

Grainger: Statement on amount/value of income distribution element of the tender offer

Paragraph 11 of Part II of the circular dated 27 May 2011 (the “Circular”) sets out information on certain UK taxation consequences of the purchase by Grainger plc (“Grainger”) of 1 in every 238 of its ordinary shares at 149 pence per share pursuant to a tender offer (the “Tender Offer”). This statement sets out further information in relation to certain UK tax consequences of the Tender Offer. You may use this information to calculate your tax liability to the extent the information is relevant to your tax position. If you are in doubt about your tax position, or subject to tax in a jurisdiction other than the UK, you should consult a professional adviser immediately.

Income/capital split

As explained in the Circular, the receipt of consideration on the Tender Offer by a UK resident individual shareholder or a trustee of a UK resident trust should be taxed partly as capital (the “capital element”) and partly as income (the “income distribution element”). The split depends, broadly, on the amount returned to shareholders which is treated as a return of capital for tax purposes. The income/capital split may also be relevant to shareholders subject to UK corporation tax, but which do not qualify for an exemption from corporation tax on income.

Grainger has calculated the income/capital split per share to be as follows (rounded to the nearest penny):

Income distribution element:	64 pence
Capital element:	85 pence

Clearance has been obtained from HM Revenue & Customs that the methodology used in calculating this split is acceptable to them.

Tax credits

If you are entitled to a UK tax credit in respect of the consideration, such tax credit will be calculated by reference to the income distribution element. The amount of the tax credit will be one ninth of the amount of the net income distribution, which is also equivalent to a tax credit of 10 per cent of the sum of the net distribution and the tax credit. So, for example, if you are eligible for a tax credit and receive consideration of £149 under the tender offer, the income distribution element would be £64, applying the above split, and the income distribution element would carry a tax credit of £7.11.