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5 November 2009

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

Grainger plc, the UK's largest specialist quoted residential property owner, today announces its preliminary results for the year ended 30 September 2009.

In a separate announcement, issued earlier today, Grainger has also announced the launch of a fully underwritten Rights Issue to raise gross proceeds of approximately £250m (approximately £238m net of expenses) by the issue of up to 277,628,724 New Shares through a 2 for 1 Rights Issue at 90 pence per New Share.

Financial highlights

- Operating profit of £79m (2008: £106m) before valuation movements and non-recurring items reflecting market conditions and the decline in residential trading profit margins
- Loss before tax of £3m (excluding valuation movements and non-recurring items) (2008: profit of £12m):
- Loss before tax of £170m (2008: £112m), largely derived from valuation deficits, mark to market adjustments and non-recurring items
- As at 30 September 2009, the Group's wholly owned portfolio of 13,259 residential properties in the United Kingdom and 7,180 primarily residential properties in Germany, together were valued at £2.1 billion (2008: £2.3 billion)
- Gross Net Asset Value per share of 411p (2008: 535p); Grainger NAV per share of 360p (2008: 520p)
- Extended liquidity for the Group's financing secured through the agreement of two new forward start credit facilities totalling £615m
- Net debt levels (before unamortised finance costs) reduced to £1,561m at the year end from £1,621m in 2008. On the successful completion of the Rights Issue, pro forma net debt levels as at 30 September 2009 will fall to £1,323m
- At 30 September 2009, the LTV on the Group's core banking facility was 66% (2008: 66%). Under the interest cover covenant, the interest cost must be covered 1.25 times by net cash flow before interest. At the year end, this ratio was well covered at 2.7 times (2008: 2.2 times). On the successful completion of the Rights Issue, the Group's pro forma LTV ratio will decrease to 53%
- Given the housing market's stabilisation over recent months and the Group's success in generating sales income during the reporting period, the board is recommending a final dividend of 3.91p per share (Final dividend in 2008: 3.91p).

Operational highlights

- Completed sales across the Group totalled £220m (30 Sept 2008: £181m), an increase of 21.5%; total sales pipeline (including properties in solicitors' hands and contracts exchanged) of £55m as at 30 October 2009
- Successful sales programme at the Hornsey Road development, with all 92 units from the April launch reserved. Sales of 91 of these units were completed or contracts exchanged as at 30 September 2009. Following the period end, as at 30 October, 25 out of the 26 units of Phase 2 of this development have been reserved, of which 13 transactions are already completed and five exchanged
- Implementation and achievement of considerable 'self-help' measures to strengthen the Group's financial position including a cash conservation programme (only £12m of property assets acquired in the UK, compared to £123m in 2008 and £406m in 2007) and a 13% reduction in the number of full time equivalent employees.

Commenting, Robin Broadhurst, Chairman of Grainger, said:

“Although the residential trading market has shown some sign of recovery over the late summer, we remain cautious in our near term outlook and will not remove our focus from prudent financial husbandry. Nevertheless, on the successful conclusion of the Rights Issue announced today, we would anticipate being in a position to recommence property acquisitions as the market recovers provided pricing levels are appropriate and we see the ability to generate or enhance shareholder value. Indeed, we already are beginning to see potential opportunities to build on our existing portfolio.

“Whilst economic conditions may remain challenging for some time to come, we believe we are well positioned to capitalise on future upturns and are excited by the prospect.”

Andrew Cunningham, Grainger’s Chief Executive, said:

“During the year, we successfully executed a number of self-help measures to strengthen the Group’s financial position. We agreed two new forward start credit facilities totalling £615 million to provide extended liquidity for the Group and, throughout the year, we made good progress with our cash conservation programme, increased our Investment Sales, sold various development assets, reduced our level of acquisitions and reduced the number of full time equivalent employees by 13%. These measures, combined with the proceeds of the proposed Rights Issue we have launched today, will enhance both our financial position and our ability to make future acquisitions as market conditions improve.”

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Chairman's Statement

Objectives

At the beginning of this financial year we stated that, given the anticipated difficult market conditions, cash conservation and generation was to be our key objective for the year. Accordingly, our focus during the year to 30 September 2009 has been on:-

- maximisation of sales revenue
- reduction in property purchases
- overhead reduction
- enhancing the Group's financial stability.

Key progress during the year

- Sales of property across the Group amounted to £220m, an increase of 21.5% over 2008's figure of £181m.
- Only £12m of UK property assets were acquired compared to £123m in 2008 and £403m in 2007.
- We have reduced the number of full time equivalent employees at 30 September by 13% as compared to 30 September 2008.
- We finalised the refinancing of our core UK debt facility and reset various maturities. These steps, in conjunction with the successful conclusion of the proposed Rights Issue announced today, will strengthen Grainger's financial position and ensure our business is able to take advantage of compelling future acquisition opportunities as the market recovers.

Results

Grainger's results for the year have been significantly affected by valuation movements and non-recurring items. Accordingly, within note 2 to the accounts, we have analysed our income statement into trading activities and valuation and other mark to market adjustments and non-recurring items. This analysis enables us to present more meaningful comparisons of our core operations year on year.

Loss before tax has increased to £170m from £112m, the majority of which is derived from valuation deficits/write downs, mark to market adjustments, change in fair value of derivatives and non-recurring items. Adjusting for these, the Group's result for the year would be a loss of £3m compared to a profit of £12m last year. In addition, the business has remained strongly cash generative:-

	<u>£m</u>
Loss before taxation	(170)
Add back:	
: Property – valuation movements (note 2)	49
: Financial – mark to market and non-recurring items (note 2)	118
: Other – cost of sales and other movements	173
	<hr/>
Cash generated from operations (statement of consolidated cash flows)	170
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The trading profit included within operating profit before net valuation deficits on investment property has declined from £106m to £79m. This is primarily due to a fall in profits on disposal of trading property, with an increase in volume being offset by decreased margins.

Our net asset values have been adversely affected by falls in property values:

	2009 <u>per share</u>	2008 <u>per share</u>
Net asset value per share ("NAV")	411p	535p
Triple net asset value ("NNNAV")	251p	385p
Grainger net asset value ("GNAV")	360p	520p

Details of the calculation of these NAV measures are provided in the financial review.

Rights Issue

This morning we have announced our intention to raise approximately £250m (approximately £238m net of expenses) by way of a 2 for 1 Rights Issue of up to 277,628,724 new shares. The Rights Issue price of 90p represents a discount of 40.2% to the theoretical ex-rights price based on the closing middle market price of 271.4 pence per Ordinary Share on 4 November 2009 and a 39.7% discount to the theoretical ex-rights price based on that closing price adjusted for the proposed final dividend of 3.91 pence per Ordinary Share which will be paid to Shareholders on the register of members at close of business on 20 November 2009.

We have determined to raise additional equity finance to improve our balance sheet leverage ratios, reduce the overall cost and size of our debt and to better enable us to move from our current position of cash conservation to recommence active trading as opportunities arise.

Full details of the issue are contained in the Prospectus which is expected to be issued this morning.

Dividends

At the half year the Board felt that it was prudent to wait until the year end before deciding on dividends. Given the stabilisation in the housing market over recent months and our success in generating sales income the board are recommending a final dividend equivalent to that paid as a final dividend in 2008. This will therefore amount to 3.91p per share and if approved will be paid on 12 February 2010 to shareholders on the register of members at close of business on 20 November 2009.

Assuming the stabilisation in the economy and the housing market continues, the Board anticipates being in a position to revert to its progressive dividend policy in the year ended 30 September 2010, from a base total cash payment of between £5.5m and £8m, the total dividend payments made in respect of 2009 and 2008 respectively

Board Changes

Subsequent to the year end and as previously announced our Chief Executive, Rupert Dickinson, stepped down from the Board on 20 October 2009, for reasons of ill health. On behalf of the Board I thank Rupert for his significant contribution over the 17 years he was a director and in particular, for the leading role he played in the acquisition of BPT plc. His place has been taken by Andrew Cunningham who was previously Deputy Chief Executive and Finance Director and who has sat on the board since 1996. The Company has also commenced the search for a new Property Director and Finance Director to strengthen the executive team.

Outlook

Although the residential trading market has shown some sign of recovery over the late summer, we remain cautious in our near term outlook and will not remove our focus from prudent financial management. Nevertheless, assuming successful conclusion of the Rights Issue announced today, we would anticipate being in a position to recommence property acquisitions as the market recovers provided pricing levels are appropriate and we see the ability to generate or enhance shareholder value. Indeed, we already are beginning to see potential opportunities to build on our existing portfolio.

Whilst economic conditions may remain challenging for some time to come, we believe we are well positioned to capitalise on future up turns and are excited by the prospect.

I would like to take this opportunity to thank everyone at Grainger for the committed, professional way they have performed in extremely difficult conditions.

Robin Broadhurst
Chairman
5 November 2009

Chief Executive's Review

Strategic Review

It remains our overriding objective to maintain and consolidate our position as the UK's largest quoted specialist residential property owner. On a divisional level, our position is as follows;

Core portfolio. We will seek to build on our existing position in the ownership and management of properties subject to regulated tenancies. The supply of such tenancies is finite and our objective is to replenish our stock levels through individual, portfolio and corporate acquisitions to the extent they can be sourced at appropriate prices and to look at opportunities to grow market share.

Retirement solutions. We hold a market leading position in home reversions and intend to retain this. A key focus to support future acquisitions will be funding – for which we will investigate alternatives such as non-recourse asset specific debt and/or third party equity investment.

Fund management and residential investments. The G:res fund launched by the Group in 2007 is the largest of its type in the UK and we also have experience in working in residential joint ventures such as our association with Genesis Housing Association. We believe this represents a significant potential growth area for Grainger – and offers the opportunity to retain exposure to a variety of residential asset classes with a reduced capital and risk exposure to direct ownership of such properties and the opportunity to generate stable income through fees obtained from fund and asset management services as well as performance based distributions.

Development division. This division represents a very different risk/reward balance from that we obtain from our core and retirement solutions portfolios, we intend to ensure that our exposure remains controlled. It is our intention that this division will not account for greater than 10% of the Group's assets but, at this level and given the greater risks involved, we aim for it to contribute at least 15% of Group profit. We will continue to focus on residential-led schemes, in joint ventures where appropriate.

Europe. We believe that we have reached critical mass in the size of our German residential portfolio. It is our intention to introduce third party equity into the structure and build on our management platform in Germany to create sources of fee income. However, current pricing levels are not attractive and we will only move to a co-investment structure when we believe that we can obtain adequate value.

Other asset classes. Grainger intends to use its experience of the residential market allied to our existing portfolio to investigate and invest in other sectors of the residential universe, either through direct ownership or in co-investment vehicles and joint ventures. Areas currently under consideration range from intermediate housing and shared equity to retirement villages and student accommodation.

Market Review

The disruption to the global financial markets, which began in the summer of 2007, and the consequential global recession, particularly in the UK, has led to marked declines in residential housing prices and significant restrictions in the availability of mortgage financing in the UK. This continues to have a negative impact on the largely credit-dependent UK residential property market.

However, the latter part of our financial year has shown signs of stability returning to the housing market. The rate of house price fall has slowed considerably and most indicators show a slight increase in prices over the summer months.

The improvement in the market is reflected by the results of our year end valuation. Vacant possession values of our UK residential properties fell by 4.1% over the year, a significantly better result than was anticipated at the beginning of the year. The strengthening of the UK residential investment market was also shown by a narrowing of the discount applied to vacant possession values to obtain the market value of our properties. At 30 September 2008 our regulated properties were valued at 71.3% of vacant possession value and this had increased to 72.5% at 30 September 2009.

Nevertheless, we believe the market remains fragile and our near term outlook is suitably cautious. In the longer term, however, we see grounds for optimism. There remains a significant shortfall between supply and demand. The Government has indicated that some three million new homes will be required by 2020 but we believe new house build levels will be well below 100,000 for 2009. Inevitably such an imbalance will serve to produce upward pressure on prices over the long term.

We are also seeing signs of a political imperative to make changes to the structure of the UK housing sector – most notably the Homes and Communities Agency (“HCA”) work on the Private Rented Sector Initiative (“PRSI”). With suitable fiscal incentives and planning policies and practices to encourage, for example, build to let schemes, the PRSI would not only help alleviate the supply problem but would also present Grainger, as the UK’s largest listed residential owner, with significant business opportunities.

Our recent focus has been on cash conservation – particularly through maximising sales revenue and reducing property spend. Following completion of the Rights Issue we will have positioned our business to ensure that we are able to take advantage of opportunities if the market continues to stabilise and recover.

Risk Review

The major risks to Grainger’s business are macroeconomic

- | | |
|----------------|--|
| Housing Market | - further severe and rapid downturn in UK house prices |
| | - stagnation in the market including through lack of mortgage finance and/or finance to acquire properties |
| Financing | - significant increases in borrowing costs |
| | - lack of or reduction in finance available to Grainger |

Housing market

Our unique UK residential portfolio has a number of defensive features in the face of a market slow-down including:

- it has been assembled over a significant period of time and, even after recent falls in value, its current market value exceeds cost by £320m.
- it is a reversionary portfolio and the value to be obtained by selling on vacancy exceeds the present ‘tenanted’ market value by £570m (“the reversionary surplus”).
- it is geographically diverse (although 54% is in London and the South East) and not overly exposed to cluster risk.

- the low average value (average vacant possession value at 30 September 2009 is £189,000 (2008: £190,000)) and un-modernised nature of our regulated properties support demand.
- as demonstrated by the level of sales we have achieved in the last two difficult trading years, our portfolio is liquid. As well as normal sales on vacancy we are also able to sell many of our properties with a tenant in place ("investment sales").

Financing

We seek to mitigate financing risks by:

- our hedging policy. At 30 September 2009, 93% of Group debt was hedged through being fixed or subject to caps or swaps. Debt subject to caps or which is floating can benefit from lower LIBOR rates.
- maintaining cash headroom. At 30 September 2009 this stood at £171m (2008: £370m) and, assuming a successful outcome to the Rights Issue, this will increase to £304.5m.
- extending debt maturity profile. We have no debt repayments uncovered by 30 September 2009 headroom until December 2012.
- generating cash. The business has generated £170m of cash from operating activities, excluding sales of investment property, compared to net interest paid of £76m.
- monitoring of covenant compliance to ensure that any pre-emptive action (such as asset sales) is taken to prevent any breaches occurring. Details of our covenants are given in the financial review.

Andrew R. Cunningham
Chief Executive
5 November 2009

Operating and Financial Review

Operating Review

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

<u>Division</u>	<u>Assets</u>	Market Value £m	Percentage of total
Core portfolio	Primarily our portfolio of regulated tenancies	1,059	48.2
Retirement solutions	Our interests in home reversion and retirement related assets	481	21.9
Fund management and investments in residential joint ventures	Investments in managed funds (G:res1 and Schroders ResPUT) and in Grainger GenInvest	101	4.6
UK and European Development	Residential or residential led mixed use developments	83	3.8
European residential	Investment in German residential portfolio	473	21.5
		<hr/> 2,197 <hr/>	<hr/> 100.0 <hr/>

Core portfolio

	<u>2009</u>	<u>2008</u>
Regulated units owned	6,327	7,316
Market value	£871m	£1,000m
Vacant possession value	£1,197m	£1,399m
Other assets (vacants, assured etc)	831	803
Market value	£188m	£190m
Vacant Possession value	£214m	£216m

Trading conditions, particularly in the early part of this financial year, have been difficult but we have achieved sales of £143m (2008: £141m), demonstrating the liquidity of the portfolio.

There has been a concerted effort to make selected investment sales (sales of a property with a tenant in place rather than with vacant possession – ‘normal sales’) both as part of our usual portfolio housekeeping and also to enhance cash generation.

The total number of units sold in the year was 1,060 (2008: 817) of which 517 were investment sales accounting for £55m of proceeds and £7m of profit, (2008: 302 investment sales for proceeds of £41m and profit of £17m).

The average sales price achieved on normal sales was £157,620 (2008: £193,000) and over the course of the whole year were 6% below September 2008 vacant possession values. Margins on normal sales fell to 37.6% from 45.9%.

In line with our stated policy of cash conservation, we significantly reduced acquisitions in this portfolio, buying only seven units for £0.9m (2008: 403 units for £80m).

Operating contribution from the core business (comprising profits on sale of trading and investment assets together with net rents and other income, after deducting divisional overheads and adding back write down of inventories and provision for impairment of loans receivable and goodwill) amounted to £56m (2008: £83m).

Retirement solutions

	<u>2009</u>	<u>2008</u>
Interest in residential units (number)	6,101	6,227
Market value	£481m	£521m
Vacant possession value	£699m	£754m

During the year, we sold interests in 245 assets from this portfolio, raising aggregate proceeds of £27m and generating a profit of £7m (2008: 185 assets for £27m and profit of £11m).

As with the core portfolio, we have significantly reduced the level of acquisitions in this portfolio; buying 119 units for an aggregate of £11m (2008: 460 units for an aggregate of £43m).

Operating contribution from the retirement solutions business (on the same basis as the core portfolio but excluding the CHARM revaluation) amounted to £12m (2008: £16m).

Fund management and residential investments

	<u>Holding %</u>	<u>Number Of units</u>	<u>Gross asset value £m</u>	<u>Net asset value £m</u>	<u>Grainger Investment £m</u>
Grainger GenInvest*	50.0	1,528	290	52*	68
G:res1	21.6	2,073	366	113	24
Schroders ResPUT	21.8	374	40	40	9
Total 2009		<u>3,975</u>	<u>696</u>	<u>205</u>	<u>101</u>
Total 2008		<u>4,234</u>	<u>772</u>	<u>294</u>	<u>129</u>

*Net asset value for Grainger GenInvest is shown after adjusting for the mezzanine loan provided by Grainger of £74m.

Contribution from the fund management and residential investments business (comprising share of profits, dividends received, fee income, share of revaluation movements and provisions against loans) amounted to a loss of £14m (2008 loss: £50m). Included within this is our share of revaluation movements amounting to a loss of £5m. The external debt in these vehicles is non recourse to Grainger plc.

The investors in Schroders ResPUT have agreed to a controlled liquidation of the fund and, as at 30 September 2009, Grainger has received £7.6m from the redemption of units in the fund at average values equal to 2008 levels.

Property services

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

	<u>2009</u>	<u>2008</u>
UK residential units managed	17,470	19,433
Gross rent roll	£78m	£78m
Gross property expenditure	£21m	£19m

Development division

	<u>2009</u>	<u>2008</u>
Market value of development portfolios (including share of joint ventures)	£71m	£142m
Estimate of completed development value	£580m	£850m
Of this, with planning consent	£442m	£484m
Committed cash expenditure	£10m	£30m

Although the development activities of this business have been curtailed in the interests of cash conservation, we have been successful in generating sales income with total proceeds of £47m being raised (2008: £10m). The major sources of income have come from our Barnsbury and Hornsey Road sites in North London. The first was sold as a development site for £19m. At Hornsey Road we launched 92 units for sale in early April 2009 and had completed sales or exchanged on 90 of them for £21.6m by the end of September 2009. Following the period end, as at 30 October, 25 out of the 26 units of Phase 2 of this development have been reserved, of which 13 transactions are already completed and five exchanged.

The current status of our other major projects is as set out below:-

Project	Description	Status
Newlands Common	537 acre greenfield site, freehold with overage interest in Waterlooville, Hampshire.	Outline Consent granted for 1635 residential units and 1 million sq. ft. B1-B8 space. 1000 further properties on land in local core strategy
Macaulay Road, Clapham	1.811 acres brownfield site, Clapham, freehold.	Detailed consent granted for 97 residential units and 30,000 sq. ft. office. Demolition complete.
Wards Corner	Development agreement with London Borough of Haringey. A number of smaller interests within overall site currently owned.	Planning consent granted for 197 residential units with ground floor retail units. CPO likely to be required to purchase remaining site.
Gateshead College	9.87 acres brownfield former college site, Gateshead. Owned freehold with deferred purchase payment.	Planning consent granted for 245 residential units.
Newbury	Preferred developer status with Newbury for key town centre site.	Conditional development agreement under current discussion for approximately 330 residential units, 50,000 sq. ft. retail.
Curzon Park	10 acres brownfield freehold, central Birmingham, 50:50 joint venture with Development Securities Plc.	Outline planning consent granted for 400,000 sq. ft. residential, 800,000 sq. ft. office, 20,000 sq. ft. retail, 200-bed hotel.
Hammersmith	Preferred developer of Hammersmith and Fulham Borough Council. Development Agreement signed with Borough and JV partner Helical Bar, King Street, Hammersmith.	Application for 290 residential units, 5,202 sq. m. commercial space, 11,000 sq. m. council offices, a public square, a bridge linking Hammersmith with the river, and 200 car parking spaces to be submitted spring/summer 2010.
Zizkov	Joint Venture 50% owned by Grainger), 31 acre brownfield site, Prague	Planning application in preparation for mix use scheme comprising 483,000 sq. ft. retail, 580,000 sq. ft. office, 245 residential units, hotel.

The operating loss from this business in the year (comprising trading results, net of divisional overheads and asset writedowns) amounted to £14m (2008: loss of £12m).

The development business has future commitments to spend £10m in the period to April 2013.

European Residential

	<u>2009</u>	<u>2008</u>
Residential units owned	6,807	6,894
Market value	£472.6m	£417.5m
Gross rents	£30.3m	£21.4m
Gross annual running rent	£31.3m	£27.8m

During the year we cleared all regulatory hurdles arising from the April 2008 acquisition of FranconoRheinMain AG (“FRM”) and the company has now been de-listed. Sales and acquisitions have been minimal in the year and the focus has been on portfolio management.

The operating contribution from our German business (comprising profits on sale of investments assets together with net rents and other income after deducting divisional overheads) amounted to £11.8m (2008: £11.4m).

The revaluation movement on the portfolio resulted in asset writedowns of £10.9m. The net rental yield on the portfolio is 5.0% (2008: 5.1%). External debt amounts to £321.4m and is non recourse to Grainger plc.

Prospects

Since the year end, we have continued to sell properties. As at 30 October 2009 our UK residential sales pipeline (being completed sales, exchanged contracts and in solicitors hands) amounted to £55m.

Given our recent refinancing and depending on future market conditions, we do not anticipate making the same level of investment sales in 2010 as we have in the last year. This is expected to produce an improvement in overall sales margins albeit at the expense of total sales volumes.

Despite some recent signs of recovery in market conditions, we are still cautious in our near term view. Against this context, we will seek to use our expertise and experience to ensure that acquisitions offer the potential to create and enhance value for our shareholders in the medium to long-term.

Financial Review

Performance overview

Our key performance indicators are:

		<u>2009</u> 411p	<u>2008</u> 535p
	Gross net assets value per share (pence)		
	Operating profit before valuation and goodwill adjustments	£78.8m	£106.0m
(1)	Return on capital employed	(4.3%)	(11.4%)
(2)	Return on shareholder equity	<u>1 year</u> (33.7%)	<u>5 year</u> (4.5%)
			<u>10 year</u> 3.6%
(1)	Profit before financing costs together with all revaluation movements as a percentage of opening gross capital		
(2)	Growth in NNNAV plus dividends paid per share as a percentage of opening NNNAV on an annualised basis		

Most of our properties are held as trading stock and are therefore shown in the statutory balance sheet at the lower of cost and net realisable value. This does not reflect the market value of the assets and so we set out below a summary of our net assets with the properties restated at market value.

	Statutory Balance Sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Deferred and contingent tax £m	Derivatives £m	Triple NAV balance sheet £m
Properties	1,779	304	2,083	-	-	2,083
Investments/other assets	116	17	133	-	(9)	124
Goodwill	6	-	6	-	-	6
Cash	28	-	28	-	-	28
Total assets	1,929	321	2,250	-	(9)	2,241
Borrowings etc	(1,676)	99	(1,577)	-	(108)	(1,685)
Other net liabilities	(103)	-	(103)	-	-	(103)
Provisions/deferred tax	(22)	22	-	(137)	33	(104)
Total liabilities	(1,801)	121	(1,680)	(137)	(75)	(1,892)
Net assets	128	442	570	(137)	(84)	349
2009 Net assets per share (pence)	93	318	411	(99)	(61)	251
2008 Net assets per share (pence)	178	357	535	(144)	(6)	385

The European Public Real Estate Association (“EPRA”) Best Practices Committee has recommended the calculation and use of a diluted EPRA NAV and a diluted EPRA Net Net Assets Value (NNNAV). The definitions of these measures are consistent with Gross NAV and Triple NAV as described and shown in the table above.

This definition of Gross NAV requires us to remove any balances for deferred tax on property revaluations and the fair value of derivatives as calculated under IFRS. Triple NAV requires certain of these adjustments to be reinstated and, in addition, a deduction is made for contingent tax which is calculated by applying the expected rate of tax to the full inherent gains at the balance sheet date.

Market value analysis of property assets

	Shown as stock at cost £m	Market value adjustment £m	Market value £m	Investment Property/ Financial Interest in property assets £m	Total £m
Residential	929	321	1,250	763	2,013
Development	87	(17)	70	-	70
Total September 2009	1,016	304	1,320	763	2,083
Total September 2008	1,142	377	1,519	741	2,260

Net asset value

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

	<u>2009</u> 411p	<u>2008</u> 535p	<u>Movement</u> (23%)
Gross net assets per share (NAV)			
- market value of net assets per share before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives			
Triple net assets per share (NNNAV)	251p	385p	(35%)
- gross NAV per share adjusted for deferred and contingent tax on revaluation gains and for mark to market adjustments			
Grainger NAV	360p	520p	(31%)
- NNNAV adjusted for the discounted and taxed reversionary surplus (the difference between vacant possession and market value) in our long term regulated and home reversion portfolios			

The major movements in NAV in the year are:

	<u>£m</u>	<u>Pence per share</u>
Gross net assets 1 October 2008	688	535
Conversion of convertible bond	42	30
Results after tax net of adjustments (see table below)	(92)	(66)
Revaluation movements	(23)	(17)
Elimination of previously recognised surplus	(44)	(31)
Dividends paid	(5)	(4)
Other	4	(36)
Gross net assets 30 September 2009	<u>570</u>	<u>411</u>

* The pence per share movement in 'other' reflects the impact on the opening balance resulting from the increase in shares in issue.

Results after tax net of adjustments shown above can be reconciled to the loss after tax in the income statement as follows:-

	<u>£m</u>
Loss after tax from income statement	(122)
Pre-tax inducement cost on convertible	31
Net of tax charge on mark to market adjustments	28
Deferred tax credit on property revaluations	(29)
Results after tax net of adjustments (see table above)	<u>(92)</u>

Reconciliation of NAV measures

	£m	Pence per share
Gross NAV	570	411
Deferred and contingent tax	(137)	(99)
Mark to market adjustments net of tax	(84)	(61)
NNNAV	349	251
Discounted reversionary surplus	209	151
Tax thereon	(59)	(42)
Grainger NAV 30 September 2009	499	360

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

- house price inflation taken as zero over the entire reversionary period
- discount rate of 8.22% used to calculate the present value of the reversionary surplus (weighted average cost of capital + 3%) (2008: discount rate 8.43%)
- no discounting of contingent tax on the revaluation surpluses
- reversionary periods taken as 14 years for regulated properties and 10 years for home reversions.

Our website (www.graingerplc.co.uk) sets out how these assumptions may be varied.

Financial performance in the year

Operating profit before all revaluation movements, fair value, impairment and goodwill adjustments has decreased £27.2m (26%) to £78.8m from £106.0m.

	£m
2008 operating profit	106.0
Increase in gross rents and other income	5.8
Increase in property expenses and overheads	(4.9)
Decrease in residential trading profits	(26.3)
Increase in development trading profits	6.9
Increase in interest expense from interest in financial asset	(3.8)
Other	(4.9)
2009 operating profit (see accounts note 2)	78.8

The major movement in operating profit is a reduction in trading profit from the core and retirement solutions business. This reflects the lower margins achieved on sales resulting from the difficult market conditions existing during the year. The increase in development trading profit arose from the sale of properties at Barnsbury, Hornsey Road, Kensington Church Street and Elder Street. The increase in gross rents and other income reflects a full year of FRM results in Germany compared to six months in 2008, and this has also led to an increase in property expenses. The run rate of our overhead costs (excluding non recurring costs) at 30 September 2009 amounts to £29.4m (2008: £32.2m), a reduction of 8.7%.

Earnings per share

Basic earnings per share has fallen to a loss of 90p from a loss of 61p.

	£m	Pence per share
2008 Loss per share	(77.4)	(61.0)
Movements in:-		
Operating profit	(27.2)	(20.2)
Contribution from joint ventures and associates	45.4	33.4
Fair value of derivatives and financial assets	(27.2)	(20.1)
Revaluation losses on investment properties	17.5	12.9
Provisions against trading stock values and loan balances	(25.6)	(18.8)
Goodwill impairment	6.2	4.6
Net interest payable	(12.9)	(9.5)
Convertible bond	(31.1)	(22.9)
Taxation and other	10.3	11.8
2009 Loss per share	(122.0)	(89.8)

Interest expense and similar charges

Our net interest charge has increased by £12.9m from £89.0m to £101.9m, principally because of the write-off of certain unamortised loan costs brought forward, costs incurred in the refinancing of our banking facilities and a non-recurring interest charge relating to a potential tax liability.

As part of the early conversion of £87.1m of the £112m 2014 Convertible Bond holders accepted a cash payment of £35,000 per £100,000 nominal bond value to convert early. This cash payment of £31.1m is shown in the income statement as an inducement cost. The other effects of the early conversion have been to:

- issue 10.08m ordinary shares
- eliminate £57m of nominal debt
- increase net assets by £42.0m and decrease net assets per share by 1.6%

Financial resources

The business has produced £235m of cash from its operating activities being net rents and other income, property sales and other working capital movements net of overheads. The largest outflow of cash is £76m on net interest.

At the year end, our net debt levels (before unamortised finance costs) had reduced from £1,621m in 2008 to £1,561m, despite a deterioration in the sterling/euro exchange rate which increased overall Group debt by £69m. The debt was 93% hedged (2008: 85%) of which 16% was subject to caps. At the year end, the Group had headroom of £171m (2008: £370m).

On 30 September 2009, we announced the finalisation of two new forward start credit facilities totalling £615m which will provide the Group with extended liquidity at a time when certain of our existing facilities will expire.

The facilities comprise a £250m committed term loan available from June 2010 and a £365m committed term loan available in June 2011. On these dates they will be used to refinance facilities of £400m and £475m that mature on those dates. These facilities have been reduced to £250m and £445m respectively by using excess short-term committed but undrawn facilities. The two new forward start facilities will mature in December 2012.

The other facilities under Grainger's core banking facilities are a £228m revolving credit facility maturing in December 2012 and £425m of term loans maturing in June 2013. The average maturity of all of the Group's debt is 4.4 years (2008: 4.5 years).

As a result of the above, the Group has no core banking facilities maturing in its financial year to 2010, with only £109m maturing in the year to September 2011 and £57m in the year to September 2012. A total of £872m of the core banking facilities will mature in December 2012.

Our effective average interest rate on the Group's bank loans in the year ended 30 September 2009 was 5.7% (2008: 6.2%). Immediately post the refinancing Grainger's effective average interest rate on the Group's bank loans was 5.5% but this would reduce to 5.2% under an interest ratchet mechanism should the loan to value ratio on the core facilities fall below 60%.

Our core banking facilities have two covenants covering loan to value ("LTV") and interest cover. The method of calculation and limits of these covenants remain unchanged by the new facilities.

Under the LTV covenant, an LTV of 80% could lead to default of the agreement and, at 70%, LTV purchasing restrictions and a cash sweep mechanism apply. At 30 September 2009, "V" was £1,820m (2008: £1,971m) and "L" was £1,206m (2008: £1,308m) (in each case for purposes of the LTV covenant) and accordingly the LTV on the core facility was 66% (2008: 66%). Under the interest cover covenant, our interest cost must be covered 1.25 times by net cash flow before interest. As at 30 September 2009, the ratio stood at 2.7 times (2008: 2.2 times).

Andrew R. Cunningham
Chief Executive
5 November 2009

Consolidated Income Statement

For the year ended 30 September 2009

	Notes	2009 £m	2008 £m
Group revenue		302.2	246.2
Net rental income	3	38.5	37.7
Profit on disposal of trading properties	4	44.9	62.6
Administrative expenses	5	(8.9)	(6.2)
Other income		7.3	9.2
Goodwill impairment		(2.9)	(9.6)
(Loss)/profit on disposal of investment property	6	(1.1)	0.6
Profit on disposal of shares in subsidiary		-	3.5
Interest expense from financial interest in property assets	12	(4.7)	(0.9)
Write down of inventories to net realisable value		(18.4)	(12.3)
Provision for impairment of loans receivable		(19.6)	-
Operating profit before net valuation deficits on investment properties		35.1	84.6
Net valuation deficits on investment properties	9	(25.6)	(43.1)
Operating profit after net valuation deficits on investment properties		9.5	41.5
Change in fair value of derivatives		(38.7)	(11.5)
Interest expense and similar charges		(107.1)	(96.1)
Interest income		5.2	7.1
Inducement costs and expenses on convertible bond		(31.1)	-
Share of loss of associates after tax	10	(6.4)	(14.0)
Share of loss of joint ventures after tax	11	(1.4)	(39.1)
Loss before tax		(170.0)	(112.1)
Tax – current		10.8	(5.7)
Tax – deferred		37.2	40.4
Tax credit for the year	15	48.0	34.7
Loss for the year attributable to equity shareholders	17,18	(122.0)	(77.4)
Basic loss per share	7	(89.8)p	(61.0)p
Diluted loss per share	7	(89.8)p	(61.0)p
Dividend per share	8	3.91p	6.18p

All of the above results relate to continuing operations.

Consolidated Statement of Recognised Income and Expense

For the year ended 30 September 2009

	Notes	<u>£m</u>	2009 <u>£m</u>	2008 <u>£m</u>
Loss for the year			(122.0)	(77.4)
Actuarial (loss)/gain on BPT Limited defined benefit pension scheme net of tax	17,18	(2.9)		0.3
Fair value movement on available-for-sale financial asset net of tax	17,18	1.9		-
Net exchange adjustments offset in reserves net of tax	17,18	0.6		0.8
Changes in fair value of cash flow hedges net of tax	17,18	(47.0)		(2.8)
Net expense recognised directly in equity			(47.4)	(1.7)
Total recognised income and expense for the year and since last report attributable to equity shareholders			(169.4)	(79.1)

Consolidated Balance Sheet

As at 30 September 2009

	<u>Notes</u>	2009 £m	2008 £m
ASSETS			
Non-current assets			
Investment property	9	654.3	619.3
Property, plant and equipment		1.9	2.3
Investment in associates	10	24.5	51.6
Investment in joint ventures	11	80.7	90.8
Financial interest in property assets	12	109.1	121.2
Goodwill		5.9	8.0
		876.4	893.2
Current assets			
Investment in associates	10	8.7	-
Inventories - trading properties		1,015.6	1,142.2
Trade and other receivables	13	20.0	23.0
Derivative financial instruments		0.2	11.9
Cash and cash equivalents		28.3	43.2
		1,072.8	1,220.3
Total assets		1,949.2	2,113.5
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	1,557.0	1,635.4
Trade and other payables		4.0	4.0
Retirement benefits		5.8	2.1
Provisions for other liabilities and charges		0.9	1.0
Deferred tax liabilities	15	21.1	78.4
		1,588.8	1,720.9
Current liabilities			
Interest bearing loans and borrowings	14	19.9	17.9
Trade and other payables	16	88.1	80.1
Current tax liabilities	15	24.4	51.4
Derivative financial instruments		99.5	13.4
		231.9	162.8
Total liabilities		1,820.7	1,883.7
Net assets		128.5	229.8
EQUITY			
Capital and reserves attributable to the company's equity holders			
Issued share capital	17	6.9	6.4
Share premium	17	109.7	23.1
Merger reserve	17	20.1	20.1
Capital redemption reserve	17	0.3	0.3
Cash flow hedge reserve	17	(41.6)	5.4
Equity component of convertible bond	17	5.0	22.4
Available-for-sale reserve	17	1.9	-
Retained earnings	17	26.1	152.0
Total shareholders' equity		128.4	229.7
Equity minority interests		0.1	0.1
Total Equity	18	128.5	229.8

Statement of Consolidated Cash flows

For the year ended 30 September 2009

	Notes	2009 £m	2008 £m
Cash flow from operating activities			
Loss for the year		(122.0)	(77.4)
Depreciation		0.8	0.8
Impairment of goodwill		2.9	9.6
Net valuation deficits on investment properties	9	25.6	43.1
Gain on acquisition of subsidiary		-	(0.5)
Net finance costs		101.9	89.0
Share of loss of associates and joint ventures	10,11	7.8	53.1
Loss/(profit) on disposal of investment property	6	1.1	(0.6)
Provision for impairment of loans receivable	17	19.6	-
Inducement costs on convertible bond		31.1	-
Profit on disposal of shares in subsidiary		-	(3.5)
Share-based payment charge		0.8	0.5
Change in fair value of derivatives		38.7	11.5
Interest income from financial interest in property assets		4.7	0.9
Taxation		(48.0)	(34.7)
Operating profit before changes in working capital		65.0	91.8
Decrease in trade and other receivables		1.4	2.9
Decrease in trade and other payables		(22.9)	(0.3)
Decrease/(increase) in trading properties		126.9	(79.4)
Cash generated from operations		170.4	15.0
Interest paid		(77.9)	(92.4)
Taxation paid	15	(16.2)	(0.2)
Net cash inflow/(outflow) from operating activities		76.3	(77.6)
Cash flow from investing activities			
Proceeds from sale of investment property	6	8.8	7.4
Proceeds from financial interest in property assets	12	10.1	9.5
Disposal of subsidiary net of cash disposed of		-	3.7
Redemption of units in associate	10	7.6	-
Interest received		1.9	3.8
Dividends/distributions received	10	0.4	2.5
Acquisition of subsidiaries, net of cash acquired		(0.8)	(29.1)
Investment in associates and joint ventures		(4.8)	(11.0)
Acquisition of investment property and property, plant and equipment		(5.1)	(51.9)
Acquisition of minority interests		-	(6.7)
Net cash inflow/(outflow) from investing activities		18.1	(71.8)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	0.1
Purchase of own shares	17,18	(0.4)	(1.0)
Inducement payment to convertible bondholders	17	(31.1)	-
Proceeds from new borrowings		11.6	131.4
Repayment of borrowings		(86.0)	(11.0)
Dividends paid	8,17,18	(5.3)	(8.1)
Payment to defined benefit pension scheme		(0.5)	-
Net cash (outflow)/inflow from financing activities		(111.7)	111.4
Net decrease in cash and cash equivalents		(17.3)	(38.0)
Cash and cash equivalents at beginning of year		43.2	80.1
Net exchange movements on cash and cash equivalents		2.4	1.1
Cash and cash equivalents at end of year		28.3	43.2

Notes to the Preliminary Announcement of Results

1. Basis of preparation

The Board approved this preliminary announcement on 5th November 2009.

The financial information included in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 30 September 2008 or 30 September 2009. Statutory accounts for the year ended 30 September 2008 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2009 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The auditors have reported on the 2009 and 2008 accounts; their reports were unqualified, did not include any references to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

These financial statements for the year ended 30 September 2009 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, derivative financial interests, financial interest in property assets, defined benefit pension scheme and share-based payments. The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 30 September 2008.

The financial information included in this preliminary announcement has been prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS'), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

2. Analysis of Loss before tax

The results for the year have been significantly affected by valuation movements and non-recurring charges. The table below provides further analysis of the income statement showing the results of trading activities separately from these items.

	2009				2008		
	Trading	Valuation	Non-recurring	Total	Trading	Valuation	Total
	£m	£m	£m	£m	£m	£m	£m
Group revenue	302.2	-		302.2	246.2	-	246.2
Net rental income	40.2	-	(1.7)	38.5	37.7	-	37.7
Profit on disposal of trading properties	45.3	-	(0.4)	44.9	62.6	-	62.6
Administrative expenses	(8.2)	-	(0.7)	(8.9)	(6.2)	-	(6.2)
Other income	7.3	-	-	7.3	8.7	0.5	9.2
Goodwill impairment	-	(2.9)	-	(2.9)	-	(9.6)	(9.6)
(Loss)/Profit on disposal of investment properties	(1.1)	-	-	(1.1)	0.6	-	0.6
Profit on disposal of shares in subsidiary	-	-	-	-	3.5	-	3.5
Interest expense from financial interest in property assets	(4.7)	-	-	(4.7)	(0.9)	-	(0.9)
Write down of inventories to net realisable value	-	(18.4)	-	(18.4)	-	(12.3)	(12.3)
Provision for impairment of loans receivable	-	(19.6)	-	(19.6)	-	-	-
Operating profit before net valuation deficits on investment properties	78.8	(40.9)	(2.8)	35.1	106.0	(21.4)	84.6
Net valuation deficits on investment properties	-	(25.6)	-	(25.6)	-	(43.1)	(43.1)
Operating profit after net valuation deficits on investment properties	78.8	(66.5)	(2.8)	9.5	106.0	(64.5)	41.5
Change in fair value of derivatives	-	(38.7)	-	(38.7)	-	(11.5)	(11.5)
Interest expense and similar charges	(84.5)	-	(22.6)	(107.1)	(96.1)	-	(96.1)
Interest income	5.2	-	-	5.2	7.1	-	7.1
Inducement costs and expenses on convertible bond	-	-	(31.1)	(31.1)	-	-	-
Share of loss of associates after tax	0.2	(6.6)	-	(6.4)	0.2	(14.2)	(14.0)
Share of loss of joint ventures after tax	(3.1)	1.7	-	(1.4)	(5.0)	(34.1)	(39.1)
Loss before tax	(3.4)	(110.1)	(56.5)	(170.0)	12.2	(124.3)	(112.1)

3. Net Rental income

	2009 £m	2008 £m
Gross rental income	77.9	70.7
Service charge income on a principal basis	13.4	5.6
Property repair and maintenance costs	(22.3)	(19.2)
Service charge expense on a principal basis	(15.3)	(6.3)
Property operating expenses (see note 5)	(15.2)	(13.1)
	38.5	37.7

4. Profit on disposal of trading properties

	2009 £m	2008 £m
Proceeds from sale of trading properties	198.4	162.2
Carrying value of trading properties sold	(144.4)	(88.8)
Other sales costs (see note 5)	(9.1)	(10.8)
	44.9	62.6

5. Administrative expenses

	2009 £m	2008 £m
Total group expenses	33.2	30.1

Many of the Group's expenses relate directly to either property management activities or to staff involved directly with the sale and acquisition of property. Accordingly, total Group expenses shown above have been allocated as follows:-

	2009 £m	2008 £m
Property operating expenses (see note 3)	15.2	13.1
Costs attributable to the disposal of trading properties (see note 4)	9.1	10.8
Administrative expenses	8.9	6.2
	33.2	30.1

6. (Loss)/profit on disposal of Investment Property

	2009 £m	2008 £m
Proceeds from sale of investment property	8.8	7.4
Carrying value of investment property sold	(9.9)	(6.8)
	(1.1)	0.6

7. Loss per Share

	2009 No. of Shares '000	2008 No. of Shares '000
Weighted average number of shares for basic loss per share	135,816	126,720
Weighted average number of shares for diluted loss per share	135,816	126,720

Basic

Basic (loss)/earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the group and held both in trust and as treasury shares to meet its obligations under the long-term incentive scheme ('LTIS').

Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of shares outstanding by the dilutive effect of ordinary shares that the Company may potentially issue relating to its convertible bond and its share option schemes and contingent share awards under the LTIS, based upon the number of shares that would be issued if 30 September 2009 was the end of the contingency period. The loss for the year is adjusted to add back the after tax interest cost on the debt component of the convertible bond. Where the effect of the above adjustments is antidilutive, as is the case for both years being reported, they are excluded from the calculation of diluted (loss)/earnings per share.

8. Dividends

A final dividend relating to 2009 of 3.91p per share has been proposed by the board. If approved, this will result in a further distribution of £5.3m and it will be paid on 12 February 2010 to shareholders on the register on 20 November 2009. No interim dividend for 2009 was declared. In addition to the above, £0.1m of the provision for dividend payment to the minority interest in FRM made in the accounts to 30 September 2008, has been reversed. Further shares were acquired by the group prior to the payment date resulting in a payment of only £0.1m. The total dividend taken to equity in the year is therefore £5.2m (£2008: £8.3m).

9. Investment Property

	2009 £m	2008 £m
Opening balance	619.3	478.6
Additions	4.8	28.3
Disposals	(9.9)	(6.8)
Acquisition of subsidiary	-	131.9
Revaluation deficits	(25.6)	(43.1)
Exchange adjustments	65.7	30.3
Transfer from owner occupied property	-	0.1
Closing balance	654.3	619.3

10. Investment in Associates

	2009 £m	2008 £m
Opening balance	51.6	68.5
Share of losses	(6.4)	(14.0)
Distributions received	(0.4)	(2.1)
Redemption of equity units	(7.6)	-
Share of change in fair value of cash flow hedges taken through equity	(4.0)	(0.8)
Closing balance	33.2	51.6
Disclosed as		
Non-current assets	24.5	51.6
Current assets	8.7	-
	33.2	51.6

The investors in Schroders ResPUT have agreed to a controlled liquidation of the fund and the Group has received a number of redemption payments as assets have been realised.

The investment is therefore held as a current asset in 2009.

As at 30 September 2009, the Group's interest in associates was as follows:-

	% of Ordinary share capital/ units held	Country of incorporation
G:res1 Limited	21.6	Jersey
Schroders Residential Property Unit Trust (ResPUT)	21.8	Jersey

11. Investment in joint ventures

	2009 £m	2008 £m
Opening Balance	90.8	114.8
Additions	-	2.3
Loans advanced	7.5	13.8
Provision against loans	(14.8)	-
Share of losses	(1.4)	(39.1)
Net assets acquired through purchase of joint venture	0.1	0.6
Goodwill arising on investment in Gebau	2.7	-
Exchange adjustment	0.4	-
Goodwill impairment charge taken to income statement	-	(0.2)
Share of change in fair value of cash flow hedges taken through equity	(4.6)	(1.0)
Distributions received	-	(0.4)
At 30 September 2009	80.7	90.8

At 30 September 2009, the group's interest in joint ventures was as follows:

	Country of incorporation
Grainger Geninvest LLP	United Kingdom
Grainger Geninvest No 2 (2006) LLP	United Kingdom
Curzon Park Limited	United Kingdom
King Street Developments (Hammersmith) Limited	United Kingdom
CCZ a.s.	Czech Republic
CCY a.s.	Czech Republic
Prazsky Project a.s.	Czech Republic

12. Financial Interest in Property Assets

	2009 £m	2008 £m
Opening balance	121.2	131.7
Cash received from the instrument	(10.1)	(9.6)
Amounts taken to income statement	(4.7)	(0.9)
Amounts taken to equity before tax	2.7	-
Closing balance	109.1	121.2

Financial interest in property assets relates to the CHARM portfolio, which is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee. It is accounted for under IAS 39 in accordance with the designation available-for-sale financial asset.

13. Trade and Other Receivables

	2009	2008
	£m	£m
Trade receivables – net	7.9	9.9
Other receivables	9.9	11.2
Prepayments	2.2	1.9
	20.0	23.0

The fair value of trade and other receivables are considered to be equal to their carrying amounts. Other receivables include a loan and accrued interest of £7.2m net of an impairment provision of £4.8m (2008: £9.4m) made to the Mornington Capital Special Situations Co-Investment Fund 1 Limited Partnership. The provision has been placed on the Group's assessment of discounted future cashflows. The loan has been used by the fund to invest in real estate joint venture partnerships. The loan bears interest at between 5% and 8% per annum above Euribor and is repayable within one year. The loan is secured by fixed and floating charges over the assets of the fund.

14. Interest Bearing Loans and Borrowings

The maturity profile of the Group's debt, net of finance costs, is as follows:-

	2009	2008
	£m	£m
Within one year	19.9	17.9
Between one and two years	109.6	393.1
Between two and five years	1,275.6	787.5
Over five years	171.8	454.8
	1,576.9	1,653.3

15. Tax

	Opening balance	Payments in the year	Acquired In the Year	Movements recognised in income	Exchange adjustments	Movements recognised in equity	Closing balance
	£m	£m	£m	£m	£m	£m	£m
Current tax	51.4	(16.2)	-	(10.8)	-	-	24.4
Deferred tax							
Trading property uplift to fair value on acquisition	60.3	-	-	(18.3)	-	-	42.0
Investment property revaluation	20.1	-	-	(11.0)	0.3	-	9.4
Accelerated capital allowances	2.2	-	-	(1.8)	-	-	0.4
Short term timing differences	(8.7)	-	-	(6.1)	-	-	(14.8)
Actuarial surplus on BPT Limited pension scheme	0.7	-	-	-	-	(1.1)	(0.4)
Equity component of available-for-sale financial asset	-	-	-	-	-	0.7	0.7
Fair value movement in cash flow hedges and exchange adjustments	3.8	-	-	-	-	(20.0)	(16.2)
	78.4	-	-	(37.2)	0.3	(20.4)	21.1
Total tax - 2009 movement	129.8	(16.2)	-	(48.0)	0.3	(20.4)	45.5
Total tax - 2008 movement	159.3	(0.2)	3.9	(34.7)	0.3	1.2	129.8

The tax credit for the year of £48.0m (2008: credit of £34.7m) comprises:-

	<u>2009</u>	<u>2008</u>
UK Taxation	(46.1)	(41.4)
Overseas taxation	(1.9)	6.7
	(48.0)	(34.7)

16. Trade and Other Payables

	<u>2009</u>	<u>2008</u>
	<u>£m</u>	<u>£m</u>
Deposits received	3.6	3.3
Trade payables	7.3	15.8
Other taxation and social security	0.3	0.5
Accruals and deferred income	76.9	60.5
	88.1	80.1

Trade payables includes £nil (2008: £0.6m) relating to acquisitions of property where contracts have either been unconditionally exchanged or notarised.

Accruals and deferred income includes £26.1m (2008: £29.1m) of rent received in advance on the granting of lifetime leases.

17. Capital and Reserves attributable to the Company's equity holders

	Issued Share capital £m	Share premium £m	Merger reserve £m	Equity component of convertible bond £m	Capital redemption reserve £m	Cash flow Hedge reserve £m	Available- for-sale Reserve £m	Retained earnings £m
Balance as at 30 September 2008	6.4	23.1	20.1	22.4	0.3	5.4	-	152.0
Loss for the year	-	-	-	-	-	-	-	(122.0)
Actuarial loss on BPT pension scheme net of tax	-	-	-	-	-	-	-	(2.9)
Changes in fair value of cash flow hedges net of tax	-	-	-	-	-	(47.0)	-	-
Fair value movement on available-for-sale financial asset net of tax	-	-	-	-	-	-	1.9	-
Net exchange adjustment offset in reserves	-	-	-	-	-	-	-	0.6
Purchase of own shares	-	-	-	-	-	-	-	(0.4)
Issue of shares	0.5	86.6	-	-	-	-	-	-
Conversion of convertible bond	-	-	-	(17.4)	-	-	-	-
Transfer on early conversion of convertible bond	-	-	-	-	-	-	-	3.2
Share-based payments charge	-	-	-	-	-	-	-	0.8
Dividends	-	-	-	-	-	-	-	(5.2)
Balance as at 30 September 2009	6.9	109.7	20.1	5.0	0.3	(41.6)	1.9	26.1

Convertible Bond

In November 2008, holders representing £87.1million of the £112m 2014 convertible bond accepted a cash payment of £35,000 per £100,000 nominal debt value to convert early. The effects of this early conversion were the issue of 10.08 ordinary shares, the payment of £31m to bond holders and an increase in net assets of £42m.

18. Consolidated statement of changes in equity

	2009 £m	2008 £m
Opening equity shareholders funds	229.8	323.1
Retained loss for the year	(122.0)	(77.4)
Actuarial (loss)gain on BPT Limited defined benefit pension scheme net of tax	(2.9)	0.3
Change in fair value of cash flow hedges net of tax	(47.0)	(2.8)
Net exchange adjustment offset in reserves net of tax	0.6	0.8
Purchase of own shares	(0.4)	(1.0)
Issue of shares	87.1	0.1
Share based payments charge	0.8	0.5
Dividends	(5.2)	(8.3)
Fair value movement on available for sale financial asset net of tax	1.9	-
Conversion of convertible bond	(17.4)	-
Transfer on early conversion convertible bond	3.2	-
Acquisition of minority interest	-	(5.5)
Closing equity shareholders funds	128.5	229.8

19. Post balance sheet events

Grainger plc has announced, at the same time as it has issued this Preliminary Announcement, a fully underwritten share issue to raise gross proceeds of approximately £250m. The Group intends to use the proceeds to improve its balance sheet leverage ratios, reduce the overall size and cost of its debt and to recommence property acquisition activities as suitable opportunities arise.

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

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