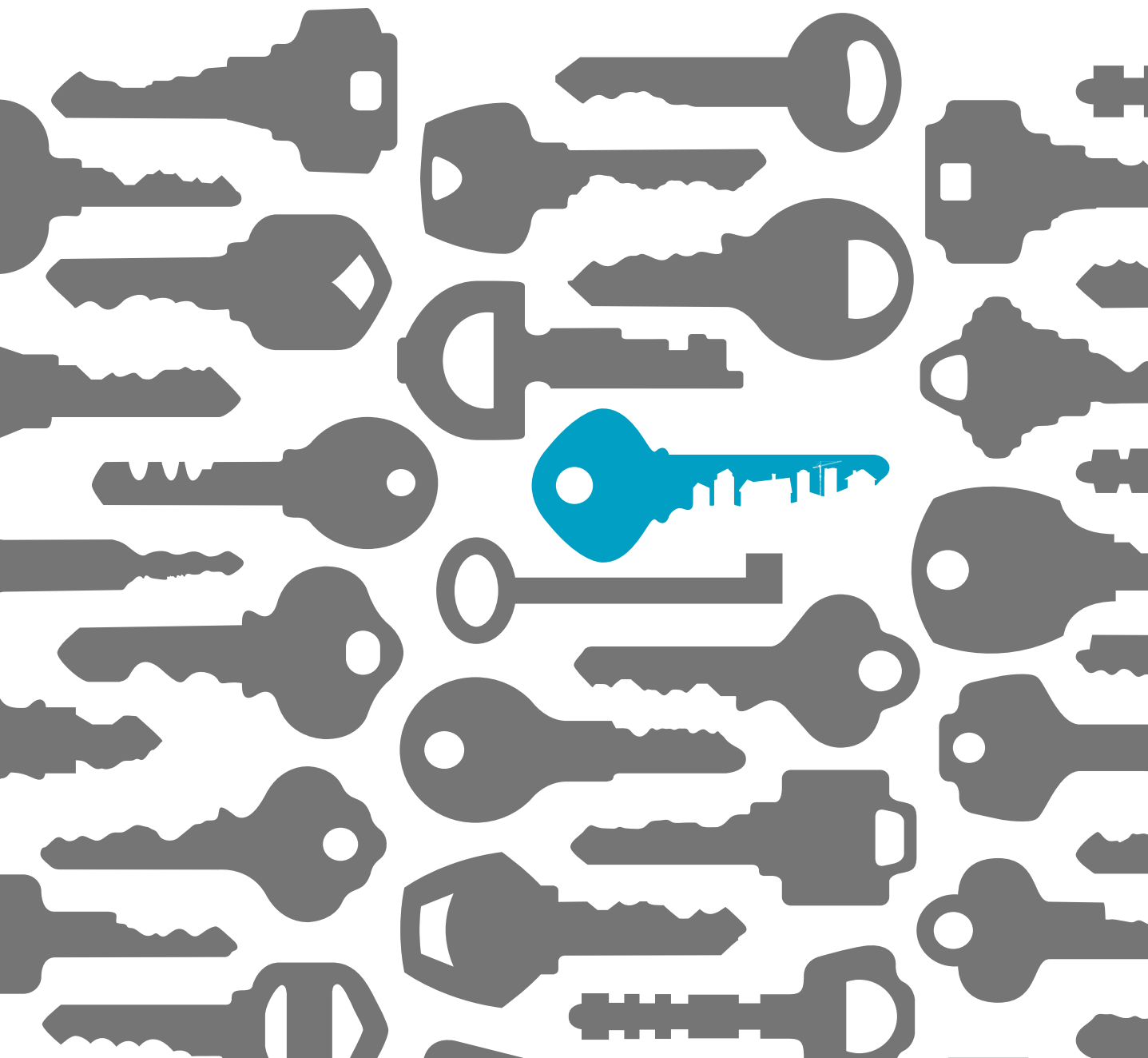


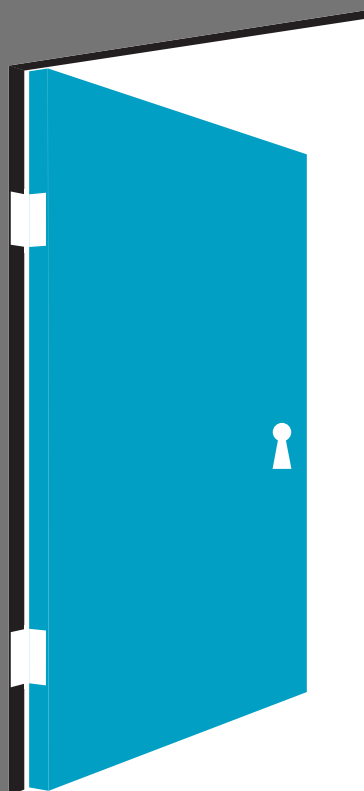
Unlocking residential potential...

Annual review and summary financial statements 2011



Grainger = Residential

Our business is to provide investors with exposure to a range of returns from the residential sector.



Key financial highlights for 2011

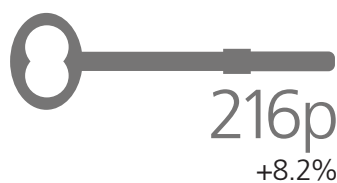
Operating profit*



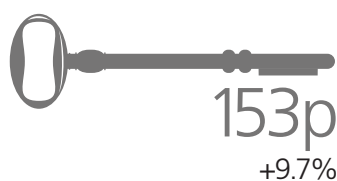
Profit before tax



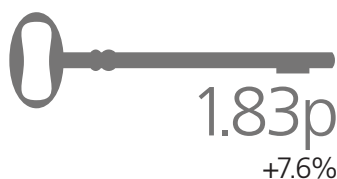
Gross NAV per share



NNNAV per share



Dividend per share



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* before valuation movements and non-recurring items

Chairman's statement

The group has performed strongly in the year to 30 September 2011, achieving a profit before tax of £26.1m compared to a loss of £20.8m in 2010. Profit before tax and movements on financial derivatives rose almost three-fold from £18.8m to £54.1m, while operating profit before valuation movements and non-recurring items has shown a 34% increase to £126.2m from £94.2m. Gross net asset value per share increased 8.2% to 216p from 200p.

Business overview

Our business has three income streams – sales of residential properties, rental income and fees or other income from managed or co-invested vehicles. In each of these areas we have made good progress in consolidating our position as a leading residential trader, investor and manager:

• Trading.

We have actively sought to improve the range and quality of our residential portfolio, selling non-core and low growth assets and acquiring good quality replacements. An example of this was the acquisition of our partners' interests in Grainger GenInvest which helped increase our proportion of UK assets in London and the South East to 62%.

• Investment.

Our gross rental income has increased from £75.6m to £86.3m, augmented by the acquisition of HI Tricomm Holdings. Its portfolio of 317 properties let on a long-term basis to the Ministry of Defence generates a gross annual rental yield of 8.3% on its acquisition price.

• Management.

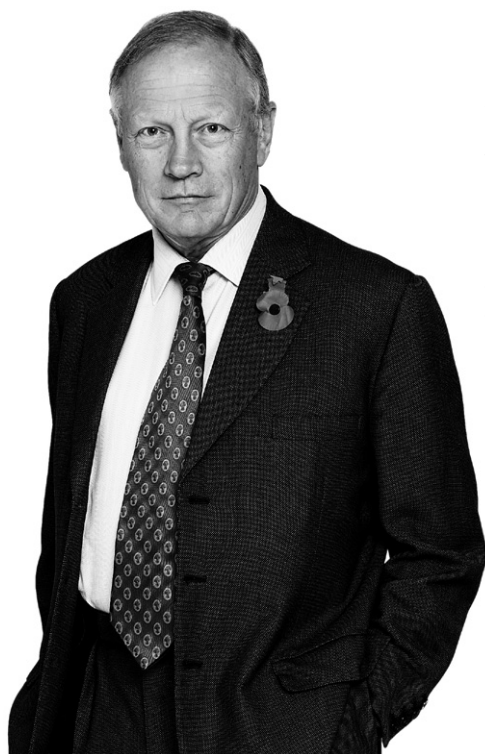
We have been successful in leveraging off our asset and property management skills to increase the group's fee income levels. In doing so, we have established working relationships with high quality partners such as Moorfield, Lloyds Banking Group, Defence Infrastructure Organisation and Bouygues Development. Fees have increased by 23% in the year.

Dividends

The board is recommending a final dividend of 1.30p per share. If approved, this will be paid on 10 February 2012 to shareholders on the register on 9 December 2011. At the half year we returned £2.2m to shareholders (equivalent to 0.53p per share) through a tender offer for shares. This totals an equivalent of 1.83p per share (2010: 1.70p).

Board

As announced at the half year, Bill Tudor John left the board after six years of valuable service as a director and was replaced by Belinda Richards. Robert Hiscox will retire from the board at our Annual General Meeting on 8 February 2012 and his place has been taken by Tony Wray, Chief Executive of Severn Trent plc. Robert has been a director since March 2002 and has made a significant



Robin Broadhurst
Chairman



and pertinent contribution to our business over that period. We look forward to being able to take advantage of both Tony's broad corporate experience gained at a major listed company and Belinda's corporate finance expertise.

It is appropriate for me to also note the sad and premature death of Rupert Dickinson in September. Rupert was Chief Executive of Grainger until ill health caused his early retirement in October 2009. His leadership of the business was characterised by his passion and enthusiasm for the company and the residential sector. He will be sadly missed.

Outlook

Our business has continued to show resilient performance and a proven ability to take advantage of opportunities that will provide long-term value. Our core skills remain our ability to asset manage, across the UK, large numbers of residential properties efficiently to provide enhanced returns within the sector. This is supported both by our recent refinancing and by the strong cash generative capability of our portfolio. As a result, whilst mindful of the challenges presented by the external environment, we are positioning ourselves to take advantage of what we expect to be interesting opportunities over the medium term.

We have invested wisely in strategic acquisitions during the year. Going forward we will also continue to supplement profits from our reversionary business with a growth in fee income from our asset and property management activities. Such activities enhance return on capital and rely less on investment. We therefore anticipate a reduction in our requirement for debt in the near to medium term and our successful refinancing strategy has been based around this approach.

Grainger was incorporated in 1912 and as we enter our first centenary year we have cemented our brand and our reputation as a professional and caring landlord. In turn this has benefited our tenants, partners and stakeholders.

None of this would have been possible without the enthusiasm, skill and commitment not only of our current staff but also their predecessors. I would like to extend my thanks to them all.

A handwritten signature in black ink, reading 'Robin Broadhurst'.

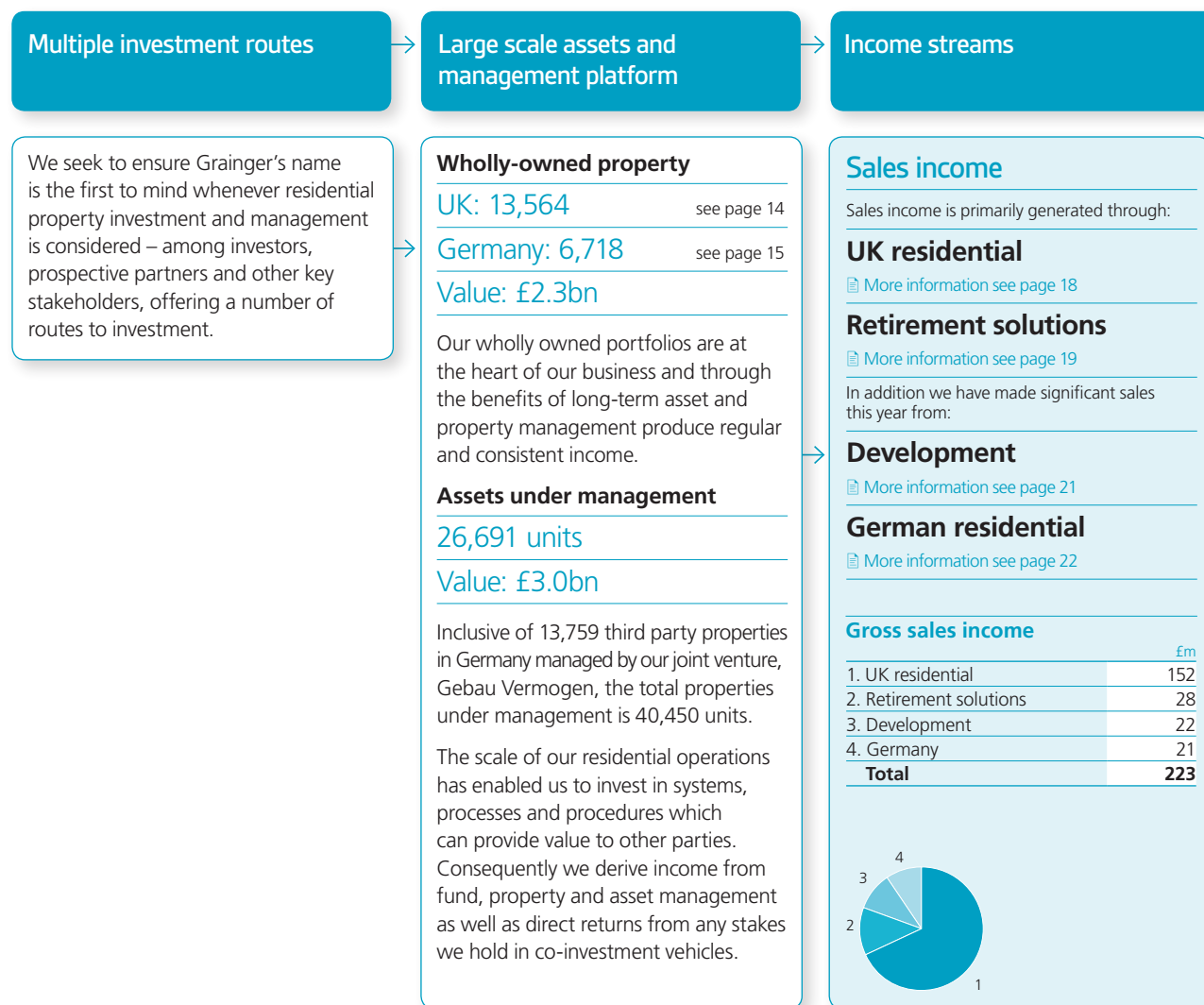
Robin Broadhurst

Chairman

8 December 2011

Grainger = Residential

Our business model is dedicated to ensuring Grainger is the first port of call for residential investment. Our expertise and the scale of our assets and operations enable us to generate sustainable income streams from sales, rents, management fees and other related activities.



Rental income

Rental income is primarily generated through:

UK residential

[More information see page 18](#)

Retirement solutions

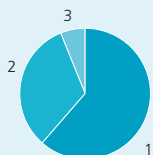
[More information see page 19](#)

German residential

[More information see page 22](#)

Net rental income

	£m
1. UK residential	38.4
2. Germany	20.2
3. Retirement solutions	3.8
Total	62.4



Fees and other income

Fees and other income is primarily generated through:

UK residential

[More information see page 18](#)

Retirement solutions

[More information see page 19](#)

Fund management and residential investments

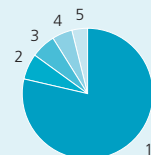
[More information see page 20](#)

Development

[More information see page 21](#)

Fee income

	£m
1. Fund management and residential investments	6.3
2. UK residential	0.5
3. Retirement solutions	0.5
4. Development	0.4
5. Germany	0.3
Total	8.0



Shareholder returns



Debt servicing

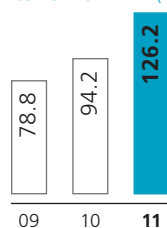


Disciplined recycling back into asset portfolio

Our performance

We measure our performance through a clear set of KPIs.

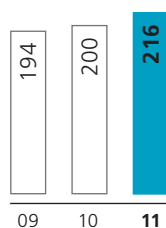
Operating profit before valuation movements and non-recurring items – OPBVM (£m)



OPBVM is a measure of the profit generated by our key income streams of net rents, profits on sale of property and other income, net of overheads.

OPBVM reached £126.2m in 2011 up by 34% from 2010. This was assisted by increases in net rent from our two key acquisitions and strong residential and development trading profits.

Gross net asset value per share – NAV (p)



NAV is based on property assets stated at market value. It is stated after adding back deferred tax on property revaluations and the balance sheet value of derivatives.

NAV increased from 200p to 216p at the 2011 year end primarily as a result of our profit after tax and an increase of 3.0% in the market value of our UK properties.

Triple net asset value per share – NNNAV (p)



NNNAV is also based on property assets at market value but also includes the contingent tax on this uplift, deferred tax on asset revaluations and the full balance sheet value of derivatives net of deferred tax.

NNNAV increased from 140p to 153p at the 2011 year end as a result of the group's profit after tax and the net increase in market value of our property assets.

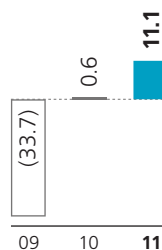
Return on capital employed – ROCE (%)



ROCE measures the overall profit of the business before interest and derivative expense, as a percentage of the opening market value of all property assets and investments in JV's/associates.

ROCE was 6.5% in 2011 assisted by the strong trading performance noted in OPBVM.

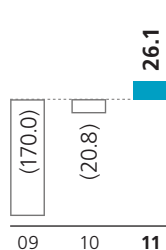
Return on shareholder equity – ROSE (%)



ROSE measures the movement in NNNAV in the year plus the dividend relating to the year as a percentage of opening NNNAV.

ROSE was 11.1% in 2011 reflecting the increase in NNNAV from 140p to 153p and also the dividend for the year of 1.83p (including the tender offer equivalent to 0.53p per share).

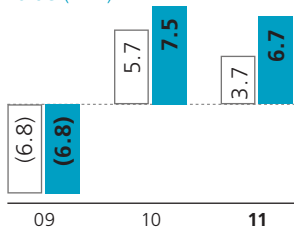
Profit/(loss) before tax – PBT (£m)



Whereas OPBVM above measures specific elements of the income statement, PBT includes all items taken through the income statement before tax, including net interest expense.

PBT was £26.1m in 2011 assisted by the strong trading performance of the business as noted above and despite a charge to income of £28.0m arising from derivatives.

Sales price above previous year end vacant possession value (VPV)



○ Pre refurb %
● After refurb %

We compare actual prices achieved on sales of vacant properties in our UK residential and retirement solutions business to their VPV at the previous year end. This measure shows how prices are moving and the effectiveness of our sales process. This year we sold un-refurbished properties on average at 3.7% above the 2010 year end VPV, and those with pre-sale refurbishment at 6.7% above the 2010 year end VPV.

CEO strategic overview

Grainger operates as a trader, investor and manager of residential properties and therefore offers its investors exposure to residential returns from three main sources of income.

Main sources of income

- Receipts from the sale of assets (profits from sale: £81m).
- Rents (net rents: £62m).
- Fees from co-invested and/or managed vehicles (total fees: £8m).

Business overview

Grainger owns £2.3bn of residential property of which 82% is located in the UK and the balance in Germany. In the year ended 30 September 2011 this portfolio generated £86m of gross rents and total asset sales amounted to £223m. A further £8m of fees and other income was produced.

The overall portfolio can be categorised by asset type, location and income as follows:

Assets & value (£m)	Sales	Rents	Fees
UK residential portfolio £1,402m			
Retirement solutions assets £474m			
Fund management and residential investments £54m			
Development assets £73m			
German residential portfolio £422m			

Our UK residential portfolio comprises 13,564 tenanted houses and flats, together with other associated interests such as ground rents and garage blocks. Most of the properties are, or have been, subject to regulated tenancies or home reversions plans. Under a regulated tenancy the tenant pays us a rent set by a local rent officer which is usually below the prevailing market rent. The tenant also has right of tenure but, when the property is vacated, it reverts back to Grainger and can be sold on the open market with



Andrew R Cunningham
Chief executive

CEO strategic overview continued

vacant possession. We buy these tenanted properties at a discount ('the reversion') to the vacant possession value and so our returns consist of rents received during occupation, the value of the reversion crystallised when the property is vacated and sold, together with any growth in value from house price inflation during the period of ownership. It is a key characteristic of the residential market that properties are more valuable vacant than tenanted. The properties are usually owned for ten years or more and this helps smooth out price volatility arising from economic cycles.

Our retirement solutions assets consist primarily of ownership stakes in properties occupied by elderly people (home reversion plans). A lump sum is paid to the owner occupier for some or all of their residential property reflecting an appropriate discount, and they are entitled to remain in their house for the rest of their lives without paying any rent. When they vacate the property it reverts back to Grainger and we are then able to sell it with vacant possession. The returns therefore consist of the reversion enhanced by house price inflation.

These two reversionary portfolios account for about 77% by value of our total business and offer a blend of trading and rental returns. The majority of our regulated tenants receive financial support through housing benefit and, because of their rights of tenure, have a vested interest in ensuring the rent is paid. Consequently our rental returns are long term, stable and

secure with very low levels of arrears. Both of our reversionary portfolios provide a steady stream of predictable vacancies giving us the opportunity to sell and crystallise value. The reversionary surplus in our UK business (the difference between vacant possession value and tenanted or market value) now stands at £571m (2010: £604m). The low average value (c.£197K), often un-refurbished nature of the properties and high level of cash purchasers they attract mean that these vacant properties sell well and quickly.

Our development activities are much smaller in scale (book value £80m at 30 September 2011) but offer opportunities for significant returns and cash flow. We often work in joint venture arrangements (for example with Development Securities in Birmingham and Helical Bar in Hammersmith) to leverage the respective skills and resources of ourselves and our partners. Our major development activity at present is at our site in West Waterlooville, Hampshire. We will bring some 2,550 residential units through the planning process, install infrastructure and then sell fully serviced plots to housebuilders under common standards of quality and sustainability. This activity follows the core Grainger principles of long-term residential expertise and the creation of returns through a change in value and subsequent sale. In the UK residential and home reversions portfolios this comes from a change in tenure and in development, it largely derives from a change in use or planning permission.

Our German residential portfolio consists of some 6,718 units with a value at the year end of €490m. The returns from these assets are more heavily biased towards rental income than those in the UK, and so provide a good balance of risk through stable asset values and higher gross yields.

In total we own 20,282 residential properties. This has enabled us to invest in the systems, processes and people required to run such a large portfolio. Together with the breadth of our residential expertise this has placed us in a good position to offer these skills to third parties, often on a co-investing basis (for example, G:res and our Sovereign Reversions Joint Venture with Moorfield). This is a growing part of the business as demonstrated clearly this year by the success of our expanding these activities through arrangements with Defence Infrastructure Organisation (the Aldershot Urban Extension) and with Lloyds Banking Group (the Grainger Residential Asset Management Platform G:RAMP). Subsequent to the year end we also announced our framework agreement with Bouygues Development to co-invest in a residential Build-to-Let fund which, on creation, will provide institutional investors with the opportunity to invest in scale in the private rented sector.

Strategy in action

Objective set in 2010

Action in 2011

1

Rebalancing residential portfolios to selective areas of value or growth.

- Acquisitions of high yielding HI Tricomm portfolio and the Grainger GenInvest LLPs.
- Some 62% of UK portfolio in London and the South East (54% two years ago).
- Increase in gross rental income of 14%.

2

Reducing capital employed in non-core assets and underperforming locations.

- Disposal of £41m of tenanted properties in the UK and €23m in Germany to improve overall portfolio quality.

3

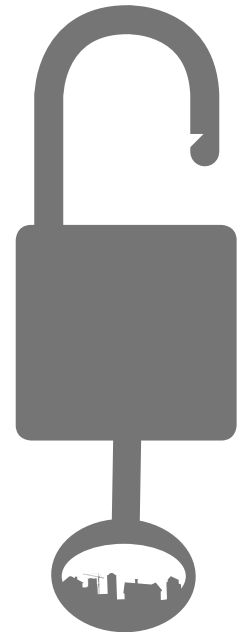
Introducing third party capital to diversify returns.

- Joint venture with Moorfield to hold Sovereign Reversion assets.
- G:res life extended.
- Partnership with Defence Infrastructure Organisation at Aldershot.
- Partnership with Lloyds Banking Group through G:RAMP.
- Increase in management fees of 23%.

4

Acting early to consider and implement debt financing options.


- Approximately £1.2bn of debt finance raised including the introduction of several new lenders and the extension of average maturities.



CEO strategic overview continued

Business performance

This year has been characterised by a number of significant transactions which have moved the business forward and which reflect how our strategic objectives are put into practice.

Transaction	Description	Impact
Sovereign Reversions joint venture	Sovereign Reversions was acquired by Grainger in August 2010. It owned 1,038 home reversion assets with a market value of approximately £68m. In October 2010, Moorfield acquired a 50% stake in the vehicle.	The acquisition adds scale to Grainger's own home reversion business. As well as the returns from our investment we obtain fees for managing the portfolio.
HI Tricomm acquisition	Acquisition of corporate entity owning 317 houses let to the Ministry of Defence. Gross annual yield of 8.3% based on its acquisition price and existing long-term financing retained.	Adds c.£9m to the group's gross rent roll. The financing brought a new lender into the group and extended our overall debt maturities. The discount on acquisition produced a one-off gain of £14.9m and the value has increased by a further £0.6m since acquisition. Net rental income since acquisition was £5.0m.
Grainger GenInvest LLP's acquisition	<p>The acquisition of our JV partner's (Genesis Housing Group) stake in these LLPs to give us 100% ownership. The portfolios included c.1,650 residential units in central London with a market value of £289m and a vacant possession value of £353m.</p> <p><i>Dibdin House, London, part of the Grainger GenInvest portfolio.</i></p> 	Incremental gross rents of c.£12m and a significant addition to the UK residential portfolio, increasing its size by 25% on acquisition and providing us with significant development and reversionary potential. The acquisition also enabled us to introduce two new lenders, HSBC and Santander. Since acquisition, net rental income of £5.3m, representing a gross annual yield of 4.2% and a further revaluation uplift of 4.2% at £11.9m.



Transaction

G:RAMP

Description

Provision of G:RAMP for Lloyds Banking Group. By 30 September 2011 some 1,545 residential units were included in G:RAMP.

Impact

Significant leveraging off existing skills and operational platform to provide fees and improve return on capital employed.

Waterlooville

Outline planning consent obtained for 2,550 homes, 15–20 year pipeline of serviced land sales to housebuilders.

Long-term income from land sales.

Aldershot Urban Extension

Appointment as preferred developer by Defence Infrastructure Organisation and Homes and Communities Agency for 148 hectares of land which may result in up to 4,500 residential units.

Long-term recurring fee income with high quality partner. Based on value of sales of serviced plots to housebuilders.

The Smith Dorrien Building, Aldershot Urban Extension.



CEO strategic overview continued

Overall market review

Residential property values are driven by supply and demand and can be distorted significantly by local economic factors. This has been most noticeable over the last year in the prime London market where ultra high value properties have adopted many of the characteristics of precious metal investment. Shortage of supply, exacerbated by planning restrictions, geopolitical stability, the attractiveness of the time zone and London's standing as a high quality urban environment have pushed prices of these properties to unprecedented levels. To a lesser extent, prices in other London and South East areas have also reflected the imbalance between supply and demand by exhibiting stronger price levels than other parts of the UK, which are much more susceptible to the weak economy and to the effects of the mortgage market. Some 62% of our UK properties are situated in London and the South East and so benefit from these factors.

As well as geographical imbalances we find, that in these markets, certain types of property sell better. Generally, our properties are of low average value and tend to be un-refurbished on vacancy. Demand for these properties from a mixed constituency of cash buyers, amateur and professional developers and local specialist landlords as well as the usual mortgage backed owner-occupier remains strong.

This is reflected by the fact that our average sales period runs at approximately 112 days and our vacant sales were completed for values on average 3.7% above the equivalent September 2010 valuation. Refurbishment works prior to sale can improve returns and when these are taken into account we have sold at 6.7% above September 2010 valuations.

Mortgage funding for house purchases remains at very low levels reflecting primarily the higher levels of deposit required by lenders – the average first time buyer deposit stands at 21% of purchase price. This, allied to weak confidence in the economic outlook, has led to a significant increase in the number of household properties being rented. In London it is estimated that the percentage level of home ownership has fallen from 60% in 2001 to 52% in 2010. The increase in demand has also pushed rentals up with prime London residential rents showing annual increases of up to 10% on new lettings.

Government has indicated support for a stronger more professional private rented sector. There is an increased possibility of residential REITs being created once legislative changes are enacted in 2012. The Government's Housing Strategy, announced on 21 November 2011, clearly states the Government's desire to support the private rented sector and announced the creation of an independent review to explore ways to attract institutional investment into the sector.

We believe the switch between home ownership and rented occupation signals a significant and permanent structural change in the housing market. We anticipate demand for rental properties, particularly in major metropolitan areas, to increase and there to be more blurring of the edges between the affordable/public/private rented sectors.

We are well placed to take advantage of these changes through our expertise as a major residential landlord and by positioning ourselves in the market rented sector through our involvement with G:res and the Bouygues and Grainger build-to-let fund. The fund was recognised by the UK Government in its Housing Strategy as an exemplar of private sector initiatives.

The German residential market shows different characteristics from the UK. Overall levels of home ownership are much lower at approximately 42%, the second lowest in Europe. The size of the rental market has led to a diverse range of rental housing and vacancy rates are relatively constant at below 4%. These factors have led to a more investment based market with some 40% of rental units being owned by professional/commercial landlords. As with the UK, geographical differences are evident and both residential prices and rental demand are strongest in the larger economically successful cities, particularly in the West. It is in these areas that our German portfolio is located and these attractive locations, together with a good quality portfolio, bode well for future rental growth and capital appreciation.



Future prospects

The prospects for the UK economy and therein the broad housing market is uncertain. Wider global economic conditions will play an important, if not the most important, part in the health of the UK economy in the short to medium term. This uncertainty will result in subdued behaviour both among businesses and consumers. We therefore take a cautious view of the prospects for general house price growth in the short to medium term, but believe this can be offset by the severe undersupply of housing compared to growing demand in local markets. The imbalance between supply and demand will vary significantly from area to area with an impact on pricing.

Our future focus will be to build on our three main income streams in a risk controlled way – property sales primarily of assets to capture their reversionary value, rental income and fees or other income from managed or co-invested vehicles. Our existing portfolio provides us with a ready source of liquid assets that sell well and quickly. The portfolio also provides opportunities for rental appreciation and we continue to increase our fee income through the application of our residential property expertise.

We have seen a good start to the new financial year and our total group sales pipeline (completed sales, contracts exchanged and properties in solicitors hands) amounted to £60.3m at 25 November 2011 with UK normal residential sales values some 5.3% above September 2011 vacant possession values.

We are disposing of assets that are either regarded as non-core or where we see limited opportunities for growth. When taken in conjunction with our normal sales on vacancy, we anticipate being net sellers of property in the short to medium term. We believe that operating at lower levels of debt in conjunction with a greater emphasis on fee generating activities, will generate a better risk adjusted return to our shareholders. Our property management activities may result in increased assets under management.

We are well positioned to take advantage of the opportunities presented by the changes in the residential market. A large proportion of our portfolio is in geographic areas where economic activity, and therefore demand, is highest enabling us to maximise sales value and velocity. Our expertise as residential landlords will enable us to take full advantage of the increasing rental market and, in particular, the build-to-let sector. We are optimistic about our opportunities to improve return on capital by managing other parties' residential real estate exposure.

In summary, we remain confident in our ability to deliver good levels of long-term return in the residential property sector for our shareholders.

Andrew Cunningham

Andrew R Cunningham
Chief executive
8 December 2011

Where our properties are located

We own £2.3bn of residential property assets in the UK and Germany located in those areas with good prospects for rental growth and capital appreciation.

UK

IPD region:

Relative change in valuation Sept 2010 – September 2011

High  Low



Key statistics

 13,564
Properties

 £2,447m
Vacant Possession Value

 £1,876m
Market Value

Overview

The market value of our UK residential properties has increased by 3.0% overall in the year ended 30 September 2011.

As reflected by the shading in the map of the UK, property values have been most resilient in London and the South East.

This reflects the imbalance between supply

UK assets

Substantial asset value and future revenue potential embedded in Grainger's large, mature and geographically diverse portfolio focused on attractive areas.

		September 2011				September 2010	
		Number of units	Vacant possession value £m	Market value £m	% of Grainger market value	Number of units	% of Grainger market value
London and South East: 62% of UK portfolio	1 London (Total)	4,006	1,160	915	49%	2,783	40%
	2 South East	2,134	333	240	13%	2,210	16%
	3 South West	1,786	290	244	13%	1,521	9%
	4 East	1,299	165	120	6%	1,389	8%
	5 East Midlands	562	62	43	2%	841	4%
	6 West Midlands	970	145	107	6%	1,025	7%
	7 Wales	138	15	9	0%	184	1%
	8 Yorkshire	674	72	51	3%	770	4%
	9 North West	1,368	143	102	5%	1,436	7%
	10 North East	365	40	30	2%	381	2%
	11 Scotland	250	21	14	1%	274	1%
	12 Northern Ireland	12	1	1	0%	13	0%
Total		13,564	2,447	1,876	100%	12,827	100%

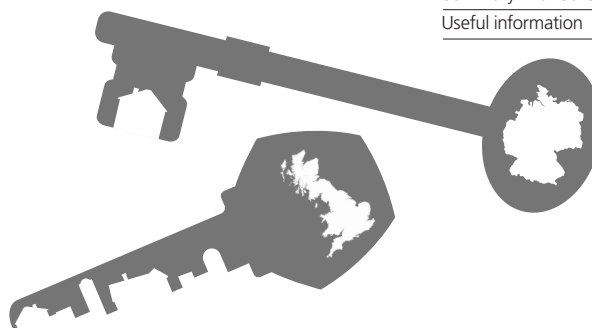
The reversionary surplus in our UK business, the difference between vacant possession value and market value, is £571m.

Overview

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and demand as well as the relative attractiveness of our low average value and generally un-refurbished properties. As a result of acquisitions in the year, Grainger now has 62%, by market value, of its property located in these more attractive regions.

UK assets by tenure

As at 30 September 2011	Number of units	Market value £m
Regulated	5,853	954
Home Reversion	5,902	474
Assured Shorthold	1,220	233
HI Tricomm	317	106
Other	52	52
Vacant	220	57
Total	13,564	1,876

Germany

Germany:
Socioeconomic attractiveness

High Low



Source: Berlin Institute

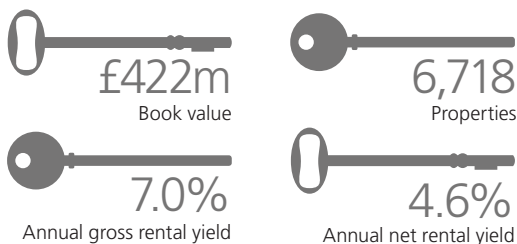
Overview

As shown by the shading in the map of Germany, the economically successful areas in the West and South of the country are the most attractive in terms of rental demand and prices. The majority of our portfolio is located in these more attractive regions such as Baden-Württemberg, Hesse, Bavaria and Rhineland – Palatinate and we expect this to provide a good platform for future rental and price growth.

Germany assets

	Number of units	Investment value €m	% of Grainger investment value
1 Baden-Württemberg	1,501	127	26%
2 Hesse	1,490	112	23%
3 North Rhine – Westphalia	1,677	101	21%
4 Bavaria	560	56	11%
5 Lower Saxony	751	37	8%
6 Rhineland – Palatinate	337	26	5%
Other	402	31	6%
Total	6,718	490	100%

Key statistics



Our business activities

Grainger owns, acquires and trades regulated and market-let tenanted properties and has a substantial portfolio of home reversion properties. We also undertake fund, asset and property management along with residential-led development.



Sales + rents + fees

UK residential

The UK residential business primarily consists of properties subject to a regulated tenancy. The portfolio is geographically widespread but with a strong concentration in London and the South East, (72% by value). This unique portfolio brings strong and stable cash flows from rental income and trading profits on the sale of property.

	2011	2010
Regulated units owned	5,853	5,969
Market value	£954m	£863m
Vacant possession value	£1,280m	£1,185m
Other assets	1,809	915
Market value	£448m	£205m
Vacant possession value	£490m	£232m

Contribution to income

£191m
65%

More information see [page 18](#)



Sales + rents + fees

Retirement solutions

We are a market leader in the UK equity release business, with a particular focus on the home reversion sector. Our retirement solutions business offers home reversion plans with a range of features through our Bridgewater business, which distributes these plans through independent financial advisers. We have won the Best Provider Home Reversions for the last five years at the Equity Release awards.

	2011	2010
Units owned	5,902	6,981
Market value	£474m	£545m
Vacant possession value	£677m	£800m

Contribution to income

£33m
11%

More information see [page 19](#)



Fees

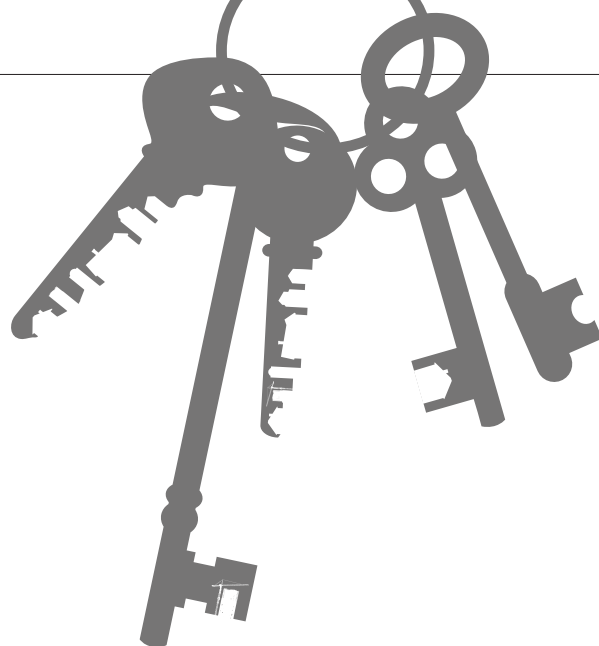
Fund management and residential investments

Our fund management and residential investments business comprises our investments in funds and joint ventures and the income from asset and property management fees. The principal components are G:res1, a market rented residential property fund in which we are a co-investor and asset and property manager and G:RAMP, our asset management platform which services our contract with Lloyds Banking Group.

Contribution to income

£6m
2%

More information see [page 20](#)



Sales + fees

Development

Grainger's development business focuses on value creation by assembling residential development and mixed-use opportunities, obtaining or amending planning permissions, installing infrastructure and then either selling or self-developing plots. We take a long-term interest in the communities that we create and have the perspective of an investor rather than a developer/trader.

	2011	2010
Market value including share of joint ventures	£73m	£79m
Number of development sites	24	23
Gross development value	£490m	£460m

Contribution to income

£22m
8%

More information see **page 21**



Sales + rents

German residential

Our portfolio is concentrated in the economically and demographically stronger regions of Germany (Baden-Württemberg, Bavaria and the Rhine –Main area) and major cities such as Frankfurt, Cologne, Düsseldorf and Munich. Our asset and property management JV, Gebau Vermögen, looks after c.20,000 units throughout Germany and enables us to offer an integrated asset and property management service.

	2011	2010
Units owned	6,718	7,148
Gross rent roll	£29m	£30m
Market value	£422m	£442m

Contribution to income

£41m
14%

More information see **page 22**

The overall portfolio can be categorised by asset type, location and income as follows:

Business area/ asset value (£m)	Sales £m	Net rent £m	Fees/ other £m	Total £m
UK residential £1,402m	152	38	1	191
Retirement solutions £474m	28	4	1	33
Fund management and residential investments £54m			6	6
Development £73m	22			22
German residential £422m	21	20		41
Total	223	62	8	293

More information **page 4** **page 5** **page 5**

UK residential

Sales + rents + fees



Operational highlights

Regulated units owned

5,853

Other units

1,809

Market value

£954m

Market value

£448m

Vacant possession value

£1,280m

Vacant possession value

£490m

- Year-on-year increase in market values of 3.8% outperformed the Halifax (2.3% decrease) and Nationwide (0.3% decrease) indices.
- Gross rent in 2011 of £51m. Gross rent running rate at 30 September 2011 £57m.
- £89m of completed normal sales were at an average of 4.6% above September 2010 valuations, 8.6% after refurbishment work prior to sale.
- Portfolio liquidity demonstrated through speed of sales – average 99 days from vacancy to receipt of cash.
- Acquisitions of HI Tricomm and Grainger GenInvest LLPs increased property assets by £394m. Total property assets acquired £402m.

The UK residential business (UKR) primarily consists of properties subject to a regulated tenancy, the whole portfolio producing a gross rental yield of 4.1%. These are valued at 75% of vacant possession value in London and at 72.5% of vacant possession value in other locations. The portfolio is geographically widespread but with a strong concentration in London and the South East, where 72% by value and 59% by volume of these properties are situated.

Net rental income in the year increased significantly to £38.4m from last year's figure of £28.5m, assisted by the strategic portfolio acquisitions during the year of the HI Tricomm and Grainger GenInvest LLPs. (Prior to the date of acquisition of the remaining 50% of Grainger GenInvest our share of its results are reported in Fund Management and Residential Investments business below). The division also generated £0.5m of other income.

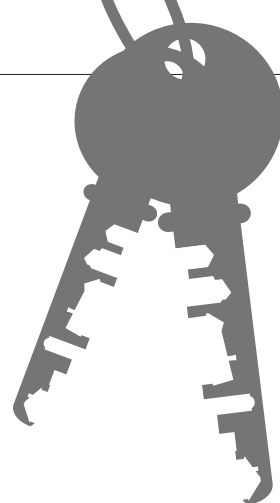
During the year we generated normal sales of £88.5m from this portfolio (2010: £81.0m) producing a profit of £37.8m (2010: £37.4m). The margins that we achieved on normal sales were 42.8% (2009: 46.2%). This year we conducted a regional review of our portfolios in view of future expected returns. This resulted in a growth of 'investment sales' (those with a tenant in place) which gave £56.6m of sales with a profit of £14.6m (2010: sales £7.5m and profit £2.0m). We also made other miscellaneous sales of £7.3m with a profit of £2.6m. Last year, including a larger amount of agricultural sales, the miscellaneous sales figure was £32.4m with profit of £8.2m.

Year end valuations were up 3.8% from the previous September compared to decreases in the Nationwide and Halifax Housing Indices of 0.3% and 2.3% respectively. This clearly illustrates the specialised nature of our property assets and the value we add to them through expert asset and property management. The carrying values were also again supported by the fact that completed normal sales were at values, on average, 4.6% above September 2010 valuations. Refurbishment works prior to sale can improve returns and when these are taken into account we have sold at 8.6% above September 2010 valuations. The liquidity of the properties was also demonstrated by the time taken for sale, measured from the date of vacancy to receipt of cash, being maintained at 99 days.

Other than the two specific strategic portfolios referred to above we were cautious buyers in the UK residential business in 2011 acquiring 44 units for £7.5m (2010: 308 units for £55.7m).

Given current economic conditions our key criteria for purchases continue to be:

- Good prospects for long-term capital appreciation. This is reflected by the geographic spread of our purchases this year, with some 72% by value being in London and the South East.
- Good levels of discounts and/or high yields.
- Opportunities for redevelopment or refurbishment potential.



Retirement solutions

Sales + rents + fees



Operational highlights

Units owned

5,902

Market value

£474m

Vacant possession value

£677m

- A 50% equity stake in Sovereign Reversions sold to Moorfield to form our 50:50 JV. Moorfield paid 50% of the acquisition and integration costs. Management of the joint venture generates management fees for Grainger. Operational integration has progressed well and management of Sovereign assets has transferred to Newcastle.
- Completed sales of £27.6m generating a profit of £10.0m
- Acquired £14m of home reversion assets.

Future opportunities

- We anticipate that the joint venture with Moorfield will look to make further acquisitions in the equity release sector, further enhancing our market-leading position.
- Increased activity to develop IFA understanding of Home Reversions will strengthen our distribution capability and drive sales of Bridgewater products.

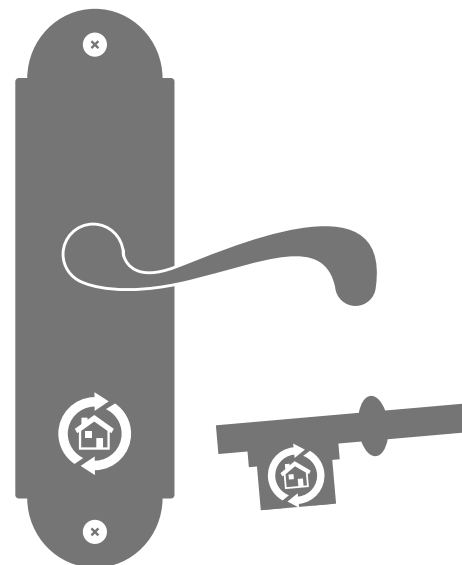
Sales proceeds in 2011, including CHARM, amounted to £27.6m, generating a profit of £10.0m (2010: sales £29.1m; profit £10.2m). Certain assets in the portfolio also produce a net rental income and this amounted to £3.8m in the year (2010: £4.1m). Other income of £0.5m comprises management fees from the Sovereign Reversions joint venture.

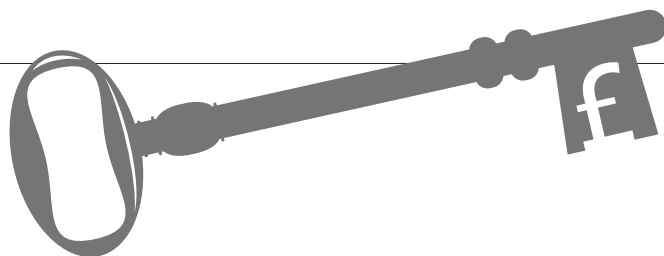
The assets in this portfolio are more geographically widespread than the UK residential portfolios and do not benefit from the bias they have towards London and the South East. This is reflected in the valuation results for the year, which showed a small increase of 0.1% at investment value level.

We bought £14.0m of home reversion assets in the year. We also, early in the year and as noted in last year's report and accounts, sold 50% of our equity in Sovereign to MREF II Equity Release Limited, a wholly-owned subsidiary of Moorfield Real Estate Fund II ('Moorfield'), and entered into a 50:50 joint venture agreement under which Moorfield paid 50% of the acquisition and certain integration costs and Grainger receives management fees.



Local residents on our Moorpool Estate in Harborne, Birmingham





Fund management and residential investments

Fees



Operational highlights

- Residential Asset management programme commenced with Lloyd's Banking Group to establish the G:RAMP earning management fees for the group. There were 1,545 units under management at 30 September 2011.
- Strengthening rental market has increased demand for properties in G:res enabling rental increases of 5.2% on renewals and 11.4% on new lets in the quarter ended September 2011.

Future opportunities

- We are continuing to identify and develop a number of opportunities to parcel residential and residential related assets into fund and joint venture structures based on our proven market expertise and unique breadth of capability from development to management and on to value realisation through disposal.

Profit from our Fund Management and Residential Investments business amounted to £3.6m (2010: profit £2.7m) arising from gross fee income of £6.3m from asset and property management fees from G:res 1 ('G:res'), G:RAMP and Grainger GenInvest, less allocated overheads. At the year end, and following our acquisition in the year of the remaining equity in the two Grainger GenInvest LLPs, the remaining equity investment in this division is our 21.96% stake in G:res which is a market rented fund of 2,031 units.

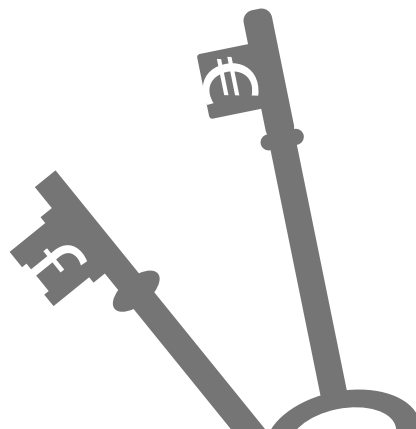
G:res is subject to a full external valuation in December and June of each year and showed an increase in market values of 5.2% for the twelve months ended 30 June 2011, producing an increase in net asset value in the fund of 13.6%.

Operational results at G:res provide a continuing insight into the current UK residential rental market. Rental increases on renewals amounted to 5.2% for the quarter ended September 2011 and increases on new lets for the same period were 11.4%. Both results indicate a continued strengthening of the rental market. The investors in this fund voted to extend its duration by two years to 2013 and its controlled liquidation is under way as planned.

During the year, and before we acquired our partner's 50% stake referred to above, our 50% investment in Grainger GenInvest was reported in this division. Prior to that acquisition the values in Grainger GenInvest increased by 2.8% in the period from 1 October 2010.

The controlled liquidation of the Schroder Residential Property Unit Trust was completed in the year; cash realisations were 6.3% in excess of the property value at the time of the decision of the unit holders taken to liquidate the fund in January 2009.

A significant advance in the fee earning element of this business in the year was the agreement with Lloyds Banking Group to establish the G:RAMP. There is no requirement for Grainger investment in this arrangement. By the year end, G:RAMP was proceeding to plan with 1,545 units under management.



Development

Sales + fees



Operational highlights

Market value

£73m

Number of sites

24

In 2011 we have had the following successes:

- Appointed as development partner at Aldershot with Defence Infrastructure Organisation. This will generate the group long term recurring fees.
- Obtained planning permission at Macaulay Road (design led smaller scale London development).
- Obtained outline planning consent at Waterlooville for a further 915 units bringing the total on which we have outline consent to 2,550 units.

Future opportunities

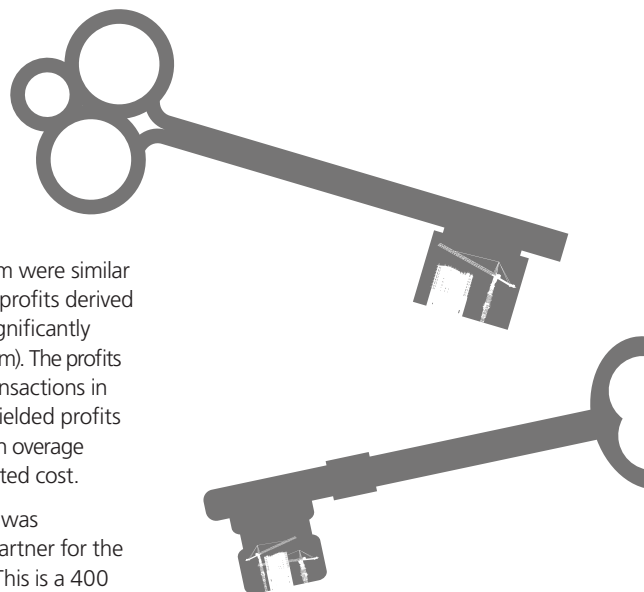
We will focus going forward on:

- Strategic land options, primarily in Southern England.
- Design led smaller size London developments.
- Larger scale joint venture partnerships. We will manage the development pipeline to deliver consistent returns through balancing existing larger scale opportunities with smaller scale developments.
- We play to our strengths; the quality of our covenants, strength of our balance sheet and our reputation. Together these make us an ideal development and joint venture development partner.

Sales in this division at £22.1m were similar to last year's of £18.7m. The profits derived from this year's sales were significantly increased at £15.1m (2010: £2.1m). The profits primarily derive from two transactions in central London which both yielded profits of c.£7m, one of which was an overage receipt which had no associated cost.

During the year the business was appointed as development partner for the Aldershot Urban Extension. This is a 400 acre brownfield site on which we intend to achieve outline planning permission and to sell serviced land-parcels to housebuilders. This will lead to further recurring fee generation from 2012.

Artist's impression of public green space at Grainger's development site at Waterlooville, Hampshire



German residential

Sales + rents



Operational highlights

Units
6,718

Market value
£422m

Gross rents
£30m

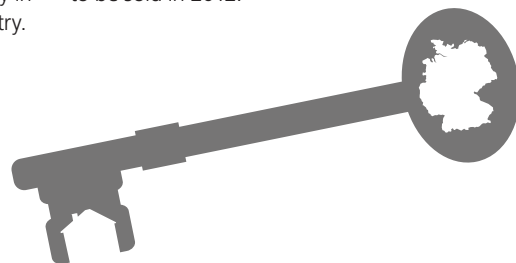
- Grainger's German asset management platform covers the full range of residential property investment and management activities.
- The JV with the Lindner Group allows us to offer an integrated asset and property management service as in the UK.
- The income generated by the portfolio is predominantly market-based rental income, although sales of €24m were achieved this year including the sale of our Berlin portfolio.

Future opportunities

- A focus on improving returns through a higher level of active asset management activities.
- Business growth through introducing third party equity and generating management fees.
- Capital recycling through sales and privatisation with assets identified for sale in 2012.

The German business delivered net rents of €25.3m (2010: €24.7m) at an annual net yield of 4.6% (gross yield of 7.03%) in a largely stable price environment. Property assets were written down at year end by €1.9m (0.4%). Our portfolio comprises 6,397 residential units and 321 commercial units located predominantly in the South and South West of the country.

We have undertaken a programme of capital recycling to improve the overall quality of the asset base and enhance cash flow. As part of this on-going process we sold investment assets for €24.3m generating a profit on sale of €1.1m in 2011 and have identified further assets to be sold in 2012.



Grainger property in Wiesbaden, Hesse, Germany



Summary report of the directors

Principal activities

Grainger plc is a holding company and during the year the group (through subsidiaries of Grainger plc) has continued its activities of property trading, investment, development and management.

Results for the year

The results of the group are set out in the summary consolidated income statement on page 27 which shows a profit for the financial year attributable to the owners of the company of £39.1m (2010: a loss of £10.8m).

Dividends

Although no interim dividend was declared (2010:0.5p) in June 2011 the directors distributed £2.2m by means of a tender buy-back of shares. This represented an effective dividend of 0.53p per share. The directors recommend the payment of a final dividend of 1.30p per share (2010: 1.20p), to be paid on 10 February 2012 making a total effective dividend for the year of 1.83p (2010:1.7p) per share. Any shareholder wishing to participate in the Dividend Reinvestment Plan for the 2011 final dividend will need to ensure that their application form is returned to our registrars by 16 January 2012.

Directors

The names of the directors of the company who served during the year are shown in the Directors remuneration table on pages 24 and 25. Belinda Richards was appointed to the board on 5 April 2011. Bill Tudor John retired from the board on 9 February 2011.

Re-election of directors

Notwithstanding that the company's articles of association require the directors to offer themselves for re-election at least once every three years, in accordance with the recommendations of the UK Corporate Governance Code all of the directors (except for Robert Hiscox) will be offering themselves for re-election at the Annual General Meeting in February 2012.

In light of the review of the board and its committees undertaken by Independent Audit Limited during the year, and the provisions of the articles of association, the board recommends that all of the directors seeking re-election, be re-elected.

Directors' and other interests

The interests of the directors in the shares of the company are disclosed on page 26.

Directors' statement

The auditors have issued unqualified reports on the full annual financial statements, the auditable part of the remuneration committee and Directors' remuneration report of Grainger plc and on the consistency of the Directors' report with those annual financial statements. Their report on the full annual financial statements and the auditable part of the remuneration committee and Directors' remuneration report of Grainger plc contained no statement under sections 498(2) or 498(3) of the Companies Act 2006.

The Directors' report is provided in full in the 2011 Annual report and accounts and was signed by Michael Windle, company secretary, on 5 December 2011.

Corporate Governance

Compliance with the UK Corporate Governance Code

The board of Grainger is committed to maintaining high standards of corporate governance, which the directors see as fundamental to effective management of the business and delivery of long-term shareholder value.

The governance rules applicable to all UK companies admitted to the Official List of the UK Listing Authority are set out in the UK Corporate Governance Code (the "Code"), published by the Financial Reporting Council. The board fully supports the principles set out in the Code and confirms that it has complied with all of the provisions of the Code throughout the financial year ended 30 September 2011.

Other matters

The maintenance and integrity of the Grainger plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These summary financial statements do not contain sufficient information to allow as full an understanding of the results of the group and state of affairs of the company or of the group, and of their policies and arrangements concerning directors' remuneration, as would be provided by the full Annual report and financial statements.

Summary report of the directors on remuneration

Remuneration policy

Grainger's remuneration policy is designed to attract, motivate and retain high calibre individuals to enable the group to operate strategically for the continued benefit of shareholders, over the long term. In order to operate this policy, the remuneration committee receives information on remuneration packages awarded to directors in comparable organisations and aims to ensure that the rewards paid by Grainger are competitive.

The policy is also designed to align the directors' interests with those of shareholders. This is principally achieved through the use of share-based incentives and by encouraging executive directors to maintain a reasonable shareholding in the group. As a guideline, executive directors (and senior executives) are expected to hold the equivalent value of at least one year's salary in Grainger shares. Share awards are generally satisfied by the acquisition of shares in the market, so are not dilutive to shareholders. Share options are satisfied by the issue of new share capital.

Remuneration packages balance both short and long-term rewards, as well as performance related pay and non-performance related pay. They include salary, bonus and defined contribution pension elements and long-term share incentives; option schemes and other usual benefits are also afforded.

No executive director is involved in the determination of his own remuneration. Fees of the non-executive directors, which include increments where a committee chairmanship or senior independent position is held, are determined by the executive committee of the board.

The remuneration committee also review the total level of salaries and bonuses paid to the group as a whole.

A summary of the directors' remuneration is set out below and on page 25. The report of the remuneration committee and directors' remuneration report are provided in the full 2011 Annual report and accounts.

Directors' remuneration

Chairman and executive directors	Robin Broadhurst £'000	Andrew Cunningham £'000	Peter Couch £'000	Nick Jopling £'000	Mark Greenwood £'000	Rupert Dickinson £'000	Total £'000
Non-performance-related remuneration							
Salary and fees	140	420	265	325	260	–	1,410
Taxable benefits	–	20	34	16	16	–	86
Share incentive plan	–	6	6	–	–	–	12
Total non-performance-related remuneration	140	446	305	341	276	–	1,508
Performance-related remuneration							
Annual discretionary bonus	–	315	159	195	156	–	825
Unwinding of previous bonus scheme	–	109	–	–	–	–	109
Total performance-related remuneration	–	424	159	195	156	–	934
Total remuneration for the year ended 30 September 2011	140	870	464	536	432	–	2,442
Total remuneration for the year ended 30 September 2010	120	711	234	28	15	26	1,134
Pension contributions into money purchase schemes							
Year ended 30 September 2011	–	58	41	49	34	–	182
Year ended 30 September 2010	–	66	14	4	3	–	87

Non-executive directors	John Barnsley £'000	Baroness Margaret Ford £'000	Robert Hiscox £'000	Henry Pitman £'000	Bill Tudor John £'000	Belinda Richards £'000	Total £'000	Total all directors 2011 £'000
Non-performance-related remuneration								
Salary and fees	51	47	40	40	17	20	215	1,625
Taxable benefits	–	–	–	–	–	–	–	86
Share incentive plan	–	–	–	–	–	–	–	12
Total non-performance-related remuneration	51	47	40	40	17	20	215	1,723
Performance-related remuneration								
Annual discretionary bonus	–	–	–	–	–	–	–	825
Unwinding of previous bonus scheme	–	–	–	–	–	–	–	109
Total performance-related remuneration	–	–	–	–	–	–	–	934
Total remuneration for the year ended 30 September 2011	51	47	40	40	17	20	215	2,657
Total remuneration for the year ended 30 September 2010	50	39	35	35	46	–	205	1,339

Peter Couch was appointed to the board on 1 June 2010.

Nick Jopling was appointed to the board on 1 September 2010.

Mark Greenwood was appointed to the board on 13 September 2010.

Belinda Richards was appointed to the board on 5 April 2011.

Bill Tudor John retired from the board on 9 February 2011.

Rupert Dickinson retired from the board on 20 October 2009. Pursuant to the terms of a compromise agreement between Rupert Dickinson and the company relating to his resignation as a director and as chief executive with effect from 20 October 2009 the company made an aggregate payment to Rupert Dickinson of £2,982,521 (less PAYE deductions).

Summary report of the directors on remuneration continued

Directors' and other interests

The interests of the directors in the shares of the company at 30 September 2011 and 30 November 2011, with comparative figures as at 1 October 2010 are as follows:

	Ordinary shares of 5p each (thousands)		
	Beneficial		
	1 Oct 2010	30 Sept 2011	30 Nov 2011
Robin Broadhurst	90	110	110
Andrew Cunningham	1,092	1,115	1,115
John Barnsley	76	103	103
Robert Hiscox	150	200	200
Henry Pitman	102	101	101
Baroness Margaret Ford	14	18	18
Peter Couch	88	121	122
Nick Jopling	23	82	82
Mark Greenwood	10	30	30
	1,645	1,880	1,881

Total shareholder return

The graph below shows TSR (based upon the share price growth with dividends reinvested) for Grainger, compared to the FTSE 250 and FTSE 350 Real Estate Index. These comparators have been chosen on the basis that they are the markets within which Grainger operates, albeit that the Real Estate Index comprises mainly commercial property companies.



This graph shows the value by 30 September 2011 of £100 invested in Grainger on 30 September 2006 compared with the value of £100 invested in the FTSE 250 Index and in the FTSE 350 Real Estate/Real Estate Investment & Services indices.

— Grainger
— FTSE 250 Index
— FTSE 350 Real Estate/Real Estate Investment & Services indices

Andrew Cunningham

Andrew R Cunningham Chief executive
8 December 2011

Independent auditors' statement to the members of Grainger plc

We have examined the summary financial statements which comprise the summary consolidated income statement, summary consolidated statement of financial position, summary consolidated statement of cash flows, analysis of profit/(loss) before tax set out on pages 27 to 30 and the summary report of the directors on remuneration set out on pages 24 to 26.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the summarised annual review and summary financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the annual review and summary financial statements with the full annual financial statements, the directors' report and the report of the remuneration committee and directors' remuneration report, and their compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the annual review and summary financial statements and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements. The other information comprises only the other items listed on page 1.

This statement, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 428 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit opinions on those financial statements, the directors' report and the report of the remuneration committee and directors' remuneration report.

Opinion

In our opinion the summary financial statements are consistent with the full annual financial statements, the directors' report and the report of the remuneration committee and directors' remuneration report of Grainger plc for the year ended 30 September 2011 and comply with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements (5 December 2011) and the date of this statement.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
8 December 2011

Summary consolidated income statement

For the year ended 30 September 2011	2011 £m	2010 £m
Group revenue	296.2	244.5
Net rental income	49.1	40.8
Profit on disposal of trading and investment property	73.4	53.2
Administrative expenses	(13.0)	(11.2)
Other income and expenses	4.2	5.9
Net gain on acquisition of subsidiary	13.9	1.3
Profit on redemption of equity units in associate	–	1.0
Finance income from financial interest in property assets	7.9	2.5
Net realisable value provision net of write backs	(6.0)	(7.8)
Operating profit before net valuation deficits on investment property	129.5	85.7
Net valuation deficits on investment property	(2.0)	(0.8)
Operating profit after net valuation deficits on investment property	127.5	84.9
Fair value movements on derivatives	(28.0)	(39.6)
Finance costs	(82.6)	(81.3)
Finance income	2.7	5.0
Share of profit of associates after tax	4.4	5.6
Share of profit of joint ventures after tax	2.1	4.6
Profit/(loss) before tax	26.1	(20.8)
Tax credit before exceptional item	2.8	10.0
Exceptional tax credit	10.2	–
Tax credit for the year	13.0	10.0
Profit/(loss) for the year attributable to the owners of the company	39.1	(10.8)
Basic earnings/(loss) per share	9.5p	(2.9)p
Diluted earnings/(loss) per share	9.4p	(2.9)p

All of the above results relate to continuing operations.

Summary consolidated statement of financial position

As at 30 September 2011	2011 £m	2010 £m
Non-current assets	1,029.9	904.1
Current assets	1,214.5	1,169.4
Current liabilities	372.2	303.1
Net current assets	842.3	866.3
Total assets less current liabilities	1,872.2	1,770.4
Non-current liabilities	1,484.8	1,425.1
Net assets and total equity	387.4	345.3

Notes to the summary financial statements

The majority of the group's 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 market value of the assets and so our key balance sheet measures of net asset value include trading stock at market value. The group's two principal net asset value measures are gross net asset value ('NAV') and triple net asset value ('NNNAV'). The definition of NAV and NNNAV are provided in the full 2011 Annual report and accounts and the following two tables have been extracted from the segmental information provided in note 4 to those accounts.

2011 Reconciliation of NAV measures

	Statutory balance sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Deferred and contingent tax £m	Derivatives £m	Triple NAV balance sheet £m
Investment property	819.9	–	819.9	–	–	819.9
CHARM	102.3	–	102.3	–	–	102.3
Trading stock	1,105.1	344.0	1,449.1	–	–	1,449.1
JV/Associates	58.5	0.4	58.9	–	(4.6)	54.3
Cash	90.9	–	90.9	–	–	90.9
Deferred tax	42.7	(39.7)	3.0	–	43.2	46.2
Derivatives	0.2	(0.2)	–	–	0.2	0.2
Other assets	24.8	6.4	31.2	–	–	31.2
Total assets	2,244.4	310.9	2,555.3	–	38.8	2,594.1
External debt	(1,544.7)	–	(1,544.7)	–	–	(1,544.7)
Derivatives	(154.5)	154.5	–	–	(168.4)	(168.4)
Deferred tax	(47.7)	47.2	(0.5)	(132.2)	–	(132.7)
Other liabilities	(110.1)	–	(110.1)	–	–	(110.1)
Total liabilities	(1,857.0)	201.7	(1,655.3)	(132.2)	(168.4)	(1,955.9)
Net assets	387.4	512.6	900.0	(132.2)	(129.6)	638.2
30 September 2011 net assets per share (pence)	93	123	216	(32)	(31)	153

2010 Reconciliation of NAV measures

	Statutory balance sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Deferred and contingent tax £m	Derivatives £m	Triple NAV balance sheet £m
Investment property	634.7	–	634.7	–	–	634.7
CHARM	103.9	–	103.9	–	–	103.9
Trading stock	989.9	331.5	1,321.4	–	–	1,321.4
JV/ Associates	119.6	2.8	122.4	–	(7.0)	115.4
Cash	91.5	–	91.5	–	–	91.5
Deferred tax	38.4	(36.5)	1.9	–	40.0	41.9
Assets held for sale	70.7	–	70.7	–	–	70.7
Other assets	24.8	6.6	31.4	–	–	31.4
Total assets	2,073.5	304.4	2,377.9	–	33.0	2,410.9
External debt	(1,417.3)	–	(1,417.3)	–	–	(1,417.3)
Derivatives	(128.3)	128.3	–	–	(141.1)	(141.1)
Deferred tax	(52.6)	53.8	1.2	(142.1)	–	(140.9)
Liabilities held for sale	(34.1)	–	(34.1)	–	–	(34.1)
Other liabilities	(95.9)	–	(95.9)	–	–	(95.9)
Total liabilities	(1,728.2)	182.1	(1,546.1)	(142.1)	(141.1)	(1,829.3)
Net assets	345.3	486.5	831.8	(142.1)	(108.1)	581.6
30 September 2010 net assets per share (pence)	83	117	200	(34)	(26)	140

Summary consolidated statement of cash flows

For the year ended 30 September 2011	2011 £m	2010 £m
Cash generated from operations	179.3	109.3
Interest paid	(73.1)	(80.2)
Taxation (paid)/refund	(4.4)	3.6
Net cash inflow from operating activities	101.8	32.7
Net cash inflow/(outflow) from investing activities	21.9	(37.2)
Cash flows from financing activities		
Dividends paid	(4.9)	(7.4)
Net proceeds from rights issue	–	236.7
Proceeds from new borrowings	220.0	–
Repayment of borrowings	(335.1)	(139.4)
Other net cash flows from financing activities	(3.4)	(18.5)
Net cash (outflow)/inflow from financing activities	(123.4)	71.4
Net increase in cash and cash equivalents	0.3	66.9

Analysis of profit/(loss) before tax

The results for the years ended 30 September 2010 and 2011 respectively have been significantly affected by valuation movements and non-recurring items, although the impact of these items in 2010 was greater than it has been in 2011. The table below provides further analysis of the consolidated income statement showing the results of trading activities separately from these other items.

	2011				2010			
	Trading £m	Valuation £m	Non- recurring £m	Total £m	Trading £m	Valuation £m	Non- recurring £m	Total £m
Group revenue	296.2	–	–	296.2	244.5	–	–	244.5
Net rental income	49.9	–	(0.8)	49.1	40.8	–	–	40.8
Profit on disposal of trading property	72.3	–	–	72.3	52.8	–	–	52.8
Administrative expenses	(13.0)	–	–	(13.0)	(9.2)	–	(2.0)	(11.2)
Other income and expenses	8.0	–	(3.8)	4.2	5.9	–	–	5.9
Net gain on acquisition of subsidiary	–	16.1	–	16.1	–	2.8	–	2.8
Goodwill impairment	–	(2.2)	–	(2.2)	–	(1.5)	–	(1.5)
Profit on disposal of investment property	1.1	–	–	1.1	0.4	–	–	0.4
Profit on redemption of equity units in associate	–	–	–	–	1.0	–	–	1.0
Finance income from financial interest in property assets	7.9	–	–	7.9	2.5	–	–	2.5
(Write down)/write back of inventories to net realisable value	–	(1.8)	–	(1.8)	–	2.9	–	2.9
Provision for impairment of loans receivable net of write-backs	–	(4.2)	–	(4.2)	–	(10.7)	–	(10.7)
Operating profit before net valuation deficits on investment property	126.2	7.9	(4.6)	129.5	94.2	(6.5)	(2.0)	85.7
Net valuation deficits on investment property	–	(2.0)	–	(2.0)	–	(0.8)	–	(0.8)
Operating profit after net valuation deficits on investment property	126.2	5.9	(4.6)	127.5	94.2	(7.3)	(2.0)	84.9
Fair value movements on derivatives	–	(28.0)	–	(28.0)	–	(39.6)	–	(39.6)
Finance costs	(79.0)	–	(3.6)	(82.6)	(82.2)	–	0.9	(81.3)
Finance income	2.7	–	–	2.7	5.0	–	–	5.0
Share of profit of associates after tax	0.2	4.2	–	4.4	–	5.6	–	5.6
Share of profit of joint ventures after tax	(1.8)	3.9	–	2.1	(2.3)	6.9	–	4.6
Profit/(loss) before tax	48.3	(14.0)	(8.2)	26.1	14.7	(34.4)	(1.1)	(20.8)

The non-recurring charge of £3.8m under 'other income and expenses' relates primarily to costs incurred on acquisitions made in the year and other transaction costs.

The non-recurring charge of £3.6m under 'Finance costs' relates to the refinancing carried out in the year.

The board

Robin Broadhurst* CVO, CBE, FRICS. Chairman. Aged 65

Robin joined the board in February 2004 and was appointed chairman in February 2007. Previously European chairman of Jones Lang LaSalle, he is now a trustee and non-executive director of Grosvenor, property consultant to Sir Robert McAlpine Limited and a non-executive director of the British Library and Chelsfield Partners.

Committee membership:

Chairman of nominations committee.

Andrew R Cunningham FCA. Chief executive. Aged 55

Andrew joined Grainger in 1996 as finance director, became deputy chief executive in December 2002, and chief executive in October 2009. A fellow of the Institute of Chartered Accountants in England and Wales, Andrew was a partner in a predecessor firm of PricewaterhouseCoopers before joining Grainger. Andrew is a member of the British Property Federation's Policy Committee.

Mark Greenwood FCMA. Finance director. Aged 52

Mark joined the board as finance director in September 2010. A fellow of the Chartered Institute of Management Accountants, Mark has worked in finance since 1982 and held a number of senior positions within Alfred McAlpine Plc from 1989 to 2008. He was group finance director from 2007 until its takeover in 2008 by Carillion. From 2008 to 2010 Mark was finance director of the Middle East and North Africa business of Carillion plc.

Robert R S Hiscox* ACII. Aged 68

Robert was appointed a director of the company in March 2002. He is chairman of Hiscox Limited and was deputy chairman of Lloyd's from 1993 to 1995.

Committee membership:

Member of nominations and remuneration committees.

John Barnsley* FCA. Aged 63

John was appointed a director of the company in 2003. He is a non-executive director of Northern Investors Company plc, American Appraisal Associates LLP and LMS Capital plc and the chairman of Westover Medical Limited. Until December 2001 he was a senior partner at PricewaterhouseCoopers.

Committee membership:

Senior Independent Director, chairman of audit committee and member of nominations committee.

Henry Pitman* Aged 49

Henry was appointed a director in May 2007. He is currently chairman of African Century, an African investment business. Previously he was chief executive of Tribal Group plc. Prior to this, he was managing director of JHP Group Limited. From 1990 to 1995 he worked for the Property Corporation of South Africa.

Committee membership:

Member of remuneration committee.

Nick Jopling Executive director. Aged 50

Nick joined Grainger plc in September 2010 as executive director with responsibility for property matters from CB Richard Ellis where he was executive director of residential. Nick's responsibility covers Grainger's UK residential portfolio, development and fund management business units. Nick is also the chairman of the Urban Land Institute's UK Residential Product Council.

Peter Couch Executive director. Aged 53

Peter Couch was appointed to the board as executive director responsible for Grainger's retirement solutions business in June 2010. He also acts as chief operating officer, a position he was appointed to in 2009. Peter joined Grainger in 2005 to manage the company's retirement solutions business. Prior to joining Grainger, Peter spent most of his career in the financial services sector and held several senior roles within the AMP Group.

Baroness Margaret Ford* Aged 53

Margaret was appointed a director of the company in July 2008. She has, since 2009, been the chairman of the Olympic Park Legacy Company. From 2007 to 2009, she was a managing director in the Royal Bank of Canada's Global Infrastructure Group and between 2002 and 2007 was chairman of English Partnerships.

Committee membership:

Member of audit committee and chairman of remuneration committee.

Belinda Richards* Aged 53

Belinda was appointed a director in April 2011. Prior to joining the board she was Global Head of Deloitte's Merger Integration and Separation Advisory Services. She is also a non-executive director of Friends Life Group plc.

Committee membership:

Member of audit and remuneration committees. Chairman designate to risk committee.

Tony Wray* Aged 50

Tony was appointed a director in October 2011. He has been the Chief Executive of FTSE 100 water company Severn Trent plc since 2007.

Committee membership:

Member of audit committee.

*Non-executive directors

Five year record for the year ended 30 September 2011

	IFRS				
	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Revenue	229.3	246.2	302.2	244.5	296.2
Gross rental income	52.7	70.7	77.9	75.6	86.3
Gross property sales proceeds	180.8	169.6	207.2	160.9	211.9
Operating profit before valuation and non-recurring items (OPBVM)	89.0	106.0	78.8	94.2	126.2
Profit/(loss) before taxation	77.5	(112.1)	(170.0)	(20.8)	26.1
Profit/(loss) after taxation	60.9	(77.4)	(122.0)	(10.8)	39.1
Dividends taken to equity	7.6	8.3	5.2	7.4	4.9
	Pence	Pence	Pence	Pence	Pence
Earnings/(loss) per share	15.0	(19.1)	(29.5)	(2.9)	9.5
Dividends per share	2.0	2.0	1.3	1.7	1.8
	Pence	Pence	Pence	Pence	Pence
Gross net asset value per share	320.7	227.9	194.0	199.8	216.2
Triple net asset value per share	252.6	180.7	141.0	139.7	153.3
Share price at 30 September	255.3	114.1	170.0	109.8	86.6
	%	%	%	%	%
Return on capital employed	12.1	(11.4)	(4.3)	5.3	6.5
Return on shareholder equity	27.1	(36.1)	(33.7)	0.6	11.1

Where relevant adjustment has been made to historical figures to reflect the impact of the rights issue in December 2009.

Shareholders' information

Financial calendar

Annual General Meeting	8 February 2012
Payment of 2011 final dividend	10 February 2012
Announcement of 2012 interim results	May 2012
Announcement of 2012 final results	November 2012

Share price

During the year ended 30 September 2011, the range of the closing mid-market prices of the company's ordinary shares were:

Price at 30 September 2011	87p
Lowest price during the year	86p
Highest price during the year	133p

Daily information on the company's share price can be obtained on our website or by telephoning: The Financial Times Cityline Service on 09068 432 750.

Capital gains tax

The market value of the company's shares for capital gains tax purposes at 31 March 1982 was 2.03p.

Website

Website address www.graingerplc.co.uk

Shareholders' enquiries

All administrative enquiries relating to shareholdings (for example, notification of change of address, loss of share certificates, dividend payments) should be addressed to the company's registrar at:

Capita IRG Plc
Northern House, Woodsome Park,
Fenay Bridge, Huddersfield,
West Yorkshire, HD8 0LA

Share dealing service

A share dealing service is available to existing shareholders to buy or sell the company's shares via Capita Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

www.capitadeal.com – online dealing

0870 458 4577 – telephone dealing

Please note that the directors of the company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

Company secretary and registered office

Michael Windle
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Company registration number 125575

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Barclays Bank PLC

Other bankers

Lloyds TSB Bank plc
The Royal Bank of Scotland plc
Allied Irish Banks plc
The Governor and Company of the Bank of Scotland
National Australia Bank Limited
Nationwide Building Society
Eurohypo AG
Deutsche Pfandbriefbank AG
The Governor and Company of the Bank of Ireland
GE Real Estate Finance Limited
Svenska Handelsbanken AB
SEB AG
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