

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or transferred all of your ordinary shares in Grainger plc, please forward this document, together with the accompanying form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

grainger plc

(Registered in England and Wales with registered number 125575)

GENERAL MEETING

**AMENDMENT TO BORROWING
POWERS**

Notice of a General Meeting of the Company to be held at the registered office of Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne NE1 4JE on 7 October 2008 at 9.00 a.m. is set out in this document.

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DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Articles of Association”	the articles of association of the Company;
“Board” or “Directors”	the board of directors of the Company;
“Company”	Grainger plc;
“General Meeting”	the general meeting of the Company convened by the notice set out on page 4 of this document and any adjournment thereof;
“Group”	the Company and its subsidiary undertakings for the time being; and
“Resolution”	the single ordinary resolution to be proposed at the General Meeting.

LETTER FROM THE CHAIRMAN

grainger plc

(Registered in England and Wales with registered number 125575)

Directors:

Robin Broadhurst (*Chairman*)*

Stephen Dickinson (*Deputy Chairman*)*

Rupert Dickinson (*Chief Executive*)

Andrew Cunningham (*Deputy Chief Executive and Finance Director*)

John Barnsley*

Baroness Margaret Ford*

Robert R S Hiscox*

Henry Pitman*

Bill Tudor John*

* Non-Executive

Registered and Head Office:

Citygate

St James' Boulevard

Newcastle upon Tyne

NE1 4JE

19 September 2008

Dear Shareholder

BORROWING POWERS

The Articles of Association currently provide that the aggregate outstanding borrowings (the "Borrowings") of the Company and its subsidiaries shall not at any time exceed an amount equal to two and one half times the Adjusted Capital and Reserves (as defined in Article 31.3 of the Articles of Association).

As at 30 September 2007, Borrowings of the Group (net of cash) were £1,332 million whilst Adjusted Capital and Reserves were £966 million. Accordingly, Borrowings were less than 1.4 times Adjusted Capital and Reserves and were easily within the limit provided in the Articles of Association.

As at 31 July 2008, Borrowings of the Group (net of cash), as set out in the interim management statement of the Group published on 12 August 2008, were £1,650 million, with an additional £400 million of headroom following the successful refinancing completed in March 2008. An updated figure for Adjusted Capital and Reserves was not published at that time as it was not a year-end or half year-end. As has been well documented, the broader UK housing market is expected to have continued downward pressure on prices. The Board, therefore, expects that, over the coming months, the Group will inevitably experience a decrease in asset values and an associated reduction in Adjusted Capital and Reserves.

Accordingly, the Board considers that it is now prudent to propose proactive amendment of the borrowing powers of the Group to ensure that it can continue to manage the business in an effective manner, both at this time and in the future, and to maintain an appropriate level of headroom to enable it to take advantage of future opportunities.

The business model of the Group is based upon holding tenanted residential property until it becomes vacant and then selling such property to realise the vacant possession value. Borrowings of the Group will be serviced and repaid from the sales proceeds of these vacant properties. Consequently, the Board believes that it is more appropriate for the definition of Adjusted Capital and Reserves to refer to the vacant possession value of the Group's properties rather than the investment value which is the current position.

The Board is also taking this opportunity to propose an increase in the multiple of Adjusted Capital and Reserves used to calculate the borrowing limits from two and one half times to five times, a figure which is used by some other real estate companies with a high level of trading activities.

To consider this proposal, a General Meeting of the Company is to be held at the registered office of Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne NE1 4JE on 7 October 2008 at 9.00 a.m. The

Notice of General Meeting is set out on page 4 of this document. The Resolution (which in accordance with the Articles of Association is being proposed as an ordinary resolution) will sanction an amendment to the borrowing powers of the Group as referred to above and as set out in full detail in the Notice of General Meeting.

RECOMMENDATION

Your Directors believe that the Resolution is in the best interests of the Company, the Group and its shareholders as a whole and unanimously recommend that you vote in favour of the Resolution as they intend to do in respect of their own beneficial shareholdings, which amount, in aggregate, to 5,506,779 ordinary shares (representing approximately 4.3 per cent. of the issued share capital of the Company excluding shares held as treasury shares).

Yours sincerely

Robin Broadhurst
Chairman

NOTICE OF GENERAL MEETING

grainger plc

(Registered in England and Wales with registered number 125575)

Notice is hereby given that a General Meeting of the Company will be held at the registered office of Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne NE1 4JE on 7 October 2008 at 9.00 a.m. to consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

"That this meeting hereby sanctions in accordance with Article 31.2 of the articles of association of the Company (the "Articles of Association") any borrowings of the Company and its subsidiary undertakings for the time being (together, the "Group") from persons outside the Group, notwithstanding any limitation in the Articles of Association, provided that they do not cause the Amounts Borrowed (as defined below) to exceed five times the Adjusted Capital and Reserves (as defined below) where:

- (a) the Amounts Borrowed shall equal the aggregate of the outstanding monies borrowed by members of the Group as calculated pursuant to Article 31.3 of the Articles of Association (save that references in Article 31.3 of the Articles of Association to the "Group" shall be treated as references to the "Company and its subsidiary undertakings for the time being" and references to a subsidiary shall be treated as references to a subsidiary undertaking) provided that the Amounts Borrowed:
 - (i) shall, in relation to any convertible bond issued by any member of the Group, only include the amount or proportion of such convertible bond that is treated or would, if such bond were to have been issued at the relevant time, have been treated as debt in the latest audited consolidated balance sheet of the Group; and
 - (ii) shall be reduced by the aggregate amount of:
 - (A) cash in hand or on deposit with any bank or financial institution to the extent beneficially owned by a member of the Group including, for the avoidance of doubt, any cash held as collateral or other security for any monies borrowed by members of the Group;
 - (B) securities issued or unconditionally guaranteed by the government of the United States of America or the United Kingdom or by any agency of such a government having an equivalent credit rating;
 - (C) commercial paper in Euro, Sterling or US Dollars not issued or guaranteed by a member of the Group, for which a recognised trading market exists and maturing within one year of being acquired and having a rating of at least A-1 from Standard and Poor's Corporation or at least P-1 from Moody's Investor Services Inc. or, if unrated, whose issuer has an equivalent rating in respect of its long term debt obligations; and
 - (D) certificates of deposit or bankers' acceptances maturing within one year of being acquired issued by any bank or financial institution having a long term unsecured debt rating of at least A-1 from Standard and Poor's Corporation or at least P-1 from Moody's Investor Services Inc.; and
- (b) the Adjusted Capital and Reserves shall be calculated pursuant to Article 31.3.1 of the Articles of Association (save that references in Article 31.3.1 of the Articles of Association to the "Group" shall be treated as references to the "Company and its subsidiary undertakings for the time being" and references to a subsidiary shall be treated as references to a subsidiary undertaking and save that in the last sentence of Article 31.3.1 after the words "open market" there shall be deemed to be inserted the words "vacant possession")."

By order of the Board

Marie Glanville
Company Secretary
19 September 2008

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this meeting or to appoint someone else to vote on your behalf.

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company as at 6.00 p.m. on 3 October 2008 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purposes of determining who is entitled to attend and vote if the meeting is adjourned from its scheduled time by 48 hours or less. If the meeting is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 6.00 p.m. two days before the time fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time shall be disregarded in determining the rights of any persons to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a shareholder from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to him or her.
3. A form of appointment of proxy is enclosed. To appoint a proxy using this form in hard copy form, this form must be completed and signed, sent or delivered by post, courier or by hand to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. Alternatively CREST members may use the CREST electronic proxy appointment service in accordance with the procedures set out below.
5. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed should be deposited with the Company's registrars at the address shown on the proxy form not later than 9.00 a.m. on 5 October 2008 or 48 hours before the time for holding any adjourned meeting or in the case of a poll not taken on the same day as the meeting or adjourned meeting for the taking of the poll at which it is to be used or lodged using the CREST proxy voting service – see below.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in the notice of the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
11. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

12. The above statement as to proxy rights does not apply to a person who receives this notice of meeting as a person nominated to enjoy “information rights” under Section 146 of the Companies Act 2006. If you have been sent this notice of meeting because you are such a nominated person, the following statements apply:
 - (a) you may have a right under an agreement between you and the member of the Company by whom you were nominated to be appointed or to have someone else appointed as a proxy for this meeting; and
 - (b) if you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to that member as to the exercise of voting rights.
13. As at 6.00 p.m. on 18 September 2008 the Company’s issued share capital (excluding 452,912 shares held as treasury shares) comprised 128,261,477 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 18 September 2008 is 128,261,477.
14. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
 - (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in paragraph (a) above.

