

# Preliminary Announcement of Results for the year ended 30 September 2010

25 November 2010



grainger plc

# Disclaimer

---

This presentation contains certain forward-looking statements. Any statement in this presentation that is not a statement of historical fact including, without limitation, those regarding Grainger plc's future financial condition, business, operations, financial performance and other future expectations, is a forward-looking statement. By their nature, forward-looking statements involve risk and uncertainty as they relate to events which occur in the future. Actual outcomes or results may differ materially from the outcomes or results expressed or implied by these forward-looking statements. Factors which may give rise to such differences include (but are not limited to) changing economic, financial, business, regulatory, legal or other market conditions. These and other factors could adversely affect the outcome and financial effects of the events specified in this presentation. The forward-looking statements reflect knowledge and information available at the date they are made and Grainger plc does not intend to update the forward-looking statements contained in this presentation.

This presentation is for information purposes only and no reliance may be placed upon it. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this presentation. Past performance of securities in Grainger plc cannot be relied upon as a guide to the future performance of such securities.

This presentation does not constitute an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of Grainger plc.



grainger plc

# Executive team

---

- **Andrew Cunningham**      **Chief Executive Officer**
- **Peter Couch**                      **Chief Operating Officer, Head of Retirement Solutions**
- **Nick Jopling**                      **Executive Property Director**
- **Mark Greenwood**              **Finance Director**



**grainger plc**

# Agenda

---

- **Overview** **Andrew Cunningham**
- **Financial results** **Mark Greenwood**
- **Business unit activities** **Nick Jopling**
- **Outlook for the future** **Andrew Cunningham**
  
- **Appendices**



**grainger plc**

# Overview



grainger plc

# Our business

## grainger = residential

Grainger offers exposure to residential in the UK and Germany

UK Residential



Funds and JVs



Retirement solutions



Property services



Germany



Development



grainger plc

# Market overview

---

**Grainger offers a diversified spread of income streams across different residential asset investment classes and activities:**

UK residential market (£1,794m gross assets - 80%)

- Long term capital appreciation
- Occasional price corrections
- Positive housing supply and demand imbalance, with pronounced regional, local and property-type differentiations

German residential market (£442m gross assets - 20%)

- Price stability and higher rental yields
- Relatively low homeownership compared to UK
- Regional variations with more robust housing market in the South and West, where a more affluent population is located



**grainger plc**

# Our business

---

**Grainger is able to outperform in these different markets, achieving good levels of return, even with less stable house price growth**

- UK: rents, trading profits, residential investments, trading returns from fund management and development profits
- Our UK businesses are generally low yielding but highly reversionary
- Reversionary surplus £604m
- Germany: primarily rental income



grainger plc



# 2010 Highlights

---

- Rights issue raised £237m in December 2009
- Loan to value on core debt portfolio down to 54% (2009: 66%)
- Committed facilities and cash of £260m
- Significant improvement in operating profit – up 20% to £94m (2009: £79m)
- Reversionary surplus increased to £604m (2009: £570m)
- Selective recommencement of acquisitions
  - £63m of property acquired
  - Acquisition of Sovereign Reversions for £34m (became a 50:50 JV post year-end)
- Full year dividend of 1.70p per share
- Strengthened executive management team in place



grainger plc

# Financial results



grainger plc

# Financial highlights

---

- Gross NAV per share increased by 3.1% to 200p (2009 : 194p)
- Operating profit of £94.2m (2009 : £78.8m)
- Improved sales margins 38.5% (2009 : 27.8%)
- Adjusted profit\* before tax £18.8m (2009: loss of £131.3m)
- Loss before tax, after mark to market, £20.8m (2009 : £170.0m)
- Net debt £1,360m (2009 : £1,561m) a reduction of £201m (13%)
- Comfortable covenant compliance on core facility
- Initial progress made reshaping sources of debt

\* Result before tax prior to charge for mark to market on financial derivatives

All of the prior period per share measures shown in this presentation have been adjusted for comparability to reflect the rights issue in December 2009.



# Results highlights - financial summary

Gross NAV per share (p) (NAV)	200	194	3.1%
Triple NAV per share (p) (NNNAV)	140	141	(0.6)%
Grainger NAV per share (p) (base case) (GNAV)	180	177	1.7%
Operating profit* (£m)	94.2	78.8	19.5%
Dividends per share (p)	1.70p	1.29p	31.8%
Net Debt (£m)	1,360	1,561	(12.9)%
LTV (%) (Core banking facilities)	54%	66%	
Interest cover (Core banking facilities)	2.4x	2.7x	

\* Before interest, tax, valuation gains, trading stock and loan impairment provisions, fair value adjustments and goodwill credit/(impairment)



grainger plc

# Portfolio overview

## Wholly owned

	<u>No. of units</u>	<u>Gross Market Value £m</u>	<u>Gross Vacant Possession Value £m</u>	<u>Reversionary Surplus £m</u>	<u>VP%</u>
Regulated	5,969	863	1,185	322	73%
Assured Shorthold	571	98	112	14	88%
Vacant	294	67	67	-	100%
Other	50	40	53	13	75%
UK Residential portfolio	6,884	1,068	1,417	349	
Home Reversion	6,981	545	800	255	68%
UK - residential	13,865	1,613	2,217	604	
UK - development	-	72	72	-	
<b>Total UK</b>	<b>13,865</b>	<b>1,685</b>	<b>2,289</b>	<b>604</b>	
German portfolio	7,148	442			
<b>Total</b>	<b>21,013</b>	<b>2,127</b>			

Reversionary surplus on Grainger's wholly owned portfolio £604m (2009: £570m)

The reversionary surplus in Home Reversions includes £46m relating to Sovereign. Grainger sold 50% of its interest in October 2010.

VP%: Market Value as percentage of Vacant Possession Value



grainger plc

# Market value balance sheet

	<u>2010</u>	<u>2009</u>
	£m	£m
Property related assets		
- wholly owned	2,127	2,083
- jv/associates	116	117
Total property related assets	2,243	2,200
Other assets	20	21
Cash	95	265*
Gross assets	2,358	2,486
Debt	(1,446)	(1,577)
Other net liabilities	(80)	(103)
<b>Net assets</b>	<b>832</b>	<b>806</b>
<b>Gross net asset value per share (p)</b>	<b>200p</b>	<b>194p</b>

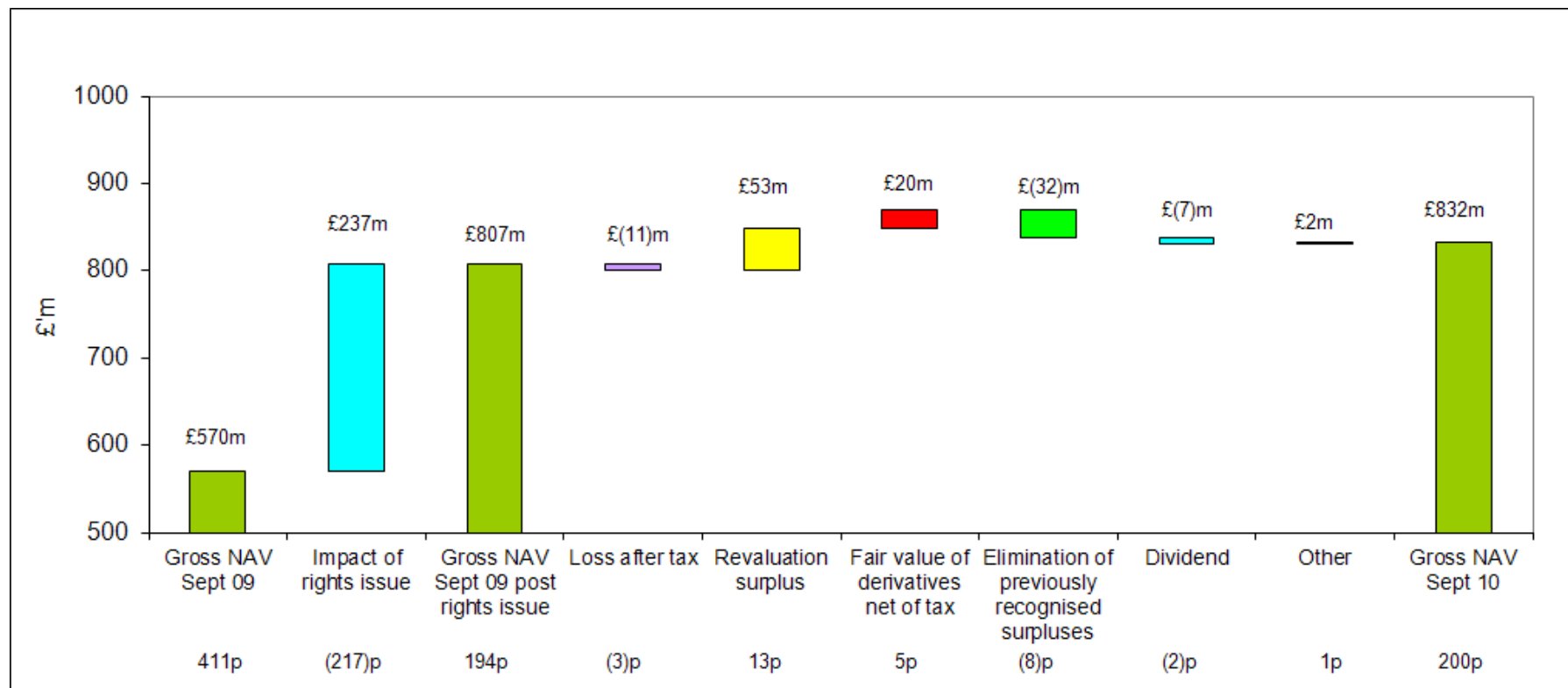
Gross net assets are before any deferred or contingent tax and exclude the fair value of interest derivatives.

\*Adjusted for the rights issue in December 2009



grainger plc

# Movement in gross NAV



# Net asset value per share

Pence per share	<u>2010</u>	<u>2009</u>
<b>Gross net asset value</b>	<b>200</b>	<b>194</b>
Deduct:		
Mark to market adjustments	(26)	(20)
Deferred tax on revaluation surpluses		
(undiscounted) at 27% (2009: 28%)	(34)	(33)
<b>NNNAV</b>	<b>140</b>	<b>141</b>
<b>Add/(Deduct):</b>		
Discounted reversionary surplus	55	50
Tax thereon at 27% (2009: at 28%)	(15)	(14)
<b>Grainger NAV (base case)</b>	<b>180</b>	<b>177</b>





# Income statement

	2010			2009		
£m	<u>Trading</u>	<u>Valuation and non-recurring</u>	<u>Total</u>	<u>Trading</u>	<u>Valuation and non-recurring</u>	<u>Total</u>
Net rents	53	-	53	53	-	53
Trading profit	60	-	60	54	-	54
Profit/ (loss) on sale of investment properties/ associates	2	-	2	(1)	-	(1)
Fees from fund and asset management	5	-	5	6	-	6
Other income/interest income from property assets	3	-	3	(3)	-	(3)
Net realisable value provisions and revaluation	-	2	2	-	(44)	(44)
	123	2	125	109	(44)	65
Overhead costs	(29)	(2)	(31)	(30)	(3)	(33)
Operating profit	94	-	94	79	(47)	32

Net rents: Flat for the year with a small increase in Germany matched by a small fall in UK residential  
 Trading profit: Increase in UK residential and retirement solutions resulting from better margins on sale  
 NRV provisions& Release from NRV provision on UK residential and development £3m and valuation surplus in  
 Revaluation: UK portfolio of £2m; Germany £3m deficit  
 Overheads: Non-recurring overheads are redundancy costs



grainger plc

# Pre-tax earnings

£m	2010			2009		
	<u>Trading</u>	<u>Valuation and non-recurring</u>	<u>Total</u>	<u>Trading</u>	<u>Valuation and non-recurring</u>	<u>Total</u>
Operating profit	94	-	94	79	(47)	32
Joint ventures/associates	(2)	12	10	(3)	(5)	(8)
Goodwill and loan impairment	-	(9)	(9)	-	(22)	(22)
Derivatives	-	(40)	(40)	-	(39)	(39)
Conversion of bond	-	-	-	-	(31)	(31)
Profit before interest and tax	92	(37)	55	76	(144)	(68)
Net interest	(77)	1	(76)	(79)	(23)	(102)
(Loss)/profit before taxation	15	(36)	(21)	(3)	(167)	(170)

Joint venture/associates:

Increases in asset values in GenInvest and G:res1

Loan impairment:

Primarily against loans to Mornington, Prague JV and Curzon Park JV

Derivatives:

Hedging instruments 'out of the money'

Net interest:

Lower net debt

Non recurring

2009 includes write off of brought forward loan costs, costs incurred in refinancing and one-off interest charge on potential tax liability



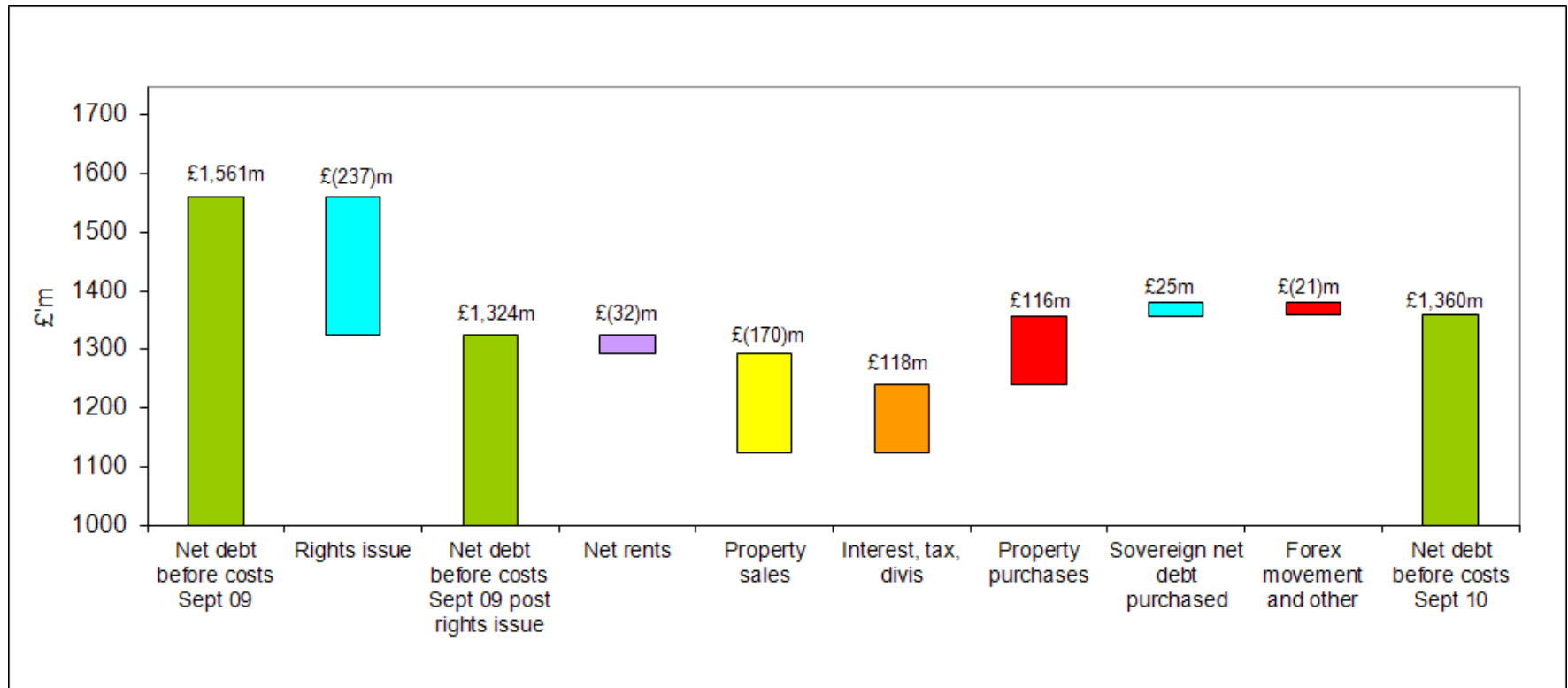
grainger plc

# Cashflow

£m	<u>2010</u>	<u>2009</u>
Income		
Net rents and other income net of overheads	32	29
Property sales	170	215
Working capital movements	1	(9)
<b>Total cash generated</b>	<b>203</b>	<b>235</b>
Interest, tax and dividends	(118)	(129)
Net operating income	85	106
Loan movements	(139)	(74)
Rights issue net proceeds	237	-
Available for property spend	183	32
Acquisitions/spend		
UK Residential / Retirement Solutions	(58)	(20)
Development	(2)	(18)
Europe	-	(4)
Investment in JV/Associates	(7)	(5)
Acquisition of subsidiaries net of cash acquired	(47)	-
Other	(2)	-
Total property spend	<b>(116)</b>	<b>(47)</b>
<b>Cash movement</b>	<b>67</b>	<b>(15)</b>



# Movement in net debt



# Debt analysis

£m	<u>2010</u>	<u>2009</u>
Gross debt	1,455	1,589
Cash	95	28
Net debt (before deducting costs)	1,360	1,561
Committed facilities and cash	260	171
Average maturity (years)	3.5	4.4
Hedging level on gross debt	75%	93%
Average interest rate during the year	5.6%	5.5%
Average interest rate at year end	5.0%	5.3%
LTV (Core banking facilities)	54%	66%
LTV (Group basis)	60%	71%
LTV based upon vacant possession values	48%	57%



# Business unit activities



grainger plc

# Our business units

## UK residential



## Retirement solutions



## Fund management and JVs



## Property services



## Germany

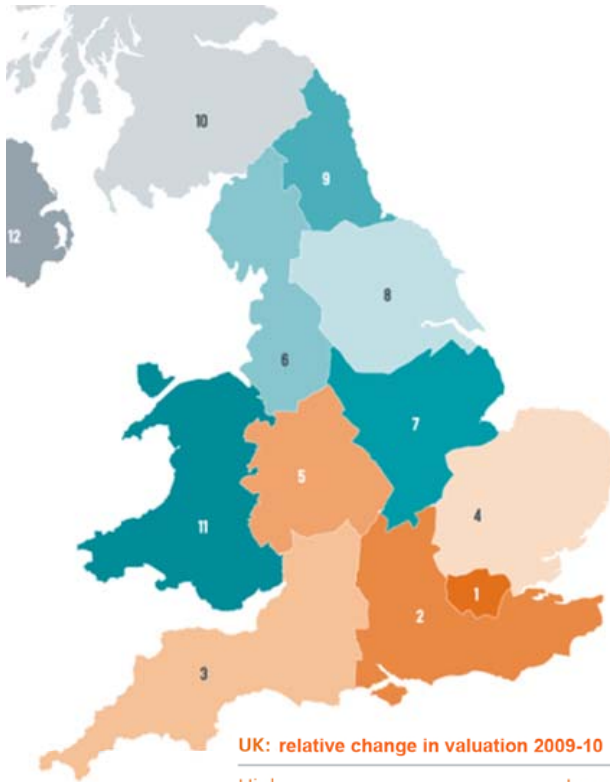


## Development



grainger plc

# Portfolio overview



Source: Grainger annual valuations

	Number of units	Vacant possession value £m	Investment Value £m	% of Grainger investment
1 London (total)	2,783	826	621	40%
2 South East	2,210	347	250	16%
3 South West	1,521	194	144	9%
4 East	1,389	178	129	8%
5 West Midlands	1,025	152	113	7%
6 North West	1,436	151	107	7%
7 East Midlands	841	87	61	4%
8 Yorkshire	770	81	57	4%
9 North East	381	43	32	2%
10 Scotland	274	22	16	1%
11 Wales	184	22	15	1%
12 Northern Ireland	13	1	1	0%
<b>Total</b>	<b>12,827</b>	<b>2,104</b>	<b>1,546</b>	<b>100%</b>

(Excluding Sovereign Reversions)

Germany	No of Units	Book value €m	% of Grainger investment
1 Baden – Wurttemberg	1,502	130 €	25%
2 Hesse	1,514	112 €	22%
3 Northrhine - Westphalia	1,721	103 €	20%
4 Bavaria	559	55 €	11%
5 Lower Saxony	805	40 €	8%
6 Rhineland - Palatinate	379	28 €	6%
Other	668	42 €	8%
<b>Total</b>	<b>7,148</b>	<b>510 €</b>	<b>100%</b>



Source: Berlin Institute



grainger plc





# UK Residential

- Strong cashflow
  - Total sales of £121m, gross rents of £39m per annum
- Carefully selected and managed portfolio
  - Geographically diverse, but with higher concentrations in London and the South East (67% of UK Residential portfolio in London and SE)
- Low average values and un-refurbished condition provides liquidity
  - Vacant possession value on completed normal sales for 2010 were on average 6.6% above September 2009
- Opportunity to refurbish supports sales and asset management
  - Creation of additional £1.4m net profit after costs
- Outperformance
  - Margins on normal sales were up to 46.2% from 38.5% in 2009
  - Year end valuations were up 4.8% from the previous September compared to the average movement in the Halifax and Nationwide housing indices of 2.9%





# Managing our portfolio

- Acquisition – three criteria
  - Capital appreciation
    - Concentration in London and the South East and stronger regional markets
  - Good discounts and/or yield
    - Related criteria with potential to enhance through active asset management
  - Development potential
    - Development opportunities are always appraised, whether adding, demolishing and replacing units, or refurbishment potential.





# New acquisitions

Capital appreciation

**Harley House, NW1**  
**£2.7m, Two large flats**



Yield / capital appreciation

**Holland Place, W8**  
**£6.6m, 14 flats**



Development potential

**Charles Allen House, EC1R**  
**£3.8m, 14 flats**



**grainger plc**



# Retirement solutions

- Largest portfolio in the UK – 6,981 properties with a market value of £545m, vacant possession value of £800m
- Highly reversionary assets
- Predictable cash flow
- 2010 sales proceeds amounting to £29m, generating profit of £10m
- Acquisition of Sovereign Reversions plc for £34m, with a portfolio valued at £68m

**Sovereign asset**  
Lancaster, LA1



**grainger plc**





# Fund management and JVs

- Co-investing manager in funds and JVs
  - Equity stake between 20-50%
  - Focus on London and South East
  - £109m current value of investments
- Grainger GenInvest: JV with Genesis Housing (50:50)
  - Asset management income and capital growth
- G:res1: investor (22%)
  - Fund, asset and property management income and capital growth
- ResPut: liquidated. Co-investor with Schrodgers (22%)
  - All units sold at 12% above target liquidation value set in Q4 2008

GenInvest – Dibdin House, NW6



G:res1 – Carpenter Court, NW1



grainger plc





# Property services

- ‘Owner-manager’ mentality
  - Managing a total of 19,263 units in the UK
  - Gross rent roll of £76m
  - Six offices across the UK
  - 110 staff
  - Services include:
    - Rent collection
    - Credit control
    - Repairs/maintenance
    - Lettings/renewals
    - Sales/acquisitions

Bethnal Green, E2



grainger plc



# Germany

- Complementary to the risks and returns of the UK
  - 6.9% gross yield (€35m)
  - 7,148 units, largely in the south and west
  - Portfolio value of €1,062 sqm
  - Average rent of €6.28/sqm/month (€75.36/sqm/pa)
  - Vacancy rate of 4.11% (excl for sale)
- Building upon our operating platform of asset and property management
- Gebau Vermögen
  - 50:50 property management JV with Lindner Group

## Munich



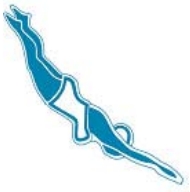
grainger plc



- Strategy going forward
  - Active property and asset management, maximising net rental returns
  - Attracting third party investment into fund or JV structures to increase asset management income
  - Capital recycling to improve portfolio quality and enhance cashflow
    - 2010 – Sold €5m of investment assets
    - 2011 – €25m investment sales targeted, and identified €10m for privatisation







# Development

Focus on value creation through assembly, planning or infrastructure

- Strategic land
  - Ownership and development management
  - e.g. Newlands, Hampshire
- Local Authority led regeneration
  - e.g. JV with Helical Bar plc, led by London Borough of Hammersmith and Fulham
- Design led development (London)
  - e.g. Macaulay Road, Clapham

Newlands, Hampshire



King Street, Hammersmith



Macaulay Road, Clapham



grainger plc



# Outlook for the future



grainger plc

# Outlook for the future

---

- Board expects Grainger's actively managed portfolio to outperform the challenging broader market conditions
- Selective investment approach with clear criteria
- Spread of activities (rental, trading, development and investment) provide a strong platform uniting a core skills set
- Attractive geographic spread focused on high return regions
- Unique highly reversionary UK portfolio which is liquid and cash generative
- Current year has started well with a strong UK sales pipeline – £55m completed, contracts exchanged and solicitors instructed (19 November 2010)



# Outlook for the future

---

## Key initiatives

- Portfolio refocus on selective areas of value or growth, through application of careful acquisition criteria
- Reduction of capital employed in non-core assets and underperforming locations
- Introduce third party capital into selected business units to improve returns
- Early consideration of debt financing options



---

**For further information:**

Grainger plc

Andrew Cunningham/ Mark Greenwood/ Dave Butler

Tel: +44 (0) 20 7795 4700

Tel: +44 (0) 191 261 1819

Financial Dynamics

Stephanie Highett/Dido Laurimore/Will Henderson

Tel: +44 (0) 20 7831 3113



grainger plc

# Appendices



# Detailed Profit and Loss Account (Management Basis)

**30 September 2010**  
**Segment results £m**

30 September 2010

	UK Residential	Retirement Solutions	Property Services	Fund Management/ Residential Investments	UK and European Development	German Residential	Total	
Gross rents/other income	39.1	5.3	0.6	4.9	1.0	30.6	81.5	
Property expenses	(9.8)	(1.6)	(0.3)	-	(0.1)	(10.8)	(22.6)	
	29.3	3.7	0.3	4.9	0.9	19.8	58.9	
Trading profits	48.7	9.4	-	-	2.2	-	60.3	
Profit on sale of fixed assets	0.2	0.9	-	-	-	0.2	1.3	
CHARM Interest income	-	2.9	-	-	-	-	2.9	
	48.9	13.2	-	-	2.2	0.2	64.5	
Direct overheads/ internal recharges	(8.5)	(3.2)	0.2	(4.0)	(1.1)	(2.9)	(19.5)	
Operating contributions	69.7	13.7	0.5	0.9	2.0	17.1	103.9	
Write back of NRV provision trading stock	2.3	-	-	-	0.6	-	2.9	
Administrative expenses							(11.3)	
							95.5	
JVs/associates including sale of Schroder units	-	-	-	11.8	(0.6)	-	11.2	
Net interest payable							(76.3)	
				-			30.4	
Goodwill credit/ (impairment)	(0.1)	2.8	-	-	-	(1.4)	1.3	
Derivative fair value movements							(39.6)	
Asset revaluations	5.2	(3.4)	-	-	-	(2.6)	(0.8)	
CHARM revaluation movement	-	(1.4)	-	-	-	-	(1.4)	
Provision for impairment of loans receivable net of write backs							(10.7)	
<b>Loss before tax</b>							<b>(20.8)</b>	

## Reconciliation to Statutory Basis:

Operating contribution management basis	103.9
Recurring group overheads	(9.3)
Profit on Schroder redemption	1.0
CHARM revaluation	(1.4)
<b>Operating profit statutory basis</b>	<b>94.2</b>



grainger plc

# Detailed Profit and Loss Account (Management Basis)

**30 September 2009**  
**Segment results £m**

	30 September 2009						
	<u>UK Residential</u>	<u>Retirement Solutions</u>	<u>Property Services</u>	<u>Fund Management/ Residential Investments</u>	<u>UK and European Development</u>	<u>German Residential</u>	<u>Total</u>
Gross rents/other income	41.7	6.0	0.4	5.3	1.1	30.9	85.4
Property expenses	(10.6)	(1.5)	(0.4)	-	-	(11.9)	(24.4)
	31.1	4.5	-	5.3	1.1	19.0	61.0
Trading profits	39.7	7.0	-	-	7.3	-	54.0
Profit/(loss) on sale of fixed assets	0.4	-	-	-	-	(1.1)	(0.7)
CHARM Interest income	-	3.0	-	-	-	-	3.0
	40.1	10.0	-	-	7.3	(1.1)	56.3
Direct overheads/ internal recharges	(10.4)	(3.3)	1.5	(3.9)	(2.2)	(6.0)	(24.3)
Operating contributions	60.8	11.2	1.5	1.4	6.2	11.9	93.0
NRV provision trading stock	(4.4)	-	-	-	(14.0)	-	(18.4)
Administrative expenses							(8.9)
							65.7
JVs/associates net sale of Schroder units	-	-	-	(7.2)	(0.8)	0.2	(7.8)
Net interest payable							(101.9)
				-			(44.0)
Goodwill impairment	(2.2)	-	-	-	-	(0.7)	(2.9)
Inducement costs and other expenses for convertible debt							(31.1)
Derivative fair value movements							(38.7)
Asset revaluations	(5.2)	(9.5)	-	-	-	(10.9)	(25.6)
CHARM revaluation movement	-	(8.1)	-	-	-	-	(8.1)
Provision for impairment of loans receivable							(19.6)
Loss before tax							(170.0)

## Reconciliation to Statutory Basis:

Operating contribution management basis	93.0
Recurring group overheads	(6.1)
CHARM revaluation	(8.1)
Operating profit statutory basis	78.8



grainger plc



# Detailed Profit and Loss Account (Statutory Basis)

30 September 2010

Segment revenue and result £m

	UK <u>Residential</u>	Retirement <u>Solutions</u>	Property <u>Services</u>	Fund Management/ <u>Residential</u> <u>Investments</u>	UK and European <u>Development</u>	German <u>Residential</u>	All other <u>Segments</u>	<u>Total</u>
Revenue - property	116.0	19.8	-	-	18.7	0.7	-	155.2
- rents/other	39.2	5.8	0.6	4.9	1.0	37.8	-	89.3
<b>Total Group revenue</b>	<b>155.2</b>	<b>25.6</b>	<b>0.6</b>	<b>4.9</b>	<b>19.7</b>	<b>38.5</b>	<b>-</b>	<b>244.5</b>
Net rents	19.5	4.1	(0.3)	-	0.8	16.7	-	40.8
Trading profit	45.0	6.7	-	-	1.1	-	-	52.8
Other	5.2	1.4	0.8	1.9	0.1	0.4	(9.2)	2.3
<b>Operating profit/(loss)</b>	<b>69.7</b>	<b>12.2</b>	<b>0.5</b>	<b>1.9</b>	<b>2.0</b>	<b>17.1</b>	<b>(9.2)</b>	<b>94.2</b>
Net interest payable								(77.2)
Share of trading loss of joint ventures and associates after tax								(2.3)
<b>Trading profit before tax, valuation and non-recurring items</b>								<b>14.7</b>
Reversal of write down of inventories to net realisable value								2.9
Net valuation deficits on investment properties								(0.8)
Change in fair value of derivatives								(39.6)
Net gain on acquisition of subsidiary								2.8
Goodwill impairment								(1.5)
Provision for impairment of loans receivable net of write backs								(10.7)
Share of valuation gains in joint ventures and associates after tax								12.5
Other net non-recurring items								(1.1)
<b>Loss before tax</b>								<b>(20.8)</b>

## Reconciliation to Management Basis:

Operating profit – statutory basis	<b>94.2</b>
CHARM revaluation	1.4
Profit on Schroder redemption	(1.0)
Recurring group overheads	9.3
Operating contribution – management basis	<b>103.9</b>



grainger plc

# Detailed Profit and Loss Account (Statutory Basis)

30 September 2009

Segment revenue and result £m

		UK Residential	Retirement Solutions	Property Services	Fund Management/ Residential Investments	UK and European Development	German Residential	All other segments	Total
Revenue	property rents/other	138.4	18.1	-	-	47.1	-	-	203.6
		41.6	6.0	0.4	5.3	1.1	44.2	-	98.6
<b>Total Group revenue</b>		<b>180.0</b>	<b>24.1</b>	<b>0.4</b>	<b>5.3</b>	<b>48.2</b>	<b>44.2</b>	<b>-</b>	<b>302.2</b>
Net rents		20.8	4.3	(0.2)	-	1.1	14.2	-	40.2
Trading profit		35.5	4.4	-	-	5.4	-	-	45.3
Other		4.6	(5.8)	1.9	1.4	-	(0.6)	(8.2)	(6.7)
<b>Operating profit/(loss)</b>		<b>60.9</b>	<b>2.9</b>	<b>1.7</b>	<b>1.4</b>	<b>6.5</b>	<b>13.6</b>	<b>(8.2)</b>	<b>78.8</b>
Net interest payable									(79.3)
Share of trading loss of joint ventures and associates after tax									(2.9)
<b>Trading loss before tax, valuation and non- recurring items</b>									(3.4)
Reversal of write down of inventories to net realisable value									(18.4)
Net valuation deficits on investment properties									(25.6)
Change in fair value of derivatives									(38.7)
Goodwill impairment									(2.9)
Provision for impairment of loans receivable									(19.6)
Share of valuation deficit of joint ventures and associates after tax									(4.9)
Other non-recurring items									(56.5)
<b>Loss before tax</b>									<b>(170.0)</b>

## Reconciliation to Management Basis:

Operating profit – statutory basis	<b>78.8</b>
CHARM revaluation	8.1
Recurring group overheads	6.1
Operating contribution - management basis	<b>93.0</b>



grainger plc

# Market value of wholly owned assets

			30 September	30 September
			<u>2010</u>	<u>2009</u>
£m	<u>Residential</u>	<u>Development</u>	Total	Total
UK	1,613	72	1,685	1,610
Germany	442	-	442	473
	2,055	72	2,127	2,083

The majority of the reduction in Germany asset values relates to a currency exchange movement and is matched by a corresponding reduction in Euro denominated debt.



# Portfolio overview

## Analysis of investment in JVs and Associates

		Gross	Liabilities/	Net	Grainger	Grainger			Total
	2010	Assets	Debt	Assets	Share	Share	Goodwill	Loan	Grainger
	<u>Designation</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>%</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>Investment</u>
UK Residential									
- G:res1	Associate	392	(260)	132	21.6%	29	-	-	29
- Schroder	Associate	-	-	-	21.8%	-	-	-	-
- GenInvest	JV	294	(305)	(11)	50.0%	(6)	-	86	80
UK Residential Total		686	(565)	121		23	-	86	109
UK Development									
- Curzon Park	JV	37	(41)	(4)	50.0%	(2)	-	2	-
- Hammersmith	JV	2	(2)	-	50.0%	-	-	2	2
Europe - Gebau	JV	2	-	2	50.0%	1	1	-	2
Europe - Prague/Zizkov	JV	30	(25)	5	50.0%	2	-	5	7
Total 2010 balance sheet		756	(633)	123		24	1	95	120
Total 2009 balance sheet		761	(627)	134		23	3	88	114

The above amounts are statutory balance sheet figures. There is an adjustment in 2010 of £4m on Curzon Park to bring these amounts to those shown in the market value balance sheet on page 15.



# Portfolio analysis – UK residential JVs and associates

	<b>No of <u>units</u></b>	<b>Gross Market Value <u>£m</u></b>	<b>Gross Vacant Possession Value <u>£m</u></b>	<b><u>Grainger Share %</u></b>	<b><u>Grainger Equity £m</u></b>	<b><u>Grainger Share of Reversionary Surplus £m</u></b>
G:res1	2,006	365	412	21.6%	29	10
Schroders	-	-	-	21.8%	-	-
GenInvest	1,443	286	354	50.0%	(6)	34
<b>Total</b>	<b>3,449</b>	<b>651</b>	<b>766</b>		<b>23</b>	<b>44</b>

Grainger's share of reversionary surplus £44m (30 September 2009: £47m)



grainger plc

# Total UK residential property – sales and acquisitions summary

Sales					Acquisitions	
Number	Proceeds £m	Profit £m	<u>Profit</u> margin %		Number	Cost £m
476	86	40	46.2	Regulated	125	20
64	10	1	9.9	Assured/ Assured Shorthold	154	26
251	29	10	35.1	Retirement Solutions	1,132	76
18	25	7	27.6	Other	29	10
809	150	58	38.5		1,440	132

\* Retirement Solutions acquisitions include 1,038 properties acquired in Sovereign Reversions at a value of £68m.



- Key indicators

- Average rent psm – 6.28 EUR/ sqm/ month
- Vacancy rate – 4.11% by units (not including units for sale)
- Maintenance psm – 11.43 EUR/sqm/ pa
- Gross and net rental yields – 6.88 gross, 4.85% net excluding PM costs
- Portfolio value psm – 1,062 EUR/sqm
- Sales – 55 units sold/ 0.80%, average sales price of 1.347 EUR/ sqm, gross margin 5.29%
- Average LTV across the portfolio – 67.3%





# Portfolio overview – development status of major projects

Project	Description	Status
Newlands Common	537 acre Greenfield site, freehold with overage interest in Waterlooville, Hampshire.	Outline consent granted for 1,635 residential units and 1 million sq. ft B1-B8 space. New planning application for 2,550 new homes and a similar amount of commercial accommodation has been submitted in November 2010.
Macaulay Road	1.811 acres Brownfield site, Clapham, freehold.	Detailed consent granted for 97 residential units and 30,000 sq.ft offices. Demolition complete. New planning application to reconfigure the commercial space was submitted October 2010.
Wards Corner	Development agreement with London Borough of Haringey. A number of smaller interests within overall site currently owned.	Planning application submitted for 197 residential units with ground floor retail units. CPO may be required to purchase remaining site.
Gateshead College	9.87 acres Brownfield former college site, Gateshead. Owned freehold.	Planning consent granted for 252 residential units.
Newbury	Preferred developer status with Newbury for key town centre site.	Conditional development agreement under current discussion for approximately 250 residential units, 40,000 sq.ft retail.
Curzon Park	10 acres Brownfield freehold, central Birmingham, 50:50 joint venture with Development Securities plc.	Outline planning consent granted for 400,000 sq.ft residential 800,000 sq.ft office, 20,000 sq.ft retail, 200 bed hotel.
Hammersmith	Preferred developer of Hammersmith and Fulham Borough Council. Development agreement signed with Borough and joint venture partner Helical Bar, King Street, Hammersmith.	Application for 320 residential units, 56,000 sq ft. commercial space, 120,00 sq ft. council offices, a public square, a bridge linking Hammersmith with the river and 200 car parking spaces has been submitted November 2010.
Zizkov	Joint venture 50% owned by Grainger, 31 acre Brownfield site, Prague.	Planning application submitted for mix use scheme comprising 483,000 sq ft retail, 580,000 sq ft office, 245 residential units, hotel.



# Grainger NAV – sensitivity analysis

## Without discounting tax

		Discount rate		
		8.66%	7.0%	5.66%
HPI	0%	180p	188p	195p
	2%	190p	199p	210p
	4%	203p	215p	227p
	5%	210p	224p	238p
	6%	219p	234p	249p

### Note

- Grainger NAV brings in the present taxed value of reversionary surpluses in our long term portfolio
- Grainger WACC: 5.66%
- Full sensitivity available on Grainger website: [graingerplc.co.uk](http://graingerplc.co.uk)

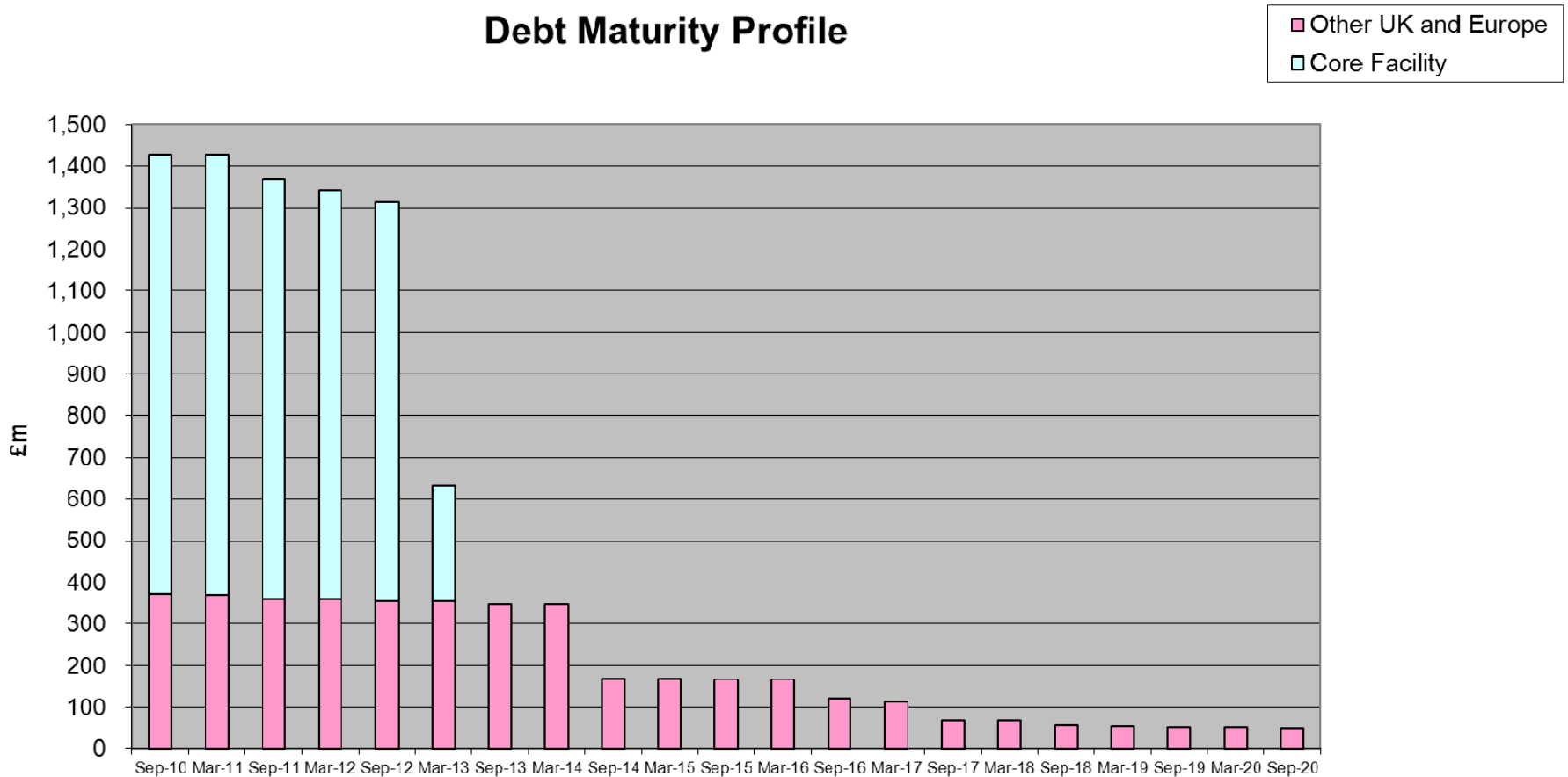
Discounting tax		Discount rate		
		8.66%	7.0%	5.66%
HPI	0%	201p	206p	211p
	2%	211p	219p	226p
	4%	224p	234p	244p
	5%	231p	243p	254p
	6%	239p	253p	266p



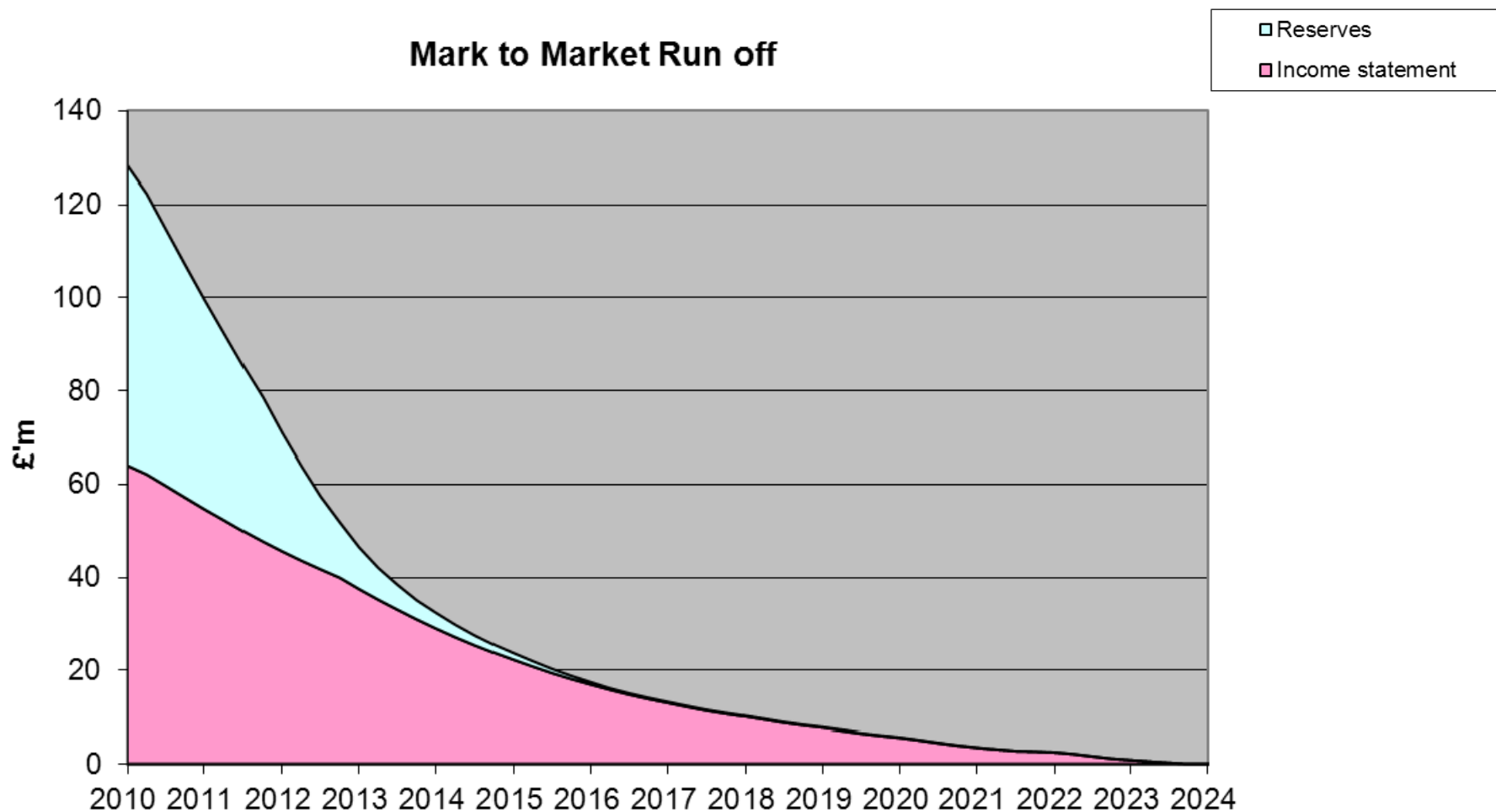
grainger plc

# Debt maturity profile

Debt Maturity Profile



# Swap Fair Value Run off



# Appendices - glossary of terms

<b>Property</b>	
Assured periodic tenancy ("APT")	Market rented tenancy arising from succession from regulated. Tenant has security of tenure.
Assured shorthold tenancy ("AST")	Market rented tenancy where landlord may obtain possession if appropriate notice served.
Assured tenancy ("AT")	Market rented tenancy where tenant has right to renew.
Investment value ("IV")	Open market value of a property subject to relevant tenancy in place.
Home reversion	Rent free tenancy where tenant has right of occupation until possession is forfeited (usually on death). If tenant retains an equity interest in the property this is a partial life tenancy.
PRS	Private Rented Sector.
Regulated tenancy	Tenancy regulated under 1977 Rent Act, rent (usually sub market) set by rent officer and tenant has security of tenure.
Tenanted residential ("TR")	Activity covering the acquisition, renting out and subsequent sale (usually on vacancy) of residential units subject to a tenancy agreement.
Vacant possession value ("VP")	Open market value of a property free from any tenancy.
<b>Financial</b>	
Cap	Financial instrument which, in return for a fee, guarantees an upper limit for the interest rate on a loan.
Contingent tax	The amount of tax that would be payable should assets be sold at the market value shown in the market value balance sheet.
Dividend cover	Earnings per share divided by dividends per share.
Earnings per share ("EPS")	Profit after tax attributable to shareholders divided by the weighted average number of shares in issue in the year.



# Appendices - glossary of terms

<b>Financial (continued)</b>	
Gearing	The ratio of borrowings, net of cash, to market net asset value.
Hedging	The use of financial instruments to protect against interest rate movements.
IFRS	International Financial Reporting Standards.
Interest cover	Profit on ordinary activities before interest and tax divided by net interest payable.
Goodwill	On acquisition of a company, the difference between the fair value of net assets acquired and the purchase price paid.
Gross net asset value ("GNAV")	Shareholders' funds adjusted for the market value of property assets held as stock but before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives.
Net net asset value (triple net or "NNNAV")	NAV adjusted for deferred tax and those contingent tax liabilities which would accrue if assets were sold at market value and for the fair value of long term debt and derivatives
Grainger NAV	NNNAV adjusted for the taxed discounted reversionary surplus in our long-term UK residential and home reversion portfolios.
Return on shareholder equity	Growth in NNNAV in the year plus the dividend per share relating to each year as a percentage of opening NNNAV
Return on capital employed	Operating profit after net valuation movements on investment properties plus share of results from Joint Ventures/Associates plus the movement on the uplift of trading stock to market value as a percentage of opening gross capital defined as investment property, financial interest in property assets (CHARM) Investment in Joint Ventures/Associates and trading stock at market value
Sales margin	Profit on sale divided by sales proceeds
Swap	Financial instrument to protect against interest rate movements.
Total shareholder return ("TSR")	Return attributable to shareholders on basis of share price growth with dividends reinvested.
Weighted average cost of capital ("WACC")	The weighted average cost of funding the Group's activities through a combination of shareholders' funds and debt.



---

**For further information:**

Grainger plc

Andrew Cunningham/Mark Greenwood/ Dave Butler

Tel: +44 (0) 20 7795 4700

Tel: +44 (0) 191 261 1819

Financial Dynamics

Stephanie Highett/Dido Laurimore/Will Henderson

Tel: +44 (0) 20 7831 3113



grainger plc