

## 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 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

## annual general meeting

Notice of the ninety-fifth Annual 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 12 February 2008 at 12.15 p.m. is set out in this document.

Registered in England and Wales with registered number 125575

## Definitions

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

'Act'	the Companies Act 1985 and the Companies Act 2006 as amended;
'Annual General Meeting'	the annual general meeting of the Company to be held on 12 February 2008 at 12.15 p.m. at the registered office of the Company;
'Board' or 'Directors'	the board of directors of the Company;
'Company'	Grainger plc;
'FSMA'	the Financial Services and Markets Act 2000;
'Listing Rules'	the listing rules of the UK Listing Authority made for the purposes of Part VI of FSMA;
'London Stock Exchange'	London Stock Exchange plc;
'Official List'	the list maintained by the UKLA pursuant to Part VI of FSMA;
'Remuneration Committee'	the remuneration committee of the Board; and
'UKLA' or 'UK Listing Authority'	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA.

## grainger plc

### Directors

**Robin Broadhurst**  
Chairman\*

**Stephen Dickinson**  
Deputy chairman\*

**Rupert Dickinson**  
Chief executive

**Andrew Cunningham**  
Deputy chief executive  
and finance director

**Robert R S Hiscox\***

**John Barnsley\***

**Bill Tudor John\***

**Henry Pitman\***

\* Non-executive

**Registered  
and Head Office**

Citygate  
St. James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

## Letter from the chairman

18 December 2007

### Dear Shareholder

The next Annual 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 12 February 2008. You will see from the Notice of Annual General Meeting, which is set out on pages 7 and 8 of this document, that there are 12 resolutions which are proposed for approval, nine of which relate to the ordinary business of the Annual General Meeting and three of which relate to special business. Details of these resolutions are set out below and in the Notice of Annual General Meeting:-

### Ordinary Business

Resolutions 1 and 2 seek the approval of the annual report and accounts for the year ended 30 September 2007 which accompanies this document and the directors' remuneration report for the same period which is set out in pages 62 to 69 of the Company's annual report and accounts. Resolution 3 relates to the proposed payment of a dividend of 4.12p per share to be paid on 18 February 2008 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 18 January 2008 in respect of all ordinary shares then registered in their names.

Resolutions 4, 5, 6 and 7 relate to the re-election of directors of the Company in accordance with the provisions of the Combined Code and the articles of association of the Company. Stephen Dickinson, Andrew Cunningham and Bill Tudor John will retire by rotation and offer themselves for re-election. Henry Pitman was appointed as director of the Company since the last annual general meeting and will retire and offer himself for re-election pursuant to the provisions of the Company's articles of association and the Combined Code. It is considered that each of these directors brings valuable skills and experience to the Board. Following formal performance evaluation, the Board considers that the performance of each director standing for re-election continues to be effective and that each demonstrates commitment to his role. Biographical details of all the Directors are set out on pages 54 and 55 of the Company's report and accounts which accompanies this circular.

Resolutions 8 and 9 are to reappoint PricewaterhouseCoopers LLP as auditors and authorise the Directors to agree their remuneration.

## Special Business

### Resolution 10 – Adoption of new articles of association

We are also asking shareholders to approve a number of amendments to our articles of association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing articles of association is set out in the appendix on pages 5 and 6 of this document. For convenience the changes have been embodied in a new set of articles of association, which shareholders are asked to adopt.

### Resolution 11 – Directors' power to disapply pre-emption rights

This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company given to them by resolution 3 passed at the annual general meeting of the Company on 24 February 2005. This authority has been conferred at successive annual general meetings of the Company. It is now proposed by your Directors that this authority be renewed.

Section 89 of the Companies Act 1985 requires a company proposing to allot equity securities for cash to offer them first to existing shareholders in proportion to their existing shareholdings. If this resolution is passed, the requirement imposed by section 89 will not apply to allotments by the Directors in two cases:

1. in connection with a rights (or similar) issue; and
2. allotments of shares for cash (including the sale of shares held by the Company in treasury) up to a total nominal value of £320,102 (representing 5% of the Company's issued share capital at the date of the notice convening the Annual General Meeting).

The Board confirms its intention that equity securities equivalent to no more than 7.5% of the issued share capital of the Company will be allotted for cash on a non pre-emptive basis during any rolling three-year period, in line with institutional investor guidelines.

As in previous years, this authority will lapse not later than next year's annual general meeting except in so far as commitments to allot shares have been entered into before that date, and a resolution to renew the authority will be proposed at each future annual general meeting.

In the previous three years, the Company has not issued any shares on a non pre-emptive basis for cash (excluding shares issued under employee share schemes).

## Resolution 12 – Company’s authority to purchase shares

This resolution, which will be proposed as a special resolution, seeks to renew the authority for the Company to purchase its own shares in the market up to a maximum of 12,804,110 shares (approximately 10% of the Company’s issued ordinary share capital at the date of the notice convening the Annual General Meeting). The proposed resolution sets out the maximum number of shares which may be purchased, the maximum and minimum prices which the Company may pay for its shares and the date of expiry of the authority conferred by this resolution. As in previous years, this authority will lapse no later than next year’s annual general meeting.

This authority gives the Company greater flexibility in managing its capital resources. Your Directors would only intend to exercise this authority to ensure that the Company maintains an efficient capital structure. The authority will only be exercised when, in the light of market conditions, your Directors believe that the effect of such purchases would be to increase shareholder value, having taken into consideration the impact of such purchases on both earnings and net asset values per share, and that the purchases would be in the best interests of the Company’s shareholders generally. Any shares purchased under the authority may be cancelled (and the number of the Company’s shares in issue will be reduced accordingly) or may be held in treasury so as to be available to be sold at a later date, subject to the restrictions set out in resolution 12 or its equivalent in force at the time.

The total number of ordinary shares covered by options or warrants as at 18 December 2007, the latest practicable date prior to publication of this document, is 990,861, representing 0.77% of the issued ordinary share capital of the Company (0.86% of the issued ordinary share capital of the Company assuming full exercise of the power to purchase shares contained in this resolution).

### RECOMMENDATION

Your Directors believe that all the proposals referred to above are in the best interests of the Company and its shareholders as a whole and unanimously recommend that you vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial shareholdings.

Yours sincerely



**Robin Broadhurst**  
Chairman

## Appendix

### Explanatory notes of principal changes to the Company's articles of association

It is proposed in resolution 10 to adopt new articles of association (the 'New Articles') in order to update the Company's current articles of association (the 'Current Articles') primarily to take account of changes in English company law brought about by the Companies Act 2006.

#### Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

#### Stock

The Current Articles contain provisions in relation to the concept of stock. These provisions are removed under the New Articles, as the concept of stock is not retained under the Companies Act 2006.

#### Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required and the chairman of a general meeting no longer has a casting vote.

#### Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to different shares held by the shareholder.

#### Directors' interests

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act, with effect from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. When the relevant provisions of the Companies Act 2006 come into force, the new articles will give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict of potential conflict. Firstly, only independent directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

### **Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

### **Directors' indemnities and loans to fund expenditure**

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

### **General**

Generally, the opportunity has been taken to bring clearer language into the New Articles and generally update the New Articles to reflect the language and revised statutory references of the Companies Act 2006.

## Notice of Annual General Meeting

Notice is hereby given that an Annual 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 12 February 2008 at 12.15 p.m. for the following purposes:

As routine business, to consider and, if thought fit, pass the following resolutions 1 to 9, as ordinary resolutions of the Company:

1. That the directors' report and the audited financial statements for the year ended 30 September 2007 be approved and adopted.
2. That the remuneration committee report for the year ended 30 September 2007 be approved.
3. That a dividend of 4.12p per share be paid on 18 February 2008 to all holders of 5p ordinary shares on the register of members of the Company at the close of business on 18 January 2008, in respect of all ordinary shares then registered in their names.
4. That Stephen Dickinson be re-elected as a director.
5. That Andrew Cunningham be re-elected as a director.
6. That Bill Tudor John be re-elected as a director.
7. That Henry Pitman be re-elected as a director.
8. That PricewaterhouseCoopers LLP be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
9. That the remuneration of PricewaterhouseCoopers LLP be fixed by the directors.

As special business, to consider and, if thought fit, pass the following resolutions which shall be proposed as special resolutions of the Company:

10. That the regulations contained in the printed document produced to the meeting and for the purpose of identification signed by the chairman thereof be and the same are hereby approved and adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.
11. That pursuant to the general authority conferred by resolution 3 passed at the extraordinary general meeting on 24 February 2005 insofar as it relates to securities that are not treasury shares within the meaning of the Companies Act 1985 (the 'Act') the directors be empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority so conferred or where the equity securities are held by the Company as qualifying shares (to which Section 162A to 162G of the Act apply) in each case as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with any rights issue, open offer or other pre-emptive offer to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such equity securities, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(b) otherwise than pursuant to paragraph (a) above, the allotment of equity securities up to an aggregate nominal amount of £320,102

and shall expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is earlier) except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

12. That the Company be generally and unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 (the 'Act') to make one or more market purchases (within the meaning of Section 163(3) of the Act) on the London Stock Exchange of ordinary shares of 5p each in the capital of the Company provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 12,804,110;

(b) the minimum price which may be paid for such shares is 5p per ordinary share;

(c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for an ordinary share as derived from the list maintained by the UKLA pursuant to Part VI of the Financial Services and Markets Act 2000 for the five business days immediately preceding the date on which the ordinary shares are purchased;

(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting or 15 months from the date of this resolution (whichever is earlier); and

(e) the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the board



**Marie Glanville**  
Company Secretary  
18 December 2007

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 10 February 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 purpose of determining who is entitled to attend and vote if the Annual General Meeting is adjourned from its scheduled time by 48 hours or less. If the Annual General 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.
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 registrar at the address shown on the proxy form not later than 12.15 p.m. on 10 February 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. 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 CRESTCo's 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 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. 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. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo 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.

8. Copies of the directors' service contracts with the Company and the register of interests of the directors and their families in the share capital of the Company and the proposed new articles of association (along with a comparison of the new articles of association against the Company's existing articles of association) are available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and public holidays excepted) and will be available at the place of the Annual General Meeting from 15 minutes prior to and during the Annual General Meeting.
9. 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).
10. The above statement as to proxy rights does not apply to a person who receives this notice of general 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 general 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.
11. As at 6.00 p.m. on 18 December 2007 the Company's issued share capital (excluding 650,000 shares held as treasury shares) comprised 128,041,189 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 December 2007 is 128,041,189.

