

Half Year Financial Results Presentation

19 May 2011
Final



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Agenda

1. Highlights
2. Background to business and strategy
3. Financial performance and update
4. Portfolio performance
5. Outlook and close
6. Appendices



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Highlights

- Acquisition of Genesis share in Grainger GenInvest, giving 100% ownership of c1,650 Central London properties (£289m market value, £354m vacant possession value (VPV))
- Acquisition of HI Tricomm for £18.5m, let to MoD, financed by non-recourse debt with a final maturity in October 2028
- Appointment to manage development of up to 4,500 residential units on Aldershot Urban Extension giving long term management fee income
- Outline planning permission for 2,500 residential units at Newlands, Hampshire generating regular cashflows to circa 2025 from sales to housebuilders
- Post period end selection to Lloyds Banking Group's Residential Asset Management Platform (RAMP) to provide property and asset management services for property portfolios placed in administration
- Continued evidence of portfolio liquidity. Total cashflow from completed property sales of £90m (2010: £91m) and at 13 May the total sales pipeline was £155m



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Grainger plc

The UK's largest listed specialist residential property owner and manager

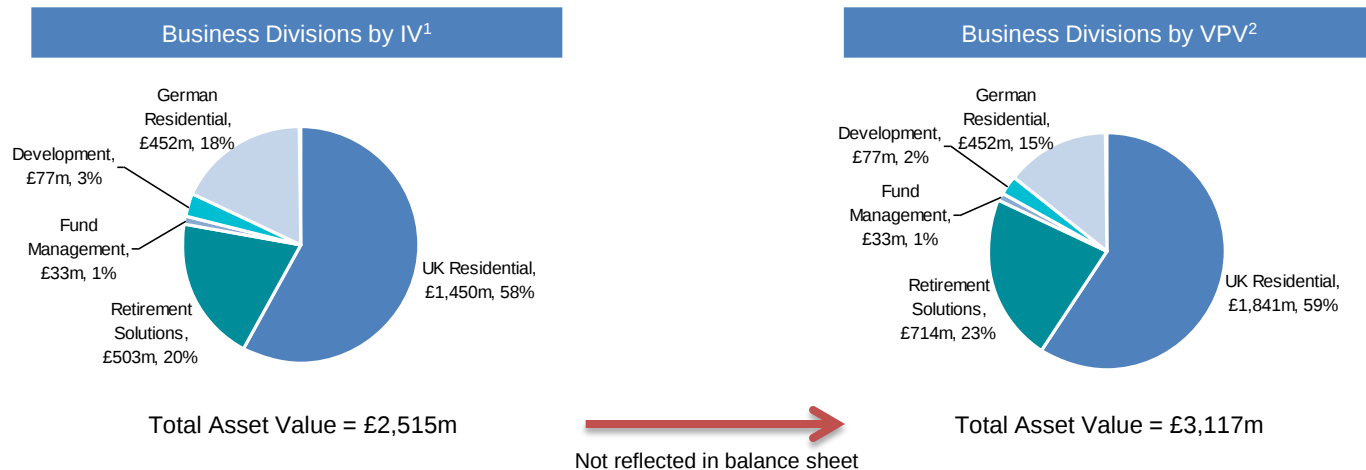
- Business activities comprise ownership and trading of tenanted residential properties, provision of retirement solutions, property services, fund management and a small development component
- Activities and portfolio geographically diversified in UK and Europe, with weighting towards London and South East in the UK
- Owns portfolio of c.14,250 residential properties in the UK and 7,150 primarily residential properties in Germany, together valued at £2.4bn⁽¹⁾
- Leading residential management platform in UK with six offices and 250 staff
- Historically stable operating profit and cash generation, outperforming market in challenging environment
- Delivering sustainable value from diversified residential property income streams



¹ Investment Value, excludes reversionary surplus

Our Business

- Grainger owns, acquires and trades regulated and market-let tenanted properties, and has a substantial portfolio of home reversion properties. We also undertake fund, property and asset management along with a limited level of residential-led development
- The Group generates income from a variety of sources, including rental income, the sale of properties, fund management and performance fees, and property management fees
- We have significant expertise in the residential real estate sector, and focus on complementary activities across the value chain allowing us to benefit from synergies between the divisions and enhance overall returns
- We also have an extremely broad reach across the UK and Germany with dedicated teams on the ground to source and inspect investment opportunities, ensuring we identify the best properties for our portfolio



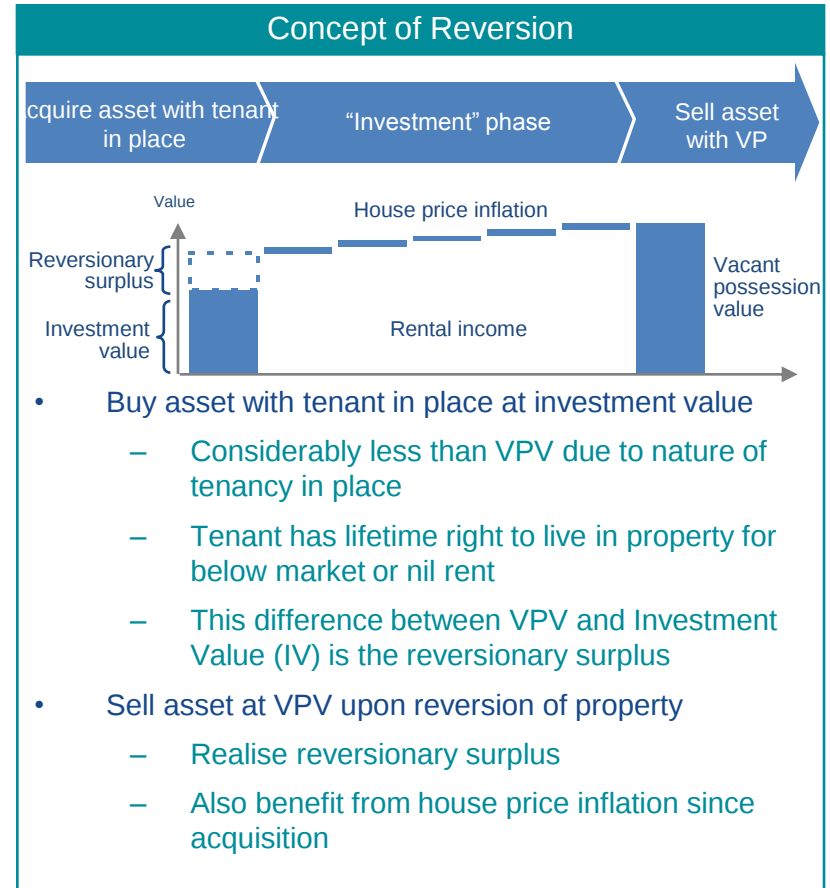
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¹ Investment value

² Vacant possession value

Our Business

- The heart of Grainger's business model is to gain control of assets at low value and sell them at significantly higher value
 - This runs through many of the UK businesses: UK Residential, Retirement Solutions and Development
- Central to this is the concept of reversion, as outlined in the adjacent box
- Added value comes from three sources:
 - The reversion
 - House price inflation: the rise in the vacant possession value (VPV) of the property over the period between purchase and sale which is approaching ten years on average
 - The rental income over the years between purchase and sale
- This is complemented by cash generation from other businesses within the group
 - Germany, Fund Management, Property Services

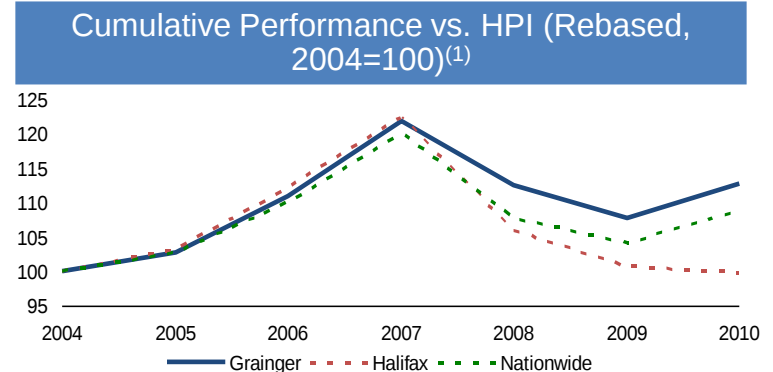


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Portfolio Characteristics

Sustained demand through the cycle supports asset values

- Defensive nature of Grainger's properties is demonstrated in lower volatility of its UK asset values compared to national averages
- This is driven by a number of factors
 - Generally unmodernised properties with development potential
 - Broad range of potential buyers, including first time buyers, small scale developers and cash-led local investors
 - Virtually no exposure to more volatile segments such as new build and concentrated developments
 - Affordability – average price is well below national average
 - We estimate 25% of purchasers are cash only buyers
 - This mitigates our exposure to changes in mortgage availability



UK		No. of units	VPV, £m	Average VPV per unit, £000	Regional average price, £000 ⁽²⁾
1	London (Total)	4,148	1,173	283	409
2	South East	2,178	341	156	274
3	South West	1,821	297	163	227
4	East	1,363	176	129	205
5	East Midlands	829	85	102	178
6	West Midlands	991	146	148	158
7	Wales	183	21	117	164
8	Yorkshire	678	73	107	160
9	North West	1,406	148	105	148
10	North East	375	41	110	158
11	Scotland	260	21	79	152
12	Northern Ireland	12	1	101	150
UK Total		14,244	2,523	177	n/a



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¹ Grainger HPI – change in annual valuations
 Halifax – change in AllMon(SA) index September - September
 Nationwide – change in Seasonally adjusted UK – Q3 to Q3

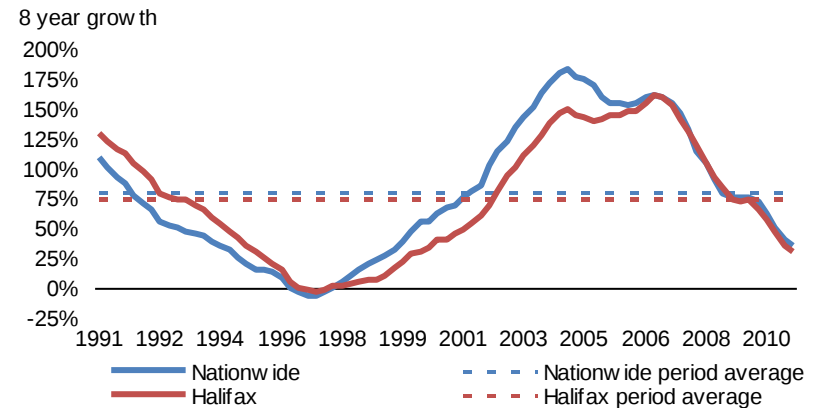
² Figures for period Oct-Dec 2010. Sources: England and Wales - Land Registry of England and Wales; Scotland – Registers of Scotland Executive Agency; Northern Ireland – University of Ulster in partnership with Bank of Ireland

Portfolio Characteristics

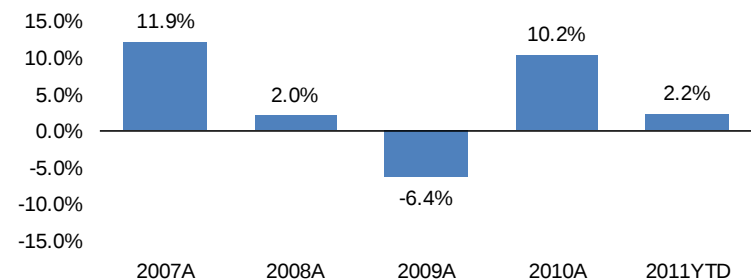
Further support for asset values

- The proceeds realised by Grainger upon vacant possession are linked to long term, rather than short term HPI
 - For example, for properties sold during the year to September 2009, the average hold period was approaching ten years
 - Over this timeframe historical HPI has been almost always positive
- Given the scale of the portfolio, Grainger's valuations are market tested very frequently compared to many other real estate operators
 - With the exception of 2009, sales proceeds have exceeded previous year end valuation over the past 4.5 years, demonstrating the robustness of the valuations

Average HPI Growth over 8-Year Period⁽¹⁾



Average Sales Price vs. Previous Year End Valuation



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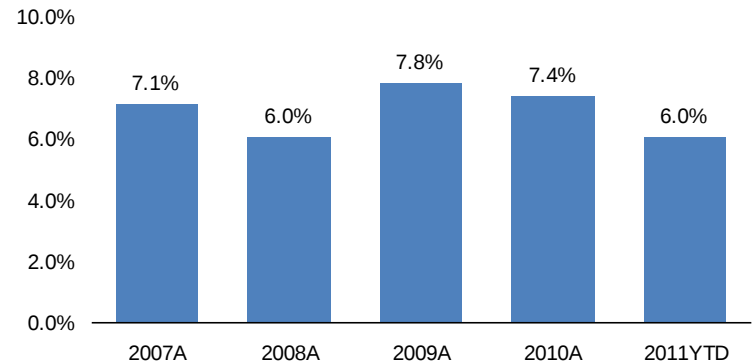
¹ Grainger HPI – change in annual valuations
 Halifax – change in AllMon(SA) index September - September
 Nationwide – change in Seasonally adjusted UK – Q3 to Q3

Portfolio Characteristics

Stability of cashflows due to low rental defaults and predictable reversion rate

- Grainger has demonstrated a predictable cash flow profile from rental income and sales proceeds
- Rental income is very stable with minimal cash leakage due to the nature of its tenants and the low rental levels
 - Rental arrears currently c2%
- Trading income is also very stable due to the stability of values as shown in the previous slide as well as predictability of vacancies for a portfolio the size of Grainger's
- Circa 6.5% of core regulated portfolio consistently sold each year at vacant possession value or higher

Historic Reversion Rates⁽¹⁾



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¹ Grainger company data

Portfolio Characteristics

Income stability underpinned by predictable reversion rate

Reversion Rate Stable
at 6% – 7%, Providing Steady
Stream of Properties for Sale

High Sales Velocity at
Good Prices

Cash Generation From
Property Sales



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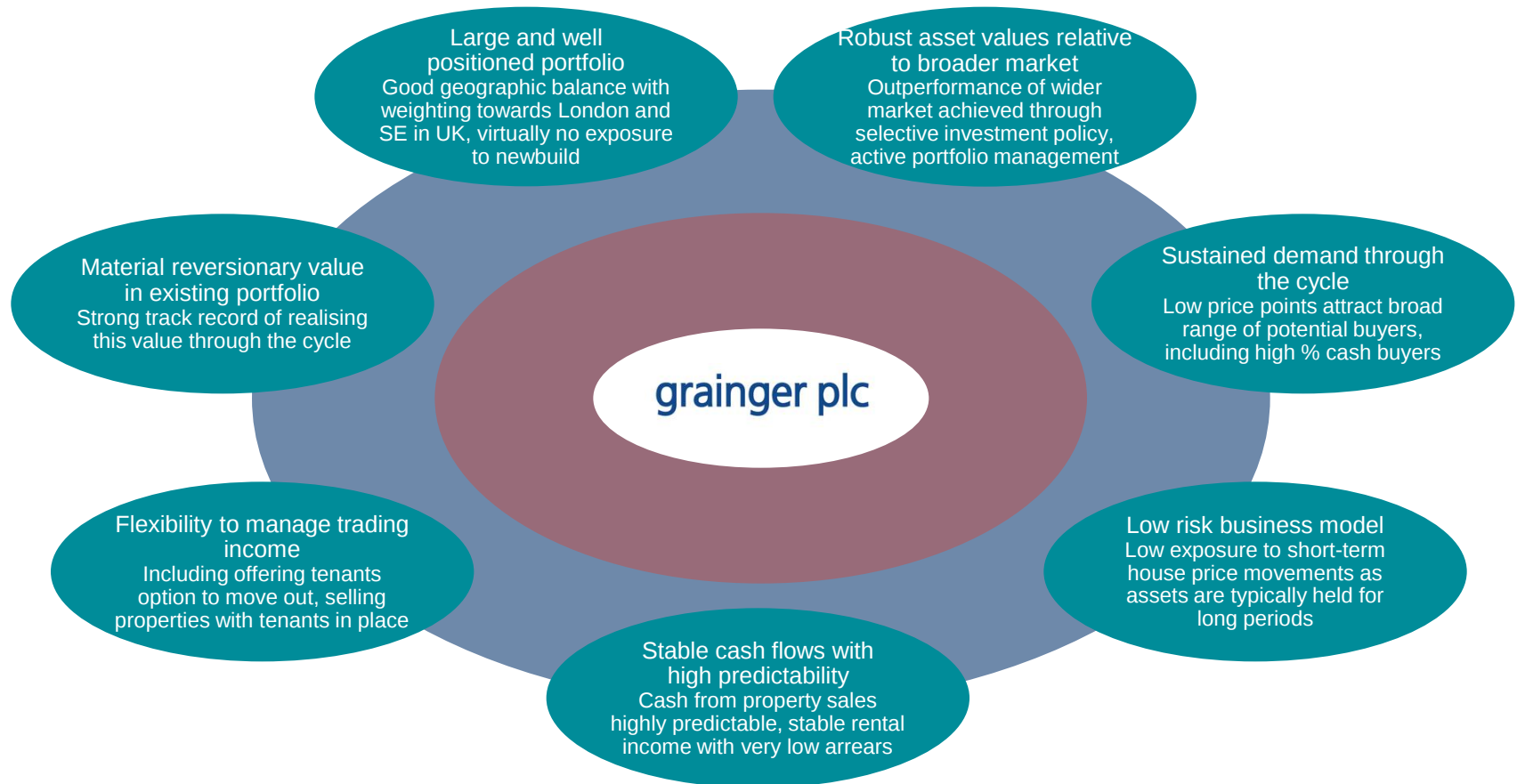
Regular, Resilient Cashflows

	6 months to 31 March 2011	2010	2009	2008	2007	2006
Financial Years Ended 30 September						
Gross rents (£m)						
UK Residential	21	39	41	42	39	47
Retirement Solutions	3	6	6	6	2	-
Development	-	1	1	1	2	1
Germany	15	30	30	22	10	5
Total	39	76	78	71	53	53
Total Property Sales (£m)						
UK Residential	53	118	139	137	125	124
Retirement Solutions	14	29	27	27	19	12
Development	20	19	46	10	39	56
Germany	1	4	3	2	2	1
Total	88	170	215	176	185	193
Overall Total	127	246	293	247	238	246
Net Interest Payable	(34)	(77)	(79)	(89)	(65)	(57)
	Recessionary / Low growth; massive cuts in public spending to commence	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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Grainger Proposition



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Key Strategic Initiatives

Initiatives

Portfolio refocus on selective areas of value or growth, through application of careful acquisition criteria

Increase weighting towards London and the South East

Reduction of capital employed in non-core assets and underperforming locations

Introduce third party capital into selected business units to improve returns

Early consideration of debt financing options

Increased focus on other income streams

Examples

- Already in hand via recent acquisitions such as GenInvest (£289m), HI Tricomm Holdings (£105m)
- Geninvest acquisition increases percentage of portfolio in London to 48%
- Already in hand via portfolio review e.g. c £100m portfolio cleansing anticipated this year with proceeds used to repay debt
- Joint Venture with Moorfield on Sovereign Home Reversion portfolio.
- Steps already taken include:
 - February 2011: £100m M&G UK Companies Fund
 - February 2011: £70m loan with BoA with HI Tricomm acquisition
 - March 2011: £120m loan from HSBC and Santander regarding Geninvest acquisition
- Lloyds Residential Asset Management Platform (RAMP)
- Tricomm (long term contract with MOD)
- Aldershot Urban Extension – long term contract with Defence Estates



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Financial Highlights

- Gross NAV per share increased by 5% to 210p
- NNNAV per share increased by 13% to 158p
- Operating profit increased by 24% to £59.4m
- Profit before tax increased to £65.2m from £3.5m
- Further progress on re-shaping sources of debt; work continues
- Tender offer for shares in place of this year's interim dividend of 1 for 238 at 149p representing a premium of 20.4% to the mid closing share price of 123.75p on 18 May 2011 .



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Half Year Financial Results Summary

	March 2011	March 2010	Movement
Operating profit* (£m)	59.4	48.0	+24%
Profit before tax (£m)	65.2	3.5	

	March 2011	September 2010	
Gross NAV per share**	210p	200p	+5%
NNNAV per share**	158p	140p	+13%

Net debt (£m)	1,570	1,350
of which - syndicate	(63%) 992	(78%) 1,056
LTV - core facility	54%	54%

* Before valuation movements and non-recurring items

** NAV figures calculated in accordance with EPRA definitions



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Wholly Owned Portfolio Summary

<u>Portfolio</u>	<u>No of units</u>	<u>Market value</u> £m	<u>VP value</u> £m	<u>Reversionary surplus</u> £m	<u>VP</u> %
Regulated	6,472	1,009	1,355	346	74
AST	1,237	231	264	33	88
Vacant	255	61	61	-	100
Tricomm (MOD)	317	105	105	-	100
Other	50	44	56	12	79
Total UK Residential (UKR)	8,331	1,450	1,841	391	79
Reversion	4,871	370	571	201	65
Charm	1,042	101	111	10	91
Total Retirement Solutions (RS)	5,913	471	682	211	69
Total UKR and RS	14,244	1,921	2,523	602	76
Development	-	73	73	-	100
Total UK	14,244	1,994	2,596	602	77
Germany	7,150	451	451	-	100
Overall Total	21,394	2,445	3,047	602	80
30 September 2010	21,013	2,127	2,731	604	78



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Gross NAV balance sheet

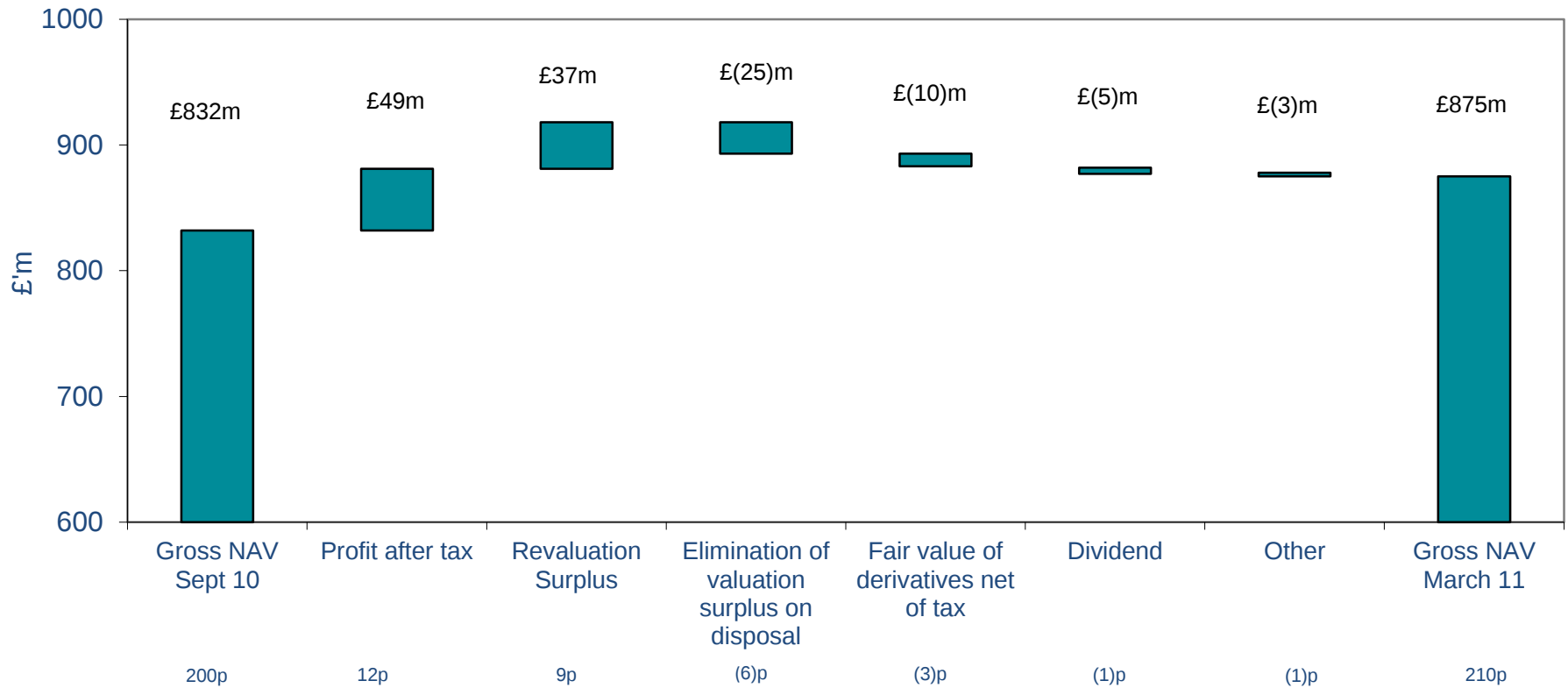
	31 March <u>2011</u> £m	30 September <u>2010</u> £m
Property related assets		
- wholly owned	2,445	2,127
- jv/associates	74	116
Total property related assets	2,519	2,243
Other assets	33	20
Cash	73	95
Gross assets	2,625	2,358
Debt	(1,643)	(1,446)
Other net liabilities	(107)	(80)
Net assets	875	832
Gross NAV per share (p)	210p	200p

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



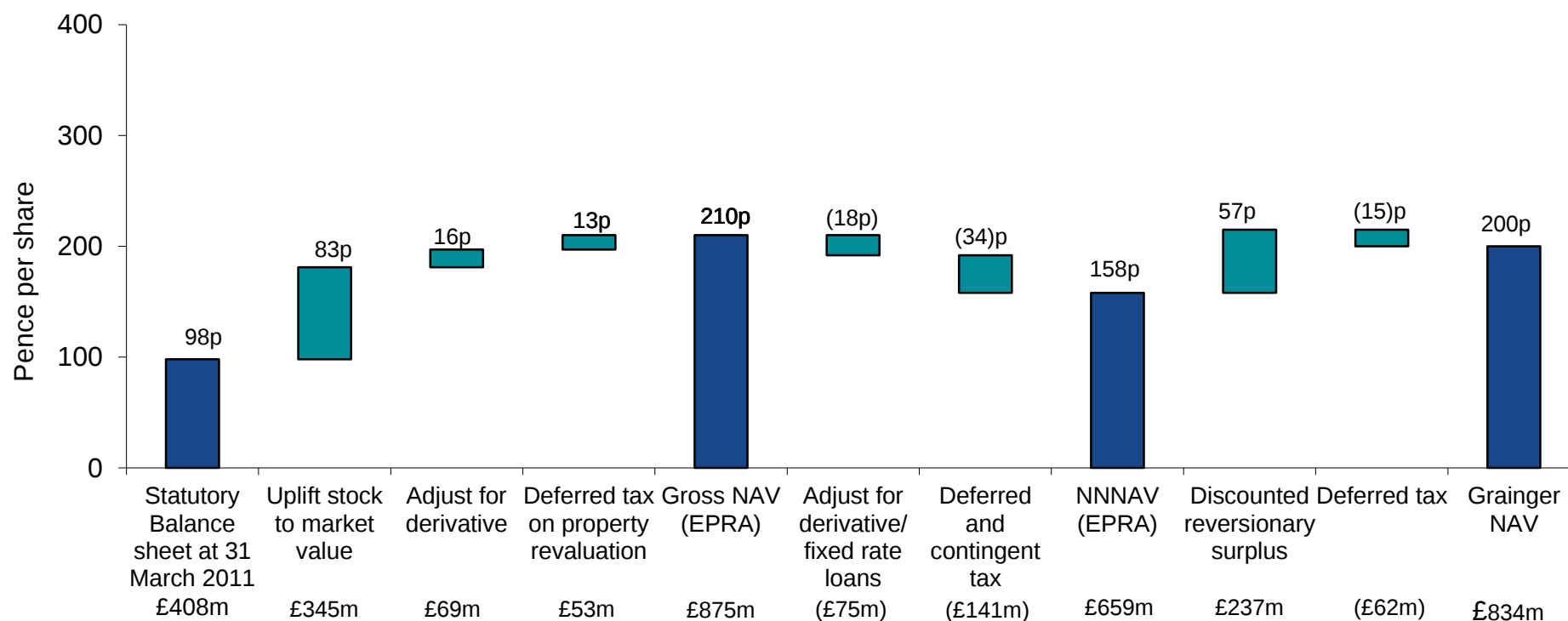
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Movement in Gross NAV



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NAV Reconciliation at 31 March 2011



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Income Statement

<u>£m</u>	<u>March 2011</u>	<u>March 2010</u>	<u>Movement</u>	<u>Commentary</u>
Gross rental income	39	38	1	No change - rent reduction from sales of property balanced by increases from new acquisitions (e.g. Tricomm)
Property expenses	(12)	(11)	(1)	
Net rental income	27	27	-	
Property sales net of sales fees	86	89	(3)	Increase in profit primarily from the development division on sales at Kensington (£7.6m) and receipt of further cash consideration on Barnsbury (£5.0m)
Property cost of sales	(44)	(59)	15	
Profit on sale of property	42	30	12	
Other income and expenses	5	5	-	No change - includes asset and property management fees from G.res.
Overheads	(15)	(14)	(1)	
Operating profit	59	48	11	
Net Interest	(33)	(40)	7	Interest lower primarily due to cancellation of SWAPS in 2010 and lower average debt in 2011.
JV/ Associates	(3)	(2)	(1)	
Recurring profit	23	6	17	Includes £12m of development profit.
Valuation	45	(2)	47	Valuation includes gains made on acquisition of Tricomm (£14.9m) and GenInvest (£1.2m) and a £22.9m credit on the mark to market of SWAPS
Non-recurring	(3)	(1)	(2)	Non recurring relates to transaction costs on acquisitions
Profit before tax	65	3	62	

See A1



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Group Debt Analysis

	March 2011 £m	September 2010 £m
Gross debt	1,656	1,455
Unamortised loan cost	(13)	(10)
Balance sheet debt	1,643	1,445
Cash	73	95
Net debt (A10)	1,570	1,350
Cash/ undrawn committed facilities	155	260

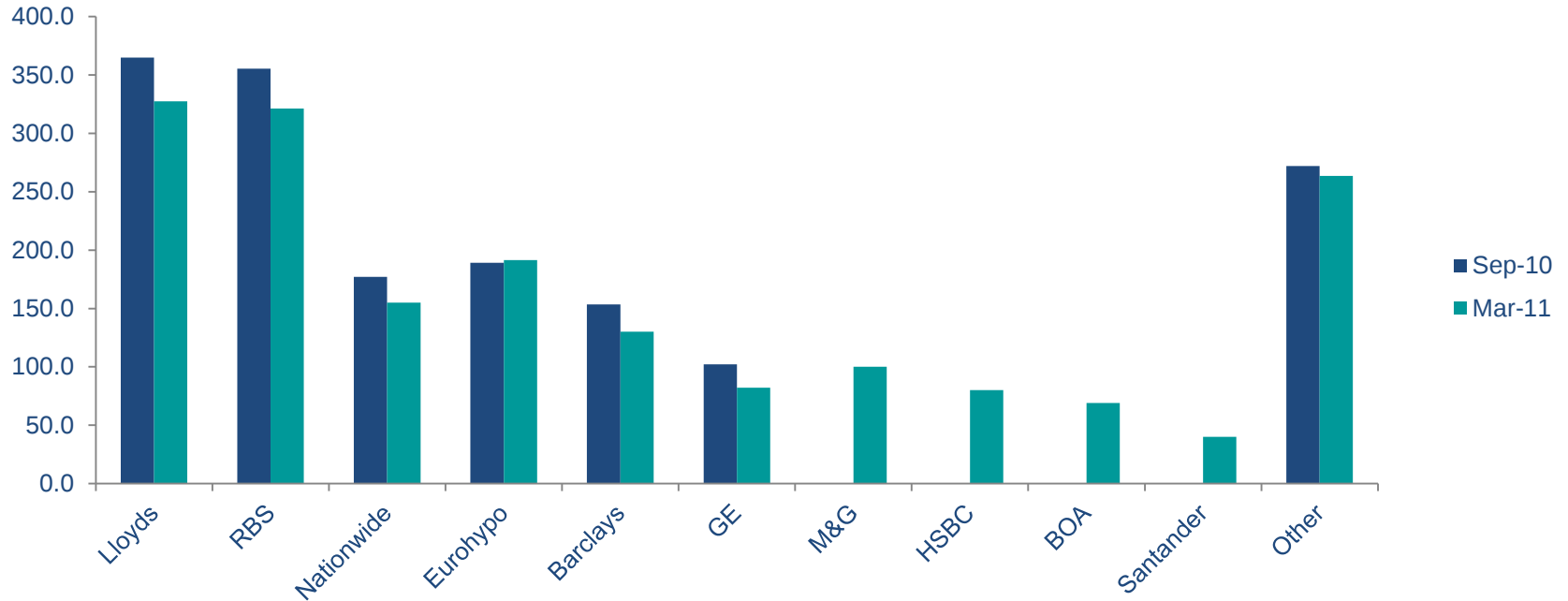
	March 2011	September 2010
Average debt maturity (years)	4.0	3.5
Hedging level on gross debt	70%	75%
LTV - core facility	54%	54%
Interest cover - core facility	2.6:1	2.5:1
LTV on a group basis	63%	60%
Average interest rate during the year	4.9%	5.6%
Average interest rate end of year	4.9%	5.0%



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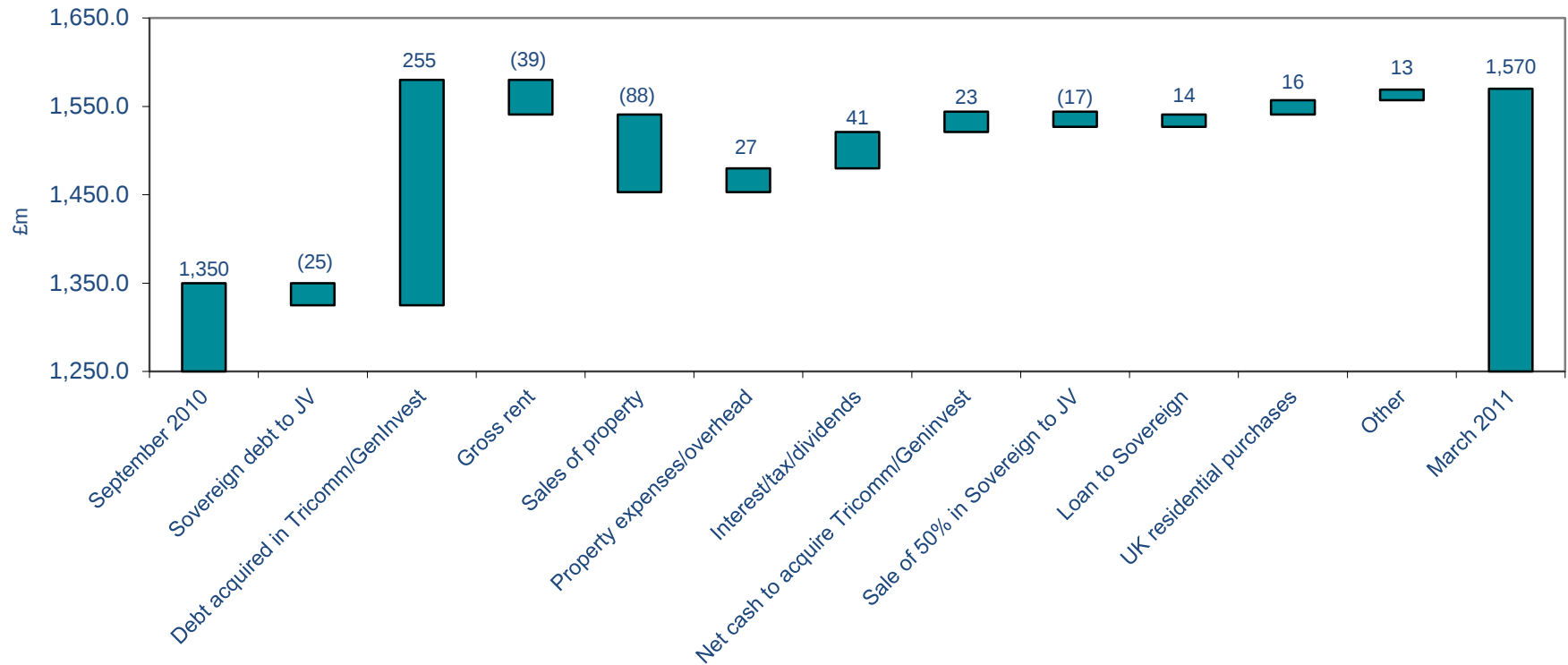
Movement in the Composition of Lenders

Facility £m



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Movement in net debt



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Summary Cashflow

£m	6 months ended	
	<u>March 2011</u>	<u>March 2010</u>
Income		
Net rents and other income net of overheads	16	15
Property sales	88	89
Working capital movements	(1)	(5)
Total cash generated	103	99
Interest, tax and dividends	(41)	(42)
Net operating cash	62	57
Loan movements	(39)	(156)
Net proceeds from rights issue	-	237
Sale of subsidiary/associate	18	8
Available for property spend	41	146
Acquisitions/spend		
Total UK residential property	(39)	(34)
Development	(1)	(2)
Europe	-	-
Investment in JV/associates	(15)	(1)
Other	(4)	-
Total property spend	(59)	(37)
Cash movement	(18)	109



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Use of Rights Proceeds

	<u>£m</u>
Net proceeds from rights issue in December 2009	<u>237</u>

The intention of the rights issue was to repay some debt and take advantage of significant opportunities

Some of the transactions we have undertaken since December 2009 are:

Repayment of syndicate debt	(105)
Acquisition/Refinancing of Grainger GenInvest	(82)
Acquisition of Tricomm	(19)
Acquisition of PHA	(15)
Acquisition of Sovereign	(18)



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Tender Offer

Tender offer of 1 for 238 at 149p, representing a premium of 20.4% to the mid closing share price of 123.75p on 18 May 2011, will be proposed in a circular to be issued shortly, delivering £2.6m of cash to shareholders.

- This is in place of this year's interim dividend and returns approximately same amount of cash as the dividend would have
- Marginal effect on NAV
- Reiterates company's view of value



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Strategy in Action

Leveraging our asset base and
management capabilities



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Achievements

1. JV with Moorfield (*October 2010*)
2. HI Tricomm Holdings Limited (*February 2011*)
3. Aldershot Urban Extension (*February 2011*)
4. Newlands, Waterloooville (*March 2011*)
5. Grainger GenInvest (*March 2011*)
6. Lloyds' Residential Asset Management Platform (*May 2011*)
7. German Residential



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JV with Moorfield

Third party capital

- £17.5m + acquisition costs
- Rationale: reputable and long term investment partner; enables us to leverage our Retirement Solutions platform
- Strategic drivers:
 - Provides additional income stream
 - Introduces third party capital
 - Helps access to good quality reversionary assets



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HI Tricomm Holdings Limited

Strong yield, 9+%

- £18.5m for 317 freehold properties let to MoD until 2028 in five locations in Bristol and Portsmouth.
- Gain on acquisition of £14.9m.
- Rationale: good yield; long term debt; high quality assets; long term returns; enhancement of recurring profits
- Strategic drivers:
 - Portfolio focus on selective areas of value or growth
 - Increased focus on other income streams
 - Increases the Group's debt maturity



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Aldershot Urban Extension

Long term income; minimal risk

- Appointed as preferred developer by the MoD and HCA.
- MoD own the land.
- 148 hectares of development land for up to 4,500 houses.
- 15-20 year project. We receive development service fee.
- Rationale: no development risk; long term recurring fee income; partnership with Government Department
- Strategic drivers:
 - Increased focus on other income streams
 - Use of strategic land and local expertise



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Newlands, Waterloo

Long term; good returns

- Outline planning consent for 2,550 houses and detailed planning consent on phase 1 for 194 dwellings to be brought to market from H1 2012.
- c200 acres of developable land with consent. Grainger to service parcels of land over 10–15 years to sell to house builders, reducing development risk.
- Rationale: long term income; new outline consent gives 17% uplift in market value compared to 30 September 2010
- Strategic drivers:
 - Increased focus on other income streams
 - Leveraging operational platform



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Grainger GenInvest

One of a kind London portfolio

- c1,650 units, most within 4 miles of Westminster.
- Full ownership from 50:50 JV with Genesis. Market Value of £285m. 469 regulated tenancies, 302 assured tenancies, 654 market lets.
- Rationale: good quality assets with strong capital growth prospects
- Greater control over the assets in the future
- Strategic drivers:
 - Increased weighting towards London and South East
 - Increased our share of regulated market stock in London



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Lloyds RAMP

Additional income stream

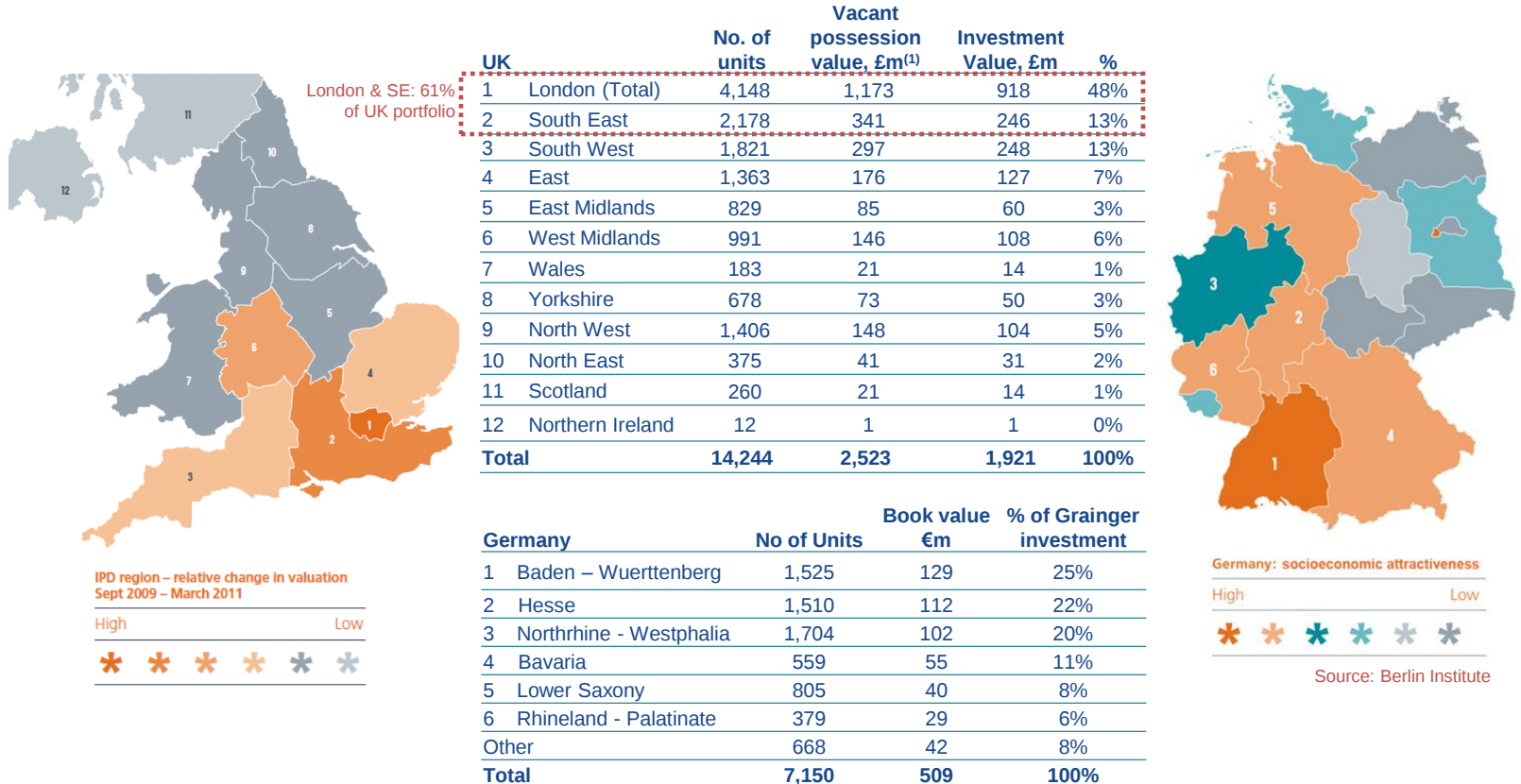
- Chosen provider of Residential Asset Management Platform (RAMP) for Lloyds Banking Group
- £2m fee income per annum on existing instructions
- Rationale:
 - Ability to add value to portfolio
 - Alignment of interests between Lloyds and Grainger
- Strategic drivers:
 - Increased focus on other income streams
 - Leveraging off of our expertise, skills and operational platform
 - No capital investment required



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Portfolio Overview

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



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German Residential

Business as usual

- Working to strategic plan outlined in November
- Strategy:
 - Optimise revenue and capital expenditure
 - Strategic targeted sale of €25m non core properties
 - Leverage of property and operational platform by introduction of new equity
- Progress:
 - Additional €2.7m capital expenditure identified which will generate €1.2m rent or €15m value (@ x12.5)
 - €7.4m sold or contracted to date at 3% above book value with further €19m in advanced progress
 - Further opportunities to work with others being explored

Key indicators	
Average rent psm	€6.41 sqm/ per month
Vacancy rate	5.74% by units excluding units for sale
Gross and net rental yields	6.85% gross, 4.67% net excluding PM costs
Portfolio value psm	€1,045 per sqm



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Where are we today?

Two years ago we wanted to:	Today we have:
Strengthen management team	Management team in place and delivering
Reduce LTV	LTV (core facility) is now 54% from 66% in 2009
Take advantage of opportunities	Seized several opportunities, e.g. Aldershot; HI Tricomm; GenInvest
Rebalance our income streams	Introduced new income streams, e.g. HI Tricomm; Aldershot; Lloyds RAMP
Change our debt profile	More diverse lender base with extended maturity
Increase our portfolio weighting in London and the South East	Today, 61% of our portfolio (by IV) in London and SE (March 2009: 53%)



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Outlook

- Board expects Grainger's actively managed portfolio to outperform the subdued broader market conditions
- Selective investment approach with clear criteria
- Spread of activities (rental, trading, development and investment) provide a strong platform uniting a core skills set
- Attractive geographic exposure focused on high return regions
- Unique highly reversionary UK portfolio which is liquid and cash generative
- Growing demand for our skills (e.g. Lloyds RAMP)



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Strategy in Action

Financial Times 3 May 2011

Grainger's eye for a deal

One headline stood out in the personal finance sections of last weekend's papers: "Can you make money out of a stagnant housing market?" Grainger, the UK's largest residential landlord, is showing exactly how, following recent deals where relatively little expenditure has secured more than £400m of gross assets and enhanced fee income from management.

Last week, the company agreed to work on a distressed residential investment portfolio on behalf of Lloyds Banking Group, using its national platform to manage potentially thousands of former buy-to-let homes in return for a performance-linked fee. This is the sort of deal property companies should be doing with UK banks that are looking to exit or asset manage billions of pounds of real estate positions.

Grainger is also likely to see first-half sales prices above September 2010 values, which should boost net asset value and further the already large discount to NAV at which its shares trade.

There are still risks of a second fall in house prices, which is why some discount to NAV is warranted, but this is mitigated by a weighting towards London and the south-east. The company looked to be struggling during the crash, but subsequent remedial action on its balance sheet and an eye for a good deal has meant that Grainger should become a beneficiary rather than a victim of the uncertain UK housing market.



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Key Segments at a Glance

UK Residential

- Owns and manages a portfolio of tenanted residential properties
- Properties are geographically spread, with a focus on the more attractive markets of London and the South East
- Significant scale and active management of the portfolio drives strong and stable cashflows from rental income and trading profits upon sale of properties
- Market value: £1,450m (58%)

Retirement Solutions

- Market leader in the home reversion sector of equity release. Significant growth potential
- Offers home reversion plans with a range of features and prices offered to distribution through independent financial advisors and strategic agreement with Aviva
- Largest retirement solutions portfolio in the UK comprising 6,981 properties
- Market value: £503m (20%)

Fund Management

- Our fund management and residential investments business comprises our investments in funds and joint ventures
- The Group receives income from fund management fees, profits, revaluation movements and dividends
- Market value: £33m (1%)

Property Services

- Provides property and asset management services nationally to Grainger's wholly owned properties in the UK, those owned by co-investment vehicles and portfolios owned by third parties
- Services provide include operational management such as rent collection, repairs, and block management
- 19,239 units managed in the UK⁽¹⁾

Development

- Value creation through applying sector expertise to the assembly of select residential-led development opportunities, obtaining or amending planning permissions, installing infrastructure and then selling or self-developing plots
- Market value: £77m (3%)

Germany

- Owns and manages market-let residential properties
- Portfolio is concentrated in the economically and demographically stronger regions and the major cities of Germany
- Asset management platform covers full range of residential property investment and management activities
- Market value: £452m (18%)



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¹ Pre Lloyds RAMP transaction

Types of UK Tenancies

	Regulated	Assured	Assured Shorthold	Life/Home Reversion
% of UK portfolio ⁽¹⁾	48%	6%	11%	27%
Regulated by	Rent Act 1977	Housing Act 1988	Housing Act 1988	FSMA 2000
Security of tenure	Yes – with succession rights	Yes	6 months	Yes
Rent	Set by Rent Officer every 2 years. Increases capped at RPI+2½%pa.	Market rent	Market rent	Usually no rent
Other characteristics	No new Regulated Tenancies have been created since 1989, so declining stock	Tenant has the right to renew tenancy	Landlord may take possession, for whatever reason, upon 6 months' notice	Tenant transfers ownership in return for cash lump sum and rent-free occupation
Responsibility for maintenance	Landlord	Landlord	Landlord	Tenant
Typical acquisition cost	72.5% of vacant possession value	85% of vacant possession value	90 – 95 % of vacant possession value	50% of vacant possession value
Very broad average age of tenant	72 years old	55-65 years old	Not relevant to business model	75 / 80 years old



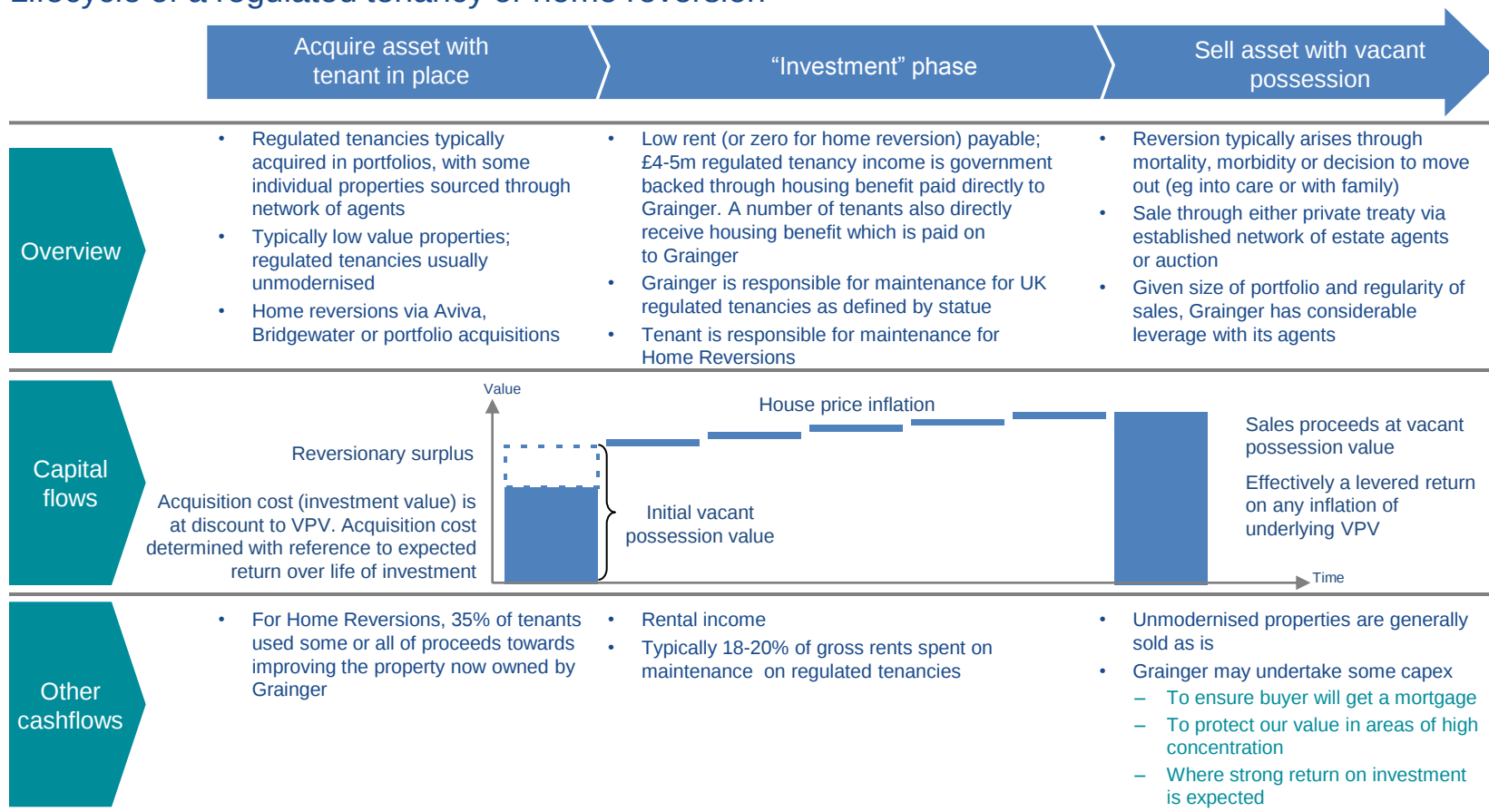
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UK valuation starts at vacant possession, with discount applied depending upon tenure

¹ %s based on VPV. Remaining 8% comprises Tricomm (4%), Vacant (2%) and Other (2%) Page 47

The Reversionary Business Model

Lifecycle of a regulated tenancy or home reversion



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Regulated Tenancies

- Approx. 120,000 regulated units remaining in England⁽¹⁾
 - Grainger is the largest owner with 6,472 units, with a market share that has increased over the past year
 - The market is highly fragmented
 - Other notable traders of UK regulated tenancies include Mountview Estates plc, William Pears, Regis and Dorrington
 - Other notable owners of regulated tenancies include utilities companies, insurers, Friendly Societies, Housing Associations and the Church
- Rental levels are below market levels due to regulated nature of lease
- Approx. 75% of rents are typically paid, directly or indirectly, through housing benefit
 - Grainger: £4-5m of regulated rental income direct from housing benefit
- As a result rental defaults are very low
 - Grainger arrears currently less than c2% per annum
- Furthermore, in the event of a rental default, landlords are able to seek repossession, which effectively accelerates the landlord's realisation of its reversionary surplus



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¹ Source: Communities and Local Government

Regulated Tenancies (Cont'd)

- Regulation through legislation
 - Most residential lettings by non-resident private landlords which began before 15 January 1989 are regulated tenancies. Since this date, no further regulated tenancies have been created
 - Regulated tenancies are governed by the Rent Act 1977 and the Housing Act 1988
- Impacts of recent changes to other legislation
 - Changes to housing benefit (including capping of benefits) may impact some landlords
 - This will have a minimal impact on Grainger
 - The proposed upper limit of housing benefit per week is c. 4x the average weekly rent on a Grainger property
 - Government is proposing to encourage more direct payments to landlords, increasing stability of rental income from benefit claimants



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Equity Release

- There are two main types of equity release in the UK
 - Home reversion plan
 - Owners sell a percentage of the value of the property for cash lump sum with right to remain in the property, rent free until death or move into long term care. This is Grainger's core business model within Retirement Solutions
 - Lifetime mortgage
 - Owner takes a mortgage where interest is not paid but rolls up and repaid by the estate upon death or move into long term care. Grainger does not offer these products
- In addition, Grainger offers retirement housing, which are purpose built retirement units owned by the company but let on lifetime leases, whereby the tenant pays a lump sum for rent free lifetime occupation



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Equity Release

- Grainger estimates there are 15,000 - 20,000 existing home reversion plans in the UK
 - Grainger estimates it has a 20-25% share of the existing market
 - Home Reversions represent c.3% of new Equity Release sales and Grainger funds 85% of these
- Equity Release providers are regulated by the FSA under section 19 of FSMA
 - Providers must demonstrate they are appropriately resourced with staff that are fit, proper and competent to carry out their responsibilities and that customers get clear, concise and consistent information and that the necessary consumer protections are in place
- SHIP code of conduct
 - Furthermore, Grainger is a member of SHIP which has a code of conduct to which members adhere (see Appendices)
- Grainger's Bridgewater division has been named "Best Home Reversion Provider" for the past 5 consecutive years
- New releases have reduced by 1/3 since the peak of 2007 (down from £1.2bn to £800m)



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Development Portfolio

Project	Description	Status	Committed Expenditure
Newlands Common, Hampshire	537 acre Greenfield site. Freehold with overage interest	Outline consent granted for 2,500 residential units and 1 million sq ft B1-B8 space in March 2011	£4.0m
Macauley Road, Clapham	1.8 acre Brownfield site. Freehold	Detailed consent granted for 97 residential units and 30,000 sq ft offices. Demolition complete. New planning application to reconfigure the commercial space submitted Oct 2010	n/a
Wards Corner, Haringey	Development agreement with the London Borough. A number of small interests within overall site	Planning application submitted for 197 residential units with ground floor retail. CPO may be required to purchase remainder of site	n/a
Gateshead College, Gateshead	9.9 acre Brownfield former college site. Freehold	Planning consent granted for 252 residential units	n/a
Newbury	Preferred developer status with Newbury for key town centre site	Conditional development agreement under current discussion for approx 250 residential units and 40,000 sq ft retail	n/a
Curzon Park, Birmingham	10 acre Brownfield site. Freehold. 50:50 JV with Development Securities plc	Outline planning granted for 400,000 sq ft residential, 800,000 sq ft office, 20,000 sq ft retail and 200 bed hotel	£1.2m
Hammersmith, London	Preferred developer status for King Street in Hammersmith. JV with Helical Bar	Application for 320 residential units, 56,000 sq ft commercial space, 120,000 sq ft council offices, public square, bridge linking Hammersmith with the river, and 200 car parking spaces submitted Nov 2010	n/a
Aldershot	Strategic partner with Defence Estates and others	Development of 4,500 new homes and related social infrastructure	n/a
Other	Amble (£0.2m) and Hornsey Road, Islington (£0.8m) developments	Deferred purchase payment and other potential contractual payments (Amble); retention fees relating to construction (Hornsey Road)	£1.0m
Total			£6.2m



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Appendices (A1 – A21)



Income Statement reconciliation

	<u>£m</u>	<u>Statutory income statement</u>	<u>Valuation</u>	<u>Non- recurring</u>	<u>Trading</u>	<u>Adjust overheads</u>	<u>CHARM</u>	<u>Management income statement</u>
Net rental income		21	-	-	21	6		27
Profit on disposal of trading property		39	-	-	39	3		42
Overheads		(6)	-	-	(6)	(9)		(15)
Other income and expenses		1	-	3	3	-	2	5
Net gain on acquisition of subsidiaries		16	(16)	-	-	-	-	-
CHARM		2	-	-	2	-	(2)	-
NRV/ loan write back		1	(1)	-	-	-	-	-
Operating profit before revaluation		74	(17)	3	59	-	-	59
Revaluation of investment property		(1)	1	-	-	-	-	-
Operating profit after revaluation		73	(16)	3	59	-	-	59
Change in fair value of derivatives		23	(23)	-	-	-	-	-
Net interest		(34)	-	-	(33)	-	-	(33)
JV/ Associate		3	(6)	-	(3)	-	-	(3)
Profit before tax		65	(45)	3	23	-	-	23



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31 March 2011 Divisional Income Statement

<u>£m</u>	UKR	RS	PS	FM/ RI	Development	Germany	Group	Total
Group revenue	75.5	14.9	0.2	2.4	20.2	20.6	-	133.8
Gross rent	21.1	2.8	-	-	0.3	14.9	-	39.1
Trading property sales	54.2	11.5	-	-	19.9	-	-	85.6
Other income	0.2	0.6	0.2	2.4	-	0.1	-	3.5
Service charge income	-	-	-	-	-	5.6	-	5.6
Total Group Income	75.5	14.9	0.2	2.4	20.2	20.6	-	133.8
Gross rental income	21.1	2.8	-	-	0.3	14.9	-	39.1
Property expenses	(5.6)	(0.7)	(0.2)	-	(0.1)	(5.2) *	-	(11.8)
Net rental income	15.5	2.1	(0.2)	-	0.2	9.7	-	27.3
Trading property sales gross	54.2	11.5	-	-	19.9	-	-	85.6
Investment property sales gross	0.7	3.1	-	-	-	0.8	-	4.6
Sale fees	(1.4)	(0.3)	-	-	-	(0.1)	-	(1.8)
Property cost of sales	(30.8)	(8.2)	-	-	(6.5)	(0.7)	-	(46.2)
Profit on sale of property	22.7	6.1	-	-	13.4	-	-	42.2 See A5
Other income	0.2	0.7	0.2	2.4	-	0.1	-	3.6
CHARM	-	1.5	-	-	-	-	-	1.5
Overheads/ internal recharges	(4.7)	(1.3)	(0.3)	(1.4)	(0.5)	(1.6)	(6.0)	(15.2)
Operating profit	33.7	9.1	0.3	1.0	13.1	8.2	(6.0)	59.4
JV/ Associate	-	(1.3)	-	(1.1)	(0.4)	-	-	(2.8)
Net interest								(33.7)
Recurring profit								22.9
Valuation	14.7	(0.3)	-	10.6	(1.8)	(0.6)	22.6	45.2
Non-recurring	(2.6)	(0.1)	(0.1)	(0.1)	-	-	-	(2.9)
Profit before tax								65.2

* Property expenses in Germany includes a net under recovery of service charge costs of £0.6m



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31 March 2010 Divisional Income Statement

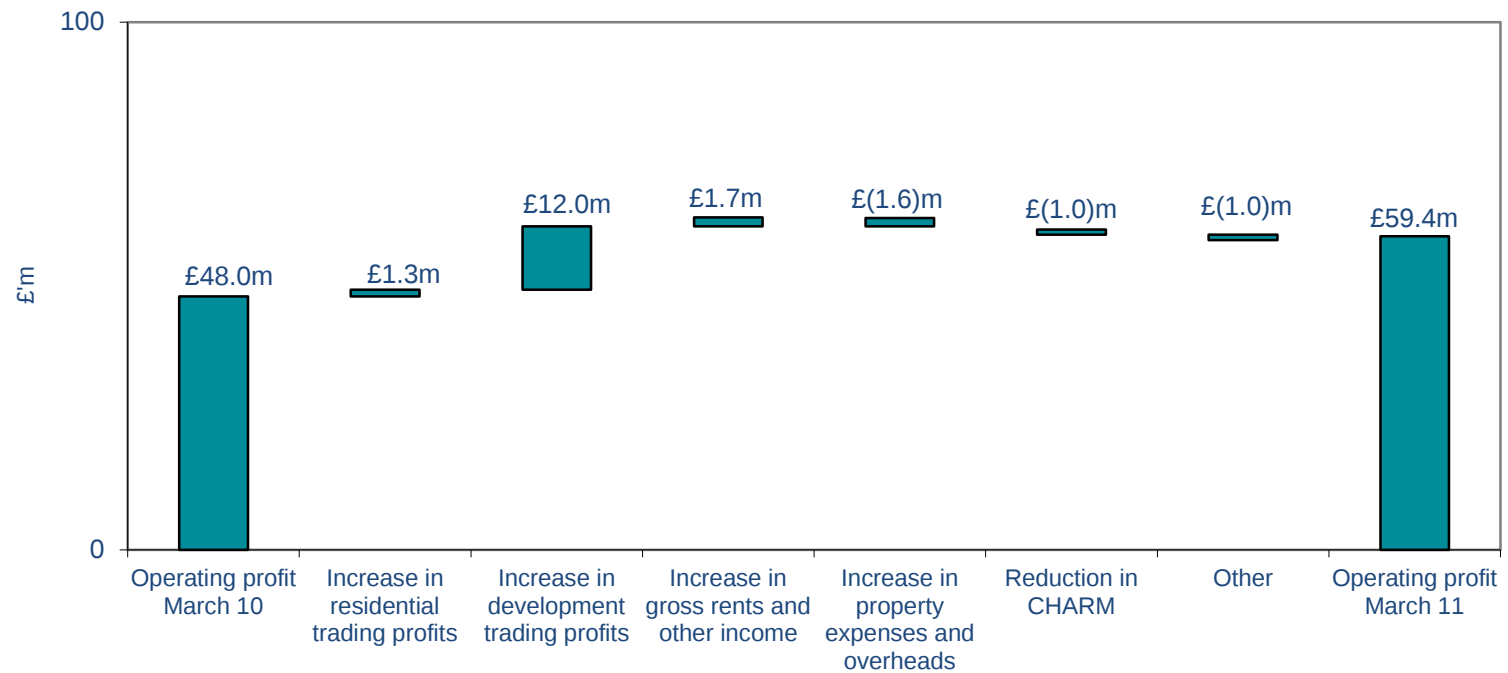
<u>£m</u>	UKR	RS	PS	FM/ RI	Development	Germany	Group	Total
Group revenue	78.1	14.0	0.3	2.5	10.2	21.2	-	126.3
Gross rent	19.2	2.7	-	-	0.5	15.7	-	38.1
Trading property sales	58.9	11.3	-	-	9.7	0.7	-	80.6
Other income	-	-	0.3	2.5	-	0.1	-	2.9
Service charge income	-	-	-	-	-	4.7	-	4.7
Total Group Income	78.1	14.0	0.3	2.5	10.2	21.2	-	126.3
Gross rental income	19.2	2.7	-	-	0.5	15.7	-	38.1
Property expenses	(4.9)	(0.7)	(0.2)	-	(0.1)	(5.2)*	-	(11.1)
Net rental income	14.3	2.0	(0.2)	-	0.4	10.5	-	27.0
Trading property sales gross	58.9	11.3	-	-	9.7	0.7	-	80.6
Investment property sales gross	3.9	4.4	-	-	-	2.1	-	10.4
Sales fees	(2.0)	(0.3)	-	-	-	-	-	(2.3)
Property cost of sales	(38.6)	(9.7)	-	-	(8.3)	(2.6)	-	(59.2)
Profit on sale of property	22.2	5.7	-	-	1.4	0.2	-	29.5 See A5
Other income and expenses	-	-	0.3	3.2	-	0.2	-	3.7
CHARM	-	2.2	-	-	-	-	-	2.2
Overheads/ internal recharges	(4.3)	(1.4)	0.2	(2.0)	(0.5)	(1.9)	(4.5)	(14.4)
Operating profit	32.2	8.5	0.3	1.2	1.3	9.0	(4.5)	48.0
JV/ Associate	-	-	-	(1.0)	(0.4)	-	-	(1.4)
Net interest	-	-	-	-	-	-	-	(40.3)
Recurring profit								6.3
Valuation	3.2	(1.3)	-	7.8	-	0.2	(11.6)	(1.7)
Non-recurring	-	-	-	-	-	-	(1.1)	(1.1)
Profit before tax								3.5

Property expenses in Germany includes a net under recovery of service charge costs of £0.5m.



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Movement in Operating profit



Revenue and Property Sales and Margins

Group Revenue

	March 2011	March 2010
	£m	£m
Gross rent		
UKR	21.1	19.2
RS	2.8	2.7
Development	0.3	0.5
Germany	14.9	15.7
	39.1	38.1
Service charge income		
Germany	5.6	4.6
	5.6	4.6
Gross sales proceeds		
UKR	54.2	58.7
RS	11.5	11.3
Development	19.9	9.8
Germany	-	0.7
	85.6	80.5
Other income		
Asset management fees	2.1	1.5
Property management fees	0.9	1.0
Other fees	0.5	0.6
	3.5	3.1
Total group Revenue	133.8	126.3

Sales and Margins

	March 2011				March 2010			
	Units Sold	Gross Sales £m	Profit £m	Margin %	Gross sales £m	Profit £m	Margin %	
Trading Property Sales								
UKR	332	54.2	22.2	41.0	58.7	21.9	37.3	
RS	82	11.5	5.8	50.6	11.3	5.2	46.1	
Development	-	19.9	13.4	67.4	9.8	1.4	14.3	
Germany	-	-	-	-	0.7	0.1	20.8	
	414	85.6	41.5	48.5	80.5	28.6	35.6	
Investment Property Sales								
UKR	5	0.7	(0.1)	(7.6)	3.9	0.3	7.1	
RS	27	3.1	0.3	8.3	4.4	0.5	11.7	
Germany	17	0.8	-	1.4	2.2	0.1	5.0	
	49	4.6	0.2	4.6	10.5	0.9	8.6	
Total Property Sales								
UKR	337	54.9	22.2	40.4	62.6	22.2	35.4	
RS*	109	14.6	6.1	41.8	15.7	5.7	36.4	
Development	-	19.9	13.4	67.4	9.8	1.4	14.3	
Germany	17	0.8	-	1.4	2.8	0.2	8.7	
	463	90.2	41.7	46.3	91.0	29.5	32.5	
Release of NRV provision			0.5					
			42.2					
UKR/RS only Total								
Analysed between:								
Normal vacant sales	321	53.9	22.1	41.1	54.2	22.5	41.5	
Tenanted sales	125	13.2	4.5	33.8	5.2	1.2	22.5	
Other sales	-	2.4	1.7	73.3	18.9	4.2	21.7	
	446	69.5	28.3	40.8	78.3	27.9	35.5	
UKR/RS only Total								
Release of NRV provision			0.5					
			28.8					

*RS includes £2.3m of sales and £0.2m of profit relating to CHARM (2010: £3.5m and £0.5m)



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Grainger has regular and resilient revenue cash streams

£m	6 months to 31 March 2011	2010	Financial years ended 30 September			
			2009	2008	2007	2006
Gross rents						
UKR	21	39	41	42	39	47
RS	3	6	6	6	2	-
Development	-	1	1	1	2	1
Germany	15	30	30	22	10	5
Total	39	76	78	71	53	53
Total Property Sales (net of fees)						
UKR	53	118	139	137	125	124
RS including CHARM	14	29	27	27	19	12
Development	20	19	46	10	39	56
Germany	1	4	3	2	2	1
Total	88	170	215	176	185	193
Overall Total	127	246	293	247	238	246
Net interest payable	(34)	(77)	(79)	(89)	(65)	
	Recession/ Low growth massive cuts in public spending to commence	Recession/ Low growth massive cuts in public spending announced	Oct 2008, Government rescues, RBS/ Lloyds	Mar 2008, Bear Sterns rescued	Aug 2007, Credit markets freeze	Property market booming
			April 2009, Government announce record budget deficit	Sept 2008, Lehmans bankrupt	Sept 2007, Run on Northern Rock	



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Net debt including JV/ Associates

	March 2011			September 2010		
	Group £m	JV/ Assoc* £m	Total £m	Group £m	JV/ Assoc* £m	Total £m
Gross debt	1,643	252	1,895	1,445	440	1,885
Cash	73	28	101	95	35	130
Net debt	1,570	224	1,794	1,350	405	1,755

*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.



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Joint Venture and Associates debt funding

	<u>Joint venture</u>		Grainger	Associate	Total	Grainger
<u>At 31 March 2011 (£m)</u>	Curzon Park	Prague	GenInvest *	G:Res		share
Gross debt	15	12	-	225	252	63
Cash	-	1	-	27	28	15
Net debt	15	11	-	198	224	48
 <u>As at September 2010 (£m)</u>						
Gross debt	15	11	189	225	440	156
Cash	-	1	8	26	35	10
Net debt	15	10	181	199	405	146

* Grainger GenInvest was a JV at 30 September 2010 but became a wholly owned subsidiary on 22 March 2011



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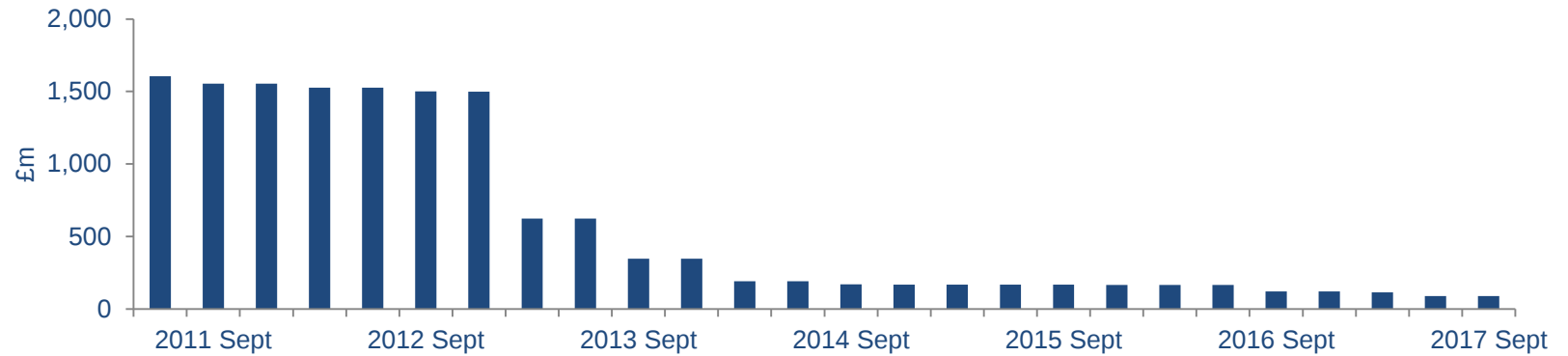
Debt Maturity Profile – Group only

As at 31 March 2011	Drawn at period end	Total facility	Undrawn	Maturing in the 6 months to					
				Sept 2011	Mar 2012	Sept 2012	Mar 2013	Sept 2013	Mar 2014
<u>UK</u>									
Core banking facility									
Term Facility A	142	142		-	-	-	-	142	
Term Facility B	108	108		-	19	19	19	51	-
Facility A	367	367		-	-	-	367	-	-
Facility B	254	254		-	-	-	254	-	-
Revolver C	121	228	107	-	-	-	228	-	-
	992	1,099	107	-	19	19	868	193	-
M&G	100	100		-	-	-	-	-	-
Bank of America - Tricomm	69	69		1	1	1	1	1	1
HSBC/ Santander - Grainger GenInvest	120	120		1	-	3	-	3	-
Lloyds/ HBOS - Bantam	37	37		-	-	-	-	-	-
Convertible Bond	22	22		-	-	-	-	-	-
Other	14	14		4	-	-	-	-	-
Total UK	1,354	1,461	107	6	20	23	869	197	1
<u>Germany</u>									
Eurohypo	191	191		1	1	1	1	1	157
Hypoverensbank	28	28		1	1	1	1	1	1
SEB	19	19		-	-	-	-	-	-
WFA	20	20		-	-	-	-	-	-
Other	44	44		1	-	-	6	-	-
Total Germany	302	302	-	3	2	2	8	2	158
Total debt	1,656	1,763	107	9	22	25	877	199	159
Unamortised costs	(13)								
Debt on Group balance sheet	1,643								

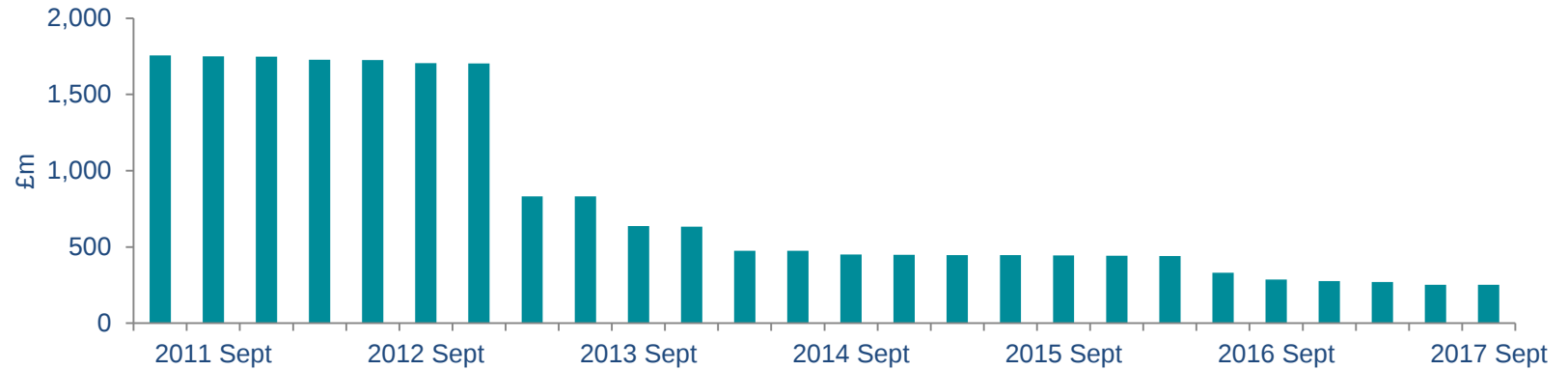


Debt Maturity

September 2010



March 2011



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Summary Terms of Existing Debt

Size:

- Current MOF bank facility totals £1,099m with headroom of £107m

Maturity:

- FSF A, £367m, matures in December 2012
- FSF B, £254m matures in December 2012
- RCF C, £228m, matures December 2012
- The remaining term loans mature six months later in June 2013
- Bilateral with M&G matures March 2021

Covenants:

- Current covenanted LTV is 54%
- LTV default >80%
- LTV >70%:
 - Restriction on purchases limited to £2m per month
 - Restriction on corporate acquisitions
- ICR covenant at 1.25x (current ICR 2.6x)
 - For the purposes of the ICR covenant, the calculation incorporates Gross Sales Proceeds + Net Rental Income Less Dividends and Taxes

Position at 31/03/2011	Facility £m	Drawn Amount £m
Term A: due Jun 2013	142	142
Term B: final maturity Jun 2013	108	108
Facility A: due Dec 2012	367	367
Facility B: due Dec 2012	254	254
Facility C: due Dec 2012	228	121
M&G Facility	100	100
Sub-Total	1,199	1,092
BoA, due 2028	69	69
HSBC & Santander, due 2016	120	120
Other UK	73	73
Germany	302	302
Total Bank Debt	1,763	1,656
Unamortised costs		(13)
Gross debt		1,643
Cash & Cash Equivalents		(73)
Net Debt		1,570



Group debt and interest costs

As at March 2011

	Debt £m	Blended rate			Interest charge to 31 March £m
		UK %	Germany %	Total %	
Fixed	85	5.5	1.1	4.2	1.8
Hedged by SWAPS	994	6.3	5.3	6.0	27.2
Hedged by CAPS	80	3.2	2.1	2.6	0.7
Variable	497	3.2	2.2	3.2	6.1
	<u>1,656*</u>	<u>5.1</u>	<u>4.3</u>	<u>4.9</u>	<u>35.8</u>
Cash	73				
Net debt	<u>1,583</u>				
% gross debt hedged	70%				

*before unamortised costs of £13m.



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Residential asset valuation movement - 6 months to 31 March 2011

<u>Portfolio</u>	Market value before revaluation £m	Market value after revaluation £m	Movement %
Regulated	978	1,009	3.1
AST	231	231	-
Vacant	55	61	13.0
Tricomm (MOD)	105	105	(0.2)
Other	42	44	3.8
Total UKR*	1,411	1,450	2.8
Reversion	287	287	0.1
CAT/ ELM/ Lifetime Mortgages	83	83	(0.4)
Total RS	370	370	-
Total UKR and RS	1,781	1,820	2.2
Germany	451	451	(0.1)
Overall Total	2,232	2,271	1.7

*UKR includes the revaluation in Grainger GenInvest all of which was taken pre-acquisition.



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Portfolio Overview – Joint Ventures and Associates

	Joint Ventures					Associate	Total
	Curzon Park	Hammersmith	Prague/ Zizkov	Gebau	Sovereign	G:Res	
£m							
Property assets	37	-	28	-	66	375	506
Other assets	-	4	3	-	2	27	36
Total assets	37	4	31	-	68	402	542
External debt	(16)	-	(12)	-	-	(225)	(253)
Other liabilities	(25)	(4)	(15)	-	(33)	(27)	(104)
Total liabilities	(41)	(4)	(27)	-	(33)	(252)	(357)
Net assets	(4)	-	4	-	35	150	185
Grainger share	50%	50%	50%	50%	50%	21.96%	
Grainger share £m	(2)	-	2	-	18	33	51
Goodwill	-	-	-	2	-	-	2
Loans net of provisions	2	2	3	-	14	-	21
Total Grainger investment	-	2	5	2	32	33	74
Vacant possession value					111	415	526
Reversionary surplus					45	40	85
Grainger share of reversionary surplus					23	9	32



Corporate and Property acquisitions

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			20	3	487	96
AST	630	128					630	128
Assured	304	57					304	57
Leaseholders	157	1					157	1
Commercial	41	5					41	5
RS reversions	-	-			107	7	107	7
Other	34	8					34	5
Tricomm/ MOD	-	-	317	105			317	105
Total	1,633	289	317	105	127	10	2,077	404

Grainger GenInvest acquisition

	£m
Investment property	289
Other assets	5
External debt	(187)
Other liabilities	(3)
External net assets acquired	104
JV investment value at acquisition	88
Consideration paid	15
Gain on acquisition arising	1

Tricomm/ MOD acquisition

	£m
Investment property	105
Other assets	6
External debt	(67)
Other liabilities	(10)
Net asset acquired	34
Consideration paid	19
Gain on acquisition arising	15



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Net Asset Values per Share

	March 2011	September 2010	March 2010
Number of shares for NAV	416,362,420	416,362,420	416,352,300
Statutory net assets per share	98	83	86
Increase to market value	83	80	72
Mark to market adjustment	16	24	20
Deferred tax on property valuations	13	13	13
Gross NAV per share	210	200	191
Mark to market adjustment reversal	(16)	(24)	(20)
Mark to market fixed rate debt	(2)	(2)	(1)
Deferred tax on property valuations reversal	(13)	(13)	(13)
Contingent tax on increase to market value at 26% (Sept 2010: 27%)	(21)	(21)	(20)
NNNAV per share	158	140	137
Discounted reversionary surplus	57	55	50
Tax thereon at 26% (Sept 2010: 27%; March 2010: 28%)	(15)	(15)	(14)
Grainger NAV per share (Base case)	200	180	173



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Grainger NAV – sensitivity analysis

Without discounting tax

	7.93%	7.00%	4.93%
HPI	0% 200	205	217
	2% 211	217	232
	4% 225	232	251
	5% 233	241	262
	6% 242	251	275

Note

- Grainger NAV brings in the present taxed value of reversionary surpluses in our long term portfolio
- Grainger WACC: 4.93%
- Full sensitivity available on Grainger website: graingerplc.co.uk



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Grainger Wholly Owned Portfolio Summary

Portfolio	No of <u>units</u>	Market <u>value</u> £m	VP <u>value</u> £m	Reversionary <u>surplus</u> £m	VP %	Gross <u>rent</u> £m	Gross sales <u>proceeds</u> £m	Profit on <u>sale</u> £m
Regulated	6,472	1,009	1,355	346	74	15	22	9
AST	1,237	231	264	33	88	3	2	1
Vacant	255	61	62	1	100	-	29	12
Tricomm (MOD)	317	105	105	-	100	2	-	-
Other	50	44	55	11	79	1	2	1
Total UK Residential (UKR)	8,331	1,450	1,841	391	79	21	55	23
Reversion	4,871	370	571	201	65	3	12	6
Charm	1,042	101	111	10	91	-	2	-
Total Retirement Solutions (RS)	5,913	471	682	211	69	3	14	6
Total UKR and RS	14,244	1,921	2,523	602	76	24	69	29
Development	-	73	73	-	100	-	20	13
Total UK	14,244	1,994	2,596	602	77	24	89	42
Germany	7,150	451	451	-	100	15	1	-
Overall Total	21,394	2,445	3,047	602	80	39	90	42
30 September 2010	21,013	2,127	2,731	604	78	38	91	29

Profit on sale by tenancy is based on the asset classification at the start of the period.



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Gross NAV and NNNAV Reconciliation to Statutory Balance Sheet

<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>NNNAV</u>
Investment property	850	-	-	-	850	-	-	850
CHARM	101	-	-	-	101	-	-	101
Trading stock	1,151	343	-	-	1,494	-	-	1,494
JV/ Associates	74	(4)	4	-	74	(4)	-	70
Cash	73	-	-	-	73	-	-	73
Other assets	27	6	-	-	33	-	-	33
Total assets	2,276	345	4	-	2,625	(4)	-	2,621
External debt	(1,643)	-	-	-	(1,643)	-	-	(1,643)
Derivatives	(89)	-	89	-	-	(97)	-	(97)
Deferred tax	(30)	-	(24)	53	(1)	26	(141)	(116)
Other liabilities	(106)	-	-	-	(106)	-	-	(106)
Total liabilities	(1,868)	-	65	53	(1,750)	(71)	(141)	(1,962)
Net assets	408	345	69	53	875	(75)	(141)	659
Pence/ share	98	83	16	13	210	(18)	(34)	158
30 September 2010 pence/ share	83	80	24	13	200	(26)	(34)	140

Number of shares for NAV is 416,362,420.



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Appendices – Glossary of Terms

Property	
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.
Financial	
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.



Appendices – Glossary of Terms

Financial (continued)	
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.

