22 May 2008

Grainger plc ("Grainger"/"Group"/ "Company")

Results for the six months ended 31 March 2008

Grainger's diversified business model well positioned to weather current market conditions

Grainger plc, the UK's largest quoted residential property owner, announces its results for the six months ended 31 March 2008.

- Operating profit up 26% to £48.2m (31 March 2007: £38.3m) as a result of higher net rents and improved trading profits from the core portfolio;
- Profit before tax £0.2m (31March 2007: £12.1m) impacted by higher interest costs and negative movement on the mark to market adjustment for financial instruments;
- New bank financing totalling circa £280m raised in the UK and Germany increasing the Group's headroom to £440m and providing the Company with significant financial flexibility;
- Dividend up 10% to 2.27p per share in the light of the Board's ongoing confidence in the Company's prospects;
- Strong progress across all areas of the business:
  - Normal sales from core portfolio realised average values of 4.2% above September vacant possession values;
  - Planning permission for 1,550 new homes and 100,000 sq.m of commercial space at Newlands Common, West Waterlooville;
  - Successful tender offer for German residential company FranconoRheinMain AG ("FRM") for €46m; acquisition takes total German portfolio to 6,900 residential units with a total value of c€500m and a rent roll of €35m;
  - CAT and CHARM portfolios performing in-line with expectations: Retirement Solutions business has built a market share for new reversion business of 37%.

Robin Broadhurst, Chairman of Grainger plc, said:

"We remain confident in the Group's medium and long term prospects. The current market is showing volatility but as noted previously we believe that our unique portfolio, assembled over many years, is well positioned to withstand these conditions. Whilst the general residential market has tightened considerably, principally through a lack of readily available finance, the long term imbalance in the UK between supply and demand remains. New house build levels in the last quarter of 2007 at 40,735 units were the lowest for some time and indicate an annual level of supply well below the Government target of 240,000 per annum. In addition, recent announcements from housebuilders indicate that supply will remain low for some considerable period of time. Inevitably this will act as a support for long term house prices.

"Over the last few years, our business activities have lessened our direct exposure to UK house price growth (fund management activities, investment in other geographic locations, use of joint ventures). This evolution will continue and our long term strategy – to capitalise on our expertise and unique position across all sectors of the residential market – remains very much in place for the benefit of shareholders."

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Chairman's Statement

Despite the challenging external market conditions the Group continued to make progress in its key business areas in the first six months and has positioned itself to withstand the effects of the current market turbulence.

In the six month period to 31 March 2008:-

- Operating profit has increased by 26% to £48.2m from £38.3m.

- Normal sales (ie sales made on achieving vacant possession) from our core portfolio have realised values, on average, some 4.2% above last September vacant possession values.

- Planning permission for 1,550 new homes and 100,000 sq.m of commercial space has been obtained on our 132 hectare site at Newlands Common near West Waterlooville in Hampshire.

- A tender offer for FranconoRheinMain AG ("FRM"), a German listed residential property company, was made and was subsequently declared unconditional shortly after the period end.

- Performance on the two major recent acquisitions in our retirement solutions division (the CAT and CHARM portfolios) have been in line with expectations.

- Additional bank financing totalling some £280m was raised (£228m on our core UK facility and €75m in Germany), increasing Group headroom to approximately £440m.

Set against these achievements have been the impacts of a slowing market and a significant increase in debt costs arising from a combination of larger debt balances, used to finance last year's expansion, and higher interest costs. This, and a negative movement on the mark to market adjustment for our financial instruments, has resulted in a reduction in profit before tax for the period to £0.2m (2007: £12.1m).

Market overview

The impact of the credit crunch on the housing market has been well documented. Mortgages, once freely available at high loan to value ratios and earnings multiples, have been cut back with serious implications for the housing market; the hardest hit areas being buy to let and new build. Housebuilders in particular have been affected by slow downs in sales as a result of their customers being unable to raise finance, with mortgage approvals for new house purchases in March at their lowest level since 1992.

On the broader economic front there is a risk that the US is in recession – and whilst the UK economy is in a more robust state, it is subject to similar imbalances in terms of current account deficit and low household saving rates. Whilst the current pressure on UK interest rates seems to be downwards, the actions of the Monetary Policy Committee ("MPC") will necessarily be constrained by concerns about inflation.

Specifically in the UK housing market, recent general indices of house price inflation have shown a significant slowing of growth. Whilst both the Nationwide and Halifax house price indices reflected year on year growth to the end of March (our period end) of 1.1%, both also showed a fall in that month (0.7% and 2.5% respectively) and this has continued into April (1.1% and 1.3% respectively).

Given this environment, we are pleased with the trading performance of our core portfolio. On average to the end of March we achieved sales values 4.2% in excess of September 2007 values. This, as always, masks some regional variations with Central and Inner London showing good increases, offset by weaknesses in the North and Midlands and by static or low growth in many other regions. We have some 53% by value of our portfolio in London and the South East. Since the period end we have continued to sell above September values albeit at a lower excess; completed sales, contracts exchanged and solicitors instructed in the period to the end of April were some 1% above September vacant possession values. This is an indication that it is likely that there will be falls in value by the time of our year end. However, we believe that the following factors evidence that the Group has a defensive portfolio and will not match the trend of the general indices:-

- it is geographically widespread and so 'hot spot' price volatility is dampened
- the individual properties are of relatively low average value (c.£206,000) and are generally un-modernised. These properties tend to remain in higher demand than, for example, new build homes
- it is not exposed to the overbuilt one/two bedroom city centre apartment market which has often been sold to "buy to let" investors. This sub sector in particular is showing signs of price pressure and lack of demand
- the high margins we achieve on sale (c.50%) provide price flexibility and support its relatively liquid nature
- the majority of our properties are bought at a discount to vacant possession value and are held for a number of years before sale – features that mitigate against short term price volatility.

These features illustrate why our business is fundamentally different from that of the housebuilders. We sell approximately 10% of our portfolio each year and our average hold period is about nine years. This provides us with greater flexibility to ride out the impacts of short term market fluctuations.

Results

Our operating profit has increased from £38.3m to £48.2m as a result of higher net rents in the UK and Germany and improved trading profits from the core portfolio. Profit before tax has fallen from £12.1m to £0.2m. This has largely been caused by an increase in funding costs. As we have mentioned in previous announcements, many of our acquisitions in the last few years have been of long term reversionary assets which tend to be earnings dilutive post financing in early years of ownership. Other variances relate to the reversal in the mark to market adjustments on our financial instruments and a reduction in the contribution from our joint venture and associate operations, previously delivered through revaluation growth.

Net assets

Assessments of our net asset value are a key indicator of our performance, although their value is always somewhat diminished at the half year as we do not produce a full interim valuation of our portfolio for market value balance sheet purposes. Consequently we would anticipate falls in net asset values from the previous year end as valuation surpluses are eliminated by sales in the period. Full definitions of our net asset measures are provided in our operating review below:-

Gross net asset value (before any adjustments for deferred and contingent tax or marking financial instruments to market): 806p (30 September 2007: 828p).

Triple net asset value ("NNNAV") (after full deduction for deferred and contingent tax and marking to market): 583p (30 September 2007: 613p).

Grainger NAV (which adjusts the NNNAV to take into account the present value of the taxed reversionary surplus on our long term UK residential portfolios):707p (30 September 2007: 732p).

Financing

In the period, we increased our core UK facility by introducing a new five year £228m revolving credit facility to bring the total available to £1,528m, of which we had drawn down £1,246m at 31 March. Covenants on this facility are being comfortably met. We also raised a further €75m to fund German acquisitions. This facility stood at €225m at the period end, with €140.5m drawn down. Including cash and overdraft facilities this resulted in the Group having total headroom of £440m.

Dividends

The board remains confident in the Group's long term prospects and is therefore pleased to announce an increase in the interim dividend of 10% to 2.27p (2007: 2.06p) amounting to £2.9m (2007: £2.7m). This will be paid on 4 July 2008 to shareholders on the register at the close of business on 6 June 2008.

Outlook and strategy

These are unquestionably difficult times for any company involved in the residential sector and it is clear that our performance and financial position to the end of this year will be adversely affected by falls in asset values. Since the period end we have noticed weakening in values and an increase in the time taken to complete sales. Nevertheless, we remain confident in the Group's medium and long term prospects. The current market is showing volatility but as noted previously we believe that our unique portfolio, assembled over many years, is well positioned to withstand these conditions. Whilst the general residential market has tightened considerably, principally through a lack of readily available finance, the long term imbalance in the UK between supply and demand remains. New house build levels in the last quarter of 2007 at 40,735 units were the lowest for some time and indicate an annual level of supply well below the Government target of 240,000 per annum. In addition, recent announcements from housebuilders indicate that supply will remain low for some considerable period of time. Inevitably this will act as a support for long term house prices.

In response to the current market conditions we are exercising great caution when considering potential acquisitions. The increase in our bank facilities not only illustrates the confidence of our banking partners in our business model but also provides us with the financial flexibility and firepower to act on opportunities that will inevitably arise.

We are also disposing of assets to improve liquidity further. For example we have made £7.8m of investment sales (sales with the property subject to a tenancy rather than vacant) in the period and currently have some £39.8m of assets in our development portfolio either exchanged or under offer. We will continue to extract value from our portfolios as circumstances dictate.

Over the last few years, our business activities have lessened our direct exposure to UK house price growth (fund management activities, investment in other geographic locations, use of joint ventures). This evolution will continue and our long term strategy – to capitalise on our expertise and unique position across all sectors of the residential market – remains very much in place for the benefit of shareholders.

Robin Broadhurst
Chairman
22 May 2008

Operating Review

Our main operating divisions and the market value of the assets in each as a percentage of our total property and investment assets are:-

	%	
Core portfolio	55.5	Primarily our portfolio of properties subject to regulated tenancies
Retirement solutions	21.5	Home reversion and retirement related assets
Fund management and investments in residential joint ventures	7.0	Investments in managed funds and in Grainger GenInvest (JV with Genesis Housing Group)
Development	4.5	Large scale residential or residential led mixed use developments
Continental Europe	11.5	Principally investment in German residential portfolios
	100%	

Analysis of Grainger portfolio

As at 31 March 2008	No of units	Market Value £m	Vacant Possession £m	Reversionary Surplus £m
Regulated	7,582	1,213	1,561	348
Retirement solutions	6,166	559	812	253
Assured	655	124	140	16
Vacant	217	36	40	4
Other	50	69	86	17
UK – residential	14,670	2,001	2,639	638
– development	-	119	119	-
Total UK	14,670	2,120	2,758	638
German portfolio	4,757	285		
Europe – development	-	15		
Total	19,427	2,420		

Note: As well as the 19,427 owned properties shown above, Grainger has an economic interest in or manages a further 4,845 units, a total of 24,272.

Trading Performance

Core portfolio

Trading summary	£m 6 months to 31 March 2008 Value	Profit	£m 6 months to 31 March 2007 Value	Profit
Sales of vacant properties	55	27	53	26
Investment sales	8	5	7	3
	63	32	60	29
Net rental and other income		16		14
Divisional overhead costs		(5)		(6)
		43		37

Trading performance in this division has been good. Profits from sales and from net rental income after overheads are up from £37m to £43m, enhanced by investment sales profits of £4.7m (up from £3.0m). These are sales of properties with a tenant in place rather than vacant and are generally made as a result of active portfolio management and to enhance liquidity.

The number of units sold on vacancy has decreased this year from 292 to 262, although as the average sales price achieved has increased to £210,000 per unit from £182,000, receipts are slightly ahead of the corresponding period last year. Margins have remained constant at 48.7%. The decline in unit sales has arisen from both a slowdown in the sales process (for example because mortgages for potential buyers are taking longer to come through) and a slight decrease in vacancy rates. A proportion of our regulated properties fall vacant simply because tenants occasionally choose to move. We have noted a fall in this type of 'discretionary' vacancy in the last few months.

Acquisitions in the period totalled £70m (31 March 2007: £40m) and included the £34.6m acquisition of the Ranton Estate in Staffordshire in January.

Retirement Solutions

	£m 6 months to 31 March 2008		£m 6 months to 31 March 2007	
Trading summary	Value	Profit	Value	Profit
Sales and CHARM receipts	13	5	8	4
Net rental and other income		4		-
		9		4
Divisional overheads		(2)		(1)
		7		3

The increase in returns from this division arose from the growth in the size of the portfolio and principally from the CAT and CHARM portfolios which were acquired in early 2007. These acquisitions have contributed £1.6m and £2.1m respectively and are performing in line with expectations. In particular we have reduced vacancies in the CAT portfolio from 229 units on acquisition to 78 units at 31 March 2008.

In total we have sold 85 units in the retirement solutions portfolio for a gross consideration of £13.2m (2007: 51 units for £7.5m).

Acquisitions in this division come through three main routes: our own Bridgewater brand (which won, for the second year running, the Mortgage Solutions Equity Release Award for the 'Best Home Reversion Provider' at the Equity Release industry event in December 2007), our distribution agreement with Norwich Union and by opportunistic portfolio acquisitions. We have bought 299 units in this period for £26.4m (2007: 326 units for £22.4m excluding CAT and CHARM) and, according to latest figures released by SHIP (the industry self regulating authority) had a market share for new reversion business of 37%.

Fund management and residential investments

	Holding	Gross asset Value £m	Net assets £m	Grainger Share £m
Grainger GenInvest	50.0%	363	70	35
G:res1	21.6%	457	213	46
Schroders	22.4%	90	90	20
Total 31 March 2008		910	373	101
Total 30 September 2007		911	389	107

Our 50% joint ventures with Genesis Housing Association (Grainger GenInvest) have made good progress, with refurbishment initiatives we have undertaken at many blocks starting to produce increases in value. These ventures have a large proportion of low yielding regulated properties and so the net result to Grainger (after holding costs, receipts of asset management income and interest on loans provided to the venture) amount to a loss of £0.1m (2007: profit of £0.9m).

G:res 1, the market rented residential fund, showed an increase in net asset value attributable to shareholders of 8% at 31 December 2007 (the date of the last property valuation). The fund is benefiting from the current strong rental market, with increases of circa 6% being achieved on rent reviews, circa 12% on newly let properties and low levels of voids.

Asset and property management fees in the period (for all activities, including Grainger GenInvest) amount to £3.3m (2007: £1.8m) and operating contribution after allocation of overheads was £0.5m (2007: £2.1m including £1.7m of net rental income and profit on sale of fixed assets from G:res whilst it was wholly owned).

Grainger Developments

	31 March 2008 £m	30 September 2007 £m
Gross market value of development portfolio (including share of joint ventures)	138	127
Estimate of completed development value,	879	809
Of this, with planning consent	271	324

In this period the division achieved planning permission for Newlands Common, our major residential led mixed-use development, located near West Waterlooville in Hampshire. The permission provides for 1,550 new homes and 100,000 sq. m of commercial space on the 132 hectare site. Adjoining land under our ownership has been identified as potentially suitable for an additional 1,000 future dwellings.

Also, in March we announced that our joint venture with Helical Bar had exchanged contracts with the London Borough of Hammersmith and Fulham for mixed-use development of the area around Hammersmith Town Hall. The development is to provide approximately 290 new homes and 16,200 sq. m of office and retail space.

As noted in our year end review, operating profits in this division for the whole of this year will be significantly lower than previous years as no significant developments are expected to be completed. For the period to 31 March 2008 operating contribution (after overhead costs and share of profits and losses from joint ventures) amounted to a loss of £2.7m (2007: gain of £2.5m). Committed expenditure in the division at 31 March 2008 amounted to £60m.

Grainger Europe

	£m 6 months to 31 March 2008		£m 6 months to 31 March 2007	
Trading summary	Value	Profit	Value	Profit
Sales	1	-	1	-
Net rental and other income		5		4
		5		4
Divisional overhead costs		(1)		(2)
		4		2

We have continued to make prudent investments in the German residential market, focussing on smaller, well located, often off market portfolios that we believe will provide good long term opportunities for both capital and rental growth. The major event, however, has been the acquisition of FRM, a German listed residential company, for a total consideration of €46m (£36m) which was declared unconditional shortly after the period end. This brought our assets in Germany to over 6,900 residential units with a total value of circa. Euro 500m (£395m) and a running gross rent roll of Euro 35m (£28m).

Our focus in Germany in the coming months will be the integration of our existing portfolio with that of FRM, with a concentration on asset management activities to enhance both rental and capital returns.

We are considering strategic options for our German portfolio, including the possibility of introducing third party capital.

Although trading volumes in this portfolio are low, they are profitable, showing receipts some 12% in excess of purchase price.

Our German portfolio has contributed £4.1m (2007: £2.3m) after allocation of overheads.

Rupert Dickinson
Chief Executive
22 May 2008

Financial Review

General

Most of our properties are held as trading stock and are therefore shown in the statutory balance sheet at cost. As this does not reflect the true worth of the assets we set out below a summary of our net assets with the properties restated to market value:-

	Statutory Balance Sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Contingent Tax £m	Derivatives £m	Triple NAV Balance Sheet £m
Properties	1,805	615	2,420	-	-	2,420
Investments/other assets	185	9	194	-	(1)	193
Goodwill	17	-	17	-	-	17
Cash	89	-	89	-	-	89
Total assets	2,096	624	2,720	-	(1)	2,719
Borrowings etc	(1,590)	1	(1,589)	-	(11)	(1,600)
Other net liabilities	(88)	(5)	(93)	-	-	(93)
Provisions/deferred tax	(108)	107	(1)	(278)	3	(276)
Total liabilities	(1,786)	103	(1,683)	(278)	(8)	(1,969)
Net assets	310	727	1,037	(278)	(9)	750
31 March 2008 Net assets per share (pence)	**241**	**565**	**806**	**(216)**	**(7)**	**583**
30 September 2007 Net assets per share (pence)	251	577	828	(221)	6	613

It is important to note that we do not perform a full interim valuation of our portfolio for market value balance sheet purposes because of the time and cost involved. Investment assets are subject to a Directors' valuation and other property assets are stated in the market value balance sheet at September 2007 values adjusted for acquisitions and disposals.

Properties that become vacant in the period to 31 March are ascribed a higher percentage of the previous year end vacant possession value in recognition that they are more likely to be sold. The uplift on investment assets is reflected in the income statement as a revaluation gain.

The European Public Real Estate Association ('EPRA') Best Practices Committee has recommended the calculation and use of a diluted EPRA NAV and a diluted EPRA net net assets value (NNNAV). The definitions of these measures are consistent with Gross NAV and Triple NAV as described and shown in the table above.

This definition of Gross NAV requires us to take out any adjustments for deferred tax and any changes in the fair value of derivatives as calculated under IFRS. NNNAV requires certain of these adjustments to be reinstated and, in addition, a deduction is made for contingent tax which is calculated by applying the expected rate of tax to the full inherent gains at the balance sheet date.

Net assets

Movements in our gross net assets since 30 September 2007 have been:-

	Reflected in Accounts £m	Not reflected In accounts £m	Total £m	Pence per share
Net assets 1 October 2007	323	742	1,065	828
Results after tax	-	-	-	-
Revaluation movements	-	(28)	(28)	(21)
Mark to market adjustments	(10)	12	2	1
Translation reserve movements	2	-	2	1
Dividends paid	(5)	-	(5)	(4)
Other	-	1	1	1
Net assets 31 March 2008	310	727	1,037	806

Triple net asset value	31 March 2008 pence	30 September 2007 pence
Gross net assets per share	806	828
Contingent tax	(216)	(221)
Mark to market adjustments	(7)	6
NNNAV per share	583	613

Grainger NAV

This represents NNNAV adjusted for the discounted, taxed reversionary surplus on our core regulated and retirement solutions portfolios, under a variety of assumptions relating to tax, future house price inflation and discount rate (full explanation and a financial model to show other permutations are on our website www.graingerplc.co.uk).

House price inflation per annum (throughout hold period)	Discount rate WACC + 3%	WACC
0%	707p	756p
4%	781p	860p
6%	832p	932p

The weighted average cost of capital used was 5.9%.

Financial Performance

Operating profit has increased from £38.3m to £48.2m as follows:-

	£m
31 March 2007 result	38.3
Trading profits from core and retirement solutions	3.9
Net UK rental and CHARM income	6.6
German residential business	1.8
Development business	(1.0)
Other	(1.4)
31 March 2008 result	48.2

Basic earnings per share have fallen from 6.7p per share to 0.1p per share as follows:-

	Pence per share	Gross £m
31 March 2007 result attributable to equity holders of the company	6.7	8.7
Increase in operating profit	7.8	9.9
Fair value, revaluation	(2.9)	(3.7)
Net interest payable	(9.4)	(12.0)
Joint ventures and associates	(4.7)	(6.0)
Taxation	2.6	3.3
31 March 2008 result attributable to equity holders of the company	0.1	0.2

The movement in fair value is largely caused by changes in mid to long term money market rates and results in some of our derivatives which are not hedged through equity being out of the money. Our average debt levels in the period are significantly higher and this, combined with an increase in the cost of debt has resulted in an incremental financial charge of £12.1m. We estimate that the unusually wide spread between base rates and three month LIBOR accounts for approximately £2m of this increase. Our joint ventures contributed £3.7m from the sale of Regen in 2007, together with a valuation uplift on our investment in Schroders ResPUT of £0.7m. Without these the overall result has moved into a loss, being largely excess interest costs at Grainger GenInvest.

Financing and Cashflow

At 31 March 2008, our all in cost of debt was 6.44% (30 September 2007: 6.1%) and our net borrowings amounted to £1,492m (30 September 2007: £1,332m). Our net debt was 78% hedged or fixed and this has this has been increased by 7% to 85% since the period end by two £50mn swaps for 5.04% and 4.99% respectively. At 31 March 2008, group loan to value was 58% (30 September 2007: 53%)

During the first six months of the year we have spent approximately £158m on additional properties as follows:-

	£m
Core UK	76
Retirement solutions	27
Germany	32
Development	17
Other	6
	158

This has been funded by a combination of operating cashflow and drawings on our UK and German debt facilities.

Andrew Cunningham
Deputy Chief Executive and Finance Director
22 May 2008

Consolidated income statement
For the half year ended 31 March 2008

	Notes	Unaudited 31 March 2008 £m	31 March 2007 £m
Group revenue	2	**115.7**	93.0
Net rental income	3	**17.3**	11.4
Profit on disposal of trading properties	4	**29.3**	26.9
Administrative expenses	5	**(4.7)**	(4.5)
Other income		**4.0**	2.2
Profit on disposal of investment property	6	**0.2**	1.8
Interest income from financial assets		**2.1**	0.5
Operating profit before net valuation gains on investment properties		**48.2**	38.3
Net valuation gains on investment properties	9	**0.1**	0.6
Operating profit after net valuation gains on investment properties		**48.3**	38.9
Change in fair value of derivatives		**(3.4)**	(0.2)
Interest expense		**(45.7)**	(33.1)
Interest income		**4.7**	4.2
Share of profit of associates after tax	10	**0.5**	0.7
Share of (loss)/profit of joint ventures after tax	11	**(4.2)**	1.6
Profit before tax		**0.2**	12.1
Taxation – current		**(3.9)**	(5.7)
Taxation – deferred		**3.8**	2.3
Tax charge for the period	15	**(0.1)**	(3.4)
Profit for the period	17&18	**0.1**	8.7
Attributable to:			
Equity holders of the company		**0.2**	8.7
Minority interest		**(0.1)**	-
		0.1	8.7
Basic earnings per share	7	**0.14p**	6.70p
Diluted earnings per share	7	**1.88p**	6.67p
Dividend per share	8	**2.27p**	2.06p

Consolidated Statement of Recognised Income and Expense
For the half year ended 31 March 2008

	Notes	Unaudited **31 March 2008 £m**	 31 March 2007 £m
Profit for the period		**0.1**	8.7
Net exchange adjustments offset in reserves net of tax	18	**1.7**	0.1
Changes in fair value of cash flow hedges net of tax	18	**(9.9)**	9.0
Net (expense)/income recognised directly in equity		**(8.2)**	9.1
Total recognised income and expense for the period		**(8.1)**	17.8
The total recognised income and expense in the period is attributable to:			
Equity shareholders of the parent		**(8.0)**	17.8
Minority interest		**(0.1)**	-
		(8.1)	17.8

Consolidated Balance Sheet
as at 31 March 2008

	Notes	Unaudited 31 March 2008 £m	Audited 30 September 2007 £m
ASSETS			
Non-current assets			
Investment property	9	**524.8**	478.6
Property, plant and equipment		**2.1**	2.3
Investment in associates	10	**67.5**	68.5
Investment in joint ventures	11	**115.6**	114.8
Financial interest in property assets	12	**128.6**	131.7
Goodwill		**17.4**	17.4
		856.0	813.3
Current assets			
Inventories - trading properties		**1,152.0**	1,069.1
Trade and other receivables	13	**22.6**	16.4
Derivative financial instruments		**3.8**	13.1
Cash and cash equivalents		**88.5**	80.1
		1,266.9	1,178.7
Total assets		**2,122.9**	1,992.0
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	**1,563.5**	1,393.8
Trade and other payables		**8.0**	8.0
Retirement benefits		**2.7**	2.7
Provisions for other liabilities and charges		**1.0**	1.2
Deferred tax liabilities	15	**107.3**	113.5
		1,682.5	1,519.2
Current liabilities			
Interest bearing loans and borrowings	14	**17.4**	18.2
Trade and other payables	16	**58.1**	84.9
Current tax liabilities	15	**49.7**	45.8
Derivative financial instruments		**5.4**	0.8
		130.6	149.7
Total liabilities		**1,813.1**	1,668.9
Net assets		**309.8**	323.1
EQUITY			
Capital and reserves attributable to the company's equity holders			
Issued share capital	17	**6.4**	6.4
Share premium	17	**23.1**	23.0
Merger reserve	17	**20.1**	20.1
Capital redemption reserve	17	**0.3**	0.3
Cash flow hedge reserve	17	**(1.7)**	8.2
Equity component of convertible bond	17	**22.4**	22.4
Retained earnings	17	**238.9**	242.6
Total shareholders' equity		**309.5**	323.0
Minority interest		**0.3**	0.1
Total Equity	18	**309.8**	323.1

Statement of consolidated cash flows
For the half year ended 31 March 2008

	Note	Unaudited 31 March 2008 £m	31 March 2007 £m
Cash flow from operating activities			
Profit for the period		**0.1**	8.7
Depreciation		**0.4**	0.3
Net valuation gains on investment properties		**(0.1)**	(0.6)
Net finance costs		**41.0**	28.9
Share of loss/(profit) of associates and joint ventures		**3.7**	(2.3)
Gain on disposal of investment properties and other investments		**(0.2)**	(1.8)
Share based payment charge		**0.6**	0.5
Change in fair value of derivatives		**3.4**	0.2
Interest income from financial assets		**(2.1)**	(0.5)
Taxation		**0.1**	3.4
Operating profit before changes in working capital		**46.9**	36.8
Increase in trade and other receivables		**(0.8)**	(1.2)
Decrease in trade and other payables		**(8.2)**	(4.7)
Increase in trading properties		**(74.8)**	(7.4)
Cash (absorbed by)/generated from operations		**(36.9)**	23.5
Interest paid	15	**(45.3)**	(29.3)
Taxation paid	15	**-**	(7.8)
Net cash outflow from operating activities		**(82.2)**	(13.6)
Cash flow from investing activities			
Proceeds from sale of investment property and property, plant and equipment	6	**2.4**	9.5
Proceeds from financial interest in property assets		**5.2**	0.5
Disposal of subsidiary net of cash disposed of		**-**	158.8
Interest received		**2.2**	1.1
Dividends/distributions received	10&11	**0.7**	7.6
Acquisition of subsidiaries, net of cash acquired		**0.3**	(87.1)
Investment in associates and joint ventures		**(4.6)**	(96.2)
Acquisition of investment property and property, plant and equipment		**(36.6)**	(55.3)
Acquisition of financial interest in property assets		**-**	(134.1)
Net cash outflow from investing activities		**(30.4)**	(195.2)
Cash flows from financing activities			
Proceeds from the issue of share capital	17&18	**0.1**	0.2
Purchase of own shares	17&18	**(1.0)**	(3.4)
Proceeds from new borrowings		**197.3**	212.9
Repayment of borrowings		**(70.9)**	(3.2)
Dividends paid	17&18	**(5.2)**	(4.9)
Purchase of financial derivative		**-**	(0.3)
Net cash inflow from financing activities		**120.3**	201.3
Net increase/(decrease) in cash and cash equivalents		**7.7**	(7.5)
Cash and cash equivalents at beginning of year		**80.1**	39.0
Net exchange movements on cash and cash equivalents		**0.7**	-
Cash and cash equivalents at end of the period		**88.5**	31.5

Notes to the Preliminary Announcement of Unaudited Results

1. Basis of preparation

These interim financial statements are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. This condensed consolidated half-yearly financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union. The half-yearly condensed financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2007 which have been prepared in accordance with IFRS's as adopted by the European Union.

These interim financial statements have been prepared in accordance with the accounting policies set out on pages 81 to 88 of the 2007 Annual Report and Accounts which is available on the Group's website (www.graingerplc.co.uk). Where necessary, comparative information has been reclassified or expanded from the previously reported interim results to take into account any presentational changes made in the Annual Report and Accounts or in these interim results.

Historically, the residential housing market is more active in the second half of our financial year. Therefore, we would normally expect that property sales and trading profit would be higher in the second half compared to the first half year. Given the current uncertainty in the housing market, as outlined earlier in this report, it is likely that sales and trading profits relating to properties will be under pressure in the second half of the year and the normal trend may not continue. Net rental income is not impacted by seasonality. Trading in the development division is subject to cyclicality with results dependent on the timing of development sales.

A full revaluation of our properties for the purposes of the market value balance sheet is not performed at the interim date because of the cost and time involved. Investment assets are subject to a Directors' valuation.

Taxation is calculated based upon the best estimate of the weighted average income tax rate expected for the full year.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 September 2008:-

IFRS 7 'Financial instruments: Disclosures' effective for annual periods beginning on or after 1 January 2007. IAS 1 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. IFRS 4 'Insurance contracts', revised for implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only condensed financial statements, and as there has been no material change to the Group's financial risk position or strategy in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

Certain statements in this half yearly report 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. Segmental Information

31 March 2008

Segment revenue and result (£m) Un-audited	UK core portfolio	Retirement Solutions	Fund management/ residential investments	UK development	European tenanted residential	European development	Group	Total
Segment revenue	83.8	12.3	3.3	8.3	8.0	-	-	115.7
Segment result - operating profit/(loss)	43.2	7.4	0.5	(2.2)	4.1	-	(4.7)	48.3
Change in fair value of derivatives								(3.4)
Interest expense								(45.7)
Interest income								4.7
Share of profit of associates after tax								0.5
Share of loss of joint ventures after tax								(4.2)
Profit before tax								0.2

Of the share of profit of associates after tax of £0.5m, £0.3m is attributable to fund management and residential investments and £0.2m is attributable to European development. Of the share of loss of joint ventures after tax of £4.2m, a loss of £3.7m is attributable to fund management and residential investments and a loss of £0.5m is attributable to UK development.

31 March 2007

Segment revenue and result (£m) Un-audited	UK core portfolio	Retirement Solutions	Fund management/ residential investments	UK development	European tenanted residential	European development	Group	Total
Segment revenue	73.6	7.4	1.8	5.9	4.3	-	-	93.0
Segment result - operating profit/(loss)	37.2	3.0	2.1	(1.2)	2.3	-	(4.5)	38.9
Change in fair value of derivatives								(0.2)
Interest expense								(33.1)
Interest income								4.2
Share of profit of associates after tax								0.7
Share of profit of joint ventures after tax								1.6
Profit before tax								12.1

Of the share of profit of associates after tax of £0.7m, a profit of £0.8m is attributable to fund management and residential investments and a loss of £0.1m is attributable to European development. Of the share of profit of joint ventures after tax of £1.6m, a loss of £2.1m is attributable to fund management and residential investments and a profit of £3.7m is attributable to UK development.

3. Net rental income

	Unaudited	
	31 March 2008 £m	31 March 2007 £m
Gross rental income	**32.0**	24.3
Property repair and maintenance costs	**(8.8)**	(5.9)
Property operating expenses (see note 5)	**(5.9)**	(7.0)
	17.3	11.4

4. Profit on disposal of trading properties

	Unaudited	
	31 March 2008	31 March 2007
Proceeds from sale of trading properties	**78.2**	66.0
Carrying value of trading properties sold	**(42.8)**	(33.6)
Other sales costs (see note 5)	**(6.1)**	(5.5)
	29.3	26.9

5. Administrative expenses

	Unaudited	
	31 March 2008 £m	31 March 2007 £m
Total Group expenses	**16.7**	17.0

Many of the group's expenses relate directly to either property management activities or to staff involved directly with the sale and acquisition of property. Accordingly, total group expenses shown above have been allocated as follows:-

	Unaudited	
	31 March 2008 £m	31 March 2007 £m
Property operating expenses (see note 3)	**5.9**	7.0
Costs directly attributable to the disposal of trading properties (see note 4)	**6.1**	5.5
Administrative expenses	**4.7**	4.5
	16.7	17.0

6. Profit on disposal of investment property

	Unaudited	
	31 March 2008 £m	31 March 2007 £m
Proceeds from sale of investment property	**2.4**	9.5
Carrying value of investment property sold	**(2.2)**	(7.7)
	0.2	1.8

7. Earnings per share

	Unaudited	
	31 March 2008 No. of Shares '000	31 March 2007 No. of Shares '000
Weighted average number of shares for basic earnings per share	**126,799**	129,388
Weighted average number of shares for diluted earnings per share	**140,631**	129,922

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the group and held both in Trust and as treasury shares to meet its obligations under the Long Term Incentive Scheme (LTIS).

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding by the dilutive effect of ordinary shares that the company may potentially issue relating to its convertible bond and its share option schemes and contingent share awards under the LTIS, based upon the number of shares that would be issued if 31 March was the end of the contingency period. The profit for the period is adjusted to add back the after tax interest cost on the debt component of the convertible bond.

8. Dividends

An interim dividend of 2.27p per share has been proposed by the directors for payment on 4 July 2008 (31 March 2007: 2.06p per share). This dividend, totalling £2.9m, has not been provided for in the accounts to 31 March 2008. In the six months to 31 March 2008, the final proposed dividend of £5.2m, for the year ended 30 September 2007, has been paid.

9. Investment property

	Unaudited	Audited
	31 March 2008 £m	30 September 2007 £m
Opening balance	**478.6**	219.4
Additions	**13.3**	295.8
Disposals	**(2.2)**	(12.3)
Disposal as part of disposal of subsidiary	**-**	(209.8)
Revaluation gain	**0.1**	9.9
Exchange adjustments	**35.0**	7.3
Transfer from/(to) a disposal group	**-**	168.3
Closing balance	**524.8**	478.6

10. Investment in associates

	Unaudited	Audited
	31 March 2008 £m	30 September 2007 £m
Opening balance	**68.5**	2.0
Loans repaid	**-**	(2.1)
Share of profits	**0.5**	7.7
Distributions received	**(0.3)**	(0.6)
Share of change in fair value of cash flow hedges taken through equity	**(1.2)**	0.4
At fair value through profit or loss financial assets transferred to investment in associates	**-**	19.0
Net assets of subsidiary transferred to investment in associates	**-**	88.3
Additional equity invested in G:res1 Limited	**-**	84.4
Sale of equity in G:res1 Limited	**-**	(130.6)
Closing balance	**67.5**	68.5

As at 31 March 2008, the group's interest in associates was as follows:-

	% of share capital/ units held	Country of Incorporation
G:res1 Limited	**21.6**	Jersey
Schroder Residential Property Unit Trust	**22.4**	Jersey
Ou Robbins	**43.2**	Estonia

11. Investment in joint ventures

	Unaudited **31 March 2008 £m**	Audited 30 September 2007 £m
Opening balance	**114.8**	71.5
Loans advanced	**6.7**	17.1
Share of (losses)/profits	**(4.2)**	32.9
Share of change in fair value of cash flow hedges taken through equity	**(1.3)**	0.7
Distribution received	**(0.4)**	(7.4)
Closing balance	**115.6**	114.8

As at 31 March 2008, the group's interest in joint ventures was as follows:-

	% of share capital held	Country of Incorporation
Grainger GenInvest LLP	**50**	United Kingdom
Grainger GenInvest No. 2 (2006) LLP	**50**	United Kingdom
Curzon Park Limited	**50**	United Kingdom
King Street Developments (Hammersmith) Limited	**50**	United Kingdom

12. Financial interest in property assets

	Unaudited **31 March 2008 £m**	Audited 30 September 2007 £m
Financial interest in property assets	**128.6**	131.7

Financial interest in property assets relates to the CHARM portfolio which is a financial interest in equity mortgages. The assets are accounted for under IAS 39 in accordance with the designation available-for-sale financial assets and are valued at fair value. For interests held at 31 March 2008, no change has been made to the fair values in the period as there has been no material change in our assessment of future cash flows.

13. Trade and other receivables

	Unaudited **31 March 2008 £m**	Audited 30 September 2007 £m
Trade receivables	**2.5**	5.7
Other receivables	**18.6**	9.0
Prepayments and accrued income	**1.5**	1.7
	22.6	16.4

Other receivables at 31 March 2008 include a loan and accrued interest of £9.0m (30 September 2007 £7.0m) made to the Mornington Capital Special Situations Co-Investment Fund 1 Limited Partnership. The loan is to be used by the fund to invest in real estate joint venture partnerships. The loan bears interest at 5% per annum above EURIBOR and is repayable within one year. The loan is secured by fixed and floating charges over the assets of the fund.

14. Interest bearing loans and borrowings

The maturity profile of the group's debt, net of finance costs, is as follows:-

	Unaudited **31 March 2008 £m**	Audited 30 September 2007 £m
Within one year	**17.4**	18.2
Between one and two years	**10.7**	5.0
Between two and five years	**939.6**	783.6
Over five years	**613.2**	605.2
	1,580.9	1,412.0

15. Tax

	Audited As at 30 September 2007 £m	Payments in the period £m	Movements recognised in income £m	Exchange adjustments	Movements recognised in equity £m	**Unaudited** **As at 31 March 2008 £m**
Current tax	45.8	-	3.9	-	-	**49.7**
Deferred tax						
Trading property uplift to fair value on acquisition	67.5	-	(1.9)	-	-	**65.6**
Investment property revaluation	40.6	-	(0.3)	-	-	**40.3**
Accelerated capital allowances	2.1	-	0.3	-	-	**2.4**
Short term timing differences and other	(0.2)	-	(1.9)	-	-	**(2.1)**
Actuarial surplus on BPT pension scheme	0.8	-	-	-	-	**0.8**
Tax on fair value of cash flow hedges and exchange adjustments	2.7	-	-	-	(2.7)	**-**
Exchange adjustments	-	-	-	0.3	-	**0.3**
	113.5	-	(3.8)	0.3	(2.7)	**107.3**
Total tax	159.3	-	0.1	0.3	(2.7)	**157.0**

The tax charge for the period of £0.1m comprises:-

	Unaudited 31 March 2008 £m
UK taxation	(0.1)
Overseas taxation	0.2
	0.1

16. Trade and other payables

	Unaudited 31 March 2008 £m	Audited 30 September 2007 £m
Deposits received	**0.8**	0.6
Trade payables	**4.1**	29.7
Other taxation and social security	**0.6**	0.3
Accruals and deferred income	**52.6**	54.3
	58.1	84.9

Accruals and deferred income at 31 March 2008 includes £32.1m of rent received in advance on the granting of lifetime leases (30 September 2007: £31.2m).

17. Capital and reserves attributable to the Company's equity holders

	Issued share capital £m	Share premium £m	Merger reserve £m	Capital Redemption Reserve £m	Cash flow hedge reserve £m	Equity component of convertible bond £m	Retained earnings £m
Balance as at 1 October 2007 (audited)	6.4	23.0	20.1	0.3	8.2	22.4	242.6
Profit for the period	-	-	-	-	-	-	0.2
Issue of shares	-	0.1	-	-	-	-	-
Change in fair value of cash flow hedges net of tax	-	-	-	-	(9.9)	-	-
Net exchange adjustments offset in reserves net of tax	-	-	-	-	-	-	1.7
Purchase of own shares	-	-	-	-	-	-	(1.0)
Share-based payments charge	-	-	-	-	-	-	0.6
Dividends paid	-	-	-	-	-	-	(5.2)
Balance as at 31 March 2008 (unaudited)	**6.4**	**23.1**	**20.1**	**0.3**	**(1.7)**	**22.4**	**238.9**

18. Consolidated statement of changes in equity

	Unaudited 31 March 2008 £m	Unaudited 31 March 2007 £m
Opening equity shareholders funds (2007as previously reported)	**323.1**	250.6
Prior year adjustment – reclassification of equity release assets	**-**	(0.5)
Related opening equity shareholders funds	**323.1**	250.1
Retained profit for the period	**0.1**	8.7
Change in fair value of cash flow hedges net of tax	**(9.9)**	9.0
Net exchange adjustment offset in reserves net of tax	**1.7**	0.1
Purchase of own shares	**(1.0)**	(3.4)
Issue of shares	**0.1**	0.2
Share based payments charge	**0.6**	0.5
Tax on share based payments	**-**	0.6
Dividends paid	**(5.2)**	(4.9)
Minority interest on business combination	**0.2**	-
Exchange gain on minority interest	**0.1**	-
Closing equity shareholders funds (2007 as restated)	**309.8**	260.9

The prior year adjustment relates to the reclassification of equity release home reversion assets from investment property to trading stock. The 30 September 2006 accounts were restated with trading stock being increased by £32.8m and investment property reduced by the same amount. In addition, the value of these assets was reduced from market value to historical cost by deducting £0.5m from both the revaluation gain in the 2006 income statement and from the value of investment property. This results in an overall £33.3m reduction in the opening value of investment property as at 1 October 2006. Full details of this adjustment were given on page 81 of the 2007 Annual Report and Accounts.

19. Post-balance sheet events

The group acquired FrancονoRheinMain AG ('FRM'), a German listed residential property company, in April 2008. The value of property assets acquired is approximately €142m (£110m) and the total consideration for the company is estimated to be approximately €46m (£36m). Due to the short time period from the date of acquisition to the signing of these interim financial statements, and also because the accounts of FRM up to the date of acquisition are not yet available, it is impracticable to disclose the information required by paragraph 67 of IFRS 3. We will make full disclosure of this business combination in our Annual Report and Accounts for the year ending 30 September 2008.

20. Related party transactions

Detailed disclosure of all related party arrangements was provided in note 37 to the 2007 Annual Report and Accounts. There has been no material change in the period to 31 March 2008. Material transactions in the period to 31 March 2008 and as at 31 March 2008 were as follows:-

	31 March 2008 £m	31 March 2007 £m
Fee income from joint ventures and associates	**3.2**	1.7
Interest receivable from joint ventures and associates	**3.6**	3.0

	31 March 2008 £m	30 September 2007 £m
Loans to Grainger Geninvest LLP and Grainger Geninvest No 2 (2006) LLP	**74.2**	68.0

21. Business combinations

On 18 October 2007 the group acquired 81.6% of the share capital of Prazsky Projekt a.s for £0.7m. This acquisition has been treated as a business combination. The company owns land at Zizkow, Prague adjacent to the land owned by the Group's other Czech Republic registered subsidiary, CCZ a.s. The acquisition is not considered material to the Group and, therefore, the further disclosures required by IFRS 3 are not provided.

22. Directors' Responsibility Statement

The directors' confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors of Grainger plc are listed in the Grainger plc Annual report and Accounts for the year ended 30 September 2007 and on the Grainger plc website: www.graingerplc.co.uk. There have been no changes in the period.

By order of the Board

Rupert Dickinson	Andrew Cunningham
Director	Director
22 May 2008	22 May 2008

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