FOR IMMEDIATE RELEASE

7 December 2004

GRAINGER TRUST plc:
PRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

HIGHLIGHTS

• Profit before tax and exceptional charges rises to £59.6m	+23%
• Earnings per share before exceptional items up to 149.7p	+25%
• Dividends up to 23.24p for full year	+42%
• Net asset value per share advances to £27.34	+25%

- Share split and new dividend policy announced
- Bromley results consolidated for the first time
- Commercial investment portfolio rationalised
- Successful refinancing of debt portfolio
- Gearing down to 103% from 125%
- Market value of all properties £1.4 billion

"This has been a landmark year for Grainger Trust. We have achieved record levels of profits, asset and share price growth and have made significant progress in our key strategic objectives.

We have in place the three key resources for us to continue as a consistently successful long-term business; a superb asset base, a sound funding platform and an expert and unrivalled team. We look forward to the future with confidence and enthusiasm." said Robert Dickinson, Chairman

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Chairman's Statement

This has been a landmark year for Grainger Trust. We have achieved record levels of profits, asset and share price growth as well as making significant progress in our key strategic objectives. The year under review has also been important as it represents the first 12 month period in which our Bromley joint venture has been wholly owned and incorporated into the year's results.

We have continued to focus on our core tenanted residential business and we have increased the value of this portfolio by 14% to £1.3 billion: our total gross assets now stand at £1.5 billion. We have maintained our leading position as the largest quoted investor in the long-term residential market by purchasing 486 regulated and 374 life tenancy units in the year. We have invested considerable management time and energy in positioning our life tenancy activities and believe that we are now well placed to take advantage of this exciting business opportunity. Our rationalisation of the commercial investment portfolio has been completed at a significant profit and we now have greater clarity and focus in our development and trading activities.

To help lay the foundations for the Group's future growth we completed a highly successful refinancing of our debt portfolio with a more flexible funding platform that will enable us to take full advantage of opportunities as they become apparent.

Results

The strong residential market, as well as a good performance from Grainger's development division, have been the major drivers of the year's record results. I am pleased to report that Grainger has produced profits before tax and exceptional items of £59.6m for the year to 30 September 2004, a 23% increase over the previous year's £48.5m. As a result earnings per share before exceptional items have grown 25% to 149.7p.

Net assets

Net assets per share have grown by 25% to £27.34 from £21.94. Fully diluted net asset value, taking into account contingent tax and the market value of our long-term debt and hedging, has increased by 34% to £18.62 from £13.91. Grainger net asset value, which incorporates an estimate of the reversionary surplus within our core portfolio, is £24.00 per share, a 33% increase from last year's £18.00.

Dividends

For the last five years we have adopted a consistent dividend growth policy of 15% per annum. Given the group's outstanding record of profit increases however, this has resulted in a low dividend yield and high dividend cover in comparison to our peers. Your board is therefore recommending a step up increase in the year end dividend to 19.20p per share, to be paid on 4th March 2005 to shareholders on the register at close of business on 11th February 2005. This will produce a full year figure of 23.24p per share, an increase of 42% over last year.

It is our intention to continue with a progressive dividend policy, albeit at a more moderate target growth of 10% per annum. We will also take the opportunity to restructure the phasing of our dividend payments and it is our intention that the interim dividend (to be paid in July of each year) will comprise approximately one third of the total, the balance being paid at the time of the final in March of each year.

Share Structure

Five years ago our share price was approximately £4.00. At 30th September 2004 this had grown to £18.35. At this level, we consider it appropriate to introduce a share split on a 5 for 1 basis, replacing each 25p ordinary share with five 5p ordinary shares. We believe that this will improve liquidity in our shares and will help dampen share price volatility. Appropriate resolutions to approve this, together with others to modernise our Articles of Association, will be proposed at an Extraordinary General Meeting to be held immediately after our AGM.

Board

Robin Herbert and Nichola Pease will be retiring from the board at the annual general meeting. Robin has been a board member since February 1994 and has served as chairman of the audit committee and latterly as senior non-executive director, a role which will be assumed by Robin Broadhurst . Nichola leaves the board after four year's service and her position as chairman of the remuneration committee will be taken by Robert Hiscox. We thank both Robin and Nichola for the very significant contribution they have made to the group. During a period of unprecedented growth and activity, they have been a source of wise counsel and encouragement.

As announced in November 2004 Sean Slade has resigned as an executive director. Sean joined the group when we owned a significant commercial investment portfolio, however the redefinition of the group's focus into residential activities and the consequent disposal of the group's commercial portfolio has meant that the challenges and opportunities for Sean were no longer available. We are grateful to Sean for the professional and efficient way in which the investment portfolio rationalisation was conducted and wish him every success for the future.

People

Grainger has a core of committed staff, expert in buying, selling, managing and developing residential property. As the group activities have expanded we have complemented this core group with several senior appointments to ensure that we are well placed to take advantage of future opportunities. I would like to thank our enthusiastic and hard working staff for the continuing contribution they have made to another successful year.

Strategy and Outlook

We are delighted with the performance in the year but accept that our market place may present a more difficult trading environment in the short term. Indeed since the year end we have seen a slowing in demand for our vacant properties. We are still exceeding, on average, September 2004 vacant possession values by circa 3% on recent sales but the time taken to complete those sales has extended. However, we believe that our core business activities are resilient and can produce good levels of shareholder return even when economic conditions are less favourable.

It is clear that the property sector and our particular niche in it will face many new challenges and opportunities over the coming year. Whilst our business is robust we are aware that the overall perception of our potential success is driven by general and media comments on the state of the housing market. Our view is that the overall trend of house prices is flattening and that growth over the next year may well be limited. Indeed we believe that the market in London and the South East has already experienced a significant correction. The housing market is primarily affected by expectations of interest rate levels and many commentators are now indicating that rates may stabilise – if this happens then we would expect to see forecasts of healthier house price movements.

However we believe that the case for residential property as a long-term investment remains strong. Increases in the number of households from a combination of smaller family units, greater levels of self occupancy and increasing life expectancy are sustaining demand. This at a time when new house build levels are at their lowest for several decades. Home ownership in the UK has long been seen as an investment as well as a method of occupation - and its attraction as an alternative to equities or traditional forms of pension provision has become more pronounced over recent years. Interest rates remain at a comparatively low level and this helps to support affordability.

The property sector faces a future in which real estate investment trusts or 'REIT's' may play a significant role although the recent pre-budget report indicated that any legislation will not be introduced until July 2006 at the earliest. Whilst the trading nature of Grainger's business does not immediately lend itself to a REIT type structure we will ensure that we are at the forefront of any initiative which will facilitate investment in the private rented sector.

We will continue to focus on our core regulated business which is high margin and cash generative. We are optimistic about the growth potential of the life tenancy sector and are pushing hard for this to become a significant contributor to group profit. We are excited by opportunities that are being presented to us on mainland Europe and we are confident that we can successfully transfer our skills and expertise to these emerging markets. Our development and trading activities are well defined and our vision is to build a series of coherent, related activities showing our ability to operate in all sectors of the residential market, while producing consistent levels of profitability and growth.

The Future

We have in place the three key resources for us to continue as a consistently successful long-term business; a superb asset base, a sound funding platform and an expert and unrivalled team. We look forward to the future with confidence and enthusiasm.

Robert H. Dickinson
7 December 2004

Chief Executive's Statement

This has been a particularly exciting and fulfilling year. Not only have we produced record profits and an excellent growth in the value of our asset base but we have made substantial progress in achieving the goals we set at the beginning of the year.

These included the full and successful incorporation of our Bromley joint venture; the rationalisation and refocusing of our development and trading division with the disposal of the bulk of our commercial property investment portfolio; and the £900m refinancing of our entire loan portfolio which gives us both greater flexibility and overall lower interest rates.

We have also achieved substantial progress in developing two key areas, which we believe will become significant growth areas for the group – life tenancies and investment in mainland Europe. In both these areas we hope to announce further developments, either through direct acquisition or the creation of important joint venture partnership agreements during the course of the current year.

Turning to the Group's operations in more detail, I can report that the strong housing market we witnessed for most of the year under review was reflected in our tenanted residential division where sales totalled almost £135m. In addition, we saw a valuation increase on the residential properties in our trading portfolio of 12.4% to September. This figure does mask regional variations of less than 5% in Central London and greater than 30% in the North West of England. In our view these increases underline the benefit of our geographically widespread portfolio as well as the underlying strength of the housing market over the period. Some 42% by value of Grainger's residential assets are outside London and the South East – the two regions that saw relatively sluggish growth through the year to 30th September 2004. The year end average vacant possession value of our residential properties rose to £164,000 from £144,000 last year. The reversionary surplus in our portfolio (the difference between vacant possession value and investment value) now stands at £536m, or £21.61 per share.

It is also worth noting that many of the sales we achieved were of unmodernised or below UK average value properties. There is strong and consistent demand for such properties from both first time buyers as well as the owner/developer market.

On the other side of the equation we are extremely pleased with the level and quality of residential purchases we have made during the year. In fact we acquired, in total, slightly more residential units than we sold. After a slow start we invested approximately £118m to purchase 1,042 units, compared with the 1,031 units sold, which included 486 regulated tenancies (at a cost of £68m) and a further 374 life tenancies (for £23m).

At the start of the year one of the principal goals we set ourselves was to rationalise our development and trading activities through the orderly disposal of our commercial property investments in order to focus effort and resource on the residential sector. As a result we sold £25m of commercial property investments, showing a £3.5m surplus over September 2003 values, leaving the group with only one major development asset – Landmark Place, Slough. The 69,000 sq ft office element has been hard hit by current market conditions and we have taken a £1m write-down against its carrying value.

Following the disposal of virtually all our commercial property investments we have now reorganised the development and trading division into three distinct core activities: land and regeneration; residential development; and housebuilding. This, we believe, now presents a coherent and structured approach.

In land and regeneration we sold the final major development plots, comprising 12.4 acres, at Kennel Farm for a total of £14.2m, generating operating profits of £10.7m. Future activity at Kennel Farm will focus on completion of the local centre, the five acres allocated for business use and the sale of minor plots on a piecemeal basis.

The main contribution in Residential Development has come from the development with Network Housing Association which incorporated 78 flats above a large Sainsbury's supermarket in Wilton Road, Pimlico. This scheme has generated income to us of almost £8m through the sale of 70 flats during the year; of the remaining eight flats, five have completed since the year end.

Housebuilding has made very satisfactory progress during the year as Grainger Homes completed the sale of 132 units for £14.7m, producing a trading profit of more than £2m.

Operationally, therefore, this has been a successful and eventful year. Externally this success has been recognised by our winning the EPRA Best Performance Small/Mid Cap Award for the year ended 2003. EPRA is the European Public Real Estate Association and has been set up to promote, develop and represent the European public real estate sector with a particular focus on establishing best practice standards in accounting, reporting and corporate governance. The award is granted to the company showing the greatest level of total shareholder return provided certain standards of disclosure and corporate governance were met – our return in the year was over 65%.

And what of the future at Grainger Trust? As ever our focus will remain on the regulated tenancy market. This business is high margin and cash generative and we will endeavour to make the most of any opportunities that arise. However Grainger is a long-term business and we are busy preparing ourselves for the time when the supply of regulated tenancies begins to diminish.

Fundamental to this is the life tenancy market. We are excited by the opportunities presented by this sector. Diminishing pension returns, and the opportunity to crystallise some value from the increase in value of homes has increased the profile of and demand for this product. Regulation of the mortgage market and the future regulation of equity release reversion products will, we believe, introduce more discipline into the sector and reward suppliers with good reputations and a successful history.

We are delighted to announce the appointment of Peter Couch to head up our life tenancy activities. Peter is vastly experienced in the equity release and insurance business sectors having worked as National Sales Manager of Financial Planning Services for NPI Life Limited and Managing Director of AMP Retirement Services before setting up his own equity release consultancy business. We are confident that Peter will help Grainger take full advantage of the opportunities this sector presents to us.

Concern has been expressed that equity release may be tax inefficient for home–owners as a result of the introduction of the pre owned asset tax in April 2005. We are delighted to report that the Inland Revenue confirmed in an answer to Parliament in November that such assets would not be affected by the new tax.

We have received a number of approaches from financial services companies who want to create a reversionary equity release product and leverage our skills. They are offering us access to their distribution capability and we are exploring options in this regard.

We also feel that we can operate successfully in mainland Europe. We are concentrating our efforts in two areas. The first is investment in long-term reversionary residential portfolios in the more mature economies of Western Europe where we believe there is an opportunity to replicate the return characteristics of our main UK business. We are also looking at more opportunistic investments in residential development land in Central Europe. In both cases we are currently intending to invest alongside local operating partners.

Supporting these activities will be our development and trading division, now rationalised and with a clear strategy. The rationalisation of the commercial property portfolio and the last of the bulk sales at Kennel Farm indicate that this year's level of profitability will not be repeated in 2005 but we are confident that we will be able to position this division to produce high quality returns across a broad spectrum of residential development activity.

Rupert J. Dickinson
7 December 2004

Operating Review – Highlights

Tenanted residential

- Operating results * increased by 22% to £81.9m
- 1,031 properties sold for £134.9m, generating a rise in trading profits to £59.1m and profit on disposal of fixed assets of £3.0m
- 1,042 residential units purchased for £118m
- Year end portfolio of 12,041 units, investment value £1,329m, vacant possession value £1,865m

Development and trading

- Operating results * increased by 74% to £25.3m
- £25m of investment property sold at surplus of £3.5m
- 12.4 acres sold at Kennel Farm for £14.2m
- Net income to date on Pimlico development £7.9m
- Sales of 132 units worth £14.7m by Grainger Homes, generating profit of £2.1m

* Including profit on disposal of fixed assets and before administration expenses

Operating Review

Tenanted residential

The scale of our tenanted residential activities has increased with the acquisition of the outstanding share of the Bromley joint venture. For the purposes of comparison in this division we have included our share of the results of the joint venture in last year's tenanted residential performance figures; for statutory reporting purposes, the joint venture results are aggregated as one disclosure item.

Key performance statistics are:-

	2004	2003
Properties sold	1,031	1,414
Sales value £m	134.9	139.4
Trading and fixed asset profits £m	62.1	51.2
Net rental income £m	17.8	14.9

The geographic strength of our portfolio is reflected by the range of growth in vacant possession sales values achieved in comparison to last year's valuation, London and the South East showed growth levels of 7.7%, while the rest of the country showed 15.7%.

The geographic spread of our portfolio is:-

	Investment Value £m	% of assets
London	551	41
South East	224	17
South West	79	6
East	91	7
East Midlands	47	3
West Midlands	129	10
Wales	8	1
Yorkshire	47	3
North West	124	9
North East	20	2
Scotland	8	1
Northern Ireland	1	-
	1,329	100

Our portfolio composition also helps dampen the volatility associated with the higher end of the market; the analysis below shows the number and value of properties we own by vacant possession value.

Range of vacant possession values	No. of Properties	Vacant Possession Value £m
> £500K	58	38
£250K - £500K	963	320
£175K - £250K	2,593	540
£100K - £175K	4,867	676
< £100K	3,560	256
(excludes other interests)	12,041	1,830

The analysis of our portfolio by tenure is:-

	No. of Properties	Vacant Possession Value £m	Investment Value £m	% of VP Value
Regulated	7,941	1,295	939	73
Assured	1,083	154	136	88
Vacant	356	55	49	89
Life Tenancies	2,627	320	167	52
Hoteling complex – serviced apartments	34	6	6	100
Other interests	-	35	32	91
30 September 2004	12,041	1,865	1,329	71
30 September 2003	12,030	1,648	1,164	71

A key feature of the above is that the reversionary surplus (the difference between vacant possession and investment values) now amounts to £536m, or £21.61per share.

The average vacant possession value of our residential properties (adjusted to reflect the fact that many of our life tenancy assets are partially owned) at 30 September 2004 was £164,000 compared to last year's figure of £144,000 (a 13.9% increase) and to the average UK house price of £163,000. Over recent years we have sold many of our lower value properties; and, as we have comparatively few very high value properties, this has meant that the price range within our portfolio is tending to consolidate towards the UK average.

Acquisitions in the year totalled £118m. Of particular note were the portfolio purchases of 128 London based units for a consideration of £25m and 308 life tenancy units for £14.2m.

Development and trading

Including profits on sales of fixed assets, net of valuation writedowns, this division contributed £25.3m (2003: £14.6m) as follows:-

	2004 £m	2003 £m
Trading profits	13.5	10.3
Net profits on sale of fixed assets	3.5	1.9
Net rental income	0.4	1.9
Other income (Pimlico flats)	7.9	0.5
Operating profits	25.3	14.6

During the year we sold 12.4 acres of development land at Kennel Farm, Basingstoke for £14.2m generating profits of £10.7m. This now completes the sale of the major residential land blocks at this site; since 1999 we have sold 78 acres for total revenues of £76.2m. The opportunities for further income from Kennel Farm relate to the five acres allocated for business use, the local centre and smaller residential land parcels totalling approximately seven acres, some of which is allocated for social housing; given current market conditions and planning status we do not anticipate to benefit from the business use site until the financial year 2005/06.

We have disposed of the majority of our commercial investment portfolio, selling nine properties for £25.0m, representing a surplus of £3.5m over September 2003 values. We have written down the carrying value of our office development at Landmark Place, Slough by £1m in the year.

Other income in this division relates principally to the Pimlico development with Network Housing Association, 70 flats have been sold for a total value of £37.3m generating income of £7.9m; a further eight flats remained to be sold and five of these have completed since the year end.

Satisfactory progress is being made on the other major projects in this division:-

Project	Description	Status	Income Expected From
West Waterlooville	Option over 640 acres	MDA Masterplan approved by Winchester Havant and Hampshire	2007 on
Macaulay Road, Clapham, SW4	110,000 sq. ft. mixed use scheme	Application submitted, decision awaited	2007 on
South London Hospital, SW4	77 residential units above new Tesco foodstore	Construction commenced	2006/07
Hornsey Road and Barnsbury Complex, Islington	Public/private partnership mixed use scheme, 350 residential units, 43,000 sq.ft. council office and community use	Contracts exchanged	2007 on

During the year, Grainger Homes sold 132 units for £14.7m at a profit of £2.1m. Activity in this division has increased and we hope to sell in the region of 150 units in 2004/05.

The review highlights that 2003/04 has been something of a one-off year for the development and trading division. Major sales in the commercial portfolio and at Kennel Farm together with the income from Pimlico flats have produced a contribution from the division which is unlikely to be repeated in the short term.

Financial Review – Highlights

- Profit before tax and exceptional items up to £59.6m from £48.5m, an increase of 23%
- Net asset value per share up by 25% to £27.34 from £21.94
- Gearing at 103% (2003: 125%)
- Refinancing in the year to give increased capacity and greater flexibility

Results

Contributions from the tenanted residential and development and trading divisions have increased by 29.6% to give group profit before interest and taxation of £99.7m (2003: £76.9m).

Administrative Expenses

Administrative expenses have increased by 59.6% to £7.5m, largely as a result of the consolidation of the Bromley joint venture for the first time. These expenses represent 3.4% of turnover.

Interest Payable

Net interest payable has increased to £40.1m, from £11.5m, again because of the consolidation of Bromley's figures. We also had an exceptional charge of £5.4m relating to early interest payments arising on the repayment of our fixed debt, performed as part of our refinancing exercise. The average interest rate payable in the year has been 5.8% (2003: 5.6%), the increase coming from the general upward movement in borrowing rates in the year; at 30th September 2003 three month LIBOR stood at 3.7% and had increased to 4.9% a year later.

Pre-exceptional interest is covered 2.5 times by profit before interest and tax (2003:2.7 times).

Taxation

Our annual tax charge is significantly affected by FRS19, the accounting standard that prevents the provision of deferred tax on revaluation gains when companies are acquired. This serves to increase our effective tax rate which this year has been 39.1% (2003: 39.4%). Major items affecting the tax charge are:-

	£m
Group profit before tax	54.2
Tax at 30%	16.3
Adjusted for:	
Additional tax on the difference between book and tax value of trading property sales	7.2
Negative goodwill (not taxable)	(2.3)
Actual tax charge	21.2

Earnings per share and dividends

Earnings per share before exceptional items have increased by 25% to 149.7p from 119.8p and dividends by 42%. Dividends are covered 6.5 times by profit after taxation but before exceptional items and minority interest (2003: 7.3 times).

Financial Position

General

Most of our properties are held as trading stock and are therefore shown in the balance sheet at cost. This does not reflect the true worth of Grainger's assets and we set out below a statement of our net assets with the properties restated to market value.

	30 Sept 2004 £m	30 Sept 2003 £m
Properties at market value		
Tenanted residential	1,329	1,164
Development and trading	109	130
	1,438	1,294
Investment and other assets	16	12
Cash	54	81
Total assets	1,508	1,387
Borrowings	(750)	(761)
Net current liabilities	(68)	(69)
Deferred tax and other liabilities	(12)	(14)
Total liabilities	(830)	(844)
Net assets	678	543

Fixed assets

Fixed asset properties in the balance sheet comprise £97.0m tenanted residential and £8.4m commercial investment, totalling £105.4m (2003: £84.4m, £23.7m and £108.1m respectively)

Investment and intangible assets

Investments relate to our investment in Schroders ResPUT which has increased in value by £0.9m to £9.7m – book cost is £7.0m (2003: £7.0m) and a recent £3.3m investment in a limited liability partnership set up to develop land at Smiths Dock on Tyneside.

The negative intangible asset of £84.8m (2003: £97.2m) principally reflects negative goodwill arising on the acquisition of Bromley. It is being released to the profit and loss account in line with sales from that portfolio.

Trading properties

	Statutory balance sheet		Market value balance sheet	
	30 Sept 2004 £m	30 Sept 2003 £m	30 Sept 2004 £m	30 Sept 2003 £m
Tenanted residential	843	807	1,232	1,080
Development and trading	76	81	101	106
Total	919	888	1,333	1,186

The cost of our tenanted residential stock has increased from £807m to £843m; the movement being stock purchases of £95m, sales, write offs and transfers to development and trading of £63m and capitalised improvement costs of £4m.

The market value figures have risen to £1,232m from £1,080m; valuation uplifts account for £140m of the increase and the balance of £12m relates to the net effect of sales, acquisitions and transfers. The total market value of all of our tenanted residential properties, including those held as fixed assets is £1,329m (2003: £1,164m).

The group's development and trading assets held as stock fell in cost terms to £76m and in market terms to £101m (2003: £81m and £106m respectively) principally as a result of sales of commercial properties and plots of land at Kennel Farm. Our investment in this division in the year amounted to £22.6m, of which £14.2m related to Grainger Homes and a further £5m to projects in the land and regeneration division.

Other assets and liabilities

Other net liabilities, excluding current instalments due on borrowings and cash balances, have remained at a level consistent with last year.

Net assets

Net assets at market value have increased from £543m to £678m. Major movements are:-

	Reflected in the accounts £m	Not reflected in the accounts £m	Total £m
Net assets at 1 October 2003	149	394	543
Required change in accounting policy re owned shares	(2)	2	-
Restated net assets at 1 October 2003	147	396	543
Retained profits	27	(7)	20
Revaluation surpluses			
Tenanted residential	4	115	119
Development and trading		-	-
Investments		1	1
Goodwill movements		(5)	(5)
Net assets at 30 September 2004	178	500	678
Net assets per share	£7.17	£20.17	£27.34

Net assets have increased by £135m from £543m to £678m, the increase coming from retained earnings less negative goodwill of £20m, net revaluation surpluses of £120m and adjustments to goodwill of £5m

Analysis of net asset value

	Statutory Balance Sheet £m	Market Value Adjustments £m	Market Value Balance Sheet £m	FRS 13 £m	Conti-ngent Tax £m	NNNAV Balance Sheet £m
Properties	1,024	414	1,438			1,438
Investments/other assets/cash	66	4	70			70
Negative goodwill	(85)	85	-			-
	1,005	503	1,508			1,508
Borrowings	(750)		(750)	(5)		(755)
Net current liabilities	(68)		(68)			(68)
Provisions/contingent tax	(9)	(1)	(10)	5	(216)	(221)
Minority interest	-	(2)	(2)			(2)
	(827)	(3)	(830)	-	(216)	(1,046)
Net assets £m	178	500	678	-	(216)	462
Net assets per share	7.17	20.17	27.34	(0.01)	(8.71)	18.62

Diluted NAV (or "NNNAV") is computed by adjusting NAV for the market value of long-term debt and derivatives and for contingent tax. These amount to 1p and £8.71 per share respectively (2003: 31p and £7.72 respectively).

The FRS13 adjustment has fallen as a result of the refinancing undertaken in the year which eliminated all expensive fixed rate debt. Contingent tax, which will only crystallise on the realisation of the assets and is therefore payable some time in the future, has increased because of the increases in valuation surpluses in the year.

We also present Grainger NAV to reflect our estimate of the present value of the reversionary surplus in our regulated and life tenancy portfolios (i.e the difference between vacant possession value and market value after tax). We have calculated the present value of those surpluses net of tax using a discount rate of 8.6% (our weighted average of cost of capital plus a risk premium of 3%) (2003: 8.9%). This adjustment increases NNNAV by £5.38 per share to give Grainger NAV of £24.00 (2003:£18.00). It should be stressed that our calculation is based upon current house prices; no future house price movement is assumed.

Cash and debt

Cash balances at the year end amounted to £54m, representing some 3.6% of our total market value gross assets. Of this, £30m (2003: £54m) represents deposits received or acts as security for cash backed loan notes.

Group borrowings have decreased slightly from £761m to £750m.

Gearing on a revalued balance sheet basis fell to 103% from last year's figure of 125%.

Refinancing

During the year the group rearranged its debt structure. All of the group's debt with the exception of a non-recourse loan of £45m and loan notes of £32m were repaid. This led to early repayment charges of £5.4m on the fixed rate elements.

The new financing comprises a £900m facility with a club of eight banks, split into three tranches: a five year revolving credit facility of £475m, a five year term loan of £225m and a 10 year term loan of £200m. The new facility is arranged on a floating charge basis and has a far simpler and more relevant covenant structure; this means that it is both cheaper and easier to manage and provides the group with greater flexibility in its day to day operations. Funding levels are more certain as there are no annual repayments and the average cost of debt has been reduced by approximately 32 basis points.

At 30 September 2004 £680m of the facility had been drawn down leaving headroom of £220m.

The refinancing exercise has been short listed by 'The Treasurer' magazine as one of the loan deals of the year 2004.

Capital management

The group finances its operations through a combination of shareholders' funds and borrowings and seeks to optimise its weighted average cost of capital ('WACC') – at 30 September 2004 our estimate of WACC was 5.64% (2003: 5.89%).

The group does not take trading positions in financial instruments but holds them to minimise the risk of exposure to fluctuating interest rates. The majority of our debt is subject to protective swaps, caps or collars or is maintained at fixed rates of interest. At 30 September 2004, £501m (71%) of the group net debt was either fixed to termination, or for over one year, or was protected by financial instruments (2003: 90%).

A combination of interest rate swaps and financial caps is used to provide a degree of certainty over future interest rate costs whilst enabling the group to take advantage of any favourable short term rates. At 30 September 2004 the group held £223m of swap contracts at an average rate of 5.4% maturing between 2004 and 2014. (2003: £298m at 5.4%). There were also financial caps in place of £233m at an average cap rate of 6.1%, expiring between 2005 and 2009. (2003: £235m at 6.1%). A summary of our gross borrowings is:-

	Principal £m	Interest Rate%	Terminating
Fixed to termination	45	6.3	2005-2032
Hedged by swap contracts	223	6.4	2005-2009
Hedged by financial caps	233	6.0	2005-2009
Variable/fixed under one year	256	5.6	2005-2014
Total debt	757	6.0	
Less: Cash	(54)		
Net Debt	703		

The notional effect of the fair value adjustment of marking the group's fixed rate debt and derivatives to current market rates ('FRS 13 adjustments') would be to produce a notional 'liability' after tax of £0.4m or 1p per share (2003: 31p). This adjustment represents approximately 0.05% of group gross borrowings at 30 September 2004 and will not be recognised in the accounts until the position matures or is terminated.

The group also maintains a range of borrowings maturities to enable it to balance continuing of funding with flexibility. At 30 September 2004 the average duration of the group's debt was 6.4 years (2003: 6.0 years).

Andrew Cunningham
Deputy Chief Executive and Finance Director
7 December 2004

GRAINGER TRUST plc
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Year Ended 30.09.2004 (unaudited) £m	Year Ended 30.09.2003 (audited) £m
Turnover (2003: including share of joint venture)		**217.4**	173.6
Less: Share of turnover of joint venture		**-**	(55.6)
Group turnover		**217.4**	118.0
Gross rentals		**41.0**	21.4
Trading profits		**72.6**	38.8
Other income		**9.8**	0.9
		123.4	61.1
Less:			
Property expenses		**(22.7)**	(9.1)
Administration expenses		**(7.5)**	(4.7)
Group operating profit		**93.2**	47.3
Share of operating profit of joint venture (after £nil (2003 : £35,000) amortisation of goodwill)		**-**	23.6
Total operating profit : group and share of joint venture		**93.2**	70.9
Net profit on disposal of and provisions against fixed assets			
- Group		**6.5**	1.9
- Joint venture		**-**	4.1
		6.5	6.0
Profit on ordinary activities before interest and taxation		**99.7**	76.9
Net interest payable and similar charges			
- Group normal		**(40.1)**	(11.5)
- Group exceptional		**(5.4)**	-
- Joint venture		**-**	(16.9)
		(45.5)	(28.4)
Profit on ordinary activities before taxation		**54.2**	48.5
Tax on profit on ordinary activities	3	**(21.2)**	(19.1)
Profit on ordinary activities after taxation		**33.0**	29.4
Minority interest – equity		**-**	(0.1)
Profit attributable to shareholders		**33.0**	29.3
Dividends	4	**(5.7)**	(4.0)
Retained profit for the year		**27.3**	25.3
Basic earnings per share	2	**134.2 p**	119.8 p
Diluted earnings per share	2	**133.4 p**	119.3 p
Basic earnings per share before exceptional items	2	**149.7 p**	119.8 p

All results relate to continuing operations.

GRAINGER TRUST plc
STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Year Ended 30.09.2004 (unaudited) £m	Year Ended 30.09.2003 (audited) £m
Profit for the period attributable to shareholders	**33.0**	29.3
Taxation on realisation of property revaluation gains of previous years	**(0.4)**	-
Unrealised surplus on revaluation of properties	**4.3**	3.1
Surplus recognised in the profit and loss account in the year	**-**	(1.3)
Adjustment to reserves arising from consolidation of joint venture	**-**	(2.9)
Total gains and losses recognised - group	**36.9**	28.2
Share of joint venture tax on realisation of revaluation reserves	**-**	(0.9)
Unrealised surplus on revaluation of joint venture properties	**-**	4.4
Total gains and losses recognised since the last annual report – group and joint venture	**36.9**	31.7

GRAINGER TRUST plc
CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2004

	Note	30.09.04 (unaudited) £m	30.09.03 (restated) (audited) £m
Fixed assets			
Intangible assets		**(84.8)**	(97.2)
Tangible assets		**106.7**	109.1
Investments		**10.3**	7.0
		32.2	18.9
Current assets			
Stocks		**918.6**	888.3
Debtors: amounts falling due within one year	5	**10.6**	10.0
Cash at bank and in hand		**53.8**	81.7
		983.0	980.0
Creditors: amounts falling due within one year	6	(109.0)	(154.5)
Net current assets		**874.0**	825.5
Total assets less current liabilities		**906.2**	844.4
Creditors: amounts falling due after more than on year	6	**(717.9)**	(684.8)
Provision for liabilities and charges		**(10.4)**	(12.8)
Net assets		**177.9**	146.8
Capital and reserves			
Called-up equity share capital		**6.2**	6.2
Share premium account		**21.5**	21.4
Revaluation reserve		**13.9**	14.7
Capital redemption reserve		**0.2**	0.2
Profit and loss account		**136.1**	104.2
Equity shareholders' funds		**177.9**	146.7
Minority interests – equity		**-**	0.1
		177.9	146.8

GRAINGER TRUST plc
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	30.09.04 (unaudited) £m	30.09.03 (restated) (audited) £m
Net cash inflow/(outflow) from operating activities	56.2	(37.3)
Dividends from joint ventures and associates	-	52.0
Returns on investments and servicing of finance		
Interest received	3.3	2.9
Interest paid – normal	(42.2)	(14.0)
– exceptional	(5.4)	-
Dividends received	0.2	0.2
	(44.1)	(10.9)
Taxation		
UK corporation tax paid	(24.1)	(11.8)
Capital expenditure and financial investment		
Purchase of fixed asset investments	(4.5)	(1.3)
Purchase of tangible fixed assets	(29.8)	(0.5)
Sale of fixed asset investments	1.2	-
Sale of tangible fixed assets	41.1	2.1
	8.0	0.3
Acquisitions and disposals		
Purchase of subsidiaries	(2.3)	(25.9)
Costs on purchase of subsidiaries	-	(0.3)
Cash acquired on purchase of subsidiaries	0.2	74.9
	(2.1)	48.7
Equity dividends paid	(4.2)	(3.6)
Cash (outflow)/inflow before financing	(10.3)	37.4
Financing		
New loans raised	726.1	64.0
Repayment of loans	(743.7)	(30.2)
Purchase of shares	(0.1)	(0.1)
Issue of shares	0.1	0.1
Net cash (outflow)/inflow from financing	(17.6)	33.8
(Decrease)/Increase in cash in the year	(27.9)	71.2

	30.09.04 £m	30.09.03 £m
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Operating profit	93.2	47.3
Depreciation	0.4	0.2
Movement in provisions for liabilities and charges	(0.2)	-
Amortisation of goodwill	(6.1)	(0.2)
Increase in debtors	(2.0)	(1.6)
Increase/(decrease) in creditors	1.2	(13.6)
Increase in stocks	(30.3)	(69.4)
Net cash inflow/(outflow) from operating activities	56.2	(37.3)

NOTES TO THE PRELIMINARY ANNOUNCEMENT OF RESULTS

1 The Group has adopted Urgent Issues Task Force Abstract 38: "Accounting for ESOP trusts" for the 2004 results. As a result of the implementation of the requirements of this Abstract, shares in the company held by an employee share trustee company which were previously reported as investments are now recorded as a deduction from equity shareholders' funds. At 30 September 2004, the carrying value of these shares was £2.3m which has been set against the profit and loss account in the balance sheet. The comparative figures have been restated in a prior year adjustment to reflect this new treatment such that shareholders' funds at 30 September 2003 have been reduced by £2.2m

2 Earnings Per Share

The calculation of basic, diluted and adjusted earnings per share is based on the following earnings and number of shares:

	Year ended 30 09.04			Year ended 30.09.03		
	Profit for the year £m	**Weighted average number of shares (thousands)**	**Earnings per share pence**	Profit for the year £m	Weighted average number of shares (thousands)	Earnings per share pence
Basic earnings per share						
Profit attributable to shareholders	**33.0**	**24,563**	**134.2**	29.3	24,473	119.8
Exceptional item less tax	**3.8**		**15.5**	–		–
Adjusted earnings	**36.8**		**149.7**	29.3		119.8
Effect of potentially dilutive securities						
Options	**–**	**144**	**–**	–	117	–
Diluted earnings per share						
Profit attributable to shareholders	**33.0**	**24,707**	**133.4**	29.3	24,590	119.3
Exceptional item less tax	**3.8**		**15.4**	–		–
Adjusted earnings	**36.8**		**148.8**	29.3		119.3

The adjusted earnings per share is presented as, in the opinion of the directors, it gives a better picture of the underlying performance of the business.

The impact of shares held by the ESOP trustee company have been taken into account in the calculation of the weighted average number of shares for the year ended 30 September 2004. The comparatives for 2003 have been restated on the same basis.

3 Taxation

Tax on profit on ordinary activities:	**30.09.04 £m**	**30.09.03 £m**
Group:		
Normal	**22.8**	11.9
Exceptional	**(1.6)**	-
	21.2	11.9
Share of Joint Venture	**-**	7.2
	21.2	19.1

4 Dividends

Dividends on ordinary shares:	**30.09.04 £m**	**30.09.03 £m**
Interim of 4.04p per share (2003: 3.51p)	**1.0**	0.8
Final of 19.20p per share (2003: 12.80p)	**4.7**	3.2
	5.7	4.0

		30.09.04 £m	30.09.03 £m
5	**Debtors**		
	Trade debtors	**5.8**	2.6
	Other debtors	**0.5**	0.6
	Prepayments and accrued income	**2.9**	4.0
	Deferred tax	**1.4**	2.8
		10.6	10.0

		30.09.04 £m	30.09.03 £m
6	**Creditors**		
	Amounts falling due within one year:		
	Mortgages and other loans	**-**	11.7
	Loan notes	**31.8**	41.2
	Bank loans	**-**	23.5
	Deposits received	**0.8**	1.0
	Trade creditors	**22.2**	8.1
	Corporation tax payable	**20.5**	24.9
	Other taxation and social security	**3.2**	2.0
	Accruals and deferred income	**25.8**	38.9
	Dividends payable	**4.7**	3.2
		109.0	154.5
	Amounts falling due after more than one year:		
	Debenture stock	**-**	2.5
	Mortgages and other loans	**-**	427.6
	Bank loans	**717.9**	254.7
		717.9	684.8

7 This announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 September 2003 have been filed with the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain any statement under Section 237(2) or (3) of the Companies Act 1985.

8 Copies of the statement may be obtained from the Company's registered office, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE. Further details of this announcement can be found on our website, www.graingertrust.co.uk.

9 The Board of Directors approved this preliminary announcement on 7 December 2004