27 November 2008

Grainger plc
("Grainger" or the "Company" or the "Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2008

Grainger plc, the UK's largest quoted residential property owner, today announces its preliminary results for the year ended 30 September 2008.

Financial highlights

- Operating profit up 19.1% to £106m (2007: £89m) before valuation and goodwill movements, reflecting increased net rents and management fees; trading profits unchanged on 2007
- Underlying profit before tax of £12m
  - Loss before tax of £112m including valuation deficits, goodwill impairments and mark to market adjustments
- Portfolio valuation down 7.6% compared to 12.4% average fall shown by national house price indices
- Gross Net Asset Value per share down 35% to 535p (2007: 828p); Grainger NAV down 29% to 520p (2007: 732p)
- Sales from core and retirement solutions portfolios up 15% to £168m (30 September 2007: £146m)
- New bank financing totalling circa £228m raised
- After the balance sheet date, offer to convertible bond holders completed with 78% take up, with resulting reduction of 2.1% in the Group's LTV and increase in net assets of £42m
- Dividend for full year maintained at 2007 levels

Operational highlights

- Board's focus on cash conservation continues with reduced levels of property spend and overhead costs allied with increased sales.
- Active asset and property management continues to add value to tenants
- Resilience of and market for assets demonstrated by increased sales activity
- Planning permission obtained for 1,550 new homes and 100,000 sqm of commercial space at Newlands Common, West Waterlooville.

Commenting, Robin Broadhurst, Chairman of Grainger plc, said:
"The impact of the current economic crisis on the housing market in the UK has been well documented and it is inevitable that funding constraints and forecasted lack of economic growth will further depress the market over the coming twelve months.

"However, the last year has demonstrated the continuing resilience of the business, with a 15% increase in sales levels, showing the portfolio's inherent liquidity and ability to generate cash.

"The coming year will present many challenges and in response we will continue to operate as we have through the latter part of 2008 – maximising sales revenue, reducing property spend and cutting back on overheads. We are under no illusions as to how difficult these tasks will be but are confident that the irreplaceable and diverse nature of our core portfolio, the range of activity and expertise within the business and our experience of managing the business through previous downturns will stand us in good stead."

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Chairman's Statement

Despite the turmoil in the financial markets over the last twelve months and its inevitable overspill into the wider economy, I can report that our core business has continued to perform. In particular, sales of residential property, the heart of our activities, have shown a year on year increase in proceeds received of 15%. However, Grainger is not, of course, immune from the general economic problems and this is reflected in decreased trading margins, increased funding costs and falls in net asset value from asset writedowns.

In our interim management statement in August we set out our three main objectives for the anticipated difficult period ahead. These are:-

- to maximise sales revenue
- to reduce purchases of replacement stock
- to cut our overhead base

Progress on these to date:-

- sales of residential property amounted to £168m compared to £146m in 2007
- in the period April to September 2008 we acquired just £27m of UK property assets compared to £96m in the first half of the year and to £403m in the whole of 2007
- our overhead costs are 10% lower than 2007

In addition, we will maintain an overriding focus on the protection and enhancement of our revenue, cash maximisation, financial stability and compliance with our banking covenants until market conditions improve.

Results

As with all real estate companies our results for the year have been significantly affected by valuation movements. In note 2 to the accounts section of this statement we have therefore analysed our income statement into trading activities and valuation and other mark to market adjustments. This analysis enables us to present more meaningful comparisons of our core operations year on year.

Profit before tax has decreased by £190m from a profit of £78m to a loss of £112m, of which £177m comes from valuation deficits, goodwill impairment and mark to market adjustments. Adjusting for these, our result for the year would be a profit before tax of £12m compared to £25m on the same basis last year, the fall resulting largely from increased funding costs.

Operating profit has increased by 19.1% from £89m to £106m (before valuation writeoffs and goodwill impairment) reflecting increases in net rents from our enlarged UK and German portfolios and in management fees from our fund management activities Despite the market conditions our trading profits are relatively unchanged.

Gross net asset value per share ("Gross NAV") has decreased by 35% to 535p from 828p and this fall is also reflected in our other NAV measures: triple net asset value ("NNNAV") down 37% to 385p from 613p and base case Grainger NAV down 29% to 520p from 732p. The major factors behind the decrease have been the fall in vacant possession value of our properties and an increase in the discount applied to those values to calculate market values which are then used for NAV purposes. Details of the calculation of the NAV measures are provided in the financial review.

We are maintaining our full year dividend for shareholders in Grainger plc at the same level as last year. Thus the Board is recommending a final dividend of 3.91p which together with the interim dividend of 2.27p per share paid on 4 July 2008 will produce a total dividend for the year of 6.18p per share. If approved the final dividend will be paid on 16 February 2009 to shareholders on the register on 9 January 2009.

Strategy

In the short to medium term managements' entire focus is on managing the business in a prudent way, ensuring that we steer the business through this cycle by maximising cashflow and remaining covenant compliant.

In the long term, the Group's strategic objective is to maintain and consolidate its position as the UK's leading quoted residential company. Underpinning this objective are these key features:-

- the group has a unique, diversified portfolio built up over many years
- supporting this portfolio is our core property management services division. This not only delivers a personal and caring service to our tenants but also enables us to expand and diversify the residential activities we are able to supply
- in turn, in addition to our market leadership in the ownership of properties subject to regulated tenancies we are leaders in the fields of home reversions and residential fund management
- we now have additional income streams not reliant on the direct ownership of property and at low incremental cost. We have widened our risk and return exposure by entering the German residential market and curtailing our involvement in residential development.
- when the market bottoms out, we believe attractive new opportunities will present themselves, and our objective is to be in a position to take advantage of these

Our core portfolio is unique and diverse in nature. We are not exposed to new build properties (particularly city centre flats which have been most adversely affected by recent price falls) and our relatively low average value, un-refurbished properties tend to maintain their demand and value better than many other sectors. This is reflected in our year end valuation which showed a twelve month fall of 7.6%, compared to national indices from the Halifax and Nationwide showing a fall of 12.4%. We also have the ability in many of our portfolios to make investment sales (i.e. sales with a tenant in possession) and this is invaluable in increasing liquidity and generating cash.

Board Changes

In July, we welcomed Baroness Margaret Ford of Cunninghame as a non-executive director. Currently a Managing Director in the Royal Bank of Canada's Capital Markets Group, her extensive experience as Chairman of English Partnerships, the Government's Regeneration Agency, and her wide ranging knowledge of housing and regeneration in both the public and private sectors will be of great assistance to the Board.

We must also take this opportunity to pay tribute to Stephen Dickinson who will step down from the Board at the Company's AGM on 10 February 2009. Stephen joined Grainger in 1974 and was Chief Executive until October 2002. During that time he was unquestionably the face of Grainger and presided over an exciting period of growth and consolidation which included flotation of the group in 1983 when it had assets of just £18m. Stephen laid the foundations that enabled the business to progress and develop and his experience of the residential market, as well as his unique style, will be greatly missed. On behalf of the Board I thank him for his long service and contribution.

Outlook

It is difficult to recall a period of such economic uncertainty. The impact on the housing market in the UK has been well documented and it is inevitable that funding constraints and forecasted lack of economic growth will further depress the market over the coming twelve months.

However, the last year has demonstrated the continuing resilience of Grainger's portfolio and it is worth repeating that our sales proceeds were up 15% on last year, showing its inherent liquidity and ability to generate cash.

The coming year will present many challenges and in response we will continue to operate as we have through the latter part of 2008 – maximising sales revenue, reducing property spend and cutting back on overhead. We are under no illusions as to how difficult these tasks will be but are confident that the irreplaceable and diverse nature of our core portfolio, the range of activity and expertise within the business and our experience of managing the business through previous downturns will stand us in good stead.

I would like to take this opportunity to thank everyone at Grainger for the drive and commitment they have shown in extremely testing times.

Robin Broadhurst
Chairman
27 November 2008

Market Review

This year has seen significant falls in both the value and volume of residential transactions as indicated by the fact that mortgage approvals for September 2008 were down 57% compared to September 2007.

Whilst we are seeing a correction to house prices, the market situation has been considerably worsened by the lack of appropriate funding for house buying with many of the usual sources either stopping lending altogether or offering terms which are unacceptable.

Without question, the era of high level loan to value home loans based on excessive multiples of earnings has ended. Lenders are requiring higher deposits and better earnings coverage. The market will inevitably take time to adjust to this new environment.

However we believe that other factors must also be considered, in particular imbalances between supply and demand and levels of affordability.

The most stark example of imbalance currently exists in the oversupply of one or two bedroom city centre apartments primarily built for the buy to let market. This sector, to which Grainger has virtually no exposure, has shown falls of as much as 50% in some areas. Overriding this, however, are the broader statistics. The Government has stated that three million new homes will be needed by 2020, two million of them by 2016. This does not sit comfortably with estimates of the current level of supply, estimated to be well below 100,000 new units in 2009. Inevitably at some point in the future this will once again produce upward pressure on prices.

To help alleviate this situation we have been strong advocates for policy action to promote and professionalise the private rented sector ("PRS"). The recent Rugg Review ("The Private Rented Sector; its contribution and potential") showed that the Government acknowledges the importance of the PRS but the review's focus was more on the regulation and potential licensing of landlords rather than on the need for further investment. Without this there will be no real contribution towards increasing housing supply and improving quality for those wishing to enter this sector.

We consider that, with suitable fiscal incentives and planning polices and practices to encourage build to let schemes, the PRS would not only help alleviate the supply problem but would also present Grainger, as the UK's largest listed residential owner, with significant business opportunities.

The second factor is that of affordability. Recent cuts have put base rates down to 3.0% and there is speculation that they could fall even further later this year and in 2009. It is too early to say whether this will act as a significant stimulus to the housing market but at the very least it will encourage potential acquirers at the margin to purchase.

We have positioned the business so that we can manage through the current difficulties by maintaining our focus on our key strategic priorities; cash generation from our portfolios, reduction in property and development spend and overhead reduction. We intend to ensure that we are in a strong position to take advantage of opportunities when the market stabilises and starts to show signs of recovery.

Risk Review

The major risks to Grainger's business are macroeconomic – in particular, the housing market and financing.

Housing market

- a further severe and rapid downturn in UK house prices and stagnation in the market through lack of mortgage finance and/or willingness to acquire properties

Financing

- significant increases in borrowing costs and/ or a lack of or reduction in finance available to Grainger

Dealing with each of these in turn:-

Housing market. Our unique residential portfolio has been assembled over a significant period of time. Even after recent falls, its current market value is some £378m greater than cost. Furthermore, much of the portfolio is reversionary and the value that we will obtain by selling on vacancy currently exceeds market value by £658m (the “reversionary surplus”).

Our portfolio is inherently defensive in times of market slowdown. It is geographically diverse and not overly exposed to cluster risk. The majority of our properties are un-modernised and of relatively low average value - the average vacant possession at 30 September 2008 was £190,000 (2007: £205,000) and 66% of our portfolio’s assets are valued below £250,000. This level of affordability and the opportunity to maintain or increase value through refurbishment are key elements of continued or sustained demand when they become available for sale. The nature of many of our tenancies are such that we can sell them without waiting for vacancy and still realise a profit. These ‘investment’ sales are a useful way to produce additional cashflows. As we have demonstrated through the 15% increase in sales during our last financial year, we are able to sell assets even in difficult market conditions.

Operationally we manage our exposure to house price inflation by constant reviews of the portfolio to ensure that we crystallise gains and maximise returns at the right time. The fact that many of our properties are acquired at a significant discount to vacant possession values provides us with an inbuilt buffer against value falls and also considerable pricing flexibility. We are also diversifying our income streams (for example, fund management income) and our geographic presence to spread risk.

Financing. Our exposure to adverse interest rate movements is limited by adopting a prudent hedging policy. At 30 September 85% of Group debt was hedged through being fixed or subject to caps or swaps. Debt subject to caps or which is floating can benefit from lower rates, provided they are reflected in LIBOR.

The hedging instruments used and the fixed rate debt have a variety of maturity dates to give protection over the medium term.

The cost of debt is also dependent upon the lending margins charged by banks. This has increased significantly over the course of this year although this has not yet been reflected in our costs. Our blended margin is still competitive at 77 bps at 30 September.

At 30 September the Group had headroom of £370m, £303m of which was from the UK core facility. This headroom represents 76% of the first significant debt maturity we have - a facility of £400m due in June 2010. The average maturity of our debt is 4.5 years.

We guard against lack of liquidity by constantly recycling capital. The business has produced £213m of cash from operating activities, including sales of investment property, the majority of which has been generated by the core and retirement solutions businesses. This compares to a cash interest cost of £92m.

Liquidity and debt cost can also be threatened by covenant breach. Details of our covenant structure and compliance are given in the financial review. We constantly monitor current and prospective covenant compliance on all of our facilities and take pre-emptive action where necessary, for example asset sales, to ensure that no breaches occur.

Operating Review

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

Core portfolio	50%	Primarily our portfolio of properties subject to regulated tenancies
Retirement solutions	22%	Our interest in home reversion and retirement related assets
Fund management and investments in residential joint ventures	6%	Investments in managed funds (G:res1 and Schroders) and in Grainger GenInvest
Development	5%	Focussed on relatively large scale residential or residential led mixed use developments
Continental Europe	17%	Principally investment in German residential portfolios

These operating divisions are supported by our property and management divisions which have over 140 staff in our seven UK and one German office.

Core portfolio	2008	2007
Regulated units owned	7,316	7,655
Market value	£1,000m	£1,221m
Vacant possession value	£1,399m	£1,571m
Other assets (vacants, assured etc)	803	882
Market value	£190m	£196m
Vacant possession value	£216m	£220m

Despite the difficult market conditions, the liquidity of our core portfolio remained strong and sales proceeds have increased by 10.3% to £141m from £128m. This has been achieved through a concerted effort to maintain volumes and by careful selection of suitable properties for investment sales (these occur when a property is sold with a tenant in place, as opposed to normal sales which occur on vacancy). The number of units sold was 817 of which 302 were investment sales (2007: 86 investment sales out of a total of 661).

The average value achieved on normal sales has remained static at £193,000 and over the course of the whole year those sales achieved a slight fall of 0.7% from September 2007 vacant possession values, an indicator of the prudence of our valuation process and the resilience of the portfolio. Margins on normal sales have fallen from 50.7% to 45.9%.

Proceeds and profit from investment sales amounted to £41m and £17m respectively (2007: £17m and £10m).

In line with our stated intentions in our interim statement in May we significantly reduced acquisitions in this portfolio in the latter part of the year. In total we acquired 403 units for £80m (2007: 863 units for £151m) of which only 72 units costing £9.5m were purchased in the second half of the year.

Operating contribution from this division (comprising profits on sale of trading and investment assets together with net rents and other income, after deducting divisional overheads) amounted to £83m (2007: £81m).

Retirement Solutions

	2008	2007
Interest in residential units (number)	6,227	5,952
Market value	£521m	£542m
Vacant possession value	£754m	£779m

This operating division has shown a pleasing level of profit growth during the year, reflecting the increasing maturity of the portfolio. We have sold interests in 185 assets in the retirement solutions portfolio (including CHARM) for £27.2m and recorded a profit on sale of £10.9m (2007:146 assets, £18.5m proceeds, £7.7m profit).

As with the core portfolio, we have taken steps to reduce acquisitions although the long lead time in the home reversion process means that the results of this will not be seen fully until financial year ending September 2009. During the year ended 30 September 2008 we acquired 460 assets for £43m, compared to 2,889 assets for £252m in 2007. The performance of the two major acquisitions made in 2007 has been in line with expectations: CHARM, where realisations have been as expected and The Capital Appreciation Trust (Isle of Man) plc ("CAT") where we have reduced vacancy rates from 25% to 6% since acquisition.

Operating contribution from this division (on the same basis as the core portfolio but excluding the CHARM revaluation) amounted to £16m (2007: £9m).

For the third consecutive year, our Bridgewater business has been named as Home Reversion Provider of the Year by Mortgage Solutions.

Fund management and residential investments

	Holding	Gross asset value £m	Net asset value £m	Grainger share £m
Grainger GenInvest*	50%	298	62	65
G:res1	21.6%	401	159	35
Schroders	23.6%	73	73	17
Total 2008		772	294	117
Total 2007		911	443	134

*net asset value for Grainger GenInvest is shown after adjusting for the mezzanine loan provided by Grainger of £67m.

The value of our investments in these vehicles has been hit by falls in asset values. Consequently the contribution from this division (comprising share of profits, dividends received, fee income and share of revaluation movements) has fallen to a loss of £50m compared to a gain of £40m in 2007, largely due to our share of revaluation movements amounting to a loss of £48.3m, despite fee income for the year totalling £6.3m. All of the debt in these vehicles is non-recourse to Grainger plc.

Property Services

This division carries out the asset and day to day property management of our core portfolios and those of our co-invested funds.

(UK only)	2008	2007
Residential units managed	19,433	19,312
Gross rent roll	£78m	£69m
Gross property expenditure	£19m	£18m

Rents have increased primarily because of the acquisition of the Tilt portfolio late in 2007.

Development

	2008	2007
Market value of development portfolios (including share of joint ventures)	£142m	£127m
Estimate of completed development value,	£850m	£809m
Of this, with planning consent	£484m	£324m
Committed cash expenditure	£30m	£57m

As previously announced, we have, in the light of prevailing market conditions, curtailed the activities of this division in order to focus on cash conservation. We are, however, moving forward on public/private partnerships and achieving improved planning status for our holdings at the appropriate pace. Construction work has continued on 150 private units at Hornsey Road in Islington. The Council office building has been handed over and these apartments will become available for either sale or rent early in 2009.

Since the year end we have received a resolution to grant planning permission at our site at Wards Corner, North London for 197 residential units and a range of retail units.

The current status of the major projects in this division is as below:-

Project	Description	Status
Hornsey Road, Islington	200 residential units, community building	Construction almost complete
Newlands	100,000 sq. m commercial, 1,550 new homes & 1,000 reserve	Outline Planning consent granted for Phase 1.
Macaulay Road Clapham	97 residential units, 30,000 sq. ft retail	Consent granted and demolition complete. On hold
Wards Corner	197 residential units with a range of retail units, including provision for the Seven Sisters market.	Development agreement with Haringey Council. Resolution to grant planning permission achieved 17 November 2008
Gateshead College	245 residential units	Planning appeal due end of November 2008
Newbury	330 residential units, 50,000 sq. ft retail	Preferred developer status, conditional development agreement expected Summer 2009
Joint ventures		
Curzon Park	400,000 sq. ft residential, 800,000 sq. ft office, 20,000 sq. ft retail, 118 bed hotel	Mixed use joint venture with Development Securities. Outline planning consent granted
Hammersmith	290 residential units, 5,202 sq. m commercial space, 11,000 sq. m council offices, a public square, a bridge linking Hammersmith with the river, and 200 car parking spaces.	Awarded Development Agreement in Partnership with Helical Bar. Working up a scheme in preparation for submission of a planning

application.

The operating loss from this business in the year (comprising trading profits/(losses), net of divisional overheads and asset writedowns) amounted to £12m (2007: profit of £4m).

Continental Europe

	2008	2007
Residential units owned	6,894	4,520
Market value	£417.5m	£241.7m
Gross rent	£21.4m	£9.8m
Gross annual running rent	£27.8m	£15.0m

The major activity in the year was the acquisition of FranconoRheinMain AG ("FRM") for £32.6m. This lifted our German portfolio to a critical mass of some 7,289 units (including 395 commercial). Our current focus is to integrate FRM with our existing business and to improve returns through rent reviews, void reductions and cost savings. In addition, in August we appointed Peter Brock formerly Head of Asset Management of listed German real estate company Vivacon AG, as managing director of Grainger Deutschland GmbH, our German advisory business.

The operating contribution from our German portfolio (comprising profits on sale of investment assets together with net rents and other income after deducting divisional overheads) in the year was £11.4m. The revaluation movement on the portfolio, however, resulted in asset writedowns of £8.6m. The net rental yield is running at 5.1% (2007: 4.5%). External debt amounts to £283m and is non-recourse to Grainger plc.

Our other European interest relates to a joint venture company in which we have a 50% stake and which owns a development site in Zizkov, Prague. Our original stake was 81.6% and we have sold this down to realise a profit in the year of £3.5m. Our investment in this joint venture, with land at market value, amounts to £10.6m and the development is going through the planning process.

Prospects

Since the year end we have continued to sell properties. As at 21 November we had completed, exchanged contracts on or had put in solicitors hands normal sales amounting to £29.3m, some 0.7% above September 2008 vacant possession values.

As well as our ongoing programme of selling properties on vacancy we have identified circa £100m of additional properties for sale from our core and development portfolios although this is obviously dependent upon both market conditions and availability of funding. We continue to examine opportunities to bring in third party equity through the establishment of joint ventures or other structures. Also, since the year end we have taken action to reduce our overhead running rate by a further 10%.

Our commitment is to continue to manage the business in a prudent way through these turbulent market conditions. Our portfolio is uniquely resilient, with its mix of property types, tenures and excellent liquidity.

It is held for the long term and this will help us through the short and medium term corrections that are taking place. Real estate is a cyclical activity and we are confident that we have in place the assets, people and management platform that will ensure we are strongly positioned to take advantage of the opportunities that will undoubtedly arise.

Rupert Dickinson
Chief Executive
27 November 2008

Financial Review

Performance review. Our key performance indicators are:-

			2008	2007
Gross net asset value per share (pence)			535p	828p
Operating profit before valuation and goodwill adjustments			£106.0m	£89.0m
Return on capital employed	(1)		(11.4%)	12.1%
		1 year	5 year	10 year
Return on shareholder equity	(2)	(36.1%)	8.2%	15.3%

(1) Profit before financing costs adjusted for revaluation movements as a percentage of opening gross capital

(2) Growth in NNNAV plus dividends paid per share as a percentage of opening NNNAV on an annualised basis

Most of our properties are held as trading stock and are therefore shown in the statutory balance sheet at the lower of cost and net realisable value. This does not reflect the true worth of the assets and so we set out below a summary of our net assets with the properties restated at 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	1,883	377	2,260	-	-	2,260
Investments/other assets	145	-	145	-	-	145
Goodwill	8	-	8	-	-	8
Cash	43	-	43	-	-	43
Total assets	2,079	377	2,456	-	-	2,456
Borrowings etc	(1,663)	2	(1,661)	-	(11)	(1,672)
Other net liabilities	(107)	-	(107)	-	-	(107)
Provisions/deferred tax	(79)	79	-	(184)	3	(181)
Total liabilities	(1,849)	81	(1,768)	(184)	(8)	(1,960)
Net assets	230	458	688	(184)	(8)	496
2008 Net assets per share (pence)	178	357	535	(144)	(6)	385
2007 Net assets per share (pence)	251	577	828	(221)	6	613

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 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.

Market value analysis of property assets

	Shown as stock at cost £m	Market value adjustment £m	Market value £m	Investment Property/ Financial Interest in property at value £m	Total £m
Residential	1,009	378	1,387	741	2,128
Development	133	(1)	132	-	132
Total September 2008	1,142	377	1,519	741	2,260
Total September 2007	1,069	643	1,712	610	2,322

Net asset value

Measurements of net asset value are key performance indicators for the Group. We set out three measurements to better enable shareholders to compare our performance year on year and with our peers, whilst reflecting the unique nature of our business:-

Gross net assets per share (market value of net assets per share before deduction for deferred tax on property assets and before adjustments for fair value of derivatives)	Down 35% to 535p from 828p
Triple net assets per share NNNAV (gross NAV per share adjusted for deferred tax on revaluation gains and for mark to market adjustments)	Down 37% to 385p from 613p
Grainger NAV (NNNAV adjusted for the discounted and taxed reversionary surplus in our long term regulated and home reversion portfolios)	Down 29% to 520p from 732p

The major movement in NAV in the year comes from the revaluation of our residential assets. Points worthy of note are:-

i) Core and home reversions portfolios including CHARM (Churches Housing Assistance for Retired Ministry). The vacant possession values of these portfolios have fallen by approximately 8% over the year. This accounted for a fall of £134.0m in NAV, of which £35.5m has been taken through the income statement.

ii) Market value percentages. The market value of our UK residential portfolios is arrived at by applying a discount to vacant possession values. For our home reversion portfolios this discount is actuarially calculated based upon the age of the tenant. For the regulated and other UK residential portfolios the discount is based upon market experience. In last year's valuation regulated assets were valued at 77.5% of vacant possession value. This year, a geographic weighting has been applied to better reflect yields and local market conditions with the overall result that these assets have been valued at 71.3% of vacant possession value. Similar discount spreads have been applied to our other residential assets (e.g. assureds) and to the assets held in our joint ventures and associates. The increase in discount on our wholly owned assets has accounted for a fall of £97.1m in NAV, of which £3.6m is through the income statement.

iii) Residential joint ventures and associates. Valuation falls in these investments account for a fall of £48.3m in NAV, all of which has been taken through the income statement.

iv) German portfolios. The German residential market has not been subject to the severe downward price pressure in the UK and our portfolio has fallen by approximately 3.4% over the year resulting in a NAV fall of £8.6m, all through the income statement.

v) Development assets. In total we have made provisions of £19.2m against the market value of our development assets including investments in development joint ventures. The largest provisions are at Curzon Park £8.6m, Gateshead £4.8m and Kylins £2.1m. £9.2m has been taken through the income statement.

Gross net assets per share

	£m	pence per share
Gross NAV as at 1 October 2007	1,065	828
Revaluation deficits	(213)	(165)
Loss after tax	(77)	(60)
Elimination of previously recognised surpluses on sale	(56)	(44)
Other	(31)	(24)
Gross NAV as at 30 September 2008	688	535

Grainger net assets per share

Reconciliation of NNNAV to Grainger NAV

	£m	pence per share
NNNAV as at 30 September 2008	496	385
Discounted reversionary surplus	236	187
Tax thereon	(66)	(52)
Grainger NAV as at 30 September 2008	666	520

The major assumptions used in calculating the base case Grainger NAV are set out below:-

- house price inflation taken as zero over the entire reversionary period
- discount rate of 8.43% used to calculate the present value of the reversionary surplus (weighted average cost of capital +3%) (2007 discount rate: 9.38%)
- no discounting of contingent tax on the revaluation surpluses
- reversionary periods taken as 14 years for regulated properties and 10 years for home reversions

Our website (www.graingerplc.co.uk) sets out how these assumptions may be varied and we show below some examples:-

	No discount of deferred tax		Discounting deferred tax	
House price inflation	Discount rate		Discount rate	
per annum	WACC + 3%	WACC	WACC +3%	WACC
0%	520p	576p	612p	646p
4%	604p	695p	696p	766p
6%	662p	778p	754p	849p

Financial Performance in the Year

Operating profit before all revaluation movements, fair value and goodwill adjustments increased by 19.1% to £106.0m from £89.0m as shown below.

	£m
2007 operating profit	89.0
Increase in gross rents and other income	20.6
Increase in property expenses and overheads	(0.5)
Increase in residential trading profits	2.3
Decrease in development trading profits	(2.2)
Other	(3.2)
2008 operating profit (see accounts note 2)	106.0

The major movement in operating profit comes from higher rents in both our UK and German residential portfolios in line with increases in the size of those portfolios. Residential portfolio profits have stayed relatively constant and, as anticipated, development profits have decreased along with the number of projects completed and/or sold in the year.

Overheads have fallen by 10.3% from £33.6m to £30.1m.

Earnings per share

Basic earnings per share have decreased by 229% to a loss of 61.0p from earnings of 47.3p.

	£m	Pence per share
2007 Earnings per share	60.9	47.3
Movements in:-		
Operating profit	17.0	13.5
Contribution from joint ventures and associates	(93.7)	(73.9)
Fair value of derivatives and financial assets	(14.5)	(11.5)
Revaluation losses on investment properties	(53.0)	(41.9)
Provisions against trading stock values	(12.3)	(9.7)
Goodwill impairment	(9.1)	(7.2)
Interest payable	(21.7)	(17.2)
Taxation and other	49.0	39.6
2008 Loss per share	(77.4)	(61.0)

The major movements relate to revaluation and mark to market adjustments. In 2007, our joint ventures and associates contributed £41m, of which £39m related to revaluation gains. In 2008 these gains were reversed and a loss of £53m was recorded, of which £48m related to revaluation deficits. There is a further revaluation deficit of £43.1m (2007: gain of £9.9m) on Grainger's investment properties and net realisable value provisions on our trading stock of £12.3m. We have suffered a loss of £11.5m (2007 gain of £3.0m) on marking to market the fair value of our derivatives.

Interest and taxation

Our net interest charge has increased by £24m from £65m to £89m. This reflects higher debt levels in the year (used for acquisitions in Germany and in home reversions) and higher underlying interest rate costs. On average monthly debt levels have exceeded 2007 figures by £360m and as the majority of our debt is hedged through fixed rate loans or interest rate swaps, the high LIBOR and Euribor rates have not had a significant impact on the overall cost of our debt.

The income statement shows a tax credit at an effective rate of 31.0%, the major items affecting it being:-

	£m
Group loss before tax	(112.1)
Tax credit at 29%	(32.5)
Adjustments:-	
Permanent differences	4.7
Utilisation of capital losses	(10.6)
Other including prior period adjustments	3.7
Actual tax credit	(34.7)

Financial Resources

The business has produced £213m of cash from operating activities and sales of investment property. The largest outflows relate to interest £92m and to residential property expenditure, £178m of which only £42m was made in the second half of the year. We spent a further £32.6m on the acquisition of FRM which had debt of £91m and which has now been consolidated on the Group balance sheet. Deterioration in the sterling/euro exchange rate increased overall Group debt by £32m, although there is an equivalent increase in the value of euro denominated assets.

At the year end our net debt levels (before unamortised finance costs) stood at £1,621m (2007: £1,342m) and were 85% hedged (2007: 74%).

During the year we increased our core borrowing facility by raising a new five year facility of £228m. At the year end the headroom on our core UK borrowings amounted to £303m and we had a further £30m committed facilities on our various euro borrowings. Including cash balances and our overdraft facility amounting in total to £37m, total group headroom at 30 September 2008 was £370m. The average maturity of our debt is 4.5 years (2007: 5.4 years) and the first major repayment of £400m is due in June 2010.

Our all-in cost of debt in the year was 6.2% (2007: 6.1%) and our weighted average cost of capital was 5.43% (2007: 6.38%).

Covenants

Our core facility has two covenants covering loan to value (“LTV”) ratio and interest cover. Under the first, a LTV of 80% could lead to default of the agreement. At 70% LTV, purchasing restrictions apply. To a large extent the business is currently operating under the restrictions by cutting back on new acquisitions. LTV on the core facility at 30 September was 66% although this was reduced to 64% shortly after the year end by the early conversion of 78% of our convertible bond. We are able to take action to help keep the LTV ratio down, the main one being asset sales. We estimate that if we are able to maintain sales proceeds in 2009 at the same level as achieved in 2008 then UK asset values as used for covenant purposes will have to fall by c.24% in the year ended 30 September 2009 for us to reach 80% LTV.

Under the second covenant, our interest cost must be covered 1.25 times by net cashflow before interest. As at 30 September the ratio stood at 2.2 times (2007: 2.8 times). This covenant is calculated by reference to the previous 12 months results and, given the cash inflows that we have already achieved to date, we are very confident that this covenant will be met at the next testing period in March 2009.

We maintain regular and constructive dialogue with our banking group and keep them fully informed of covenant status. Constant monitoring of these covenants ensures that we can take early and proactive measures, for example, asset sales, to prevent default levels being reached. This remains a key objective for the near and medium term.

Post balance sheet event

Since the year end holders of £87.1m of our £112m 2014 convertible bond have accepted a cash payment of £35,000 per £100,000 nominal bond value to convert early. The effects of this early conversion have been to:-

- issue 10.08m ordinary shares
- eliminate £57m nominal of debt
- increase net assets by £42.0m and decrease net assets per share by 1.6%
- reduce the LTV on our core facility to 64.1% from the figure of 66.4% at the year end

In the year to 30 September 2009 there will be a one-off charge to the income account of £30.5m representing the cash amount paid to bondholders. Going forward annual interest costs will be reduced by circa £3.6m because of the overall reduction in reported debt. By converting prior to the interest payment date of 14 November we have made interest savings of £1.6m (bondholders must hold on the payment date to receive interest).

Andrew R. Cunningham
Deputy Chief Executive and Finance Director
27 November 2008

Consolidated income statement (unaudited)
For the year ended 30 September 2008

	Notes	2008 £m	2007 £m
Group revenue		246.2	229.3
Net rental income	3	37.7	23.2
Profit on disposal of trading properties	4	62.6	62.8
Administrative expenses	5	(6.2)	(9.5)
Other income		9.2	6.2
Goodwill impairment		(9.6)	-
Profit on disposal of investment property	6	0.6	2.5
Profit on disposal of shares in subsidiary		3.5	2.0
Interest in financial assets		(0.9)	1.8
Write down of inventories to net realisable value		(12.3)	-
Operating profit before net valuation (deficits)/gains on investment properties		84.6	89.0
Net valuation (deficits)/gains on investment properties		(43.1)	9.9
Operating profit after net valuation (deficits)/gains on investment properties		41.5	98.9
Change in fair value of derivatives		(11.5)	3.0
Interest expense		(96.1)	(74.4)
Interest income		7.1	9.4
Share of (loss)/profit of associates after tax	10	(14.0)	7.7
Share of (loss)/profit of joint ventures after tax	11	(39.1)	32.9
(Loss)/profit before tax		(112.1)	77.5
Taxation – current		(5.7)	(16.6)
Taxation – deferred		40.4	-
Tax credit/(charge) for the year	15	34.7	(16.6)
(Loss)/Profit for the year		(77.4)	60.9
Attributable to:			
Equity holders of the company		(77.3)	61.0
Minority interest		(0.1)	(0.1)
		(77.4)	60.9
Basic (loss)/earnings per share	7	(61.0)p	47.3p
Diluted (loss)/earnings per share	7	(61.0)p	46.6p
Dividend per share	8	6.18p	6.18p

Consolidated Statement of Recognised Income and Expense (unaudited)
For the year ended 30 September 2008

	Notes	2008 £m	2007 £m
(Loss)/profit for the year		**(77.4)**	60.9
Actuarial profit on BPT Limited defined benefit pension scheme net of tax	17&18	**0.3**	1.5
Net exchange adjustments offset in reserves net of tax	17&18	**0.8**	0.3
Changes in fair value of cash flow hedges net of tax	17&18	**(2.8)**	9.0
Net (expense)/income recognised directly in equity		**(1.7)**	10.8
Total recognised income and expense for the year		**(79.1)**	71.7
Prior year adjustment – reclassification of equity release assets		**-**	(0.5)
Total recognised income and expense since last report		**(79.1)**	71.2
The total recognised income and expense in the year is attributable to:-			
Equity shareholders of the parent		**(79.0)**	71.2
Minority interest		**(0.1)**	-
		(79.1)	71.2

Consolidated Balance Sheet (unaudited)
as at 30 September 2008

	Notes	2008 £m	2007 £m
ASSETS			
Non-current assets			
Investment property	9	**619.3**	**478.6**
Property, plant and equipment		**2.3**	**2.3**
Investment in associates	10	**51.6**	**68.5**
Investment in joint ventures	11	**90.8**	**114.8**
Financial interest in property assets	12	**121.2**	**131.7**
Goodwill		**8.0**	**17.4**
		893.2	**813.3**
Current assets			
Inventories - trading properties		**1,142.2**	**1,069.1**
Trade and other receivables	13	**23.0**	**16.4**
Derivative financial instruments		**11.9**	**13.1**
Cash and cash equivalents		**43.2**	**80.1**
		1,220.3	**1,178.7**
Total assets		**2,113.5**	**1,992.0**
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	**1,635.4**	**1,393.8**
Trade and other payables		**4.0**	**8.0**
Retirement benefits		**2.1**	**2.7**
Provisions for other liabilities and charges		**1.0**	**1.2**
Deferred tax liabilities	15	**78.4**	**113.5**
		1,720.9	**1,519.2**
Current liabilities			
Interest bearing loans and borrowings	14	**17.9**	**18.2**
Trade and other payables	16	**80.1**	**84.9**
Current tax liabilities	15	**51.4**	**45.8**
Derivative financial instruments		**13.4**	**0.8**
		162.8	**149.7**
Total liabilities		**1,883.7**	**1,668.9**
Net assets		**229.8**	**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	**5.4**	**8.2**
Equity component of convertible bond	17	**22.4**	**22.4**
Retained earnings	17	**152.0**	**242.6**
Total shareholders' equity		**229.7**	**323.0**
Minority interest		**0.1**	**0.1**
Total Equity	18	**229.8**	**323.1**

Statement of consolidated cash flows (unaudited)
For the year ended 30 September 2008

	Notes	2008 £m	2007 £m
Cash flow from operating activities			
(Loss)/profit for the year		**(77.4)**	60.9
Depreciation		**0.8**	0.6
Impairment of goodwill		**9.6**	-
Net valuation deficits/(gains) on investment properties	9	**43.1**	(9.9)
Gain on acquisition of subsidiary		**(0.5)**	-
Net finance costs		**89.0**	65.0
Share of loss/(profit) of associates and joint ventures	10&11	**53.1**	(40.6)
Profit on disposal of investment property	6	**(0.6)**	(2.5)
Profit on disposal of shares in subsidiary		**(3.5)**	(2.0)
Share based payment charge		**0.5**	1.0
Change in fair value of derivatives		**11.5**	(3.0)
Interest income from financial assets		**0.9**	(1.8)
Taxation		**(34.7)**	16.6
Operating profit before changes in working capital		**91.8**	84.3
Decrease/(increase) in trade and other receivables		**2.9**	(12.1)
Decrease in trade and other payables		**(0.3)**	(1.9)
Increase in trading properties		**(79.4)**	(65.1)
Cash generated from operations		**15.0**	5.2
Interest paid		**(92.4)**	(66.1)
Taxation paid	15	**(0.2)**	(8.5)
Net cash outflow from operating activities		**(77.6)**	(69.4)
Cash flow from investing activities			
Proceeds from sale of investment property	6	**7.4**	14.8
Proceeds from financial interest in property assets		**9.5**	4.9
Disposal of subsidiary net of cash disposed of		**3.7**	251.0
Interest received		**3.8**	4.7
Dividends/distributions received	10&11	**2.5**	8.0
Acquisition of subsidiaries, net of cash acquired		**(29.1)**	(146.5)
Investment in associates and joint ventures		**(11.0)**	(93.3)
Acquisition of investment property and property, plant and equipment		**(51.9)**	(100.9)
Acquisition of financial interest in property assets		**-**	(134.7)
Acquisition of minority interests		**(6.7)**	-
Net cash outflow from investing activities		**(71.8)**	(192.0)
Cash flows from financing activities			
Proceeds from the issue of share capital	17&18	**0.1**	0.5
Purchase of own shares	17&18	**(1.0)**	(14.8)
Proceeds from new borrowings		**131.4**	227.2
Issue of convertible bond net of costs		**-**	109.6
Repayment of borrowings		**(11.0)**	(12.1)
Dividends paid	8	**(8.1)**	(7.6)
Purchase of financial derivative		**-**	(0.3)
Net cash inflow from financing activities		**111.4**	302.5
Net (decrease)/increase in cash and cash equivalents		**(38.0)**	41.1
Cash and cash equivalents at beginning of year		**80.1**	39.0
Net exchange movements on cash and cash equivalents		**1.1**	-
Cash and cash equivalents at end of the year		**43.2**	80.1

Notes to the Preliminary Announcement of Unaudited Results

1. Basis of preparation

These 2008 preliminary results are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 2005.

The financial information contained in these preliminary results has been prepared in accordance with the Listing Rules of the Financial Services Authority and, other than the new accounting policy relating to the acquisition of minority interests as set out in Note 17, 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). The accounting policies have been consistently applied to all periods presented.

2. Analysis of (Loss)/profit before tax

The results for the year have been significantly affected by valuation movements. The table below provides further analysis of the income statement showing the results of trading activities separately from valuation movements.

	2008			2007		
	Trading £m	**Valuation £m**	**Total £m**	Trading £m	Valuation £m	Total £m
Group revenue	**246.2**	**-**	**246.2**	229.3	-	229.3
Net rental income	**37.7**	**-**	**37.7**	23.2	-	23.2
Profit on disposal of trading properties	**62.6**	**-**	**62.6**	62.8	-	62.8
Administrative expenses	**(6.2)**	**-**	**(6.2)**	(9.5)	-	(9.5)
Other income	**8.7**	**0.5**	**9.2**	6.2	-	6.2
Goodwill impairment	**-**	**(9.6)**	**(9.6)**	-	-	-
Profit on disposal of investment property	**0.6**	**-**	**0.6**	2.5	-	2.5
Profit on disposal of shares in subsidiary	**3.5**	**-**	**3.5**	2.0	-	2.0
Interest in financial assets	**(0.9)**	**-**	**(0.9)**	1.8	-	1.8
Write down of inventories to net realisable value	**-**	**(12.3)**	**(12.3)**	-	-	-
Operating profit before net valuation (deficits)/gains on investment properties	**106.0**	**(21.4)**	**84.6**	89.0	-	89.0
Net valuation (deficits)/gains on investment properties	**-**	**(43.1)**	**(43.1)**	-	9.9	9.9
Operating profit after net valuation (deficits)/gains on investment properties	**106.0**	**(64.5)**	**41.5**	89.0	9.9	98.9
Change in fair value of derivatives	**-**	**(11.5)**	**(11.5)**	-	3.0	3.0
Interest expense	**(96.1)**	**-**	**(96.1)**	(74.4)	-	(74.4)
Interest income	**7.1**	**-**	**7.1**	9.4	**-**	9.4
Share of (loss)/profit of associates after tax	**0.2**	**(14.2)**	**(14.0)**	3.2	4.5	7.7
Share of (loss)/profit of joint ventures after tax	**(5.0)**	**(34.1)**	**(39.1)**	(2.0)	34.9	32.9
(Loss)/profit before tax	**12.2**	**(124.3)**	**(112.1)**	25.2	52.3	77.5

3. Net rental income

	2008	2007
	£m	£m
Gross rental income	**70.7**	52.7
Property repair and maintenance costs	**(19.9)**	(15.8)
Property operating expenses (see note 5)	**(13.1)**	(13.7)
	37.7	23.2

4. Profit on disposal of trading properties

	2008	2007
	£m	£m
Proceeds from sale of trading properties	**162.2**	166.0
Carrying value of trading properties sold	**(88.8)**	(92.8)
Other sales costs (see note 5)	**(10.8)**	(10.4)
	62.6	62.8

5. Administrative expenses

	2008	2007
	£m	£m
Total Group expenses	**30.1**	33.6

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:-

	2008	2007
	£m	£m
Property operating expenses (see note 3)	**13.1**	13.7
Costs directly attributable to the disposal of trading properties (see note 4)	**10.8**	10.4
Administrative expenses	**6.2**	9.5
	30.1	33.6

6. Profit on disposal of investment property

	2008	2007
	£m	£m
Proceeds from sale of investment property	**7.4**	14.8
Carrying value of investment property sold	**(6.8)**	(12.3)
	0.6	2.5

7. Earnings per share

	2008	2007
	No. of	No. of
	Shares	Shares
	'000	'000
Weighted average number of shares for basic (loss)/ earnings per share	**126,720**	128,849
Weighted average number of shares for diluted (loss)/ earnings per share	**126,720**	134,467

Basic
Basic/(loss) 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 year, 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 (loss)/earnings per share is calculated this year end in the same way as basic (loss)/earnings per share. The effects 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 30 September was the end of the contingency period, are all antidilutive and have been excluded from the calculation of diluted (loss)/earnings per share.

8. Dividends

A final dividend of 3.91p per share has been proposed by the Directors for payment on 16th February 2009 (30 September 2007: 4.12p per share). This dividend totalling £5.3m has not been provided for in the accounts to 30 September 2008. In the year to 30 September 2008 the final proposed dividend of £5.2m for the year ended 30th September 2007 and the interim dividend for 2008 of £2.9m have been paid. In addition a provision has been made in the accounts to 30 September 2008 of £0.2m for the payment of a dividend to the minority interest in FRM at rate of €0.13 per share before tax. The payment of this dividend was approved by the Local Court of Frankfurt on the 30 September 2008.

9. Investment property

	2008	2007
	£m	£m
Opening balance	**478.6**	219.4
Additions	**28.3**	295.8
Disposals	**(6.8)**	(12.3)
Disposal as part of disposal of subsidiary	**-**	(209.8)
Acquisition of subsidiary	**131.9**	-
Revaluation (deficit)/gain	**(43.1)**	9.9
Exchange adjustments	**30.3**	7.3
Transfer from owner occupied property	**0.1**	-
Transfer from a disposal group	**-**	168.3
Closing balance	**619.3**	478.6

10. Investment in associates

	2008	2007
	£m	£m
Opening balance	**68.5**	2.0
Loans repaid	-	(2.1)
Share of (losses)/profits	**(14.0)**	7.7
Distributions received	**(2.1)**	(0.6)
Share of change in fair value of cash flow hedges taken through equity	**(0.8)**	0.4
At fair value through profit or loss financial assets transferred to investment in associates	**-**	19.0
Net assets of G:res 1 Limited 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	**51.6**	68.5

As at 30 September 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	**23.6**	Jersey

11. Investment in joint ventures

	2008	2007
	£m	£m
Opening balance	**114.8**	71.5
Additions	**2.3**	-
Loans advanced	**13.8**	17.1
Net assets of subsidiaries transfered to investment in joint ventures	**0.6**	-
Share of (losses)/profits	**(39.1)**	32.9
Goodwill impairment	**(0.2)**	-
Share of change in fair value of cash flow hedges taken through equity	**(1.0)**	0.7
Distributions received	**(0.4)**	(7.4)
Closing balance	**90.8**	114.8

As at 30 September 2008, the Group's interest in joint ventures was as follows:-

	% of 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
CCZ a.s.	**50**	Czech Republic
CCY a.s.	**50**	Czech Republic
Prazsky Project a.s.	**50**	Czech Republic

12. Financial interest in property assets

	2008	2007
	£m	£m
Financial interest in property assets	**121.2**	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.

13. Trade and other receivables

	2008	2007
	£m	£m
Trade receivables (net)	**9.9**	5.7
Other receivables	**11.2**	9.0
Prepayments and accrued income	**1.9**	1.7
	23.0	16.4

Other receivables include a loan and accrued interest of £9.4m (2007 £7.0m) made to the Mornington Capital Special Situations Co-Investment Fund 1 Limited Partnership. The loan has been used by the fund to invest in real estate joint venture partnerships. The loan bears interest at between 5% and 8% 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:-

	2008 **£m**	2007 £m
Within one year	**17.9**	18.2
Between one and two years	**393.1**	5.0
Between two and five years	**927.4**	783.6
Over five years	**314.9**	605.2
	1,653.3	1,412.0

15. Tax

	As at 30 September 2007 £m	Payments in the year £m	Acquired in the year £m	Movements recognised in income £m	Exchange adjustments £m	Movements recognised in equity £m	**As at 30 September 2008 £m**
Current tax	45.8	(0.2)	0.1	5.7	-	-	**51.4**
Deferred tax							
Trading property uplift to fair value on acquisition	67.5	-	-	(7.2)	-	-	**60.3**
Investment property revaluation	40.6	-	3.8	(24.7)	0.4	-	**20.1**
Accelerated capital allowances	2.1	-	-	0.1	-	-	**2.2**
Short term timing temporary differences	(0.2)	-	-	(8.6)	0.1	-	**(8.7)**
Actuarial surplus on BPT pension scheme	0.8	-	-	-	-	(0.1)	**0.7**
Tax on fair value of cash flow hedges and exchange adjustments	2.7	-	-	-	-	1.1	**3.8**
	113.5	-	3.8	(40.4)	0.5	1.0	**78.4**
Total tax	159.3	(0.2)	3.9	(34.7)	0.5	1.0	**129.8**

The tax credit for the year of £34.7m (2007: charge of £16.6m) comprises:-

	2008 **£m**	2007 £m
UK taxation	**(41.4)**	9.2
Overseas taxation	**6.7**	7.4
	(34.7)	16.6

16. Trade and other payables

	2008 **£m**	2007 £m
Deposits received	**0.7**	0.6
Trade payables	**15.8**	29.7
Other taxation and social security	**0.5**	0.3
Accruals and deferred income	**63.1**	54.3
	80.1	84.9

Trade payables includes £0.6m (2007: £23.6m) relating to acquisitions of property where contracts have either been unconditionally exchanged or notarised.

Accruals and deferred income includes £29.1m (2007: £31.2m) of rent received in advance on the granting of lifetime leases.

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	6.4	23.0	20.1	0.3	8.2	22.4	242.6
Loss for the year	-	-	-	-	-	-	(77.4)
Actuarial gain on BPT Limited defined benefit pension scheme net of tax	-	-	-	-	-	-	0.3
Issue of shares	-	0.1	-	-	-	-	-
Change in fair value of cash flow hedges net of tax	-	-	-	-	(2.8)	-	-
Net exchange adjustments offset in reserves net of tax	-	-	-	-	-	-	0.8
Purchase of own shares	-	-	-	-	-	-	(1.0)
Share-based payments charge	-	-	-	-	-	-	0.5
Dividends	-	-	-	-	-	-	(8.3)
Acquisition of minority interests	-	-	-	-	-	-	(5.5)
Balance as at 30 September 2008	**6.4**	**23.1**	**20.1**	**0.3**	**5.4**	**22.4**	**152.0**

<u>Acquisition of minority interests</u>
Where the Group acquires a minority interest in an existing subsidiary it is treated as a transaction with a shareholder. Any payment to the minority in excess of the Group's share of net assets is recorded in equity as a deduction from retained earnings.

18. Consolidated statement of changes in equity

	2008 £m	2007 £m
Opening equity shareholders funds	**323.1**	250.1
Retained (loss)/profit for the year	**(77.4)**	60.9
Actuarial gain on BPT Limited defined benefit pension scheme net of tax	**0.3**	1.5
Change in fair value of cash flow hedges net of tax	**(2.8)**	9.0
Net exchange adjustment offset in reserves net of tax	**0.8**	0.3
Purchase of own shares	**(1.0)**	(7.0)
Treasury shares bought back and cancelled	**-**	(7.8)
Issue of shares to satisfy employee share options	**0.1**	0.4
Share based payments charge	**0.5**	1.0
Dividends	**(8.3)**	(7.6)
Issue of convertible bond	**-**	22.4
Minority interest on business combination	**-**	(0.1)
Acquisition of minority interest	**(5.5)**	-
Closing equity shareholders funds	**229.8**	323.1

19. 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.