of 25% to the loan amount of £67.0m and a gain, after costs, of £15.3m was credited to Finance income in the income statement. On extinguishment of the debt, the debit balance in the cash flow hedge reserve of £13.7m relating to the associated interest rate swap, was recycled to the income statement.

22. Reclassification

Following an internal review a net amount after taxation of £9.8m, previously shown as a credit within the cash flow hedge reserve, has been reclassified as a credit to retained earnings in the year ended 30 September 2013.

23. Related Party Transactions

During the year ended 30 September 2013 the group transacted with its joint ventures and associates (details of which are set out in notes 20 and 21). The related party transactions recognised in the Income Statement and Statement of Financial Position are as follows:

As described in note 20, on 6 August 2013, the group sold a portfolio of assets to GRIP for £58.4m. On 13 May 2013 the group formed a 50:50 joint venture, Walworth Investment Properties Limited, which acquired a portfolio of assets from the group for £112m.

The group provides a number of services to its joint ventures and associates including property and asset management services. In addition the group utilises the services of Gebau Vermogen GmbH to provide property management services for parts of its German portfolio. The fees received/ (paid) in respect of these services are set out below:

	2013 Fees recognised £'000	2013 Year end balance £'000	2012 Fees recognised £'000	2012 Year end balance £'000
GRes1 Limited	**1,062**	**687**	2,766	2,397
GRIP Unit Trust	**1,902**	**–**	–	–
MH Grainger Sarl JV	**790**	**–**	–	–
New Sovereign Reversions Limited	**1,073**	**271**	1,052	166
Walworth Investment Properties Limited	**19**	**19**	–	–
Gebau Vermogen GmbH	**(913)**	**(2)**	(997)	(52)
	3,933	**975**	2,821	2,511

	2013 Interest recognised £'000	2013 Year end loan balance £m	2013 Interest Rate %	2012 Interest recognised £'000	2012 Year end loan balance £m	2012 Interest Rate %
GRIP Unit Trust	**756**	**0.3**	**4.75**	–	–	–
MH Grainger Sarl JV	**534**	**11.6**	**8.00**	–	–	–
New Sovereign Reversions Limited	**(7)**	**(0.4)**	**LIBOR + 2.35**	17	–	LIBOR + 7.00
Czech Republic combined	**73**	**6.2**	**1.25**	74	5.9	1.25
Curzon Park Limited	**–**	**16.1**	**Nil**	–	13.5	Nil
King Street Developments (Hammersmith) Limited	**–**	**2.9**	**Nil**	–	2.1	Nil
Walworth Investment Properties Limited	**180**	**6.7**	**7.00**	–	–	–
	1,536	**43.4**		91	21.5	

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

By order of the Board

Mark Greenwood
Director
7 November 2013

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.