

## Grainger plc

### Full year results for the year ended 30 September 2016

#### Refocused and simplified business delivers strong earnings growth and a 64% increase in dividend

Helen Gordon, CEO of Grainger, the UK's largest listed residential landlord, comments:

"FY16 has been a transformational year, with significant progress made in delivering our private rented sector growth strategy which we set out in January. We have secured £389m of investment, disposed of our non-core businesses, improved the capital structure of the company and reduced operational costs following an internal restructure. We have delivered strong financial results alongside these changes, with adjusted earnings increasing by 69% to £53.1m and a total return of 10.6%.

"The private rented sector growth opportunity is very compelling. With capacity to invest and a repositioned business, we are well placed to significantly improve our income and shareholder returns as we achieve our strategic objectives.

"The new financial year started well, we have secured new investments, further developed our PRS pipeline and the benefits are starting to come through from the actions taken to reduce costs. I am confident in our future prospects and Grainger's new, simpler and more focused structure which has strengthened our business and competitive position. I look forward to providing further updates on our progress throughout the year."

#### Financial performance

- Net rental income up 15% to £37.4m (FY15: £32.4m);
- Adjusted earnings\* (recurring profit) up 69% to £53.1m (FY15: £31.5m);
- Dividend per share up 64% to 4.5p\*\* (FY15: 2.75p);
- Profit before tax up 64% to £84.2m (FY15: £51.4m);
- EPRA NNAV growth of 9% to 287p (FY15: 263p);
- Net debt reduced by 33% to £764m (FY15: £1,138m);
- Loan to value reduced to 35.9% (FY15: 45.5%);
- Cost of debt ahead of plan at 3.9% at the period end (FY15: 4.6%); and
- Total return (return on shareholder equity) of 10.6% (FY15: 10.0%).

#### Strategic progress

##### Growing rents – increased investment and returns

- Private rented sector (PRS) pipeline ahead of plan, with £389m of our £850m investment target secured, and a further £347m in the planning or legal process;
- Net rental income has increased by 15% to £37.4m (FY15: £32.4m), primarily as a result of acquiring tenanted rental homes that deliver immediate income, in line with our PRS investment strategy;
- Average like for like PRS rental growth of 3.6% (FY15: 3.4%);
- Gross to net property operating costs reduced to 28% (FY15: 31%), which reflects the actions taken in the year to develop a more efficient and scalable operating platform;

- The 4.5p total dividend for FY16 (FY15: 2.75p) comprises a 3.05p proposed final dividend following a 1.45p interim dividend. Our new dividend policy directly links growth in net rental income to the distribution. During our strategic transition the equivalent to 50% of net rental income will be returned to Shareholders.

### **Simplifying and focusing the business**

- Profitable and EPRA NNNNAV accretive exits of our Equity Release and German businesses (non-core following strategy update), which reduced net debt by £451m;
- Disposal of non-core development land for £8.0m, delivering a profit on sale of £5.8m;
- Disposal of land in Grainger's legacy joint venture in the Czech Republic, which generated a non-recurring profit of £10.7m;
- £100m post year end refinancing which has reduced the cost of debt further to 3.7%. This builds on the improvements made following the strategic non-core disposals and recent financing activities, including the recoupon of two legacy swaps. It compares against an average rate for FY15 of 5.3% and an FY16 period end rate of 3.9%;
- Operational review and restructuring largely complete and we are on track to deliver an FY17 overhead cost target of £27.5m, 24% (£8.6m) below the reported FY15 level.

### **Strong financial performance**

- Adjusted earnings\* (recurring profit) up 69% to £53.1m (FY15: £31.5m), driven by growth in net rental income, a robust sales performance and lower operational and financial costs;
- EPRA NNNNAV increased by 9% to 287p (FY15: 263p), supported by a strong trading performance, good valuation growth, accretive strategic disposals and reduced tax liabilities associated with lower corporate tax rates. This growth was achieved despite an adverse movement of 4 pence per share from the mark to market of fixed rate debt;
- EPRA NAV increased by 7% before the adjustment for discontinued operations and the recoupon of legacy swaps. 3% growth to 330p is reported after these adjustments (FY15: 319p);
- Prices on sale of vacant properties averaged 8.6% above September 2015 valuations (FY15: 10.7%), delivering revenue of £110.0m and profit of £52.2m (FY15: £99.5m and £53.2m).

### **FY17 reporting dates**

- Trading update – Thursday 9 February 2017
- Interim results – Thursday 18 May 2017
- Trading update – Thursday 10 August 2017
- Full year results – Thursday 30 November 2017

*Results on a continuing operations basis, excludes Equity Release and German non-core business disposals. 2015 restated.*

*\* Adjusted earnings, previously called recurring profit, is profit before tax, less valuation movements and non-recurring items.*

*\*\* Subject to approval at the AGM, the final dividend of 3.05p per share will be paid on 10 February 2017 to shareholders on the register at the close of business on 30 December 2016.*

## **Full year results presentation**

Grainger plc will be holding a presentation for analysts and investors at 9.00a.m. (UK time), Thursday 1 December 2016

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

### **Webcast details:**

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

[Grainger's Full Year Results Analyst Presentation Webcast](http://www.investis-live.com/granger-plc/580e1ab2f3908a11003099f7/b3uws5)

(<http://www.investis-live.com/granger-plc/580e1ab2f3908a11003099f7/b3uws5>)

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

### **Conference call details:**

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## **Chairman's statement**

I am pleased to report significant progress following our changes in the executive leadership at the beginning of the year.

Shortly after taking office as Chief Executive, Helen Gordon, supported by an energetic leadership team, reviewed and refined the strategy the Board had initiated at the end of 2015. She immediately set out the key milestones to achieving a step change in the strategic direction of the Company with the ultimate objective of improving value for all stakeholders. The benefits are already beginning to materialise and the future attractions of the business as an income generating, residential rental company are becoming increasingly clear.

In simple terms, we are shifting the nature of the business from a traditional trading model, heavily reliant on house price inflation as a driver of capital value, to an investment model with a sustainable and visible income stream from well-run private rented residential homes.

The Grainger model continues to capture over time the full reversionary value of our regulated portfolio. The predictable cash flow from these properties is then reinvested directly into developing or acquiring modern, purpose-built residential rental properties. This is a significant growth market in the UK as the demand for homes outstrips supply and the option to rent becomes an increasingly attractive and affordable alternative to buying a home.

I am pleased to say that the new management team has lost no time in delivering on the milestones set out in January 2016 and in reshaping the organisation to support the strategy.

Disposals have been made, costs have been cut, and resources have been concentrated on identifying and creating a strong pipeline of private rented sector ('PRS') assets that build on our heritage and will deliver strong, sustainable shareholder returns over the coming years.

The transition from strategy to implementation has been short and decisive and I would like to thank all of my colleagues on the Board for their tremendous effort in achieving this.

The effective management and proper governance of the Group is critical to our continued success and in our Annual Report I set out a number of key actions that we have taken to ensure that it remains of the highest standard.

We have also enjoyed strong support from the majority of our Shareholders for our move to a UK residential rental model with a greater focus on reliable income. Their support of this and our new management team during this first year of transition has been much appreciated.

Sadly we have to report that this year we lost Stephen Dickinson, who died after a short illness. Stephen joined Grainger in 1974 and was an extremely effective Chief Executive of the Company until 2002, eventually retiring from the Board in 2009, and was instrumental in leading the Company from private to public ownership. He was a wonderful person who left a very strong legacy and will be much missed by all at Grainger.

Finally, we never forget that over 18,000 people choose to make their home with Grainger. We take that responsibility very seriously and our staff will continue to go the extra mile for our customers, day in and day out providing the best service and best support possible.

**Baroness Margaret Ford**

Chairman

1 December 2016

## **Chief Executive's review**

This is my first full year statement to you as Chief Executive of your Company and I am pleased to report a solid performance and the swift execution of the planned strategic changes in the business, which will ultimately drive all stakeholder value.

I set out in this report how we have simplified and put focus into the business to capture the opportunity created by the growing demand for private rental housing in the UK.

## **Strategic review**

In January I presented my review of the Company's strategy. The strategy positions Grainger for sustainable growth in an emerging sector. It is designed to grow rents, simplify and focus the business and build on the operational strength and foundations of over 100 years of renting homes.

I was supported in this review by an enthusiastic and engaged leadership team. The whole of the Grainger team provided insights and contributions. The review examined every division and all assets and portfolios were appraised and avenues for growth explored.

The key findings supported our view that there is a significant market opportunity in an area where Grainger has unparalleled expertise and committed employees ready for change.

We identified the need for Grainger to focus on growing rental income, to exit non-UK assets and dispose of assets which consume shareholder capital and were focused on capital growth.

We concluded that our regulated tenancy business remains a compelling investment with robust cash flows. The retention of these assets supports and provides financing for Grainger's evolution to our new PRS model. Most importantly, this PRS model will establish Grainger as an income generating quoted vehicle, which provides Shareholders easy and liquid access to the UK's high-growth PRS market, which is otherwise only achievable through direct real estate investment.

## **Delivering on our strategy of simplifying the business**

During the year we sold our non-core assets and reorganised our operational platform.

In January 2016 we agreed to sell our Equity Release business as it was no longer complementary to Grainger's core focus. This was completed in May 2016.

Having decided to sell our German business, we disposed of a series of portfolios. We sold our German joint venture in January. In February we agreed to sell our German business platform with one of the portfolios, thereby securing the majority of the Grainger employees' jobs with the new owners and reducing exit costs. The majority of remaining assets were also sold by May 2016. We disposed of surplus land at Kennel Farm, Basingstoke, and in August we were able to secure the unwinding of our joint venture in Prague by securing planning consent and disposing of the land. I am pleased to report that these disposals have been achieved profitably, while successfully securing the future for Grainger colleagues within those non-core businesses under their new owners.

These disposals reduced the quantum and cost of debt and enabled us to embark on a restructuring of our more expensive debt resulting in further cost reductions. This is explained more fully in the financial review. In June 2016 we embarked on the restructuring of our operations by removing divisions and restructuring the business into Property and Operations (a PropCo:OpCo model) backed by our central corporate teams. This is designed to focus on driving capital and income growth in the business as well as significantly reducing overheads. The benefit of this will be fully realised in 2017 when overheads are on track to be 24% lower than in 2015. We will continue to pursue ongoing improvements where possible, realising further cost efficiencies that our new model creates.

## **Delivering on our strategy of growing rents and dividends**

The growth of our rental income is at the heart of the strategic objective of delivering shareholder returns which are a balanced mixture of both income and capital growth. During this transitional period to 2020 we have linked our dividend directly to net rental income and will distribute the equivalent of 50% of net rents to Shareholders. The majority of Grainger staff are also Shareholders and this approach will further incentivise the teams to drive rental growth alongside providing a high-quality service.

In January we announced a target that over 50% of our wholly-owned assets would be modern PRS stock by 2020 and that by that date net income would exceed profit from sales. This is a model which is more income focused and structured to give more sustainable and less volatile returns.

We also announced we would invest £850m (c.£1.1bn alongside our partners) in PRS between now and 2020. I am pleased to announce that we have already achieved significant progress and have secured £389m with a further pipeline of £347m of potential sites in the planning or legal process.

The growth in rents has been achieved by new acquisitions but also by the operations team delivering great customer service and encouraging our customers to stay for longer, and increasing demand for our homes.

### **Disciplined approach to acquisition**

We have restructured our investment and acquisitions teams to enable them to identify and assess opportunities quickly in our target markets, and provided an investment framework which is supported by rigorous analysis and in-depth local knowledge. This has dramatically increased the number of opportunities we are evaluating and has enabled us to make good progress on our pipeline.

### **UK PRS market**

The demand for renting is growing and this trend is set to continue. Ten years ago, one in ten households in England rented privately. Today it is one in five. In London, it is one in four. PwC predicts that 1.8 million new rental homes will be required by 2025 to meet demand. This demand, coupled with positive support for the build-to-rent sector and large scale institutional investment in the PRS, presents Grainger with a very compelling opportunity.

As the UK market leader in the residential rental sector, we are targeting investment in the PRS in key target cities where demand for renting is highest and local economic prospects are greatest, including cities with top universities and good graduate retention, teaching hospitals and strong professional services. Our top five target cities are: London, Manchester, Bristol, Birmingham and Leeds.

I am pleased to say that we have secured sizeable investments in four of five of these cities since we launched our strategy.

### **Working in partnership**

Our reputation of working in partnership and taking the long-term view of key relationships is well established. Whilst we are clear about our commitment to existing partners, we believe we should drive returns for our shareholders and not take on more third-party property management mandates at this time.

Our relationship with APG is important to us and I am delighted that GRIP, our fund with APG, was converted to a Real Estate Investment Trust (REIT) in July of this year.

Our partners in local and central government are important to us. We are aligned in our objective of creating new high-quality homes. Grainger's longevity and commitment to stewardship with communities has been evidenced across a number of development projects. In particular, our work at Aldershot in partnership with the Defence Infrastructure Organisation (part of the Ministry of Defence) and our developments with the Royal Borough of Kensington and Chelsea are both worthy of highlighting.

We continue to work with some housebuilders and to look for ways in which to increase the availability of private rental housing stock in the UK which is complementary to housebuilders' needs to build new homes.

### **Political and legislative changes**

There is an undersupply of quality housing in the UK and this has been recognised by central and local government. Whilst the political environment has been largely supportive, the sector was adversely affected by an additional 3% stamp duty land tax surcharge on second homes in the Spring. In June the vote to leave the European Union was seen to have a negative impact on the housing market but was not evidenced in our sales pipeline, and the PRS sector is widely regarded as one of the most resilient real estate classes post the EU referendum.

### **Outlook**

2016 has been a landmark year for Grainger. The team has worked hard to support the delivery of the key milestones of the strategy. The UK PRS market is on the cusp of high growth as it provides a practical and

compelling solution to the housing shortage in the UK. Grainger's established leading market position and operational expertise provide us with confidence so that we can capture this market opportunity to its fullest.

2017 will be an important year for Grainger as we forge ahead with the transition into a more balanced rental model and as we realise the benefits of the restructuring and continue to manage our all-important portfolio of regulated tenancies. Our long-term aspirations for Grainger are for the business to be the acknowledged leader in the PRS market in the UK, delivering quality services whilst generating strong shareholder returns.

Grainger has seen substantial change and I would like to take the opportunity of thanking each and every one of our staff with whom so much has been and will be achieved. Together with our Shareholders, we look forward to an exciting and profitable future ahead.

**Helen Gordon**  
Chief Executive  
1 December 2016

## Financial Review

FY16 has been a transformational year, with significant progress made in delivering our private rented sector ('PRS') growth strategy. We have secured £389m of investment, disposed of our non-core businesses, improved the capital structure of the Company and reduced financial and operational costs following our internal restructuring which has enhanced Grainger's income generation.

### Performance overview

These positive changes have been achieved alongside the delivery of strong financial results, with an improved income return and good capital growth:

- Net rental income increased by 15% to £37.4m (FY15: £32.4m);
- Adjusted earnings increased by 69% to £53.1m (FY15: £31.5m);
- EPRA NNAV increased by 9% (24p per share) to 287p (FY15: 263p);
- Profit before tax up 64% to £84.2m (FY15: £51.4m);
- Net debt reduced by 33%, loan to value reduced to 35.9% (FY15: 45.5%), and cost of debt at the period end was down to 3.9% (FY15: 4.6%); and
- Total return (return on shareholder equity) of 10.6% (FY15: 10.0%).

Substantial progress has been made during the year to simplify and focus the business, which has delivered a significant reduction in finance and operational costs. We have completed our internal restructuring and are on track to deliver an £8.6m (24%) overhead saving in FY17 to £27.5m from the FY15 reported result.

The strategic disposals of our Equity Release and German businesses are key milestones, which have enabled a c.£374m reduction in net debt to £764m (FY15: £1,138m) and, combined with refinancing activity, cost of debt is now below our 4% target.

With a strengthened balance sheet and loan to value ('LTV') of 35.9% (FY15: 45.5%) we have the capacity to invest, and grow our rental income. Coupled with reduced overhead and finance costs, this will further enhance Grainger's income returns in FY17 and beyond.

A new dividend policy, aligned to our strategy to grow rental income, is now in place, with distribution during Grainger's strategic transition to be equivalent to 50% of net rental income. The total dividend for the year of 4.5p per share is 64% up on the prior year (FY15: 2.75p).



## Financial Highlights

*Income financials and reversionary surplus on a continuing operations basis.*

<b>Income</b>	<b>FY15</b>	<b>FY16</b>	<b>Change</b>
Like for like PRS rental growth	3.4%	3.6%	20 bps
Net rental income	£32.4m	£37.4m	15%
Adjusted earnings* (note 3)	£31.5m	£53.1m	69%
Adjusted earnings per share (after tax) (note 3)	6.0p	10.2p	70%
Dividend per share (note 12)	2.75p	4.5p	64%
Profit before tax (note 3)	£51.4m	£84.2m	64%
Earnings per share (diluted) (note 11)	10.6p	17.9p	69%
<b>Capital</b>	<b>FY15</b>	<b>FY16</b>	<b>Change</b>
EPRA NAV per share	319p	330p	3%
EPRA NNNAV per share	263p	287p	9%
Net debt	£1,138m	£764m	(33)%
Group LTV	45.5%	35.9%	960 bps
Cost of debt (average)	5.3%	4.4%	90 bps
Cost of debt (period end)	4.6%	3.9%	70 bps
Reversionary surplus	£329m	£327m	(1)%
Total return**	10.0%	10.6%	60 bps

\* Adjusted earnings, previously called recurring profit, is profit before tax, less valuation movements and non-recurring items.

\*\* Total return (return on shareholder equity) is growth in EPRA NNNAV in the year plus dividend declared as a percentage of opening EPRA NNNAV.

## Income statement

The table below summarises adjusted earnings and profit before tax from continuing operations for the 12 months to 30 September 2016.

<b>Income statement £'m</b>	<b>FY15*</b>	<b>FY16</b>
Net rental income	32.4	37.4
Profit on sale of assets	70.6	71.5
Mortgage income (CHARM)	6.5	6.5
Fee income	5.6	6.2
Overheads	(32.4)	(31.8)
Other expenses	(3.2)	(1.1)
Joint ventures and associates	0.9	1.5
Net finance costs	<u>(48.9)</u>	<u>(37.1)</u>
<b>Adjusted earnings</b>	<b>31.5</b>	<b>53.1</b>
Valuation movements	29.7	33.6
Derivative movements	(6.3)	(9.9)
Non-recurring items	<u>(3.5)</u>	<u>7.4</u>
<b>Profit before tax</b>	<b>51.4</b>	<b>84.2</b>
Discontinued operations before tax	<u>(1.4)</u>	<u>62.0</u>

\* Restated for continuing operations.

\*\* See note 3 to these preliminary results for reconciliation from statutory measures.

## Rental income

Gross rental income has increased by 11% to £51.9m (FY15: £46.7m), driven by 3.6% average rental growth on our PRS portfolio and the acquisition of tenanted rental homes that deliver immediate income. Net rental income has increased by 15% (£5.0m) to £37.4m (FY15: £32.4m), further benefiting from improvements made in operational efficiencies.

	<b>£'m</b>
<b>FY15 Net rental income</b>	<b>32.4</b>
Disposals	(2.1)
Acquisitions	4.4
Rental Growth	1.4
Propex Efficiencies	<u>1.3</u>
<b>FY16 Net rental income</b>	<b>37.4</b>
YoY Growth	<u>15%</u>

## Sales

Profit from sales at £71.5m for the 12 months to 30 September 2016 was slightly ahead of the prior year (FY15: £70.6m) with increased profits from development activities more than offsetting a small reduction in residential sales profit, which is linked to the natural unwind of our regulated tenancy portfolio.

Over the year, sales on vacancy achieved average prices 8.6% over the September 2015 vacant possession value, illustrating the resilience of our valuations and liquidity of our assets.

Residential sales on vacancy generated revenue of £110.0m which was 11% ahead of 2015 (FY15: £99.5m) with profit marginally lower at £52.2m (FY15: £53.2m). The predominant driver of the revenue growth related to the Chelsea Houses portfolio, although this reduced the overall margin to 47.4% (FY15: 53.5%). We expect margins from this portfolio to improve over time from reversionary gains, refurbishment and further asset management activities.

Development sales activity delivered £11.8m of profit primarily driven by the final phase of Macaulay Walk, a residential development for sale scheme in Clapham, London (£5.8m) and the disposal of non-core development land at Kennel Farm, Basingstoke (£5.8m).

In addition, we recorded revenue of £24.1m on our PRS development for The Royal Borough of Kensington & Chelsea. Due to the early stage of the development no profit has yet been recognised.

	FY15*			FY16		
	Units sold	Sales	Profit	Units sold	Sales	Profit
		£'m	£'m		£'m	£'m
UK Residential sales	310	92.0	52.8	307	103.1	52.0
CHARM sales	61	7.5	0.4	54	6.9	0.2
Sales on vacancy	371	99.5	53.2	361	110.0	52.2
Tenanted and other sales	130	23.5	8.0	59	12.5	7.7
<b>Residential sales total</b>	<b>501</b>	<b>123.0</b>	<b>61.2</b>	<b>420</b>	<b>122.5</b>	<b>59.9</b>
Development sales	-	33.8	9.8	-	25.1	11.8
Construction contract	-	-	-	-	24.1	-
<b>Overall sales</b>	<b>501</b>	<b>156.8</b>	<b>71.0</b>	<b>420</b>	<b>171.7</b>	<b>71.7</b>
<i>Reconciliation to statutory numbers</i>						
<i>Less CHARM portfolio</i>	<i>(61)</i>	<i>(7.5)</i>	<i>(0.4)</i>	<i>(54)</i>	<i>(6.9)</i>	<i>(0.2)</i>
<b>Statutory sales and profit</b>	<b>440</b>	<b>149.3</b>	<b>70.6</b>	<b>366</b>	<b>164.8</b>	<b>71.5</b>

\* Restated for continuing operations.

## Operating expenses

The overhead cost for this year was £31.8m for continuing operations (FY15: £32.4m). We are on track to achieve our FY17 overhead cost target of £27.5m, which is 24% (£8.6m) lower than the reported FY15 overhead of £36.1m (before restatement for discontinued operations). This has been achieved through restructuring savings, corporate overhead reductions and lower costs following the disposal of non-core businesses.

Other expenses relate to pre-contract transaction costs. Through improved acquisition targeting and effective cost management, our other expenses have reduced to £1.1m (FY15: £3.2m).

Fee income is associated with the recovery of overheads. Overall operating expenses net of fee income totalled £27.0m as set out in the table below (FY15: £30.6m).

<b>FY16</b>	<b>£'m</b>
Overheads	<b>31.8</b>
Fee income (overheads recovery)	<b>(5.9)</b>
<b>Net overheads</b>	<b>25.9</b>
Other expenses	<b>1.1</b>
<b>Operating expenses</b>	<b>27.0</b>
<u>FY15 Operating expenses</u>	<u>30.6</u>

## Finance costs and capital structure

Net debt has reduced by 33% to £764m (FY15: £1,138m), LTV is down to 35.9% (FY15: 45.5%) and cost of debt is now below our 4% target, ahead of plan.

The reduction in net debt was driven by the non-core disposals and supplemented by resilient cash generation from sales of vacant regulated tenancies; this more than offset £162m of new investment predominantly in PRS assets. Cost of debt benefited from the non-core disposals and re-financing activities.

Our strengthened balance sheet provides capacity for our planned PRS investment. As funds are deployed our optimal target range for LTV is 40-45%.

	<b>£'m</b>
<b>FY15 Net debt</b>	<b>(1,138)</b>
Gross rent, sales and fees	235
Propex, overheads, tax and dividends	(70)
Finance costs	(42)
Swap re-coupon	(38)
Investment	(162)
Discontinued operations	<u>451</u>
<b>Movement</b>	<b>374</b>
<b>FY16 Net debt</b>	<b>(764)</b>

In the second half of the year, immediately following the EU Referendum we took the opportunity to recoupon two legacy swaps, securing lower rates at a discount to market value. The upfront cost (before tax savings) was £37.8m (£30.2m after tax) and the benefit to cost of debt is c.55bps (£4.8m saving per annum).

Net finance costs for the year are £11.8m lower, a 24% reduction at £37.1m (FY15: £48.9m). Average cost of debt over the year was 4.4%, a 90bps improvement, while cost of debt at the period end was 3.9%.

Subsequent to the year end, we have refinanced a £100m loan which is expected to reduce the average cost of debt by a further c.20bps in 2017 (3.7% proforma). With our incremental cost of debt less than 2%, we have the potential to prudently utilise leverage to deliver strong earnings accretion as we invest.

	FY15	FY16
Net debt	£1,138m	£764m
Consolidated LTV	45.5%	35.9%
Headroom	£142m	£321m
Cost of debt (average)	5.3%	4.4%
Cost of debt (period end)	4.6%	3.9%
Hedging	77%	87%

### Adjusted earnings

We have delivered adjusted earnings (previously referred to as recurring profit) of £53.1m which is 69% ahead of the prior year (FY15: £31.5m), a result of growth in net rental income, a robust sales performance and lower operational and financial costs.

### Tax

Grainger is a UK-based, taxpaying Group with a tax charge of £9.7m for the year from continuing operations.

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

### Discontinued operations

The disposal of our non-core Equity Release and German businesses were accretive to EPRA NNNAV, adding £23m, 6p per share. These delivered a discontinued profit before tax of £62.0m, £48.3m from the Equity Release disposal, £8.3m from the sale of the German operations and £5.4m from pre-disposal trading.

### Dividend

The Board revised and implemented a new dividend policy in the year, which is supported by strong underlying cash generation to enhance distribution returns to shareholders during Grainger's strategic transition, with payment aligned to the group's strategy of growing rental income.

The policy is to distribute the equivalent to 50% of annual net rental income. Around one-third of the payment will be made through the interim dividend based on half year results, with the balance paid through the final dividend. As the shape of the business evolves to a more balanced total return model, we are committed to delivering progressive and sustainable dividend returns.

The dividend payment for the year will be £18.7m, 50% of the £37.4m net rental income reported. This delivers 64% growth in the total dividend for the year to 4.5p per share, comprising 1.45p interim dividend and 3.05p proposed final dividend. The dividend is 4.0x covered by diluted EPS.

If approved at the AGM, the final dividend will be paid on 10 February 2017 to Shareholders on the register at the close of business on 30 December 2016.

## Balance sheet

<b>Market value balance sheet (£'m)</b>	<b>FY15</b>	<b>FY16</b>
Residential – PRS	399	461
Residential – regulated tenancy	1,317	1,342
Development work in progress	95	105
Investment in JVs/associates	166	193
<b>Total investments</b>	<b>1,977</b>	<b>2,101</b>
Net debt	(1,138)	(764)
Other assets/liabilities	18	32
Discontinued (excluding loans)	477	11
<b>EPRA NAV</b>	<b>1,334</b>	<b>1,380</b>
Deferred and contingent tax	(158)	(146)
Fair value of fixed rate debt and derivatives	(34)	(34)
Discontinued	(41)	-
<b>EPRA NNAV</b>	<b>1,101</b>	<b>1,200</b>
<b>EPRA NAV (pence per share)</b>	<b>319</b>	<b>330</b>
<b>EPRA NNAV (pence per share)</b>	<b>263</b>	<b>287</b>
<b>LTV</b>	<b>45.5%</b>	<b>35.9%</b>

EPRA NNAV is an important metric for Grainger as it reflects overall assets and liabilities (including deferred and contingent tax and fair value adjustments for fixed rate debt). These future liabilities are presented in current terms (not discounted) and neither EPRA NNAV or EPRA NAV include the future benefit of the reversionary surplus, which as at 30 September 2016 was valued at £327m, or 78p per share.

EPRA NNAV increased by 9% (24p per share) to 287p (FY15: 263p), supported by a strong trading performance, valuation growth, accretive strategic disposals and reduced deferred and contingent tax liabilities associated with lower corporation tax rates. This growth was achieved despite the negative impact from movements in bond markets which resulted in an adverse movement in the year of £16m (4p per share) from the mark to market of fixed rate debt.

EPRA NAV increased by 7% to 341p, reflecting a strong trading and valuation performance, before the adjustment for discontinued operations and the recoupon of legacy swaps. 3% growth (11p per share to 330p (FY15: 319p)), is reported after these adjustments. The Equity Release disposal was accretive to EPRA NNAV but dilutive to EPRA NAV by £15m (3p per share). The recoupon of two legacy swaps after tax had an adverse impact of £30m (7p per share) on EPRA NAV.

## Reconciliation of EPRA NAV to EPRA NNAV

	FY16	FY16
	£'m	Pence per share
<b>EPRA NAV</b>	<b>1,380</b>	<b>330</b>
Tax-deferred and contingent	(146)	(35)
Fair value of derivatives and fixed rate debt net of tax	(34)	(8)
<b>EPRA NNAV</b>	<b>1,200</b>	<b>287</b>

A reconciliation between the statutory balance sheet and the market value balance sheets for both EPRA NAV and EPRA NNAV is set out in note 4 to these preliminary results.

### EPRA NNAV movement

	£'m	Pence per share
<b>EPRA NNAV at 30 September 2015</b>	<b>1,101</b>	<b>263</b>
Profit after tax (before discontinued operations and derivatives)	84	20
Revaluation gains on trading stock	84	20
Disposals (trading assets)	(50)	(12)
Contingent tax	13	3
Dividends and other	(39)	(9)
	<b>1,193</b>	<b>285</b>
Discontinued operations	23	6
Mark to market on fixed rate debt	(16)	(4)
<b>EPRA NNAV at 30 September 2016</b>	<b>1,200</b>	<b>287</b>

Our portfolio saw a 5.3% growth in market value over the year and a 4.8% increase in vacant possession value. This compares to 3.7% for the LSL Acadata House Price Index, 5.5% for the combined average of the Nationwide and Halifax house prices indices, and 7.7% according to the Office of National Statistics. This contributed to £116m total valuation gain, which comprises £84m on trading stock and £32m from investment property assets and associates/joint ventures included within profit after tax.

	FY 15		FY16	
	Vacant possession value	Market value	Vacant possession value	Market value
Residential portfolio	5.6%	10.2%	4.8%	5.3%

The positive contingent tax movement of £13m (3p per share) relates to a £19m (4p per share) release due to lower corporation tax rates, offset by a charge on the revaluation of trading properties.

Disposals of our Equity Release and German businesses were both EPRA NNAV accretive, with a total gain of £23m (6p per share).

EPRA NNAV was also affected by movements in the bond markets in the period, which had an adverse impact on the mark to market of our corporate bond. This reduced EPRA NNAV by £16m after tax (4p per share).

#### **EPRA NAV movement**

	<b>£'m</b>	<b>p per share</b>
<b>EPRA NAV at 30 September 2015</b>	<b>1,334</b>	<b>319</b>
Profit after tax (before disc. operations and derivatives)	84	20
Revaluation gains on trading stock	84	20
Disposals (trading assets)	(50)	(12)
Dividends and other	(24)	(6)
	<b>1,428</b>	<b>341</b>
Discontinued operations	(18)	(4)
Swap recoupons (net of tax)	(30)	(7)
<b>EPRA NAV at 30 September 2016</b>	<b>1,380</b>	<b>330</b>

#### **Investment**

We have spent £162m in the 12 months to 30 September 2016, of which £17m relates to the acquisition of regulated tenancies and the remainder to PRS assets and capital expenditure on our existing portfolio. Our investments are expected to deliver gross rental yields of between 6.5% and 8.0%.



## Portfolio summary

	No. units	Market value £'m	Vacant possession value £'m	Reversionary surplus £'m
Residential - PRS	2,092	461	500	39
Residential - regulated tenancies	3,652	1,249	1,507	258
Residential - mortgages	704	93	91	(2)
Development work in progress	-	105	105	-
Wholly-owned assets	6,448	1,908	2,203	295
Investment in JVs/associates (Grainger share)	676	252	284	32
<b>Total investments</b>	<b>7,124</b>	<b>2,160</b>	<b>2,487</b>	<b>327</b>
Assets held-for-sale	3	3	3	-
<b>FY16 total</b>	<b>7,127</b>	<b>2,163</b>	<b>2,490</b>	<b>327</b>
<b>Assets under management</b>	<b>1,485</b>	<b>569</b>	<b>644</b>	
<b>Total assets under management</b>	<b>8,612</b>	<b>2,732</b>	<b>3,134</b>	

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.

## Strategy financial targets to 2020

The three strands of the 2020 strategy are to:

- 1) grow rents (and increase distributions to shareholders);
- 2) simplify and focus; and
- 3) build on our heritage as the UK's leading listed residential landlord.

The four financial benchmarks used to monitor progress against our strategy are:

### ***Invest over £850m into PRS assets***

- £389m secured, £347m in planning or legal process.

### ***More than half of our portfolio comprising PRS assets***

- 27% of PRS assets (FY15: 23%).
- We expect to see an acceleration towards 2020 as assets being constructed are completed and let.

### ***Net rental income to exceed profit from sales***

- FY16 net rental income was the equivalent to 52% of profit from sales (FY15: 44%).
- Sales profit will benefit from development activity over the next two to three years as we work through current schemes and projects. Net rental income growth should accelerate towards the end of the strategy period as assets being constructed are completed and let out.

### ***Reducing reliance on sales (cost coverage)***

- FY16 income covered 74% of costs (FY15: 53%).
- This benchmark was designed to reflect the transition to an increasingly income focused model with reduced reliance on capital growth and profit from sales. Substantial progress has been made in FY16. Reduced finance costs and lower overheads have been the key drivers. Rental growth and tightly controlled overheads and finance costs are expected to deliver further benefits.

## Conclusion

This year's results demonstrate that the Company is performing strongly in conjunction with delivering against its strategic objectives as set out in January.

It has been a year of significant change and progress, with £389m of investment secured, the disposal of two major non-core businesses, an improved capital structure, materially reduced finance costs and restructured operations which will deliver further efficiencies in FY17. Alongside these changes, the Company has delivered a 69% increase in adjusted earnings to £53.1m and a total return (return on shareholder equity) of 10.6%. The actions we are taking to make Grainger a more balanced total return business with an increased focus on income returns will support further strategic progress in the coming years.

### **Vanessa Simms**

Chief Financial Officer

1 December 2016

## Consolidated Income Statement

<b>For the year ended 30 September</b>	Notes	<b>2016 £m</b>	<b>2015 Restated £m</b>
<b>Group revenue</b>	6	<b>219.9</b>	193.1
Net rental income	7	<b>37.4</b>	32.4
Profit on disposal of trading property	8	<b>69.9</b>	70.2
Profit on disposal of investment property	9	<b>1.6</b>	0.4
Income from financial interest in property assets	17	<b>5.8</b>	9.2
Fees and other income	10	<b>7.3</b>	5.6
Administrative expenses		<b>(31.8)</b>	(32.4)
Other expenses		<b>(6.0)</b>	(3.2)
Impairment of inventories to net realisable value		<b>(2.7)</b>	(1.2)
Reversal of impairment/ (impairment of) joint venture	16	<b>14.1</b>	(4.1)
<b>Operating profit before net valuation gains on investment property</b>		<b>95.6</b>	76.9
Net valuation gains on investment property	13	<b>20.3</b>	14.6
<b>Operating profit after net valuation gains on investment property</b>		<b>115.9</b>	91.5
Change in fair value of derivatives	24	<b>(9.9)</b>	(6.3)
Finance costs		<b>(39.2)</b>	(54.1)
Finance income		<b>2.5</b>	1.7
Share of profit of associates after tax	15	<b>9.8</b>	9.6
Share of profit of joint ventures after tax	16	<b>5.1</b>	9.0
<b>Profit before tax - continuing operations</b>		<b>84.2</b>	51.4
Tax charge for the year-continuing operations	20	<b>(9.7)</b>	(7.4)
<b>Profit after tax - continuing operations</b>		<b>74.5</b>	44.0
<b>Discontinued operations</b>			
Profit/(loss) after tax for the year for discontinued operations	2	<b>60.8</b>	(1.3)
<b>Profit for the year attributable to the owners of the company</b>		<b>135.3</b>	42.7
<b>Basic earnings per share</b>			
<b>Basic earnings per share</b>	11	<b>32.6p</b>	10.4p
<b>Diluted earnings per share</b>			
<b>Diluted earnings per share</b>	11	<b>32.5p</b>	10.3p
<b>Basic earnings per share - continuing operations only</b>			
<b>Basic earnings per share - continuing operations only</b>	11	<b>18.0p</b>	10.7p
<b>Diluted earnings per share - continuing operations only</b>			
<b>Diluted earnings per share - continuing operations only</b>	11	<b>17.9p</b>	10.6p

### Notes

The 2015 comparative have been restated throughout these financial statements to show the results from continuing and discontinued operations separately. See note 2 for analysis of discontinued operations which includes the sale of subsidiaries and interest in associate.

## Consolidated Statement of Comprehensive Income

<b>For the year ended 30 September</b>	Notes	<b>2016 £m</b>	2015 Restated £m
Profit for the year-continuing operations	3	<b>74.5</b>	44.0
<b><i>Items that will not be transferred to the consolidated income statement:</i></b>			
Actuarial loss on BPT Limited defined benefit pension scheme	22	<b>(4.1)</b>	(0.6)
<b><i>Items that may be reclassified subsequently to the consolidated income statement:</i></b>			
Fair value movement on financial interest in property assets	17	<b>2.9</b>	-
Exchange differences on retranslation of foreign operations		<b>1.1</b>	(0.7)
Exchange adjustments recycled on disposal of foreign operations		<b>(4.3)</b>	-
Changes in fair value of cash flow hedges		<b>(9.5)</b>	(0.8)
<b>Other comprehensive income and expense for the year before tax</b>		<b>(13.9)</b>	(2.1)
<i>Tax relating to components of other comprehensive income:</i>			
Tax related to items that will not be reclassified to the consolidated income statement	20	<b>0.5</b>	0.1
Tax related to items that may be reclassified to the consolidated income statement	20	<b>1.7</b>	(0.7)
Total tax relating to components of other comprehensive income		<b>2.2</b>	(0.6)
<b>Other comprehensive income and expense for the year after tax - continuing operations</b>		<b>(11.7)</b>	(2.7)
Total comprehensive income and expense for the year after tax – continuing operations		<b>62.8</b>	41.3
Profit/(loss) after tax - discontinued operations		<b>60.8</b>	(1.3)
<b>Total other comprehensive income and expense for the year attributable to the owners of the Company</b>		<b>123.6</b>	40.0

Included within other comprehensive income is a charge of £0.6m net of tax (2015: a charge of £0.6m) in respect of associates and joint ventures accounted for under the equity method.

## Consolidated Statement of Financial Position

<b>As at 30 September</b>	Notes	<b>2016</b> £m	2015 £m
<b>ASSETS</b>			
Non-current assets			
Investment property	13	<b>261.3</b>	357.8
Property, plant and equipment		<b>1.1</b>	1.6
Investment in associates	15	<b>105.1</b>	108.4
Investment in joint ventures	16	<b>78.9</b>	70.8
Financial interest in property assets	17	<b>93.1</b>	93.7
Deferred tax assets	20	<b>8.6</b>	12.0
Intangible assets		<b>2.1</b>	2.7
		<b>550.2</b>	647.0
<b>Current assets</b>			
Inventories – trading property	14	<b>904.3</b>	1,152.2
Trade and other receivables	18	<b>64.0</b>	31.6
Derivative financial instruments		<b>0.3</b>	2.0
Cash and cash equivalents		<b>90.7</b>	88.8
Assets classified as held-for-sale		<b>3.4</b>	-
		<b>1,062.7</b>	1,274.6
<b>Total assets</b>		<b>1,612.9</b>	1,921.6
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	19	<b>744.7</b>	1,093.1
Retirement benefits	22	<b>5.2</b>	1.7
Provisions for other liabilities and charges		<b>1.4</b>	0.2
Deferred tax liabilities	20	<b>30.2</b>	32.3
		<b>781.5</b>	1,127.3
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	19	<b>99.0</b>	133.3
Trade and other payables	21	<b>38.4</b>	56.9
Provisions for other liabilities and charges		<b>0.9</b>	0.7
Current tax liabilities	20	<b>4.8</b>	3.0
Derivative financial instruments	24	<b>13.1</b>	35.5
		<b>156.2</b>	229.4
<b>Total liabilities</b>		<b>937.7</b>	1,356.7
<b>NET ASSETS</b>		<b>675.2</b>	564.9
<b>Capital and reserves attributable to the owners of the Company</b>			
Issued share capital		<b>20.9</b>	20.9
Share premium		<b>110.8</b>	110.7
Merger reserve		<b>20.1</b>	20.1
Capital redemption reserve		<b>0.3</b>	0.3
Cash flow hedge reserve		<b>(12.0)</b>	(3.5)
Available-for-sale reserve		<b>7.3</b>	4.6
Retained earnings		<b>527.7</b>	411.7
<b>Equity attributable to the owners of the Company</b>		<b>675.1</b>	564.8
Non-controlling interests		<b>0.1</b>	0.1
<b>Total equity</b>		<b>675.2</b>	564.9

## Consolidated Statement of Changes in Equity

	Issued share capital	Share premium	Merger reserve	Capital redemption reserve	Cash flow hedge reserve	Available for sale reserve	Retained Earnings	Non- controlling Interest	Total Equity
Notes	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 1 October 2015</b>	<b>20.9</b>	<b>110.7</b>	<b>20.1</b>	<b>0.3</b>	<b>(3.5)</b>	<b>4.6</b>	<b>411.7</b>	<b>0.1</b>	<b>564.9</b>
Profit for the year	-	-	-	-	-	-	135.3	-	135.3
Actuarial loss on BPT defined benefit pension scheme	22	-	-	-	-	-	(4.1)	-	(4.1)
Fair value movement on financial interest in property assets	17	-	-	-	-	2.9	-	-	2.9
Exchange adjustments on retranslation of foreign operations		-	-	-	-	-	1.1	-	1.1
Exchange differences recycled on disposal of foreign operations		-	-	-	-	-	(4.3)	-	(4.3)
Changes in fair value of cash flow hedges		-	-	-	(9.5)	-	-	-	(9.5)
Tax relating to components of other comprehensive income	20	-	-	-	1.0	(0.2)	1.4	-	2.2
Total comprehensive income and expense for the year		-	-	-	(8.5)	2.7	129.4	-	123.6
Award of SAYE shares		-	0.1	-	-	-	-	-	0.1
Purchase of own shares		-	-	-	-	-	(0.6)	-	(0.6)
Share-based payments charge	23	-	-	-	-	-	1.9	-	1.9
Dividends paid		-	-	-	-	-	(14.7)	-	(14.7)
<b>Balance as at 30 September 2016</b>	<b>20.9</b>	<b>110.8</b>	<b>20.1</b>	<b>0.3</b>	<b>(12.0)</b>	<b>7.3</b>	<b>527.7</b>	<b>0.1</b>	<b>675.2</b>

## Consolidated Statement of Changes in Equity

Notes	Issued share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Cash flow hedge reserve £m	Available for sale reserve £m	Retained Earnings £m	Non- controlling Interest £m	Total Equity £m
<b>Balance as at 1 October 2014</b>	<b>20.9</b>	<b>110.4</b>	<b>20.1</b>	<b>0.3</b>	<b>(1.4)</b>	<b>4.6</b>	<b>382.7</b>	<b>0.1</b>	<b>537.7</b>
Profit for the year	-	-	-	-	-	-	42.7	-	42.7
Actuarial loss on BPT Limited defined benefit pension scheme	-	-	-	-	-	-	(0.6)	-	(0.6)
Exchange adjustments on retranslation of foreign operations	-	-	-	-	-	-	(0.7)	-	(0.7)
Changes in fair value of cash flow hedges	-	-	-	-	(0.8)	-	-	-	(0.8)
Tax relating to components of other comprehensive income	-	-	-	-	(1.3)	-	0.7	-	(0.6)
Total comprehensive income and expense for the year	-	-	-	-	(2.1)	-	42.1	-	40.0
Award of SAYE shares	-	0.3	-	-	-	-	-	-	0.3
Purchase of own shares	-	-	-	-	-	-	(4.7)	-	(4.7)
Share-based payments charge	-	-	-	-	-	-	2.0	-	2.0
Dividends paid	-	-	-	-	-	-	(10.4)	-	(10.4)
<b>Balance as at 30 September 2015</b>	<b>20.9</b>	<b>110.7</b>	<b>20.1</b>	<b>0.3</b>	<b>(3.5)</b>	<b>4.6</b>	<b>411.7</b>	<b>0.1</b>	<b>564.9</b>

## Consolidated Statement of Cash Flows

<b>For the year ended 30 September</b>	Notes	<b>2016 £m</b>	2015 £m
<b>Cash flow from operating activities</b>			
Profit for the year		<b>135.3</b>	42.7
Depreciation and amortisation		<b>0.9</b>	1.1
Net valuation gains on investment property	13	<b>(19.4)</b>	(13.9)
Net finance costs		<b>45.4</b>	65.8
Profit and disposal of joint venture		-	(4.4)
Share of profit of associates and joint ventures	15, 16	<b>(15.1)</b>	(24.9)
Profit on disposal of investment property	9	<b>(1.6)</b>	(0.5)
Share-based payment charge	23	<b>1.9</b>	2.0
Change in fair value of derivatives	24	<b>9.9</b>	5.8
(Reversal of)/ impairment of joint venture	16	<b>(14.1)</b>	4.1
Impairment of deferred consideration receivable		-	15.8
Income from financial interest in property assets	17	<b>(5.8)</b>	(9.2)
Tax	20	<b>10.9</b>	7.3
Profit on disposal of discontinued operation	2b	<b>(56.6)</b>	-
Cost of loan settlement – discontinued operation		<b>12.3</b>	-
Operating profit before changes in working capital		<b>104.0</b>	91.7
(Increase)/ decrease in trade and other receivables		<b>(12.2)</b>	8.2
Decrease in trade and other payables		<b>(6.0)</b>	(0.5)
Decrease in provisions for liabilities and charges		<b>(0.1)</b>	(0.2)
Decrease/ (increase) in inventories		<b>13.2</b>	(34.4)
Cash generated from operations		<b>98.9</b>	64.8
Interest paid		<b>(42.4)</b>	(60.8)
Tax paid	20	<b>(1.9)</b>	(4.9)
Payments to defined benefit pension scheme	22	<b>(0.6)</b>	(1.1)
Net cash inflow/ (outflow) from operating activities		<b>54.0</b>	(2.0)
<b>Cash flow from investing activities</b>			
Proceeds from sale of investment property		<b>13.2</b>	14.5
Proceeds from financial interest in property assets	17	<b>9.3</b>	10.0
Proceeds from disposal of discontinued operations net of costs and cash disposed	2b	<b>222.3</b>	-
Proceeds from disposal of joint venture		-	18.4
Interest received		-	0.6
Dividends received	15,16	<b>7.5</b>	2.7
Cash repaid from/ (investment in)/ associates and joint ventures	15,16	<b>0.7</b>	(0.2)
Acquisition of subsidiary of net cash acquired		-	0.6
Acquisition of investment property	13	<b>(79.5)</b>	(29.6)
Acquisition of property, plant and equipment and intangible assets		<b>(0.6)</b>	(1.2)
Net cash inflow from investing activities		<b>172.9</b>	15.8
<b>Cash flows from financing activities</b>			
Awards of SAYE options		<b>0.1</b>	0.3
Purchase of own shares		<b>(0.6)</b>	(4.7)
Proceeds from new borrowings		<b>188.2</b>	523.0
Payment of loan costs		<b>(1.7)</b>	(5.9)
Purchase of interest rate caps		<b>(1.0)</b>	(2.0)
Settlement of derivative contracts		<b>(37.9)</b>	(17.9)
Payment of loan settlement costs		<b>(11.7)</b>	-
Repayment of borrowings		<b>(347.5)</b>	(481.2)
Dividends paid	12	<b>(14.7)</b>	(10.4)
Net cash (outflow)/ inflow from financing activities		<b>(226.8)</b>	1.2



## Consolidated Statement of Cash Flows continued

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<b>For the year ended 30 September</b>	Notes	<b>2016 £m</b>	2015 £m
<b>Net increase in cash and cash equivalents</b>		<b>0.1</b>	15.0
Cash and cash equivalents at the beginning of the year		<b>88.8</b>	74.4
Net exchange movements on cash and cash equivalents		<b>1.8</b>	(0.6)
<b>Cash and cash equivalents at the end of the year</b>		<b>90.7</b>	88.8

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The Consolidated Statement of Cash flows above includes cash flows from both continuing and discontinued operations. Cash flows from discontinued operations are set out in note 5 to these preliminary financial results.

## **Notes to the preliminary financial results**

### **1. Accounting policies**

#### **1a Basis of preparation**

The board approved this preliminary announcement on 1 December 2016.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2015 or 30 September 2016. Statutory accounts for the year ended 30 September 2015 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2016 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors, KPMG LLP, have reported on the accounts for both years. The reports were unqualified, did not include reference to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 30 September 2016 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, derivative financial instruments, financial interest in property assets and assets classified as held-for-sale.

The accounting policies used are consistent with those contained in the Group's full annual report and accounts for the year ended 30 September 2016.

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**

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

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

- Annual Improvements to IFRSs 2012–2014, effective 2017 financial year;
- IFRS 9 Financial Instruments: Classification and Measurement, effective 2019 financial year (not yet endorsed by the EU);
- IFRS 15 Revenue from Contracts with Customers, effective 2018 financial year (not yet endorsed by the EU);
- IFRS 16 Leases, effective 2020 financial year (not yet endorsed by the EU). This standard replaces the existing standard, IAS17 Leases, where lessee's are required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet); and
- IAS 40 Investment Property, proposed amendment. In November 2015 the IASB issued an Exposure Draft on a proposed amendment to clarify situations in which properties can be transferred from investment property to trading property and vice versa. The IASB further announced in July 2016 that it has now recommended finalising this amendment. The Group anticipate that a number of trading properties will be reclassified as investment property as a consequence of the amendment.

Of the other IFRSs that are available for early adoption, none are expected to have a material impact on the financial statements.

## Notes to the preliminary financial results continued

### 1c Significant judgements and estimates

#### i. Valuation of residential property

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

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

	Residential £m	Development £m	Others £m	Financial asset £m	Total £m	% of properties for which external valuer provides valuation %
Trading property	818.8	85.5	-	-	904.3	
Investment property	261.3	-	-	-	261.3	
Financial asset (CHARM)	-	-	-	93.1	93.1	
<b>Total statutory book value</b>	<b>1,080.1</b>	<b>85.5</b>	<b>-</b>	<b>93.1</b>	<b>1,258.7</b>	
<b>Allsop LLP</b>						
Residential	1,225.1	-	-	-	1,225.1	53%
Grainger Invest	366.7	-	-	-	366.7	100%
Tricomm Housing	116.1	-	-	-	116.1	100%
Financial asset (CHARM)	-	-	-	93.1	93.1	***
<b>CBRE Limited</b>						
Developments	-	78.2	-	-	78.2	94%
Abbeville Apartments	28.9	-	-	-	28.9	100%
<b>Total assets at market value</b>	<b>1,736.8</b>	<b>78.2</b>	<b>-</b>	<b>93.1</b>	<b>1,908.1</b>	
Trading property	1,475.5	78.2	-	-	1,553.7	
Investment property	261.3	-	-	-	261.3	
Financial asset	-	-	-	93.1	93.1	
<b>Total assets at market value</b>	<b>1,736.8</b>	<b>78.2</b>	<b>-</b>	<b>93.1</b>	<b>1,908.1</b>	
Statutory book value	1,080.1	85.5	-	93.1	1,258.7	
Market value uplift*	656.7	(7.3)	-	-	649.4	
<b>Total assets at market value</b>	<b>1,736.8</b>	<b>78.2</b>	<b>-</b>	<b>93.1</b>	<b>1,908.1</b>	
Net revaluation gain recognised in the income statement for wholly owned properties - continuing	20.3	-	-	-	20.3	
Net revaluation gain relating to joint ventures and associates **	-	-	12.3	-	12.3	
<b>Net revaluation gain recognised in the current year – continuing **</b>	<b>20.3</b>	<b>-</b>	<b>12.3</b>	<b>-</b>	<b>32.6</b>	

\* The market value uplift is the difference between the statutory book value and the market value of the Group's inventories. Refer to note 4 for market value net asset measures.

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

\*\*\* Allsop provides vacant possession values used by the Directors to value the financial asset.

## **Notes to the preliminary financial results continued**

### **ii. Accounting for unusual contracts**

In 2012, the Group entered into a contractual arrangement to build PRS properties on behalf of the Royal Borough of Kensington and Chelsea ('RBKC'). The Group will manage and fund the construction of a number of sites, and will receive a developers priority return from the sale of units to third parties as they are completed. The construction contract is being accounted for as a cost plus contract in line with International Accounting Standard 11 - Construction Contracts. Revenue of £24.1m has been recognised in the year but, as the project is in the early stage of development, no trading profit has yet been recorded.

Once completed, under a separate arrangement, Grainger will manage the retained units on behalf of RBKC.

### **iii. Adjusted earnings**

Adjusted earnings is one of Grainger's key performance indicators. The metric is utilised as a key measure to aid understanding of the performance of the continuing business and excludes valuation movements and non-recurring items that are one-off in nature, which do not form part of the normal ongoing revenue or costs of the business and, either individually or in aggregate, are material to the reported Group results. The classification of amounts as non-recurring is a significant judgement made by management and is a matter referred to the Audit Committee for approval.

Non-recurring in 2016 primarily comprises a £10.7m profit from our investment in Prague, restructuring costs of £2.6m, an additional provision of £1.3m relating to the provision of a pension and BUPA medical cover to former employees of the company and BPT Limited, and income of £0.8m related to the outcome of a claim against a contractor.

### **1d Group risk factors**

The principal risks and uncertainties facing the Group are set out in the Risk Management report of the 2016 Annual Report and Accounts.

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

Specific risks include the failure to implement our PRS strategy, the failure of a key third party supplier, the failure to attract, develop and retain our people, the negative impact of Brexit together with our ongoing obligations to comply with health and safety requirements and other regulatory demands.

### **1e Forward-looking statements**

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

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

## **2. Discontinued Operations and profit or loss on sale of discontinued operations**

### **2 a Discontinued operations-results**

During the financial year, the Group has disposed of the Retirement Solutions division, other than the CHARM portfolio which has been retained, and the majority of the German operations. These operations have been classified as discontinued and the prior period consolidated income statement and, where appropriate, related supporting notes to the financial statements, have been restated to exclude these operations. The Retirement Solutions business has been classified as a discontinued operation despite the retention of the CHARM asset as there are clearly distinguishable cash flows.

#### **Retirement Solutions**

Completion of the sale of Grainger's Retirement Solutions business, to Patron Capital Partners and Electra Private Equity plc took place on 18 May 2016. The profit on sale was £48.3m after charging £12.3m in settlement of a fixed rate loan with Lloyds Bank plc securing assets sold as part of the transaction as the purchasers did not wish to acquire this debt. The profit on sale of £4.4m in 2015 relates to the sale of the Group's joint venture interest in New Sovereign Reversions Limited.

## Notes to the preliminary financial results continued

### Germany

The Group disposed of its interests in its German operations. The overall profit from the German disposals was £8.3m which includes the impact of recycling the translation reserve.

### Restatement

The 2015 comparatives have been restated to show the results from continuing and discontinued operations separately. Results of discontinued operations are shown in the table below.

<b>Discontinued operations For the year ended 30 September</b>	Notes	<b>2016 £m</b>	<b>2015 £m</b>
<b>Group revenue</b>		<b>33.4</b>	51.0
Net rental income		<b>3.5</b>	5.5
Profit on disposal of trading and investment property		<b>11.9</b>	15.2
Fees and other income		<b>1.4</b>	2.7
Administrative expenses		<b>(2.4)</b>	(3.7)
Impairment of deferred consideration receivable and associated other costs		-	(18.2)
<b>Operating profit before net valuation deficits on investment property</b>		<b>14.4</b>	1.5
Net valuation deficits on investment property		<b>(0.9)</b>	(0.7)
<b>Operating profit after net valuation deficits on investment property</b>		<b>13.5</b>	0.8
Change in fair value of derivatives		-	0.5
Net finance cost		<b>(8.3)</b>	(13.4)
Share of profit of joint ventures and associates after tax		<b>0.2</b>	6.3
<b>Profit/(loss) before disposals</b>		<b>5.4</b>	(5.8)
Profit on sale of Retirement Solutions		<b>48.3</b>	4.4
Profit on sale of Germany operations		<b>8.3</b>	-
<b>Discontinued disposal profit before tax</b>		<b>56.6</b>	4.4
<b>Profit/(loss) before tax</b>		<b>62.0</b>	(1.4)
<b>Current tax</b>			
Current tax on discontinued operations		<b>(1.0)</b>	0.1
Current tax on sale of discontinued operations		<b>(0.2)</b>	-
<b>Profit after tax</b>		<b>60.8</b>	(1.3)
<b>Basic earnings/(loss) per share - discontinued operations</b>		<b>14.6p</b>	(0.3)p
<b>Diluted earnings/(loss) per share - discontinued operations</b>		<b>14.6p</b>	(0.3)p

### Assets classified as held-for-sale

The assets and liabilities relating to the Retirement Solutions and Germany businesses sold in the year have moved into and then out of assets and liabilities held-for-sale. Investment property in Grainger Portfolio 3 GmbH of £3.1m has been transferred to investment property held-for-sale in the year. After an exchange adjustment of £0.3m, there was investment property held-for-sale as at 30 September 2016 with a value of £3.4m. Disposal is expected within the next 12 months. There were no other assets or liabilities held-for-sale as at 30 September 2016 (2015: £nil).

The remaining net assets relating to the German business as at 30 September 2016, amounting to £8.0m are shown within their respective headings in the consolidated statement of financial position. The remaining business in Germany is being wound down as quickly as possible to be followed by voluntary liquidation of the remaining companies.

## Notes to the preliminary financial results continued

### **2 b Profit on sale of discontinued operations**

The profit on disposal of both the Retirement Solutions and Germany businesses is analysed as follows:

	<b>Retirement Solutions £m</b>	<b>Germany £m</b>	<b>Total £m</b>
<b>Disposal proceeds</b>	<b>134.8</b>	<b>98.8</b>	<b>233.6</b>
Asset and liabilities disposed			
Investment property	(43.7)	(144.6)	<b>(188.3)</b>
Intangible assets	-	(0.9)	<b>(0.9)</b>
Investment in associates	-	(16.1)	<b>(16.1)</b>
Inventories – trading property	(210.5)	-	<b>(210.5)</b>
Cash and cash equivalents	(0.3)	(4.7)	<b>(5.0)</b>
Other current assets	(1.9)	(2.5)	<b>(4.4)</b>
Interest - bearing loans and borrowings	168.1	71.9	<b>240.0</b>
Deferred and current tax liabilities	0.2	3.5	<b>3.7</b>
Other current liabilities	15.1	4.8	<b>19.9</b>
<b>Net assets disposed</b>	<b>(73.0)</b>	<b>(88.6)</b>	<b>(161.6)</b>
Costs of disposal	(1.2)	(5.1)	<b>(6.3)</b>
Costs of loan settlement	(12.3)	-	<b>(12.3)</b>
Recycling of hedge reserve net of tax	-	(0.3)	<b>(0.3)</b>
Recycling of translation reserve net of debt	-	3.5	<b>3.5</b>
<b>Profit on disposal before tax</b>	<b>48.3</b>	<b>8.3</b>	<b>56.6</b>

Disposal proceeds in Germany are based on closing balance sheets still subject to audit and final agreement between the principals. Included within the consolidated statement of financial position is a net amount of £1.4m Grainger expect to repay to the portfolio acquirers once the final positions are agreed. Costs of loan settlement relate to the fixed rate loan with Lloyds Bank plc as stated above.

## Notes to the preliminary financial results continued

### 3. Analysis of profit before tax - continuing operations

The results for the year ended 30 September 2016 and 2015 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 to arrive at a measure of recurring earnings before valuation movements.

(£m)	2016				2015 (restated – note 2)			
	Statutory	Valuation	Non-recurring	Adjusted earnings	Statutory	Valuation	Non-recurring	Adjusted earnings
<b>Group revenue</b>	<b>219.9</b>	-	-	<b>219.9</b>	193.1	-	-	193.1
Net rental income	37.4	-	-	37.4	32.4	-	-	32.4
Profit on disposal of trading property	69.9	-	-	69.9	70.2	-	-	70.2
Profit on disposal of investment property	1.6	-	-	1.6	0.4	-	-	0.4
Income from financial interest in property assets	5.8	0.7	-	6.5	9.2	(2.7)	-	6.5
Fees and other income	7.3	-	(1.1)	6.2	5.6	-	-	5.6
Administrative expenses	(31.8)	-	-	(31.8)	(32.4)	-	-	(32.4)
Other expenses	(6.0)	-	4.9	(1.1)	(3.2)	-	-	(3.2)
Impairment of inventories to net realisable value	(2.7)	2.7	-	-	(1.2)	1.2	-	-
Reversal of impairment/ (impairment) of joint venture	14.1	(4.7)	(9.4)	-	(4.1)	4.1	-	-
<b>Operating profit before net valuation gains on investment property</b>	<b>95.6</b>	<b>(1.3)</b>	<b>(5.6)</b>	<b>88.7</b>	<b>76.9</b>	<b>2.6</b>	-	<b>79.5</b>
Net valuation gains on investment property	20.3	(20.3)	-	-	14.6	(14.6)	-	-
<b>Operating profit after net valuation gains on investment property</b>	<b>115.9</b>	<b>(21.6)</b>	<b>(5.6)</b>	<b>88.7</b>	<b>91.5</b>	<b>(12.0)</b>	-	<b>79.5</b>
Change in fair value of derivatives	(9.9)	9.9	-	-	(6.3)	6.3	-	-
Finance costs	(39.2)	-	-	(39.2)	(54.1)	-	3.5	(50.6)
Finance income	2.5	-	(0.4)	2.1	1.7	-	-	1.7
Share of profit of associates after tax	9.8	(8.8)	-	1.0	9.6	(8.5)	-	1.1
Share of profit/(loss) of joint ventures after tax	5.1	(3.2)	(1.4)	0.5	9.0	(9.2)	-	(0.2)
<b>Profit/(loss) before tax - continuing operations</b>	<b>84.2</b>	<b>(23.7)</b>	<b>(7.4)</b>	<b>53.1</b>	<b>51.4</b>	<b>(23.4)</b>	<b>3.5</b>	<b>31.5</b>
Tax charge for the year – continuing operations	(9.7)	-	-	-	(7.4)	-	-	-
<b>Profit after tax – continuing operations</b>	<b>74.5</b>	-	-	-	<b>44.0</b>	-	-	-
Discontinued operations – profit/(loss) before tax	62.0	-	-	-	(1.4)	-	-	-
Tax (charge)/ credit for the year – discontinued operations	(1.2)	-	-	-	0.1	-	-	-
<b>Profit for the year attributable to the owners of the company</b>	<b>135.3</b>	-	-	-	<b>42.7</b>	-	-	-
<b>Diluted adjusted earnings per share</b>	-	-	-	<b>10.2p</b>	-	-	-	<b>6.0p</b>

CHARM income recorded through the income statement is shown on the line 'Income from financial interest in property assets'. The amount comprises income from the asset calculated at the effective interest rate shown as adjusted earnings, and any movement in the future cash flow projections related to the asset, are shown within valuations.

Profit before tax in the adjusted earnings columns above of £53.1m (2015: restated £31.5m) is the adjusted earnings of the Group

## Notes to the preliminary financial results continued

Non-recurring in 2016 primarily comprises a £10.7m profit from our investment in Prague, restructuring costs of £2.6m, an additional provision of £1.3m relating to the provision of a pension and BUPA medical cover to former employees of the company and BPT Limited, and income of £0.8m related to the outcome of a claim against a contractor.

Non-recurring in 2015 of £3.5m relates to the accelerated write off of loan costs after refinancing of bank syndicate debt.

### 4. Segmental information

Accounting Policy IFRS 8 'Operating Segments' requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker (CODM) so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM is the Chief Executive Officer. Following the disposal of the Retirement Solutions and German operations, the three significant segments for continuing operations are outlined below.

- Residential;
- Development; and
- Funds

The two segments Retirement Solutions and German Residential, which are now classified as discontinued, are combined and analysed in note 3. The title "Other" has been included in the tables below to reconcile the segments to the figures reviewed by the CODM. The key operating performance measure of profit or loss used by the CODM is adjusted earnings before tax, valuation and non-recurring items. The CODM reviews by segment two key balance sheet measures of net asset value. These are EPRA Net Asset Value ('EPRA NAV') and EPRA Triple Net Asset Value ('EPRA NNAV').

Information relating to the Group's operating segments is set out in the tables below. The tables distinguish between adjusted earnings, valuation and non-recurring items and should be read in conjunction with Note 3.

### 2016 Income Statement-Continuing Operations

(£m)	Residential	Development	Funds	Other	Total
<b>Group revenue</b>					
<b>Segment revenue - external</b>	<b>165.3</b>	<b>49.7</b>	<b>4.8</b>	<b>0.1</b>	<b>219.9</b>
Net rental income	37.2	0.2	-	-	37.4
Profit on disposal of trading property	58.1	11.8	-	-	69.9
Profit on disposal of investment property	1.6	-	-	-	1.6
Income from financial interest in property assets	-	-	-	6.5	6.5
Fees and other income	1.0	0.3	4.8	0.1	6.2
Administrative expenses	(9.3)	(1.8)	(2.8)	(17.9)	(31.8)
Other expenses	(0.8)	(0.1)	(0.1)	(0.1)	(1.1)
<b>Operating profit/(loss) before net valuation gains on investment property</b>	<b>87.8</b>	<b>10.4</b>	<b>1.9</b>	<b>(11.4)</b>	<b>88.7</b>
Net finance costs	(34.8)	(0.2)	(2.0)	(0.1)	(37.1)
Share of trading profit of joint ventures and associates after tax	-	0.1	1.4	-	1.5
<b>Adjusted earnings/ (loss) before tax, valuation and non-recurring items</b>	<b>53.0</b>	<b>10.3</b>	<b>1.3</b>	<b>(11.5)</b>	<b>53.1</b>
Valuation movements					23.7
Non-recurring items					7.4
<b>Profit before tax - continuing operations</b>					<b>84.2</b>



## Notes to the preliminary financial results continued

### 2015 Income Statement (restated) - continuing operations

(£m)	Residential	Development	Funds	Other	Total
<b>Group revenue</b>					
<b>Segment revenue - external</b>	154.3	34.4	4.3	0.1	193.1
Net rental income	32.3	0.1	-	-	32.4
Profit on disposal of trading property	60.5	9.8	-	(0.1)	70.2
Profit on disposal of investment property	0.4	-	-	-	0.4
Income from financial interest in property assets	-	-	-	6.5	6.5
Fees and other income	0.5	0.5	4.3	0.3	5.6
Administrative expenses	(8.9)	(1.1)	(3.9)	(18.5)	(32.4)
Other expenses	(0.4)	(0.6)	(1.0)	(1.2)	(3.2)
<b>Operating profit/(loss) before net valuation gains on investment property</b>	84.4	8.7	(0.6)	(13.0)	79.5
Net finance costs	(41.6)	(2.3)	(1.4)	(3.6)	(48.9)
Share of trading profit of joint ventures and associates after tax	-	-	0.9	-	0.9
<b>Adjusted earnings/(loss) before tax, valuation and non-recurring items</b>	42.8	6.4	(1.1)	(16.6)	31.5
Valuation movements					23.4
Non-recurring items					(3.5)
<b>Profit before tax - continuing operations</b>					51.4

Segmental revenue from external customers for continuing operations is all derived from UK customers.

Non-current assets other than financial instruments and deferred tax assets are located as follows:

£541.6m within the UK (2015: £469.3m).

Nil in Germany (2015: £165.7m).

#### **Segmental assets**

The majority of the Group's properties are held as trading stock and are therefore shown in the statutory statement of financial position at the lower of cost and net realisable value. This does not reflect the market value of the assets and, accordingly, our key statement of financial position measures of net asset value include trading stock at market value. The two principal net asset value measures reviewed by the CODM are EPRA NAV and EPRA 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 statement of financial position amounts for both deferred tax on property revaluations and derivative financial instruments net of deferred tax, including those in joint ventures and associates, are added back to statutory net assets. Finally, the market value of Grainger plc shares owned by the Group are added back to statutory net assets.

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 financial results continued

### 4. Segmental information (continued)

#### 2016 Reconciliation of NAV measures

(£m)	Statutory balance sheet	Adjustments to market value, deferred tax and derivatives	EPRA NAV balance sheet	Deferred and contingent tax	Derivatives/ fixed rate debt	EPRA NNNAV balance sheet
Investment property	261.3	-	261.3	-	-	261.3
Property, plant and equipment	1.1	-	1.1	-	-	1.1
Investment in associates	105.1	1.4	106.5	-	(1.4)	105.1
Investment in joint ventures	78.9	7.2	86.1	(6.9)	(0.3)	78.9
Financial interest in property assets	93.1	-	93.1	-	-	93.1
Deferred tax asset	8.6	(2.5)	6.1	-	7.0	13.1
Intangible assets	2.1	-	2.1	-	-	2.1
Inventories – trading property	904.3	649.4	1,553.7	-	-	1,553.7
Trade and other receivables	64.0	-	64.0	-	-	64.0
Derivative financial instruments	0.3	(0.3)	-	-	0.3	0.3
Cash and cash equivalents	90.7	-	90.7	-	-	90.7
Assets classified as held-for-sale	3.4	-	3.4	-	-	3.4
Value of own shares held	-	7.5	7.5	-	-	7.5
<b>Total assets</b>	<b>1,612.9</b>	<b>662.7</b>	<b>2,275.6</b>	<b>(6.9)</b>	<b>5.6</b>	<b>2,274.3</b>
Interest-bearing loans and borrowings	(843.7)	-	(843.7)	-	(26.8)	(870.5)
Retirement benefits	(5.2)	-	(5.2)	-	-	(5.2)
Provisions for other liabilities and charges	(2.3)	-	(2.3)	-	-	(2.3)
Deferred and contingent tax liabilities	(30.2)	28.5	(1.7)	(138.8)	-	(140.5)
Trade and other payables	(38.4)	-	(38.4)	-	-	(38.4)
Current tax liabilities	(4.8)	-	(4.8)	-	-	(4.8)
Derivative financial instruments	(13.1)	13.1	-	-	(13.1)	(13.1)
<b>Total liabilities</b>	<b>(937.7)</b>	<b>41.6</b>	<b>(896.1)</b>	<b>(138.8)</b>	<b>(39.9)</b>	<b>(1,074.8)</b>
<b>Net assets</b>	<b>675.2</b>	<b>704.3</b>	<b>1,379.5</b>	<b>(145.7)</b>	<b>(34.3)</b>	<b>1,199.5</b>

#### September 2016 Segment net assets

(£m)	Continuing				Total	Pence per share
	Residential	Development	Funds	Other		
Total segment net assets (statutory)	363.4	96.9	116.6	98.3	675.2	-
Total segment net assets (EPRA NAV)	1,048.7	89.5	124.9	116.4	1,379.5	330
Total segment net assets (EPRA NNNAV)	908.5	90.8	116.6	83.6	1,199.5	287

## Notes to the preliminary financial results continued

### 4. Segmental information (continued)

#### September 2015 Reconciliation of NAV measures

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

#### Restated September 2015

#### Segment net assets

(€m)	Continuing				Discontinued			Pence per share
	Residential	Development	Funds	Other	German Residential	Retirement Solutions	Total	
Total segment net assets (statutory)	223.3	81.7	92.3	64.9	80.2	22.5	564.9	-
Total segment net assets (EPRA NAV)	864.1	81.4	100.6	104.8	87.1	96.1	1,334.1	319
Total segment net assets (EPRA NNNAV)	696.9	81.5	92.0	87.5	81.3	62.3	1,101.5	263

'Other' includes CHARM assets within continuing operations, which were previously included in the Retirement Solutions division.

## Notes to the preliminary financial results continued

### 5. Cash flow from discontinued operations

	2016	2015
	£m	£m
Net cash inflow from operating activities	16.5	12.7
Net cash inflow from investing activities	226.3	21.3
Net cash outflow from financing activities	(24.0)	(18.7)
Total net cash inflow	218.8	15.3

### 6. Group revenue - continuing operations

	2016	2015
	£m	Restated (note 2) £m
Gross rental income (note 7)	51.9	46.7
Gross proceeds from disposal of trading property (note 8)	160.7	140.8
Fees and other income (note 10)	7.3	5.6
	219.9	193.1

### 7. Net rental income - continuing operations

	2016	2015
	£m	Restated (note 2) £m
Gross rental income	51.9	46.7
Property repair and maintenance costs	(14.5)	(14.3)
	37.4	32.4

### 8. Profit on disposal of trading property - continuing operations

	2016	2015
	£m	Restated (note 2) £m
Proceeds from disposal of trading property	136.6	140.8
Revenue from construction contract	24.1	-
Gross proceeds from disposal of trading property	160.7	140.8
Selling costs	(3.3)	(3.0)
Net proceeds from disposal of trading property	157.4	137.8
Carrying value of trading property disposed	(63.4)	(67.6)
Carrying value of construction contract expenses	(24.1)	-
	69.9	70.2

Contract revenue and expenses from construction contracts is recognised in the income statement in accordance with the stage of completion of the contract. Contract costs incurred that relate to future activities are deferred and recognised as inventory.

Amounts relating to the construction contract included in the above table relate to a PRS development the Group is building for a customer. The Group will manage the development, once built, from which activity it will earn management fees. Due to the early stage of the development, no trading profit has yet been recognised.

## Notes to the preliminary financial results continued

### 9. Profit on disposal of investment property – continuing operations

	2016	2015 Restated (note 2)
	£m	£m
Gross proceeds from disposal of investment property	4.1	8.5
Selling costs	(0.1)	(0.1)
Net proceeds from disposal of investment property	4.0	8.4
Carrying value of investment property disposed	(2.4)	(8.0)
	1.6	0.4

### 10. Fees and other income – continuing operations

	2016	2015 Restated (note 2)
	£m	£m
Property and asset management fee income	5.9	5.0
Other sundry income	1.4	0.6
	7.3	5.6

### 11. Earnings per share

#### Basic

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

#### Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue relating to its share option schemes and contingent share awards under the LTIP and DBP, based upon the number of shares that would be issued if 30 September 2016 was the end of the contingency period. Where the effect of the above adjustments is antidilutive, they are excluded from the calculation of diluted earnings per share.

## Notes to the preliminary financial results continued

	30 September 2016			30 September 2015 Restated		
	Profit for the year £m	Weighted average number of shares (millions)	Earnings per share pence	Profit for the year £m	Weighted average number of shares (millions)	Earnings per share pence
<b>Basic earnings per share -continuing operations and discontinued operations</b>						
Profit attributable to equity holders	135.3	414.4	32.6	42.7	412.5	10.4
<b>Effect of potentially dilutive securities</b>						
Share options and contingent shares	-	1.5	(0.1)	-	2.9	(0.1)
<b>Diluted earnings per share - continuing operations and discontinued operations</b>						
Profit attributable to equity holders	135.3	415.9	32.5	42.7	415.4	10.3
<b>Basic earnings per share-continuing operations only</b>						
Profit attributable to equity holders	74.5	414.4	18.0	44.0	412.5	10.7
<b>Effect of potentially dilutive securities</b>						
Share options and contingent shares	-	1.5	(0.1)	-	2.9	(0.1)
<b>Diluted earnings per share-continuing operations only</b>						
Profit attributable to equity holders	74.5	415.9	17.9	44.0	415.4	10.6

### 12. Dividends

A final dividend in respect of the year ended 30 September 2016 of 3.05p per share amounting to £12.7m will be proposed at the 2017 AGM. If approved, this dividend will be paid on 10 February 2017 to Shareholders on the register at close of business on 30 December 2016. The 2016 interim dividend of 1.45p per share was paid in July 2016. This gives a total dividend for 2016 of 4.50p per share (2015: 2.75p per share).

### 13. Investment property

	2016 £m	2015 £m
Opening balance	357.8	332.9
Additions	79.5	29.6
Disposals - continuing operations	(2.4)	(8.0)
Disposals - discontinued operations	(9.2)	(2.2)
Business disposals (note 2b)	(188.3)	-
Net transfer to assets classified as held-for-sale	(3.1)	(0.4)
Net valuation gains – continuing operations	20.3	14.6
Net valuation deficits – discontinued operations (note 2a)	(0.9)	(0.7)
Exchange adjustments	7.6	(8.0)
<b>Closing balance</b>	<b>261.3</b>	<b>357.8</b>

## Notes to the preliminary financial results continued

### 14. Inventories

	2016 £m	2015 £m
Residential trading property	818.8	1,056.9
Development trading property	85.5	95.3
	<b>904.3</b>	1,152.2

### 15. Investment in associates

	2016 £m	2015 £m
Opening balance	108.4	103.5
Share of profit for the year – continuing	9.8	9.6
Share of profit for the year - discontinued	0.2	5.8
Dividends received	(7.5)	(2.1)
Net loans advanced to/ (repaid by) associates	10.5	(7.2)
Exchange movements	0.6	(0.8)
Share of change in fair value of cash flow hedges taken through other comprehensive income	(0.8)	(0.4)
Disposal (note 2b)	(16.1)	-
<b>Closing balance</b>	<b>105.1</b>	108.4

The disposal relates to the sale of Grainger's 25% interest in its German associate MH Grainger JV Sarl which completed on 1 January 2016. The sale generated a profit of £11.2m and forms part of the profit on sale of discontinued operations in note 2. Grainger invested an additional £10.5m net into GRIP in the year to enable GRIP to make further investment in PRS assets.

As at 30 September 2016, the Group's interest in associates was as follows:

	% of ordinary share capital/ units held	Country of incorporation
GRIP REIT PLC	24.9	United Kingdom
Vesta LP	15.0	United Kingdom

### 16. Investment in joint ventures

	2016 £m	2015 £m
<b>Opening balance</b>	<b>70.8</b>	73.6
Share of profit for the year – continuing	5.1	9.0
Share of profit for the year – discontinued	-	0.5
Dividends received	-	(0.6)
Reversal of impairment/(impairment)	14.1	(4.1)
Loan interest received	0.1	(0.7)
Disposal	-	(14.0)
Loans advanced to joint ventures	5.5	7.4
Loans repaid by joint ventures	(16.7)	-
Share of change in fair value of cash flow hedges taken through other comprehensive income	-	(0.3)
<b>Closing balance</b>	<b>78.9</b>	70.8

The closing balance comprises share of net assets at £55.0m (2015: £49.1m) and net loans due from joint ventures of £23.9m (2015: £21.7m).

## Notes to the preliminary financial results continued

At 30 September 2016, the Group's interest in joint ventures was as follows:

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

### 17. Financial interest in property assets

	2016	2015
	£m	£m
Opening balance	93.7	94.5
Cash received from the instrument	(9.3)	(10.0)
Amounts taken to income statement	5.8	9.2
Amounts taken to other comprehensive income before tax	2.9	-
<b>Closing balance</b>	<b>93.1</b>	<b>93.7</b>

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

### 18. Trade and other receivables

	2016	2015
	£m	£m
Rent and other tenant receivables	3.1	11.0
Deduct: Provision for impairment	(0.5)	(1.8)
<b>Rent and other tenant receivables – net</b>	<b>2.6</b>	<b>9.2</b>
Amounts recoverable on contracts	50.5	12.2
Other receivables	4.2	2.3
Prepayments	6.7	7.9
	<b>64.0</b>	<b>31.6</b>



## Notes to the preliminary financial results continued

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

	2016	2015
	£m	£m
<b>Current liabilities</b>		
Bank loans	(1.5)	124.4
Non-bank financial institution	101.1	9.3
Mortgages	-	0.2
Corporate bond	(0.6)	(0.6)
	<b>99.0</b>	<b>133.3</b>
<b>Non-current liabilities</b>		
Bank loans	447.7	537.7
Non-bank financial institution	23.9	266.2
Mortgages	-	16.8
Corporate bond	273.1	272.4
	<b>744.7</b>	<b>1,093.1</b>
<b>Total interest-bearing loans and borrowings</b>	<b>843.7</b>	<b>1,226.4</b>

The £0.6m debit shown above under current liabilities for the Corporate bond and the £1.5m debit shown under bank loans represent issue costs that will be amortised to the income statement during the next financial year. The Corporate bond and bank loans do not mature until 2020.

#### Categories of financial instrument

The Group holds financial instruments such as financial interest in property assets, trade and other receivables (excluding prepayments), derivatives, cash and cash equivalents. For all assets and liabilities excluding interest-bearing loans the book value was the same as the fair value as at 30 September 2016 and as at 30 September 2015.

As at 30 September 2016, the fair value of interest-bearing loans is greater than the book value by £26.8m, but there is no requirement under IAS39 to adjust the carrying value of loans, all of which are stated at unamortised cost in the consolidated statement of financial position.

As at 30 September 2015 the fair value of loans were £32.3m greater than the book value, however in accordance with IAS39 the loans were carried at unamortised cost.

The Group is exposed to market risk through interest rates, foreign exchange fluctuations, the availability of credit and house price movements relating to the Tricomm Housing portfolio and the CHARM portfolio. The Group internally measures its market risk exposure by running various sensitivity analyses. The Directors consider that a +/- 1 percent (2015: 1 percent) movement in interest rates, a +/- 10 percentage point (2015: 10 percentage point) movement in Sterling and a +/- 1 percentage point (2015: 1 percentage point) movement in house prices represents a reasonable possible change. The Group is not significantly exposed to equity price risk or to commodity price risk.

#### Fair values

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

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

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

Level 3 – unobservable inputs for the asset or liability.

The fair value of swaps and other financial instruments is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments. As all significant inputs required to value the swaps are observable, they all fall within Level 2.

## Notes to the preliminary financial results continued

The CHARM portfolio falls within Level 3, inputs not based on observable market data. The significant unobservable inputs affecting the carrying value are house price inflation and the discount rate. Note 17 provides a reconciliation of movements and amounts recognised in the income statement and other comprehensive income.

Investment property falls within Level 3. The Investment valuations provided by Allsop LLP and CBRE Limited are based on RIC's Professional Valuation Standards, but include a number of unobservable inputs and other valuation assumptions. In prior years, investment property has been included within Level 2. However, as all inputs to their valuation on a property by property basis are not always observable, investment property is better shown within Level 3 and a transfer has been made in the current year to reflect this.

### **Assets – Level 3**

	<b>2016</b>	2015
	<b>£m</b>	£m
Opening balance	<b>205.2</b>	203.6
Amounts taken to income statement	<b>26.1</b>	11.6
Transfer from level 2	<b>246.3</b>	-
Other movements	<b>(123.2)</b>	(10.0)
Closing balance	<b>354.4</b>	205.2

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

	<b>2016</b>		<b>2015</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Level 3</b>				
Financial interest in property assets	<b>93.1</b>	-	93.7	-
Investment property	<b>261.3</b>	-	111.5	-
	<b>354.4</b>	-	205.2	-
<b>Level 2</b>				
Interest rate swaps – in cash flow hedge accounting relationships	-	<b>13.1</b>	-	5.0
Interest rate swaps – not in cash flow hedge accounting relationships	-	-	-	30.5
Interest rate caps – not in cash flow hedge accounting relationships	<b>0.3</b>	-	2.0	-
Investment property	-	-	246.3	-
Assets classified as held-for-sale	<b>3.4</b>	-	-	-
	<b>3.7</b>	<b>13.1</b>	248.3	35.5

## Notes to the preliminary financial results continued

### 20. Tax

Movements in tax during the year are set out below:

	Opening balance	Payments made in the year	Disposals/ Transfers	Movements recognised in income	Movements recognised in other comprehensive income	Closing balance
2016 Movement in tax	£m	£m	£m	£m	£m	£m
<b>Current tax</b>	<b>3.0</b>	<b>(1.9)</b>	<b>(2.1)</b>	<b>5.8</b>	<b>-</b>	<b>4.8</b>
<b>Deferred tax</b>						
Trading property uplift to fair value on business combinations	18.0	-	(3.3)	(3.3)	-	11.4
Investment property revaluation	12.0	-	-	5.0	-	17.0
Accelerated capital allowances	0.7	-	-	(0.9)	-	(0.2)
Short-term timing differences	(10.5)	-	1.7	4.3	-	(4.5)
Actuarial deficit on BPT Limited pension scheme	(0.5)	-	-	-	(0.5)	(1.0)
Equity component of available-for-sale financial asset	1.2	-	-	-	0.2	1.4
Fair value movement in cash flow hedges and exchange adjustments	(0.6)	-	-	-	(1.9)	(2.5)
Deferred tax - Total	20.3	-	(1.6)	5.1	(2.2)	21.6
<b>Total tax – 2016 movement</b>	<b>23.3</b>	<b>(1.9)</b>	<b>(3.7)</b>	<b>10.9</b>	<b>(2.2)</b>	<b>26.4</b>

## Notes to the preliminary financial results continued

The tax charge for the year of £10.9m (2015: £7.3m) comprises:

	2016	2015 Restated (note 2)
	£m	£m
<b>Current tax</b>		
Corporate tax on profit	8.0	5.1
Adjustments relating to prior years	(2.2)	(3.7)
	5.8	1.4
<b>Deferred tax</b>		
Origination and reversal of temporary differences	9.0	6.9
Adjustments relating to prior years	-	(1.0)
Impact of tax rate change	(3.9)	-
	5.1	5.9
<b>Tax charge for the year</b>	<b>10.9</b>	<b>7.3</b>
<b>Tax charge for the year comprises:</b>		
Tax charge in income statement	9.7	7.4
Tax from discontinued operations (excluding gain on sale)	1.0	(0.1)
Tax on sale of discontinued operation	0.2	-
<b>Total tax charge for the year</b>	<b>10.9</b>	<b>7.3</b>

The 2016 current tax adjustments relating to prior years include the utilisation of tax losses and other reliefs available to the Group which have been included in submitted tax returns.

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

	2016	2015
	£m	£m
Deferred tax balances are disclosed as follows:		
Deferred tax assets: non-current assets	8.6	12.0
Deferred tax liabilities: non-current liabilities	(30.2)	(32.3)
<b>Deferred tax</b>	<b>(21.6)</b>	<b>(20.3)</b>

Deferred tax has been predominantly calculated at a rate of 17% (2015: 20%).

In addition to the tax amounts shown above, the Group has a contingent tax liability, representing the difference between the carrying value of trading properties in the statement of financial position and their market value. This contingent tax, which is not provided in the accounts, amounts to £110.4m (2015: £137.5m).

## **21. Trade and other payables**

	2016	2015
	£m	£m
Deposits received	2.6	2.9
Trade payables	16.0	12.0
Tax and social security	0.2	0.5
Accruals	18.2	29.5
Deferred income	1.4	12.0
	38.4	56.9

## Notes to the preliminary financial results continued

### 22. Retirement Benefits

The Group retirement benefit liability increased by £3.5m to £5.2m in the year ended 30 September 2016. The group obtained an updated valuation of the assets and liabilities of the pension scheme for the purposes of the interim financial statements. The brought forward deficit of £1.7m was reduced by £0.6m of contributions and increased by £4.1m of actuarial losses. The principal actuarial assumptions used to reflect market conditions as at 30 September 2016 are as follows:

	2016 %	2015 %
Discount rate	2.25	3.70
Retail Price Index Inflation	3.10	3.10
Consumer Price Index Inflation	2.10	2.10
Salary increases	3.60	3.60
Rate of increase of pension payment	5.00	5.00
Rate of increase for deferred pensioners	2.10	2.10

### 23. Share Based Payment Arrangements

The Group operates an equity-settled, share-based compensation plan comprising awards under a Long Term Incentive Plan ("LTIP"), a Deferred Bonus Plan ("DBP"), a Share Incentive Plan ("SIP") and a Save As You Earn Scheme ("SAYE"). The share based payments charge recognised in the income statement for the period is £1.9m (2015: £2.0m).

### 24. Derivative financial instruments

	2016		2015	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Interest rate derivatives – in cash flow hedge accounting relationships	-	13.1	-	5.0
Interest rate derivatives – not in cash flow hedge accounting relationships	0.3	-	2.0	30.5
	0.3	13.1	2.0	35.5

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. During the year ended 30 September 2016 there was a debit to the cash flow hedge reserve of £8.5m net of tax (12 months to 30 September 2015: a debit of £2.1m) in respect of derivatives.

The fair value movement relating to cash flow hedges not in hedge accounting relationships amounted to a charge through the income statement of £9.9m (September 2015 Restated: charge of £6.3m).

## Notes to the preliminary financial results continued

### 25. Related party transactions

During the year ended 30 September 2016, the Group transacted with its associates and joint ventures (details of which are set out in Notes 15 and 16). The Group provides a number of services to its associates and joint ventures. These include property and asset management services for which the Group receives fee income. The related party transactions recognised in the income statement and statement of financial position are as follows:

	2016		2015	
	Fees recognised £'000	Year end balance £'000	Fees recognised £'000	Year end balance £'000
GRIP REIT PLC	3,670	1,745	3,398	1,527
Grainger Stuttgart Portfolios	301	-	924	-
New Sovereign Reversions Limited	-	-	704	-
Walworth Investment Properties Limited	40	40	40	40
	<b>4,011</b>	<b>1,785</b>	5,066	1,567

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

	2016			2015		
	Interest recognised £'000	Year end loan balance £m	Interest Rate %	Interest recognised £'000	Year end loan balance £m	Interest Rate %
			<b>Nil and</b>			
GRIP REIT PLC	795	19.9	4.75	1,010	24.1	4.75
MH Grainger JV Sarl	-	-	-	97	-	7.50
Grainger Stuttgart Portfolios	-	-	-	11	-	8.00
New Sovereign Reversions Limited	-	-	-	(12)	-	LIBOR + 2.35
Czech Republic combined	388	(3.6)	4.00	-	6.9	1.25
Curzon Park Limited*	-	19.5	Nil	-	19.5	Nil
King Street Developments (Hammersmith) Limited	-	6.8	Nil	-	5.9	Nil
Walworth Investment Properties Limited	455	6.7	7.00	456	6.6	7.00
Vesta LP	-	0.1	Nil	-	0.1	Nil
	<b>1,638</b>	<b>49.4</b>		1,562	63.1	

\* The amount disclosed above is the gross loan amount. Some provisions have been made against the loans.

### 26. Post balance sheet events

An irrevocable prepayment notice was delivered to M&G Investments Management Limited on the 29 September 2016, setting out the early repayment terms of the £100m term loan due 2021. The loan was subsequently repaid in full on 6 October 2016 utilising headroom on the Group's Core Facilities.

On 28 November 2016, the Group agreed and signed two new £50m bi-lateral term loans with HSBC and RBS. The initial term of each loan is 5 years. The HSBC facility agreement has an option to extend the maturity for a further one year.

On 28 November 2016, the Group agreed to acquire a PRS build-to-rent development at Finzels Reach in Bristol for £45.7m. The site will deliver 194 private rented homes and is expected to complete at the beginning of 2019.