

**Preliminary  
Announcement of  
Results for the year  
ended  
30 September 2011**

24 November 2011

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# Executive Directors

- Andrew Cunningham      Chief Executive Officer
- Mark Greenwood      Finance Director
- Nick Jopling      Executive Property Director
- Peter Couch      Chief Operating Officer,  
Head of Retirement Solutions



# Agenda

1. Our business
2. Strategy in action
3. Financial highlights
4. Looking ahead
5. Appendices



# Our business

# grainger = residential

A trader, investor and manager of residential properties

Offering investors an exposure to residential returns from three main sources of income:

Sales

Rents

Fees



# Three income streams

2011 operating  
profit\* (£m)

Sales

UK Residential; Retirement  
Solutions; Development; Germany

£81.0m

Rents

UK Residential; Germany;  
Retirement Solutions

£62.4m

Fees

UK Residential; Retirement  
Solutions; Fund Management and  
Residential Investments;  
Development; Germany

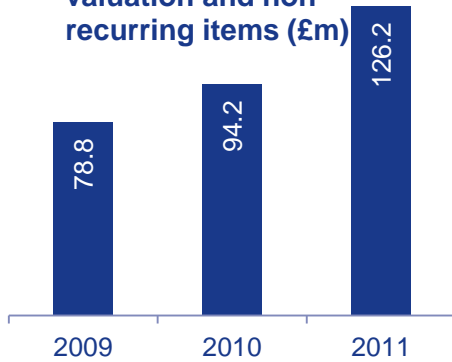
£8.0m

\* Before valuation  
movements and non-  
recurring items

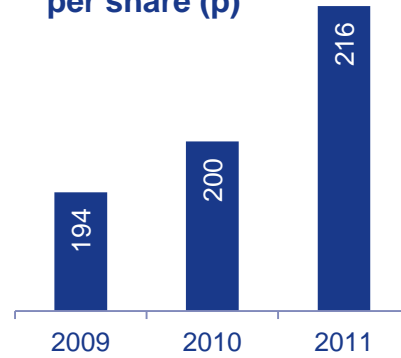


# KPIs

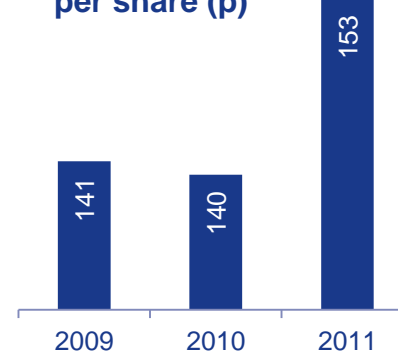
Operating profit before valuation and non-recurring items (£m)



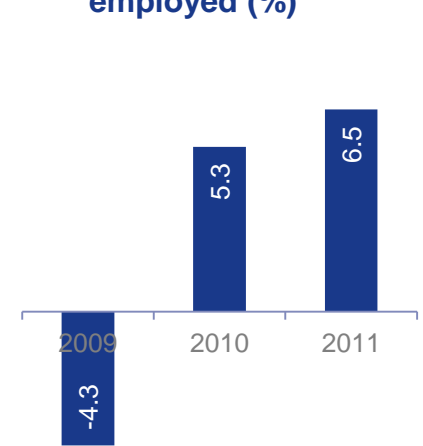
Gross net asset value per share (p)



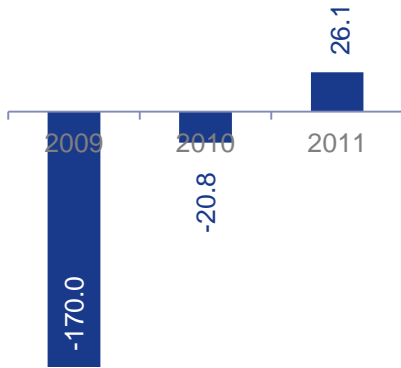
Triple net asset value per share (p)



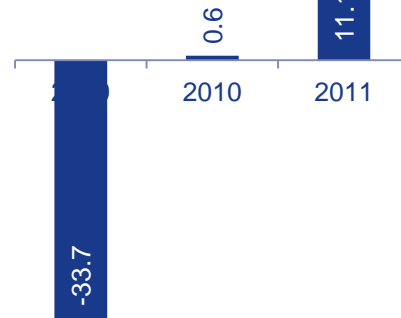
Return on capital employed (%)



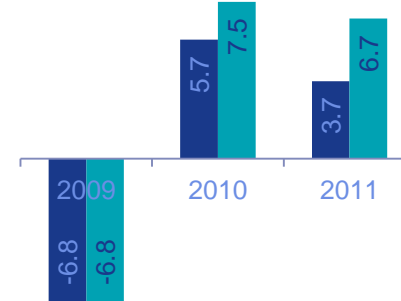
Profit/loss before tax (£m)



Return on shareholder equity (%)



Sales values above previous year end VP's



■ Pre refurb % ■ After refurb %



# Portfolio overview

Substantial asset value and future revenue potential embedded in Grainger's large, mature and geographically diverse portfolio

Reversionary surplus of UK portfolio is £571m and gross rent roll is £56m for UK, £30m for Germany, totalling £86m



	No. of units	Vacant possession value (£m)	Investment value (£m)	% of investment value
<b>UK (incl RS)</b>				
London total	4,006	1,160	915	49%
South East	2,134	333	240	13%
South West	1,786	291	244	13%
Other areas	5,638	663	477	25%
<b>UK total</b>	<b>13,564</b>	<b>2,447</b>	<b>1,876</b>	<b>100%</b>
<b>Germany</b>	<b>6,718</b>	<b>422</b>	<b>422</b>	
<b>Total owned assets</b>	<b>20,282</b>	<b>2,869</b>	<b>2,298</b>	
<b>Assets under management</b>	No. of units			
UK	19,973			
Germany	20,477			
<b>Total</b>	<b>40,450</b>			



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# Strategy in action

- 1** Rebalancing residential portfolios to selective areas of value or growth
  - Acquisitions of high yielding HI Tricomm portfolio and Grainger GenInvest
  - Some 62% of portfolio in London and the South East (56% at 30 Sept 2010)
  - Increase in gross rental income of 14% over twelve months to £86m
- 2** Reducing capital employed in non-core assets and underperforming locations
  - Disposal of £41m of tenanted properties in the UK
  - Disposal of €23m in Germany to improve location quality
- 3** Introducing third party capital to diversify returns
  - Joint venture with Moorfield to hold Sovereign Reversions' assets
  - G:res life extended
  - Defence Infrastructure Organisation at Aldershot
  - Lloyds Banking Group through G:RAMP
  - Increase in management fees of 23%
- 4** Acting early to consider and implement debt financing options
  - Approximately £1.2bn of debt raised including the introduction of 5 new lenders and the extension of average maturities to 5.9 years.



# Transactional highlights

## Sovereign joint venture (Sales and fees)

- Increases scale of Grainger's own home reversion business, and provides fee income, leveraging our existing platform

## HI Tricomm (Rents)

- Adds c.£9m to gross rent roll
- Brings in new lender to the group and extends overall debt maturities
- Discount on acquisition produced a one-off profit of £14.9m, and the asset valuation has increased by a further £0.6m since
- Net rental income since acquisition was £5.0m

## Grainger GenInvest LLPs (Rents)

- Adds £12m to gross rent roll on an annualised basis
- Increases UK Residential portfolio by 25%, adding to our London weighting
- Brought in two new lenders, HSBC and Santander
- Revaluation uplift since acquisition of £11.9m

## Grainger RAMP (Fees)

- Opportunity to leverage our existing skills and operational platform to generate fees and improve return on capital employed

## Aldershot Urban Extension (Sales and fees)

- Long term recurring fee income with high quality partner

## Waterlooville, Hampshire (Sales)

- Long term income from land sales, increase in market value



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# Financial highlights

	September 2011	September 2010	Movement
Operating profit* (£m)	126.2	94.2	+34%
Profit before tax and derivatives (£m)	54.1	18.8	+288%
Profit/ (loss) before tax (£m)	26.1	(20.8)	
Dividends per share (p)	***1.83p	1.70p	+8%
Gross NAV per share**	216p	200p	+8.2%
NNNAV per share**	153p	140p	+9.7%
Net debt (£m)	1,454	1,350	
of which - syndicate	911 (63%)	1,050 (78%)	
LTV - core facility	52%	54%	

\* Before valuation movements and non-recurring items

\*\* NAV figures calculated in accordance with EPRA definitions

\*\*\* Including equivalent of tender offer at half year (0.53p)



# Profit summary

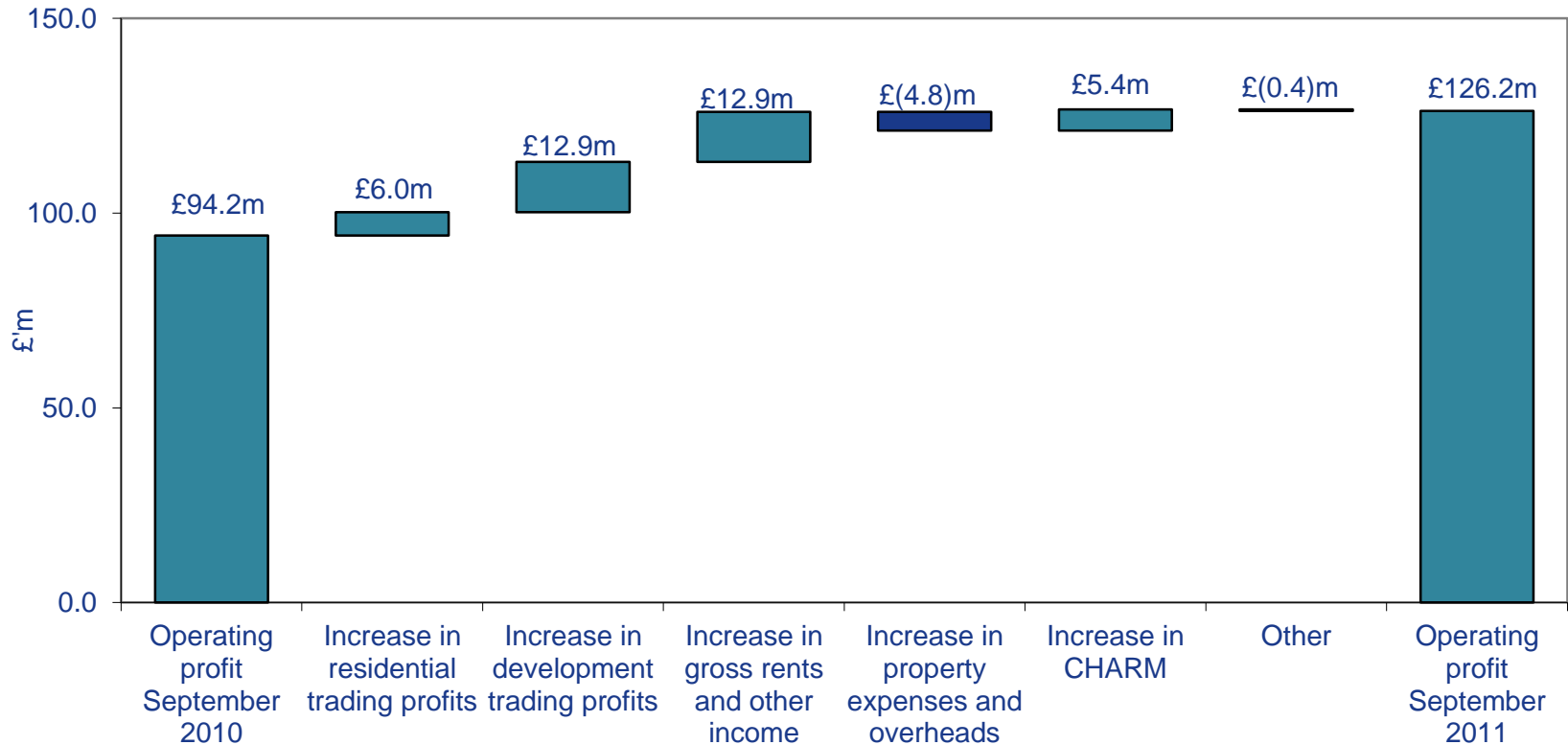
	Net Rents	Profit on sale of assets	Fees/ returns	Overheads/ Other*	Total 2011	Total 2010
	£m	£m	£m	£m	£m	£m
UK Residential Portfolio	38.4	55.0	0.5	(9.7)	84.2	69.4
Retirement Solutions Portfolio	3.8	10.0	0.5	4.4	18.7	12.2
Fund Management and Residential Investments	-	-	6.3	(2.7)	3.6	2.7
Development Assets	-	15.1	0.4	(1.1)	14.4	2.0
German Residential Portfolio	20.2	0.9	0.3	(3.1)	18.3	17.1
Group and other	-	-	-	(13.0)	(13.0)	(9.2)
<b>OPBVM** - 2011</b>	<b>62.4</b>	<b>81.0</b>	<b>8.0</b>	<b>(25.2)</b>	<b>126.2</b>	
<b>OPBVM - 2010</b>	<b>52.9</b>	<b>61.5</b>	<b>6.5</b>	<b>(26.7)</b>		<b>94.2</b>
Net interest					(76.3)	(77.2)
JV/ associates					(1.6)	(2.3)
Trading profit					48.3	14.7
Valuation adjustments excluding derivatives					14.0	5.2
Non-recurring items					(8.2)	(1.1)
<b>Profit before tax and derivatives</b>					<b>54.1</b>	<b>18.8</b>
Derivatives					(28.0)	(39.6)
<b>Profit/(loss) before tax</b>					<b>26.1</b>	<b>(20.8)</b>

\* Includes CHARM

\*\* OPBVM - Operating profit before valuation movements



# Movement in operating profit\*



\* Operating profit is before valuation movements and non-recurring items (OPBVM)



# Property sales and margins

	September 2011			
	Units Sold	Gross sales value £m	Profit £m	Margin %
Total Property Sales				
UKR	1,030	152.5	55.0	36.1
RS	217	27.6	10.0	36.0
Development	-	22.1	15.1	68.2
Germany	438	21.1	0.9	4.4
	<b>1,685</b>	<b>223.3</b>	<b>81.0</b>	<b>36.3</b>
<b>UKR/RS:</b>				
Sales on vacancy	640	116.2	47.8	41.2
Investment sales	583	59.6	14.6	24.6
Other sales	24	4.3	2.6	59.2
<b>Total</b>	<b>1,247</b>	<b>180.1</b>	<b>65.0</b>	<b>36.1</b>



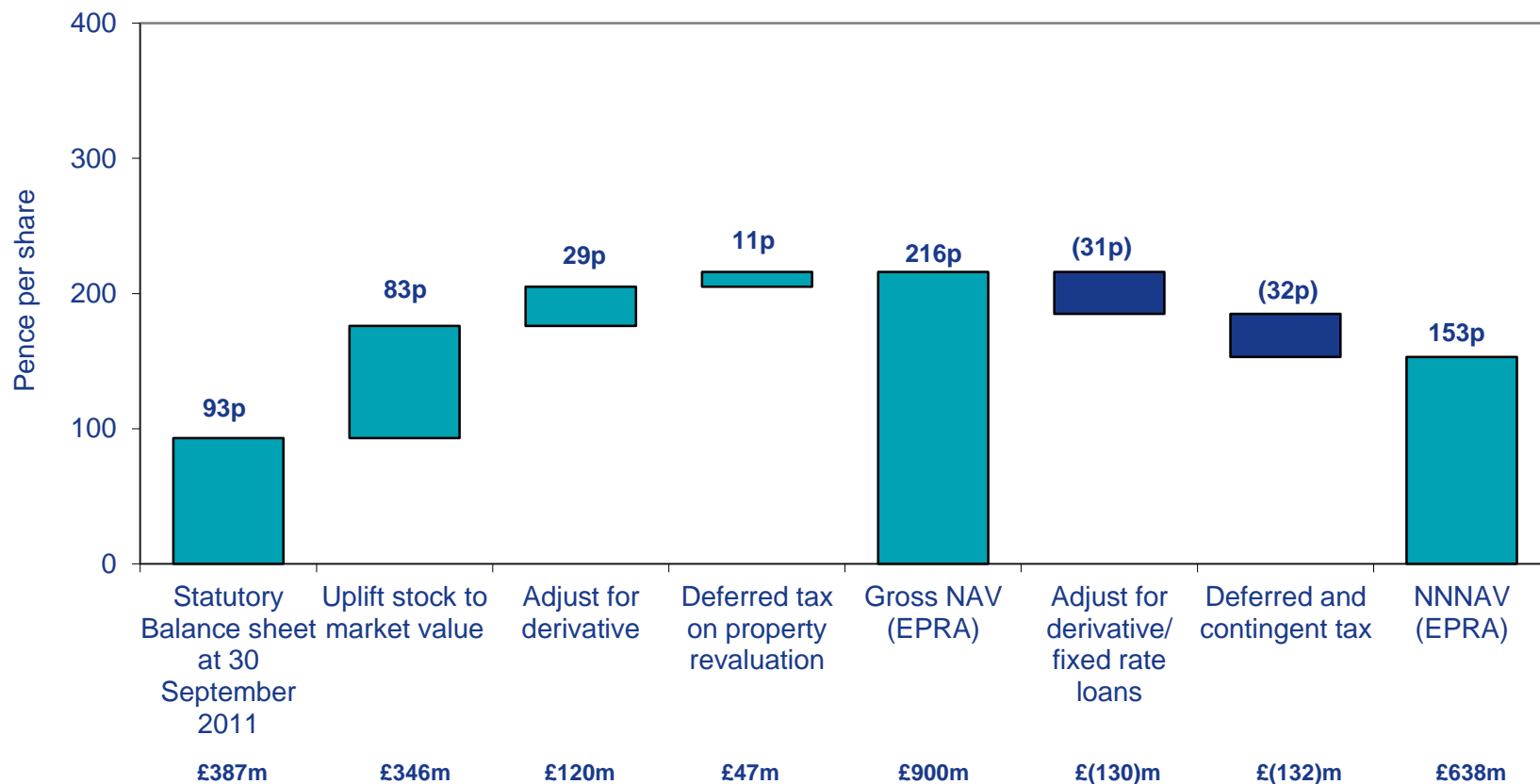


# Valuation movements

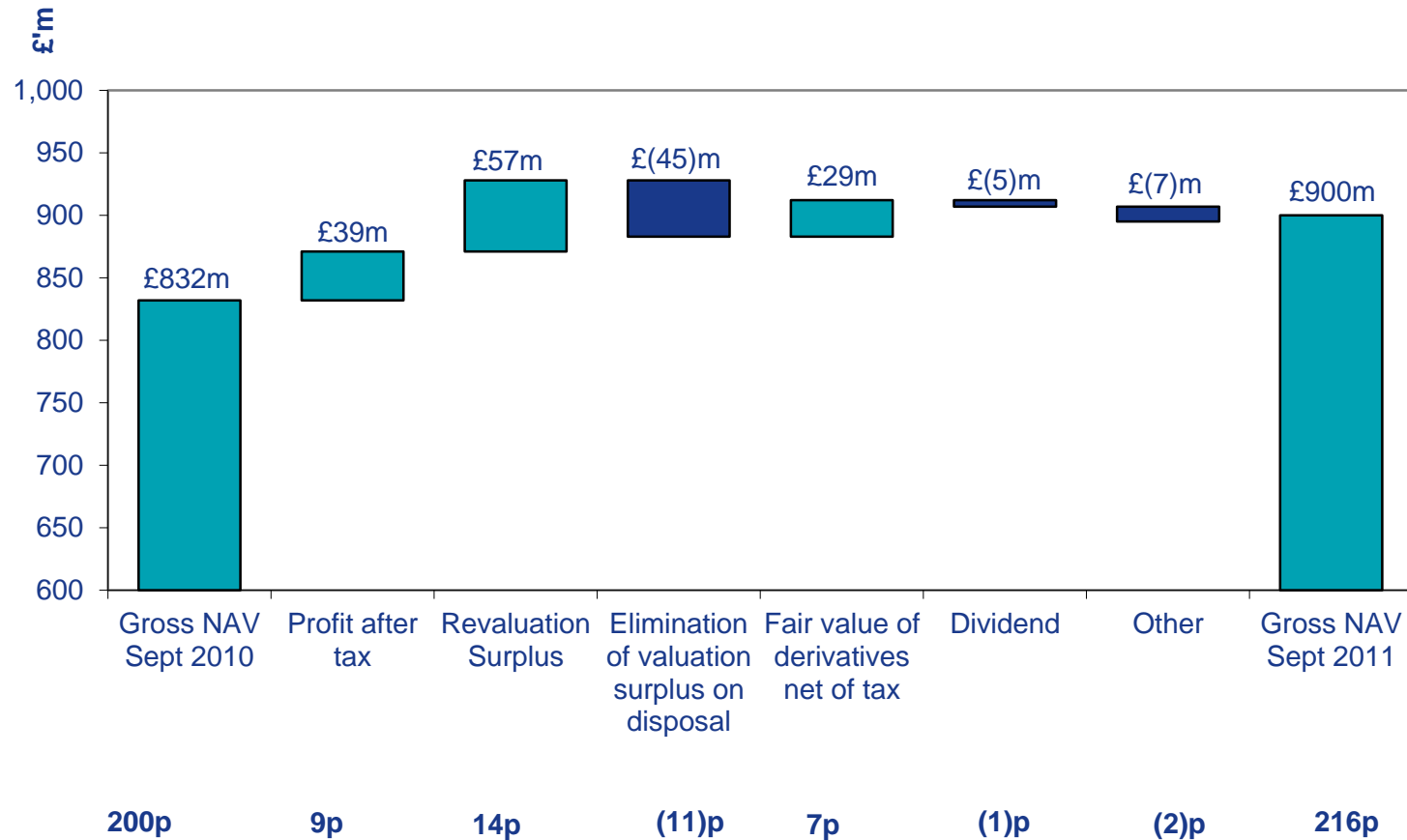
<u>Portfolio</u>	Vacant possession value (VP) before revaluation £m	Vacant possession value (VP) after revaluation £m	Movement %	Market value (IV) before revaluation £m	Market value (IV) after revaluation £m	Movement %
Total UKR	1,721	1,770	2.9	1,351	1,402	3.8
Total RS	582	570	(2.0)	371	372	0.1
Total UKR and RS	2,303	2,340	1.6	1,722	1,774	3.0
Germany	424	422	(0.4)	424	422	(0.4)
<b>Overall Total</b>	<b>2,727</b>	<b>2,762</b>	<b>1.3</b>	<b>2,146</b>	<b>2,196</b>	<b>2.4</b>



# NAV Reconciliation as at 30 Sept 2011



# Movement in gross NAV



# Debt objectives

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## Achieved

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Early action to consider and implement debt financing options

Approximately £1.2bn of debt arranged.

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Improve our debt profile

More diverse lender base with extended maturity.

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## Looking ahead

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We have the **flexibility** through **cash generation** and **new debt facilities** to ensure the Group can **operate its business** as planned and **meet its strategic objectives**.

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We believe that **operating at lower levels of debt**, in conjunction with greater emphasis on fee generating activities, **will generate a better risk adjusted return to our shareholders**.

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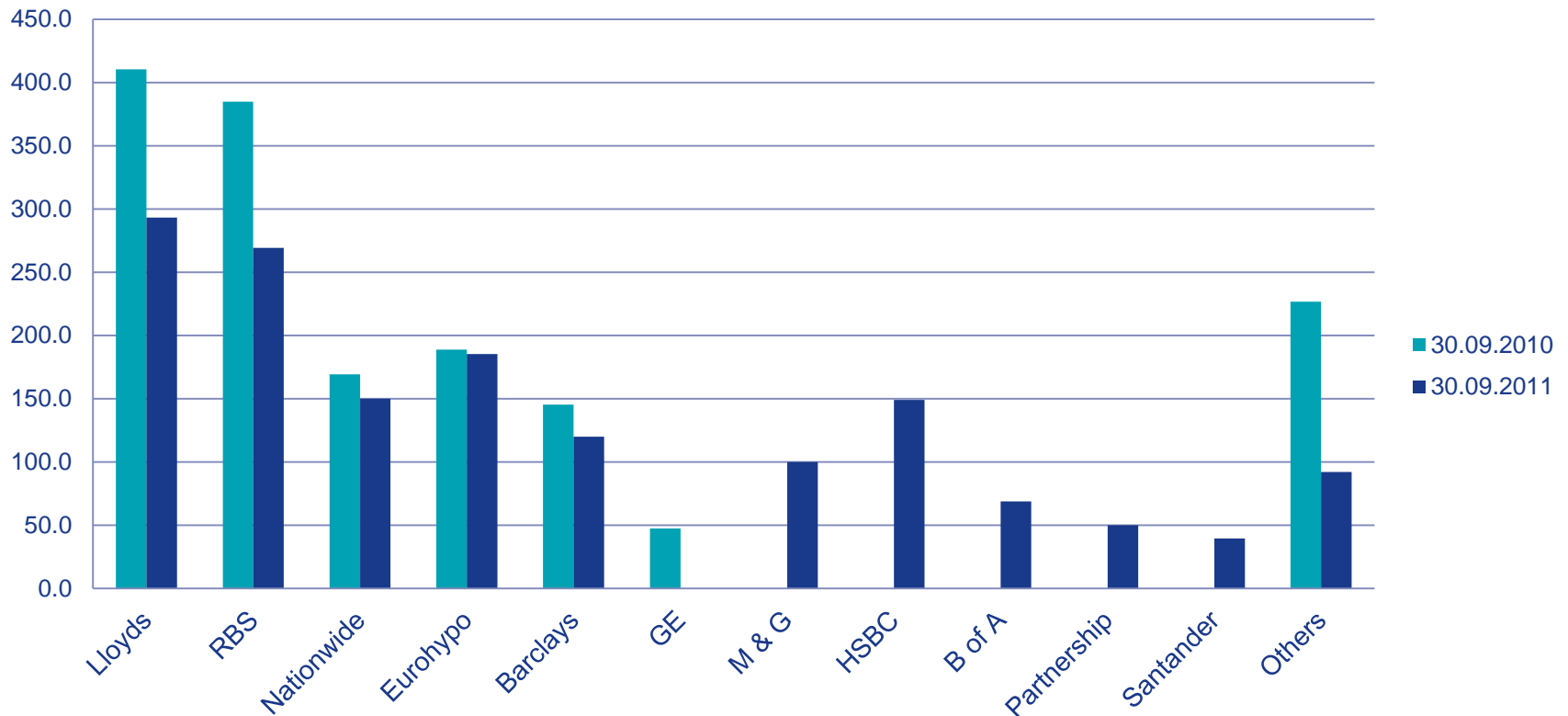
# Group debt analysis

	September 2011 <u>£m</u>	March 2011 <u>£m</u>	September 2010 <u>£m</u>
Balance sheet debt	1,545	1,643	1,445
Cash	91	73	95
Net debt	<u>1,454</u>	<u>1,570</u>	<u>1,350</u>
Available cash and undrawn committed facilities	<u>214</u>	<u>155</u>	<u>260</u>
Average debt maturity (years)	5.9	4.2	3.6
Hedging level on gross debt	73%	70%	75%
LTV - core facility	52%	54%	54%
Interest cover - core facility	3.1:1	2.6:1	2.4:1
LTV on a group basis	61%	63%	60%
Average interest rate during the year	5.4%	4.9%	5.6%
Average interest rate end of year	5.8%	4.9%	5.0%



# Movement in composition of lenders

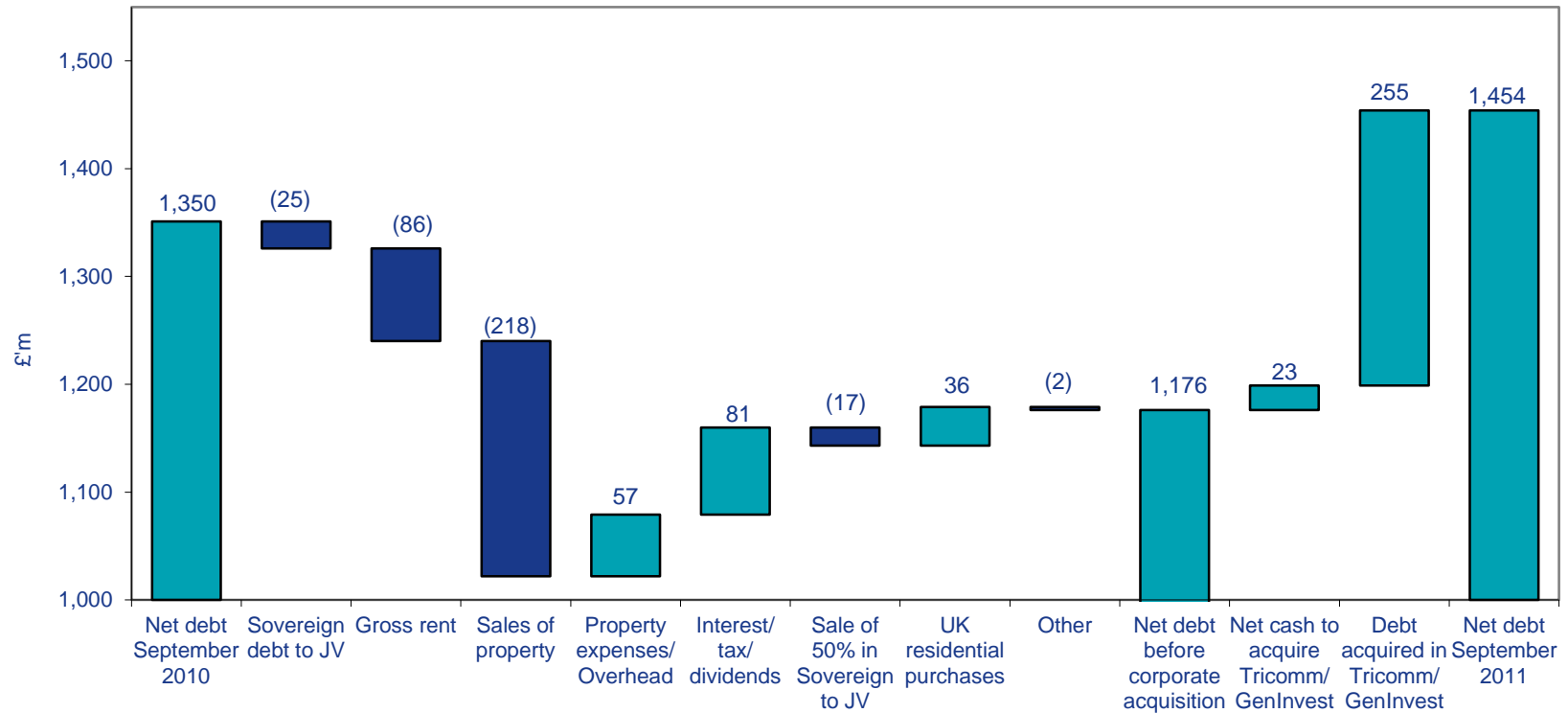
Facility £m



*'Strong and diverse group of lenders.'*



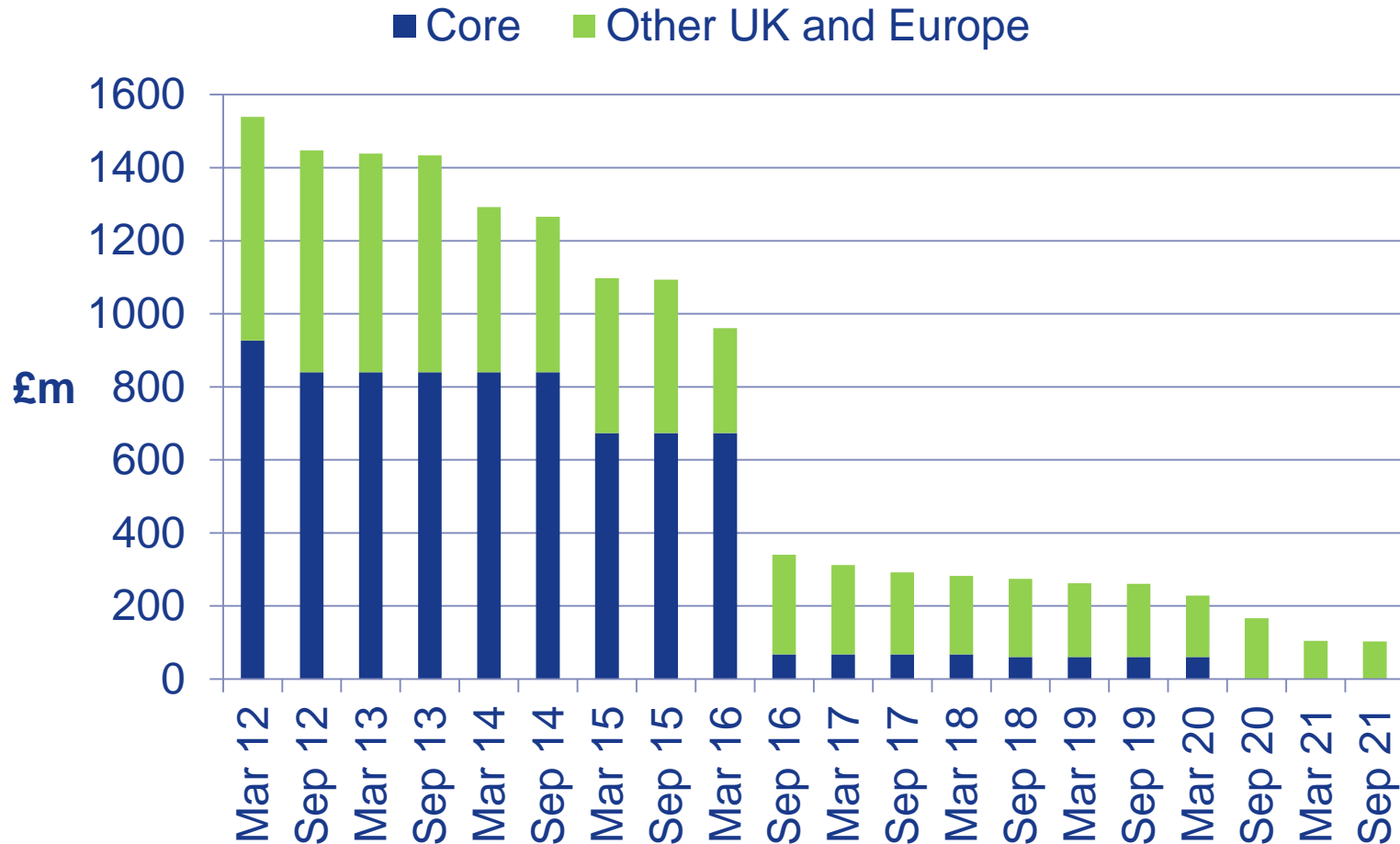
# Movement in net debt



\* Net debt has been reduced by £174m before major acquisitions



# Debt maturity





# Group debt and interest costs

As at September 2011	Debt	Blended rate		
		UK	Germany	Total
	£m	%	%	%
Fixed	81	5.4	1.1	4.2
Hedged by SWAPS	987	7.2	5.7	6.8
Hedged by CAPS	76	3.3	3.7	3.6
Variable	425	4.4	3.8	4.3
	1,569	6.1	5.0	5.8



# Regular, resilient cashflows

	Financial Years Ended 30 September					
	2011	2010	2009	2008	2007	2006
<b>Gross rents (£m)</b>						
UK Residential	51	39	41	42	39	47
Retirement Solutions	5	6	6	6	2	-
Development	-	1	1	1	2	1
Germany	30	30	30	22	10	5
<b>Total</b>	<b>86</b>	<b>76</b>	<b>78</b>	<b>71</b>	<b>53</b>	<b>53</b>
<b>Total Property Sales (£m)</b>						
UK Residential	148	118	139	137	125	124
Retirement Solutions	27	29	27	27	19	12
Development	22	19	46	10	39	56
Germany	21	4	3	2	2	1
<b>Total</b>	<b>218</b>	<b>170</b>	<b>215</b>	<b>176</b>	<b>185</b>	<b>193</b>
<b>Fees/ other income (£m)</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>9</b>	<b>6</b>	<b>3</b>
<b>Overall Total</b>	<b>312</b>	<b>253</b>	<b>300</b>	<b>256</b>	<b>244</b>	<b>249</b>
<b>Group overheads</b>	<b>(32)</b>	<b>(29)</b>	<b>(30)</b>	<b>(30)</b>	<b>(34)</b>	<b>(32)</b>
<b>Net Interest Payable</b>	<b>(76)</b>	<b>(77)</b>	<b>(79)</b>	<b>(89)</b>	<b>(65)</b>	<b>(57)</b>

Recessionary /  
Low growth;  
Euro crisis  
destabilises  
financial markets

Recessionary /  
Low growth;  
massive cuts in  
public spending  
announced

Oct 2008,  
Government rescues  
RBS/Lloyds  
  
April 2009,  
Government  
announce record  
budget deficit

Mar 2008,  
Bear Stearns  
collapse  
  
Sep 2008,  
Lehmans  
bankrupt

Aug 2007, Credit  
markets freeze  
  
Sep 2007, Run  
on Northern  
Rock

Property market  
booming



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# Market review

## UK

- Values driven by supply and demand, but with distortion from locally driven economics
- Low mortgage approval levels
- Weak confidence in the economy and housing market
- Rental market growing
- Government support
- Blurred lines between social and private rented



# Well positioned for the future

Strong fit between Grainger, economic conditions and Govt. Housing Strategy

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- Sales:
- Land for construction of new homes
  - BAU – Selective acquisitions, Asset Management, Sales Programme
- 

- Rental:
- Bouygues and Grainger Build to Rent Fund
  - BAU – Strong rental growth in existing portfolios
- 

- Fees:
- Development partner of choice
  - G:RAMP platform for challenged portfolios
  - BAU – Consolidation of contracts won this year
- 



# Looking ahead

- Building on our track record Grainger will continue to outperform because of our good quality, well located assets and in-house expertise.
- Build further on our three main income streams:

Sales

Rents

Fees

- A decrease in our directly owned asset base and debt levels, although our property management activities will result in increased assets under management.
- We are optimistic about opportunities to improve return on capital by managing other parties residential real estate exposure.
- Group sales pipeline £58.7m at 18 November 2011 at 5.3% above Sept 2011 VP



# Grainger's Centenary

100 years  
*...and counting*



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# Appendices



# Grainger UK portfolio



UK		No. of units	Vacant possession value, £m	Investment Value, £m	%
1	London (Total)	4,006	1,160	915	49%
2	South East	2,134	333	240	13%
3	South West	1,786	291	244	13%
4	East	1,299	165	120	6%
5	East Midlands	562	62	43	2%
6	West Midlands	970	145	107	6%
7	Wales	138	15	9	0%
8	Yorkshire	674	72	51	3%
9	North West	1,368	143	102	5%
10	North East	365	40	30	2%
11	Scotland	250	21	14	1%
12	Northern Ireland	12	1	1	0%
<b>Total</b>		<b>13,564</b>	<b>2,447</b>	<b>1,876</b>	<b>100%</b>



Germany		No of Units	Book value €m
1	Baden – Wuerttemberg	1,501	127
2	Hesse	1,490	112
3	Northrhine – Westphalia	1,677	101
4	Bavaria	560	56
5	Lower Saxony	751	37
6	Rhineland – Palatinate	337	26
7	Other	402	30
<b>Total</b>		<b>6,718</b>	<b>490</b>

# Wholly owned portfolio summary

Portfolio	No of units	Market value £m	VP value £m	Reversionary surplus £m	VP %	Gross rent £m	Gross sales proceeds £m	Profit on sale £m
Regulated	5,853	954	1,280	326	75	35	99	36
AST	1,220	233	257	24	90	8	6	1
Vacant	220	57	57	-	100	-	44	16
Tricomm (MOD)	317	106	106	-	100	6	-	-
Other	52	52	70	18	74	2	3	2
<b>Total UK Residential (UKR)</b>	<b>7,662</b>	<b>1,402</b>	<b>1,770</b>	<b>368</b>	<b>79</b>	<b>51</b>	<b>152</b>	<b>55</b>
Reversion	4,896	372	570	198	65	5	21	9
Charm	1,006	102	107	5	95	-	7	1
<b>Total Retirement Solutions (RS)</b>	<b>5,902</b>	<b>474</b>	<b>677</b>	<b>203</b>	<b>70</b>	<b>5</b>	<b>28</b>	<b>10</b>
<b>Total UKR and RS</b>	<b>13,564</b>	<b>1,876</b>	<b>2,447</b>	<b>571</b>	<b>77</b>	<b>56</b>	<b>180</b>	<b>65</b>
Development	-	73	73	-	100	-	22	15
<b>Total UK</b>	<b>13,564</b>	<b>1,949</b>	<b>2,520</b>	<b>571</b>	<b>77</b>	<b>56</b>	<b>202</b>	<b>80</b>
Germany	6,718	422	422	-	100	30	21	1
<b>Overall Total</b>	<b>20,282</b>	<b>2,371</b>	<b>2,942</b>	<b>571</b>	<b>81</b>	<b>86</b>	<b>223</b>	<b>81</b>
<b>30 September 2010</b>	<b>21,013</b>	<b>2,127</b>	<b>2,731</b>	<b>604</b>	<b>-</b>	<b>76</b>	<b>173</b>	<b>62</b>



# Portfolio overview – JV/Associates

	Joint Ventures					Associate	
	Curzon Park	Hammersmith	Prague/ Zizkov	Gebau	Sovereign	G:Res	Total
<b>£m</b>							
Property assets	37	-	28	-	64	382	511
Other assets	-	4	2	-	9	25	40
Total assets	37	4	30	-	73	407	551
External debt	(16)	-	(11)	-	(30)	(222)	(279)
Other liabilities	(26)	(4)	(15)	-	(7)	(27)	(79)
Total liabilities	(42)	(4)	(26)	-	(37)	(249)	(358)
Net assets	(5)	-	4	-	36	158	193
Grainger share	50%	50%	50%	50%	50%	21.96%	
Grainger share £m	(3)	-	2	-	18	35	52
Goodwill	-	-	-	-	-	-	-
Loans net of provisions	3	2	-	-	1	-	6
Total Grainger investment	-	2	2	-	19	35	58
Vacant possession value					104	419	523
Reversionary surplus					40	37	77
Grainger share of reversionary surplus					20	8	28



# Corporate and property transactions

Tenure	Corporate acquisition				Individual units		Total	
	Grainger GenInvest		Tricomm (MOD)		Units	Market value (£m)	Units	Market value (£m)
	Units	Market value (£m)	Units	Market value (£m)				
Regulated	467	93			44	8	511	101
AST	671	129					671	129
Assured	304	57					304	57
Leaseholders	157	1					157	1
RS reversions	-	-			170	14	170	14
Vacant	34	9					34	9
Tricomm/ MOD	-	-	317	105			317	105
<b>Total</b>	<b>1,633</b>	<b>289</b>	<b>317</b>	<b>105</b>	<b>214</b>	<b>22</b>	<b>2,164</b>	<b>416</b>

## Grainger GenInvest acquisition

	<b>£m</b>
Investment property	289
Other assets	5
External debt	(187) Re-financed day 1 with £120m loan
Other liabilities	(3)
External net assets acquired	<u>104</u>
JV investment value at acquisition	88
Consideration paid	15
Gain on acquisition arising	<u>1</u>

## Tricomm/ MOD acquisition

	<b>£m</b>
Investment property	105
Other assets	6
External debt	(68)
Other liabilities	(10)
Net asset acquired	<u>34</u>
Consideration paid	19
Gain on acquisition arising	<u>15</u>



# Income statement

<u>£m</u>	<u>September 2011</u>	<u>September 2010</u>	<u>Movement</u>	<u>Commentary</u>
Gross rental income	86	76	10	Rent reduction from sales outweighed by impact of Tricomm and Grainger Invest acquired in the year
Property expenses	(24)	(23)	(1)	
Net rental income	62	53	9	
Property sales net of sales fees	218	169	51	Increase in profit from sale at Kensington, Barnsbury average and additional UKR investment sales
Property cost of sales	(137)	(108)	(32)	
Profit on sale of property	81	61	19	
Other income and expenses/ CHARM	15	9	7	Increase from new fees from GRAMP and Sovereign and additional interest income from CHARM
Overheads	(32)	(29)	(3)	
<b>Operating profit (OPBVM)</b>	<b>126</b>	<b>94</b>	<b>32</b>	
Net Interest	(76)	(77)	1	Higher debt levels outweighed by the benefit from cancellation of SWAPS in 2010
JV/ Associates	(2)	(2)	-	
<b>Trading profit</b>	<b>48</b>	<b>15</b>	<b>33</b>	
Valuation	(14)	(35)	21	Lower mark to market charge on SWAPS (£12m) and gains on acquisition of Tricomm (£15m) and Grainger GenInvest (£1m). Lower valuation gains on JV/associates (£4m).
Non-recurring	(8)	(1)	(7)	Transaction costs (£3.8m) and write off of financing costs and expenses
<b>Profit/ (loss) before tax</b>	<b>26</b>	<b>(21)</b>	<b>47</b>	



# Gross NAV balance sheet

	September <u>2011</u> £m	September <u>2010</u> £m
Property related assets		
- wholly owned	2,371	2,127
- jv/associates	59	116
<b>Total property related assets</b>	<b>2,430</b>	<b>2,243</b>
Other assets	34	20
Cash	91	95
<b>Gross assets</b>	<b>2,555</b>	<b>2,358</b>
Debt	(1,545)	(1,446)
Other net liabilities	(110)	(80)
<b>Net assets</b>	<b>900</b>	<b>832</b>
<b>Gross NAV per share (p)</b>	<b>216p</b>	<b>200p</b>

Gross net assets are before any deferred or contingent tax and excluding the fair value of interest derivatives.

# Net asset values per share

	September 2011	September 2010
<b>Number of shares for NAV</b>	416,372,103	416,362,420
Statutory net assets per share	93	83
Increase to market value	83	80
Mark to market adjustment	29	24
Deferred tax on property valuations	11	13
<b>Gross NAV per share</b>	<b>216</b>	<b>200</b>
Mark to market adjustment reversal	(29)	(24)
Mark to market fixed rate debt	(2)	(2)
Deferred tax on property valuations reversal	(11)	(13)
Contingent tax on increase to market value at 25% (Sept 2010: 27%)	(21)	(21)
<b>NNNAV per share</b>	<b>153</b>	<b>140</b>
Discounted reversionary surplus	57	55
Tax thereon at 25% (Sept 2010: 27%)	(14)	(15)
<b>Grainger NAV per share (Base case)</b>	<b>196</b>	<b>180</b>





# Gross NAV and NNAV Reconciliation to Statutory Balance Sheet

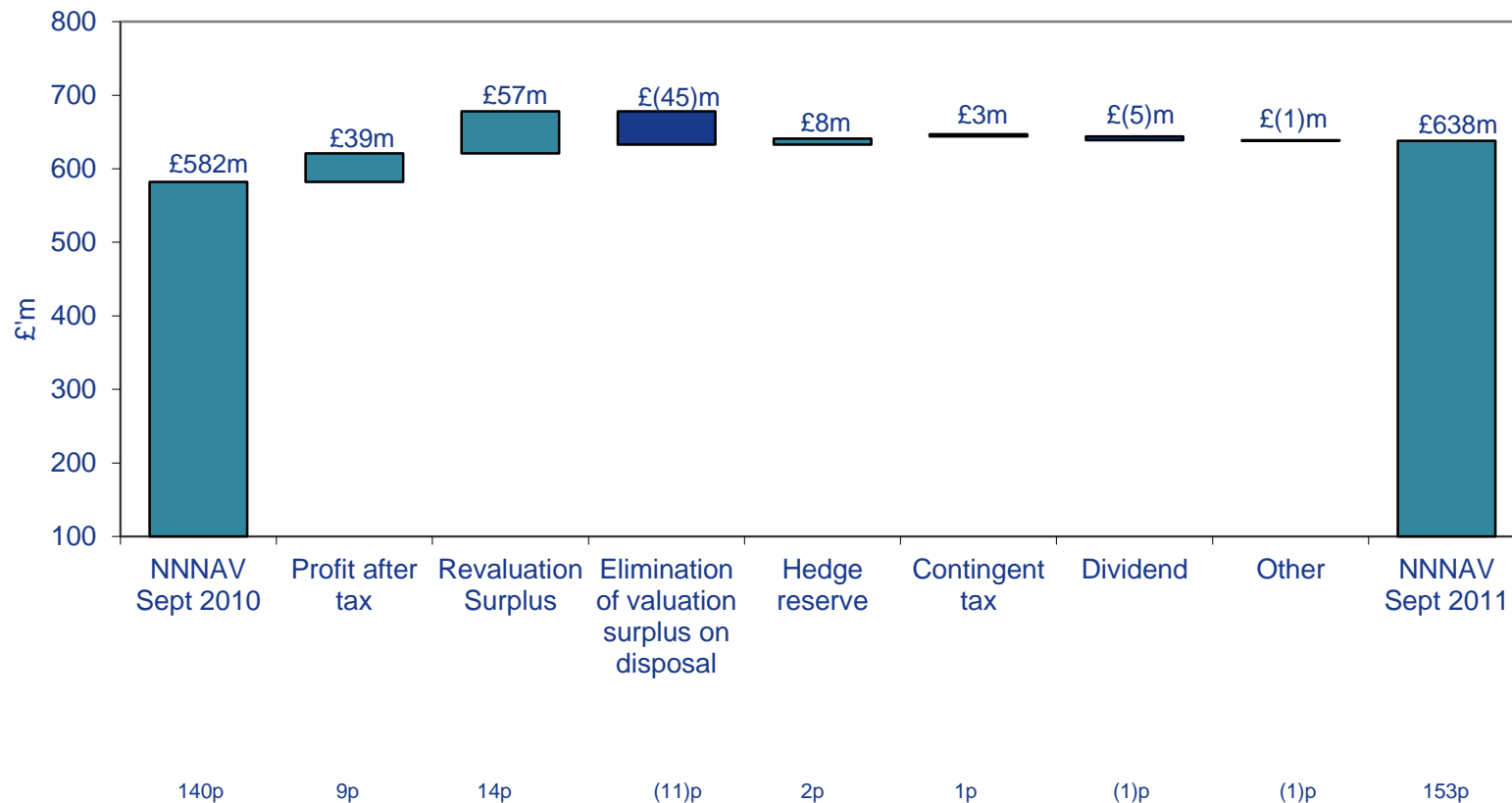
A8

<u>£m</u>	<u>Statutory balance sheet</u>	<u>Adjust to market value</u>	<u>Adjust for derivatives</u>	<u>Deferred tax on property revaluations</u>	<u>Gross NAV</u>	<u>Add back derivatives adjust for fixed rate loans</u>	<u>Add back deferred tax and adjust for contingent tax</u>	<u>NNAV</u>
Investment property	820	-	-	-	820	-	-	820
CHARM	102	-	-	-	102	-	-	102
Trading stock	1,105	344	-	-	1,449	-	-	1,449
JV/ Associates	59	(4)	4	-	59	(5)	-	54
Cash	91	-	-	-	91	-	-	91
Deferred tax	43	-	(40)	-	3	43	-	46
Other assets	24	7	-	-	31	-	-	31
<b>Total assets</b>	<b>2,244</b>	<b>347</b>	<b>(36)</b>	<b>-</b>	<b>2,555</b>	<b>38</b>	<b>-</b>	<b>2,593</b>
External debt	(1,545)	-	-	-	(1,545)	-	-	(1,545)
Derivatives	(154)	-	154	-	-	(168)	-	(168)
Deferred tax	(48)	-	-	48	-	-	(132)	(132)
Other liabilities	(110)	-	-	-	(110)	-	-	(110)
<b>Total liabilities</b>	<b>(1,857)</b>	<b>-</b>	<b>154</b>	<b>48</b>	<b>(1,655)</b>	<b>(168)</b>	<b>(132)</b>	<b>(1,955)</b>
Net assets	387	347	118	48	900	(130)	(132)	638
<b>30 September 2011 pence/ share</b>	<b>93</b>	<b>83</b>	<b>29</b>	<b>11</b>	<b>216</b>	<b>(31)</b>	<b>(32)</b>	<b>153</b>
30 September 2010 pence/ share	83	80	24	13	200	(26)	(34)	140

Number of shares for NAV is 416,372,103.



# Movement in NNNAV



# Summary cashflow

£m	<u>September 2011</u>	<u>September 2010</u>
Income		
Net rents and other income net of overheads	37	32
Property sales	218	170
Working capital movements	(1)	1
<b>Total cash generated</b>	<b>254</b>	<b>203</b>
Interest, tax and dividends	(81)	(118)
<b>Net operating cash</b>	<b>173</b>	<b>85</b>
Loan movements	(115)	(139)
Net proceeds from rights issue	-	237
Sale of subsidiary/ associate	18	
<b>Available for property spend</b>	<b>76</b>	<b>183</b>
Acquisitions/spend		
Total UK residential property	(36)	(58)
Development	(5)	(2)
Europe	(4)	-
Investment in JV/associates	(2)	(7)
Acquisition of subsidiaries net of cash acquired	(23)	(47)
Other	(7)	(2)
<b>Total property spend</b>	<b>(77)</b>	<b>(116)</b>
<b>Cash movement</b>	<b>(1)</b>	<b>67</b>



# Summary terms of existing debt

Position as at 30 September 2011

Maturity	Quantum £m	Drawn Amount £m	Head- room £m	Blended Margin %	LIBOR / EURIBOR %	Blended Swap Rate %	Hedged / Fixed %	Cost of Debt %
Up to 3 years	474	303	171	1.6%	1.0%	4.5%	84.5%	5.6%
3 to 6 years	974	974		2.3%	1.0%	5.0%	67.1%	6.0%
6 to 9 years	128	128		3.1%	1.0%	5.4%	50.2%	6.3%
> 9 years	164	164		2.1%	1.0%	4.8%	51.8%	5.1%
<b>Total Debt</b>	<b>1,740</b>	<b>1,569</b>	<b>171</b>	<b>2.2%</b>	<b>1.0%</b>	<b>4.9%</b>	<b>67.5%</b>	<b>5.8%</b>
Unamortised Costs		(24)						
Gross Debt		1,545						
Cash & Cash Equivalents		(91)	43					
<b>Net Debt</b>		<b>1,454</b>	<b>214</b>					



# Summary terms of existing debt

## Size:

- Current MOF bank facility totals £1,093m with headroom of £166m
- Following signing of new FSF on 30 September 2011, this will drop to £840m by 30 September 2012

## Maturity:

- Term A, £332.5m, 20% in December 2014 balance July 2016
- Term B, £100m, matures in December 2014
- Term C, £37.5m, 10% July 2016 and 2018 balance in July 2020
- RCF 1, £332m, matures in July 2016
- RCF 2, £37.5m, 10% reduction July 2016 and 2018 balance in July 2020
- The remainder of the old facilities mature by September 2012
- Bilateral with M&G matures in March 2021

## Covenants:

- Current covenanted LTV is 52%
- LTV default >75%
- LTV >67.5%:
  - Restriction on purchases limited to £2m per month
  - Restriction on corporate acquisitions
- ICR covenant at 1.35x (current ICR 3.1x)
  - For the purposes of the ICR covenant, the calculation incorporates Gross Sales Proceeds + Net Rental Income Less Dividends and Taxes



# Group debt maturity profile

As at 30 September 2011	Drawn at period end	Total facility	Undrawn	Maturing in the 6 months to							
				March 2012	Sept 2012	March 2013	Sept 2013	March 2014	Sept 2014	March 2015	Sept 2015
<b>UK</b>											
Core banking facility											
FSF - Facility A	333	333	-	-	-	-	-	-	-	67	-
FSF - Facility B	100	100	-	-	-	-	-	-	-	100	-
FSF - Facility C	38	38	-	-	-	-	-	-	-	-	-
FSF - Revolver 1	332	332	-	-	-	-	-	-	-	-	-
FSF - Revolver 2	37	37	-	-	-	-	-	-	-	-	-
New FSF	840	840	-	-	-	-	-	-	-	167	-
Current facility	87	253	166	-	253	-	-	-	-	-	-
<b>Total core facility</b>	<b>927</b>	<b>1,093</b>	<b>166</b>	<b>-</b>	<b>253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>167</b>	<b>-</b>
M&G	100	100	-	-	-	-	-	-	-	-	-
Bank of America - Tricomm	69	69	-	-	1	-	1	-	1	-	1
HSBC/ Santander - Grainger GenInvest	119	119	-	-	3	-	2	-	3	-	2
Lloyds - Bantam	34	34	-	-	-	-	-	-	-	-	-
Convertible Bond	23	23	-	-	-	-	-	-	23	-	-
Other	8	13	5	-	-	-	-	-	-	-	-
<b>Total UK</b>	<b>1,280</b>	<b>1,451</b>	<b>171</b>	<b>-</b>	<b>257</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>27</b>	<b>167</b>	<b>3</b>
<b>Germany</b>											
Eurohypo	185	185	-	20	1	1	1	140	-	-	-
Other	104	104	-	9	1	7	1	1	1	1	1
<b>Total Germany</b>	<b>289</b>	<b>289</b>	<b>-</b>	<b>29</b>	<b>2</b>	<b>8</b>	<b>2</b>	<b>141</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Total debt</b>	<b>1,569</b>	<b>1,740</b>	<b>171</b>	<b>-</b>	<b>259</b>	<b>8</b>	<b>5</b>	<b>141</b>	<b>28</b>	<b>168</b>	<b>4</b>
Unamortised costs	(24)										
<b>Debt on Group balance sheet</b>	<b>1,545</b>										

Note: Once Forward Start Facility is fully drawn facility total £1,487m.

# Net debt including JVs/associates

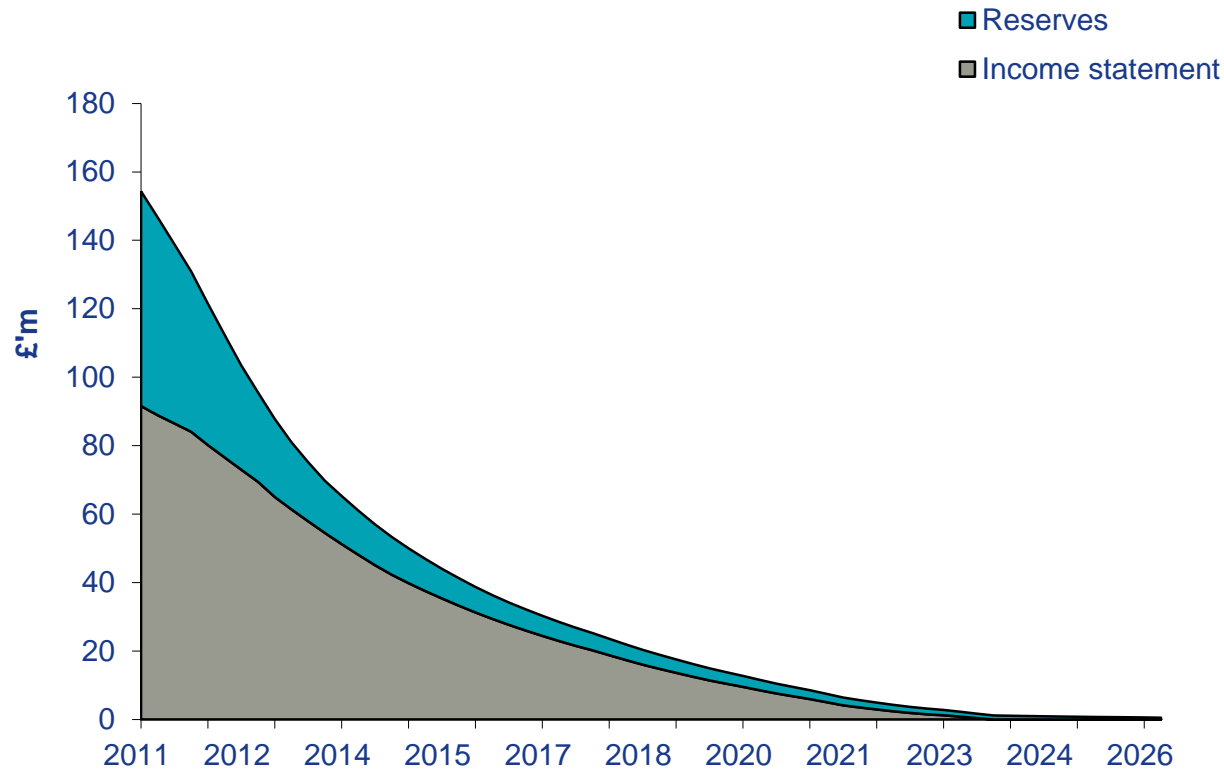
	September 2011			September 2010		
	Group £m	JV/ Assoc* £m	Total £m	Group £m	JV/ Assoc* £m	Total £m
Balance sheet debt	1,545	279	1,824	1,445	440	1,885
Cash	91	35	126	95	35	130
Net debt	<b>1,454</b>	<b>244</b>	<b>1,698</b>	<b>1,350</b>	<b>405</b>	<b>1,755</b>

\*JV/ Associate is the full amount of debt and not just Grainger's share. All JV/ Associate debt is non recourse to Grainger except £15m for Curzon Park which is recourse to both JV partners.



# Derivative liability runoff chart

Mark to Market Run off





- The tax credit for the period is £13.0m. An effective tax rate of -49.8% based on a profit before tax of £26.1m.
- Prior year tax credit of £16.5m includes a non-recurring, exceptional tax credit of £10.2m in relation to settlement of historic tax matters.

	2011 £m
Profit (loss) before tax	26.1
Profit (loss) before tax at a rate of 27% (2010:28%)	7.0
Expenses not deductible for tax purposes	1.8
Goodwill credit not taxable	(3.8)
Impact of tax rate change	(0.8)
Other losses and non-taxable items	(0.7)
Adjustment in respect of prior periods	(16.5)
Total income tax credit in the income statement	(13.0)

- Awarded 'low risk' status by HMRC.
- Future tax rate expected to follow the headline rate. The group retains a policy of prudent tax provisioning.
- The 'pure' tax effect of the proposed reduction in CT rates to 23% from 1 April 2014 would be a reduction in the contingent tax base of £3.4m per annum.



# Development schedule

Key project name	Description, planning status and strategy	Progress	Committed expenditure £m
Aldershot	400 acre brownfield site in Hampshire; Development partner role with Defence Estates. The intention is to achieve outline planning consent and sell serviced land parcels to house-builders.	Development agreement signed 2 March 2011. Commenced work in masterplanning the site. First phase of land handover completed successfully in May 11.	4.9
Macaulay Road, Clapham	97 residential units, 30,000 sq. ft offices - detailed consent granted and demolition complete. Build Out development.	Plot J S106 negotiation to complete. Affordable rent levels being agreed between MHT and LA. Detailed design underway and tender package to be issued by Jan 12 with start on site (subject to final internal sign-off) Spring 12. External funding discussions to be progressed in parallel.	
West of Waterlooville	217 hectares greenfield site- freehold with overage interest. Outline planning consent granted for 2550 new homes and 100,000 sq.m commercial space, coupled with detailed application for first phase circa 200 homes, in March 2011. Complete S106 agreement, service land and sell first phases to housebuilders.	Final S106 negotiations underway and on site infra has been commenced to service land parcels.	4.0
Gateshead College	Former college site with vp. Detailed planning consent for 252 residential units. Decision taken to dispose of the site without developing it out.	Subject to planning bid accepted from Miller Homes. Legal papers issued. Exchange was initially delayed due to issues with planning. However, a revised deal has now been agreed and the deal will be exchanged shortly.	
Wards Corner	197 residential units with a range of retail units, including provision for the Seven Sisters market. Planning consent was quashed by the Court of Appeal, so the application has been referred back to the Council.	Application refused at committee in July 11. Examining all options to progress this site.	
Dorchester	180 acre site to the north of Dorchester - currently no planning consent and Grainger does not own any of the land. The site is being promoted through the local planning process. Once planning consent has been secured the intention is to dispose of our interest.	Secure planning and exits to house builders	
Woodcroft Farm	30 acres of farm and land, Waterlooville, freehold, currently no site access and no planning consent. The site is being promoted through the LDF and access is being sought from local landowners. Obtain outline planning, service land and sell to housebuilders.	Allocated in the core strategy for 350 units ongoing negotiations with County Council in respect of access. Commenced master planning exercise. The first public exhibition was held 7th & 8th of Oct.	
JV's			
Hammersmith	Mixed use joint venture with Helical Bar including 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. Planning consent being sought.	Planning Application submitted. Design changes arising from consultation with GLA and LBH will require a resubmission of the application. Changes to the application have now been agreed with new Deputy Mayor, Mayor and LBHF. Planning committee 30th Nov 11.	0.2
Charles Street, Mayfair	17k sqft, prime, Mayfair, JV with Clarins (M Eggerton). Planning consent granted for extension/refurbishment of 13,000sqft prime residential property. Complete build and sell.	Funding completed Nov 10, Contractor on site Dec 10 - project proceeds on budget and programme - PC July 2012.	
Curzon Park	10 acres brownfield, Birmingham, JV with Dev Sec, freehold. Outline planning consent for 1.4m sqft mixed use development granted July 2008.	High Speed Rail proposals will blight future activity. Gerald Eve (valuation) and Walker Morris (legal) appointed to advise on strategy and protecting position. In meantime temporary income generating initiatives being maximised.	1.1
Zizkov	31.5 acres brownfield, prague, JV with Fund 3C and Discovey Group, planning permit application submitted December 2010.	Planning permit application submitted in June 11. An objection was formally lodged by the neighboring land owner which requires further consideration by the Czech authorities. This will delay achieving consent by between 3 and 9 months depending upon the time required by the Czech courts. The existing projects loan expires 30th June 2012 and we will commence renegotiation of this loan in December 11	
Total			10.2



# Glossary

<b>Property</b>	
Assured periodic tenancy (“APT”)	Market rented tenancy arising from succession from regulated. Tenant has security of tenure.
Assured shorthold tenancy (“AST”)	Market rented tenancy where landlord may obtain possession if appropriate notice served.
Assured tenancy (“AT”)	Market rented tenancy where tenant has right to renew.
Investment value (“IV”)	Open market value of a property subject to relevant tenancy in place.
Home reversion	Rent free tenancy where tenant has right of occupation until possession is forfeited (usually on death). If tenant retains an equity interest in the property this is a partial life tenancy.
PRS	Private Rented Sector.
Regulated tenancy	Tenancy regulated under 1977 Rent Act, rent (usually sub market) set by rent officer and tenant has security of tenure.
Tenanted residential (“TR”)	Activity covering the acquisition, renting out and subsequent sale (usually on vacancy) of residential units subject to a tenancy agreement.
Vacant possession value (“VP”)	Open market value of a property free from any tenancy.
<b>Financial</b>	
Cap	Financial instrument which, in return for a fee, guarantees an upper limit for the interest rate on a loan.
Contingent tax	The amount of tax that would be payable should assets be sold at the market value shown in the market value balance sheet.
Dividend cover	Earnings per share divided by dividends per share.
Earnings per share (“EPS”)	Profit after tax attributable to shareholders divided by the weighted average number of shares in issue in the year.



# Glossary

<b>Financial (continued)</b>	
Gearing	The ratio of borrowings, net of cash, to market net asset value.
Hedging	The use of financial instruments to protect against interest rate movements.
IFRS	International Financial Reporting Standards.
Interest cover	Profit on ordinary activities before interest and tax divided by net interest payable.
Goodwill	On acquisition of a company, the difference between the fair value of net assets acquired and the purchase price paid.
Gross net asset value ("GNAV")	Shareholders' funds adjusted for the market value of property assets held as stock but before deduction for deferred tax on property revaluations and before adjustments for the fair value of derivatives.
Net net asset value (triple net or "NNNAV")	NAV adjusted for deferred tax and those contingent tax liabilities which would accrue if assets were sold at market value and for the fair value of long term debt and derivatives
Grainger NAV	NNNAV adjusted for the taxed discounted reversionary surplus in our long-term UK residential and home reversion portfolios.
Return on shareholder equity	Growth in NNNAV in the year plus the dividend per share relating to each year as a percentage of opening NNNAV
Return on capital employed	Operating profit after net valuation movements on investment properties plus share of results from Joint Ventures/Associates plus the movement on the uplift of trading stock to market value as a percentage of opening gross capital defined as investment property, financial interest in property assets (CHARM) Investment in Joint Ventures/Associates and trading stock at market value
Sales margin	Profit on sale divided by sales proceeds
Swap	Financial instrument to protect against interest rate movements.
Total shareholder return ("TSR")	Return attributable to shareholders on basis of share price growth with dividends reinvested.
Weighted average cost of capital ("WACC")	The weighted average cost of funding the Group's activities through a combination of shareholders' funds and debt.

