

29 November 2007

GRAINGER plc (“Grainger” / “Group” / “Company”)

Unaudited Preliminary Results for the year ended 30 September 2007

GRAINGER REPORTS 22.3% INCREASE IN GROSS NAV

Grainger plc, the UK’s largest quoted residential property owner, today announces its (unaudited) results for the year ended 30 September 2007.

Financial highlights

- Profit before tax up 62% to £77.5m (2006: £47.7m (restated))
- Gross Net Asset Value per share up 22.3% to 828p (2006: 677p); Grainger NAV up 23.0% to 732p (2006: 595p)
- Market value of property assets up 25% to £2.5bn (2006: £2.0bn)
- Earnings per share up 82% to 47.3p (2006: 26p (restated))
- Final dividend up 10% to 4.12p per share, making a total dividend for the year of 6.18p per share (2006: 5.62p) – 13th consecutive year of increased dividends
- Strong liquidity position – headroom of £226m
- Return on shareholders’ equity increased to 27.1% from 26.5%.

Operational highlights

Strong growth across all operating divisions, including:

- G:res1 fund successfully completed fundraising with £159m of new equity raised – market value of assets now £457m, retained share 21%.
- Market value of retirement solutions portfolio has more than doubled in value to £542m (2006: £241m) – retains market leadership with 40% market share
- Continued strong progress in Europe, with the German portfolio now comprising 4,520 units with a market value of £242m.
- Development portfolio continues to progress – estimated end development value of projects up 20% to £809m, of which £324m has planning consent

Robin Broadhurst, Chairman of Grainger plc, said;

“In my first year as Chairman of Grainger, I am pleased to report another year of strong progress and significant achievement in our three emerging business lines that complement our core residential regulated tenancy business.

“We continue to see good opportunities to apply our own variety and blend of skills to different residential asset classes, whilst continuing our long standing prudent approach towards acquisitions and liquidity. We believe that our spread of activities will give us resilience and increase our long term growth prospects to create shareholder value.”

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Chairman's Statement

In my first year as Chairman of Grainger, I am pleased to report another year of strong progress and significant achievement in our three emerging business lines that complement our core residential regulated tenancy business.

Overview

Conditions over the financial year have generally been favourable and we have increased our gross property asset base to £2.5bn from £2.0bn in 2006. The increase has come from both revaluation uplifts (our UK portfolio has shown an uplift of 9.8%) and from acquisitions. In total we spent £614m on property assets in the year, including the major corporate and portfolio acquisitions of CHARM, The Capital Appreciation Trust and The Tilt Estate. The year end value of our retirement solutions business has grown to £542m and we are pleased with our progress in Germany where we now own over 4,500 units worth £242m. Capital recycling through the successful launch of our G:res1 fund and prudent debt raising in the early part of the year have meant that this growth has been achieved at sensible loan to value ratios (53% at 30 September 2007) whilst maintaining a valuable liquidity position – our headroom on our lending facilities at the year end amounted to £226m.

Results

In the light of evolving practice of accounts presentation under IFRS, we have conducted a review of the classification of our property assets. This has involved reclassifying a small proportion of those assets (4%) from trading stock to investment property or vice versa. The main impact has been that the revaluation surplus of £23.5m taken through the 2006 income statement on the transfer of assets to the Jersey Property Unit Trust ("JPUT") (that forms part of G:res1) has instead been taken through retained earnings at the beginning of that year net of tax of £7.0m. There is no change to market value net asset value measures or to business cash flows. Our 2006 figures have been restated accordingly and further details are given in the financial review section of this report.

Profit before tax has increased by 62% to £77.5m from £47.7m (restated), the principal driver of this being an improved contribution from our associates and joint ventures (up to £40.6m from £0.4m).

Operating profit (before fair value movements and goodwill impairment) has increased to £89.0m from £81.5m, largely due to improvements in trading profits from our core business.

Gross net asset value per share ("Gross NAV") has increased by 22.3% to 828p from 677p and there are similar improvements in our other NAV measures: Triple net asset value ("NNNAV") up 25.8% to 613p from 487p and base case Grainger NAV up 23.0% to 732p from 595p. Details of the calculations of these are given in the financial review.

Return on shareholders' equity has increased to 27.1% from 26.5%.

We are again increasing our dividend by 10% (our 13th consecutive year of increased dividends) with the result that the board are recommending a final dividend of 4.12p per share. Together with the interim dividend of 2.06p per share paid on 16 July 2007, this will produce a total dividend for the year of 6.18p per share (2006: 5.62p). At this level the dividend is covered 7.7 times (2006: 4.6 times). If approved the final dividend will be paid on 18 February 2008, to shareholders on the register on 18 January 2008.

Strategy

The Group's goal is to maintain and consolidate its position as the UK's leading quoted residential property company. It is proud of its core property management services model which is at the heart of the business and seeks to deliver a personal and caring service to its many tenants. Expanding and continuing the successful delivery of this service model will allow the Group to expand and diversify its offerings, particularly in the fields of fund management and development, but operating within the residential arena utilising the experience gained over its long history.

We believe this goal will continue to deliver consistent long term growth in results and in dividends to our shareholders. We are developing a mix of residential businesses away from our previous heavy reliance on regulated tenancies. Following the Housing Act 1988, the number of these tenancies will reduce over the next ten years as this type of structure gradually disappears.

Historically the business has been largely centred on the ownership and trading of these large-scale residential portfolios of regulated tenancies. Returns have been generated through rental income and, more significantly, from capturing reversionary surpluses on sales when the properties fall vacant. These returns have been enhanced by a cautious approach to acquisition, the application of rigorous management, growth in house prices and by appropriate levels of financial gearing. In recent years we have used our cash generation and property management platform in the residential sector to enable us to capture a wider range of assets.

This expansion and diversification has enabled us to become market leaders in three residential sectors; the ownership of properties subject to regulated tenancies, providers of home reversions and residential fund management. This latter activity, in particular, produces an income stream not reliant on the direct ownership of property and at low incremental cost. We have also widened our risk and return exposure by increasing our involvement in residential development and by entering the German residential market.

Board changes

At the beginning of May, we welcomed Henry Pitman as a non-executive director. He was previously Chief Executive of Tribal Group Plc and his experience, which includes both property and government related housing business, will be of great assistance to the Board.

My personal thanks go to Robert Dickinson from whom I took over as Chairman at the conclusion of the AGM in February. His long service and contribution to the growth of the Group has been previously recorded, but his help and guidance in the handover of the Chairmanship was hugely appreciated.

Outlook

Whilst residential house prices continued to rise through this financial year, the listed property sector (including real estate investment trusts) fell by more than 20%, largely fuelled by the sentiment that the rapid rises of recent years are unsustainable. This has now proved to be the case and there is little doubt that the next year will be a challenging one both for the sector and for Grainger. Notwithstanding this, recent evidence suggests that properties in our portfolio are continuing to sell at or slightly above current valuation levels. Grainger's average house price in its core portfolio is £205,000 and the portfolio is geographically diverse. In light of this and our limited exposure to new build flats in City centres (the area we expect to be the most difficult in the coming months), we believe that we are relatively well protected from the slowdown in the current market.

Going forward, we see good opportunities in continuing to apply our own variety and blend of skills to different residential asset classes. Where appropriate, we will introduce third party capital to enhance our returns and reduce our direct balance sheet exposure. This may be in the form of joint ventures (for example along the lines of Grainger GenInvest and Curzon Park) or in co-investing funds (G:res1).

This will not be the first period of more challenging market conditions that the Company has weathered in its long history. Our experience, combined with the more diversified business model we now have in place, gives us confidence in our positioning and prospects. We plan to continue our long standing prudent approach towards acquisitions and liquidity and believe that our spread of activities will give us resilience and increase our long term growth prospects to create shareholder value.

I would like to take this opportunity to thank everyone at Grainger for the welcome and help that they have given me in my first nine months as Chairman. Their commitment and enthusiasm will serve the company and its shareholders well in the future.

Robin Broadhurst
Chairman
29 November 2007

Chief Executive's Review

Market Review

There has been much recent debate over the state of the UK housing market and the impact that recent events in the world credit markets, triggered by events in the US sub prime sectors, will have in the future. Many indicators point to a slowdown in the rate of house price growth – in particular, falling levels of mortgage approvals, falls in certain house price indices and slowing sales volumes from house builders. Commentators vary between predictions of a severe fall in actual house prices (as was the case in the early 1990's) and a soft landing where price growth slows and possibly stagnates for a period.

Our view is that rates of house price growth are fundamentally determined by two factors: the balance between supply and demand and levels of affordability.

The UK is currently suffering from long term imbalance between the supply of housing stock and the amount required to support the increasing number of households. In the first seven years of this century UK housing completions averaged 166,000 per annum. Government initiatives have been announced to increase this level of supply to 240,000 (recently increased from 200,000) per annum by 2016. Set against this are population forecasts indicating that the UK population will rise from 60.6m in 2006 to 65m in 2016. More importantly, the trends of immigration, an ageing population and an increasing number of single person households will lead to an additional requirement of 209,000 households per year to 2026. This is a continuation of the trend that has seen the numbers of households increase by 30% in the last three decades of the 20th Century – matched by a fall in the level of new housing built over the same period of 50%. It remains to be seen whether, given the current planning environment, increased availability will be able to absorb both existing and future demand.

As well as the imbalance at a total stock level, of equal importance is the limited supply for the right type of dwelling at the right price in the right location. For example, London and the South East has limited availability and great levels of wealth generation. This has produced some of the largest price increases we have seen over the last few years which, we believe, will help to sustain the market in this area for some time to come. We have some 55% by value of our portfolio in this region.

Conversely, there appears to be oversupply in certain provincial cities of, in particular, recently built one or two bedroom city centre apartments primarily built for the buy to let market. We have kept out of these more speculative markets and therefore have virtually no exposure to this sector.

The second key factor is the level of affordability, with many commentators pointing to the impact this had on the housing market in the early 1990's. There are two main differences between that period and now. Firstly, base rates between mid 1988 and mid 1992 did not drop below 10% and, at their peak, mortgage rates were approaching 17%. Current base rates are at 5.75% and most commentators expect that the next interest rate move will be downwards. Secondly the economic situation is far more robust – GDP at 3.3% in Q3 2007 (above the average long term rate of 2.5%) and employment levels are at a record high (in 1992 unemployment approached 3 million).

One of the key measures of affordability is the ability of households to meet their normal expenditure once they have paid all their housing costs. Research indicates that, whilst income net of housing costs still exceeds household spend, the surplus is narrowing as a result of increased mortgage costs arising from rate rises. The unwinding of relatively cheap fixed rate loans may well reduce it further in the coming months but not to levels that would be likely to precipitate a severe correction in house prices.

Consequently, whilst we are planning for a period of slower house price growth and are therefore being more cautious in our acquisitions, we do not expect a wholesale and significant fall in prices in the short term. However, our long term model can withstand short term price fluctuations and we believe that the wide geographic spread, low average price and reversionary potential in our portfolio will enable it to continue to deliver enhanced returns.

Although the volume of transactions is relatively small, since the year end sales values achieved on vacancy have exceeded our September vacant possession values by 4.0%.

Risk Review

The key risks to the Grainger business are:-

- a severe long term downturn in the UK housing market
- significant increases in interest rates
- a lack of availability of finance

Dealing with each of these in turn:-

Housing market

We have assembled our unique residential portfolio over a significant period of time and its current market value is substantially greater than cost. Moreover, much of the portfolio is reversionary and the value that we will obtain by selling on vacancy currently exceeds market value by over £600m (the "reversionary surplus").

The nature of our portfolio is inherently defensive in times of house price slowdown. It is geographically diverse and, whilst one of its long term strengths is a significant exposure to the high demand areas of London and the South East, we are not overly exposed to cluster risk. In other areas house price growth tends to follow the South East but, coming from a lower base, can show dramatic levels of increase.

The majority of our properties are unrefurbished and of relatively low value. This level of affordability is a key element of continued and sustained demand for our properties when they become available for sale. Our average vacant possession value is £205,000 (the UK average is £198,000) and 60% of the portfolio is below £250,000. Our exposure to the higher end of the market (>£500,000) which traditionally shows greater volatility is restricted to some 279 properties out of our total UK owned portfolio of over 14,000 units. We have found that demand for our typical properties (affordable and offering potential for value appreciation through refurbishment) is resilient even in times of market slowdown.

Operationally we manage our exposure to house price inflation by constant reviews of the portfolio to ensure that we crystallise gains to maximise returns at the right time. We are also diversifying our income streams (for example fund management income) and our geographic spread (investment in Germany) to spread risk.

Interest rates

Our exposure to adverse interest rate movements is limited by adopting a prudent hedging policy. At 30 September 2007 over 70% of group debt was hedged by being either fixed or subject to caps or swaps. The hedging instruments used and the fixed rate debt have a variety of maturity dates giving protection over the medium term.

Availability of finance

At 30 September the Group's headroom amounted to £226m and the average maturity of our debt was six years. The first significant maturity (a revolving facility of £400m) is not until March 2010.

We guard against lack of liquidity by constantly recycling capital;

for example we raised £282m of third party funding through equity and debt raising in the G:res1 fund during the course of the year.

The core business in particular is very cash generative – gross rents and property sales amounted to £165m in the year. Whilst we spent £151m on new acquisitions, the vast majority of this can be stopped in adverse market conditions. Consequently we are able to reduce gearing levels and improve liquidity quickly by cutting back on purchases if necessary.

As explained above, the low value, unrefurbished nature of our portfolio means that it is very liquid and easily realisable.

Operating Review

General

Despite the repercussions of the credit crunch in the banking markets in late summer, the UK residential market showed strong levels of growth to the end of September – the Nationwide and Halifax House Price indices recording gains of 9.0% and 10.7% respectively. Several regions showed growth of over 15%, in particular Greater London at 18.6%.

Our own portfolio, with some 55% by value in London and the South East, showed an average increase of 9.8%.

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

Core portfolio	57%	-	Primarily our portfolio of properties subject to regulated tenancies.
Retirement solutions	22%	-	Our interests of home reversion and retirement related assets.
Fund management and investments in residential joint ventures	7%	-	These are investments in managed funds (G:res1 and Schrodgers) and in GenInvest (our JV with Genesis Housing Group).
Development	4%	-	Focussed on relatively large scale residential or residential led mixed use developments.
Continental Europe	10%	-	Principally investment in German residential portfolios.

These operating divisions are supported by our property and asset management divisions of over 100 staff based in our seven UK and one German offices.

Core portfolio

	<u>2007</u>	<u>2006</u>
Regulated units owned	7,655	7,715
Market value	£1,221m	£1,090m
Value possession value	£1,571m	£1,403m
Other assets (vacants, assured etc)	882	652
Market value	£196m	£141m
Vacant possession value	£220m	£160m

Trading performance in this division has been strong. Although the number of units sold has declined from 787 to 661, as explained below, sales proceeds have increased marginally from £126m to £128m, reflecting higher average value achieved (£193,000 compared to £160,000). Margins on normal sales (i.e. when a property is sold on vacancy) have also improved from 48.6% to 50.7%.

The number of sales has declined because we have made fewer investment sales (when a property is sold with a tenant in situ), down to 86 at a gross sales value of £17.2m and profit of £9.7m, from 224 at a value of £31.3m and a profit of £13.0m in 2006.

This is ultimately a trading portfolio and, as such, we make a number of these sales as a result of active portfolio management where we feel that returns would not be significantly enhanced by waiting for vacancy in the usual way. The level of investment sales has been relatively high in recent years as we have worked through assets acquired in major portfolios. We would expect the volumes to continue to decline in the future as this process is completed.

We have been pleased with the levels of acquisitions in the year, enhanced by two major corporate transactions. Firstly, The Tilt Estate Company, bought for £48.0m and comprising a mixed tenure estate of over 300 units in East Dulwich, London SE22 and secondly Portland House Holdings comprising 135 properties located across England and Scotland for £12.2m. In total we have acquired 863 units for £151m (2006:462 for £70m).

Operating contribution for this division (comprising profits on sale of trading and investment assets together with net rents and other income, after deducting divisional overheads) amounted to £81m (2006: £76m).

Retirement Solutions

	<u>2007</u>	<u>2006</u>
Interest in residential units (no.)	5,952	3,003
Market value	£542m	£241m
Vacant possession value	£779m	£421m

We have retained our market leadership in the writing of home reversion plans, with a 40% market share at 30 September 2007. Of particular note has been our achievement in obtaining regulated status from the Financial Services Authority in April of this year. This puts home reversion plans on a level footing with other equity release products which were regulated by virtue of being mortgages. Although there was some market disruption during the period approaching the regulation deadline, leading to a slowdown in acquisitions, we believe that, in the long term, regulation will be a key factor in the continuing success of not only our business, but the home reversion market in general.

In the period we sold interests in 139 home reversion assets for £14.9m and recorded a profit of £7.4m (2006: 110 assets for £12.5m and a profit of £5.7m).

We have made significant progress in building this business in the year, investing a total of £252m on 2,899 assets (2006: £29m on 432 assets). These included the major acquisitions of the CHARM portfolio (a financial interest in some 1,287 equity mortgages from the Church Commissioners for £134m) and The Capital Appreciation Trust (Isle of Man) plc ("CAT") which comprise 911 sheltered housing units for £72m. This latter acquisition is significant in that it enhances our product offering in this sector, giving us the opportunity to provide more flexible tenure alternatives from rental and lifetime lease through to shared equity.

Operating contribution from this division amounted to £8m (2006: £3m).

Fund Management and Residential Investments

	<u>Holding</u>	<u>Gross asset value £m</u>	<u>Net asset value £m</u>	<u>Grainger Share £m</u>
Grainger GenInvest	50.0%	364	80	40
G:res1	21.6%	457	219	47
Schroders	22.4%	90	90	20
Total 2007		911	389	107
Total 2006		312	27	14

This division has made significant progress in the year, the highlight being the close of G:res1, our market rented fund. Total third party investment in the fund stands at £159m, representing 78.4% and investors include Mitsubishi Corporation, Achmea, APP, British Airways Pensions Fund, FF&P, LGPI, Nomura, Norsk Hydro, Storebrand, Swiss Re and the Universities Superannuation Scheme. The fund itself grew considerably in the year with the acquisition of the Ability Portfolio (700 units in East London for £205m) and NAV grew by 14% in the period from launch in November 2006 to the end of June 2007.

Grainger GenInvest, our joint venture with Genesis Housing Group, has also shown strong growth on the back of the London house price market – average increases in the value of the portfolio amount to 24.7% and the value of our total investment has increased from £10m to £40m. Including amounts lent by Grainger to the joint venture of £68m (2006: £58m) our total investment is £108m (2006: £68m).

Annualised fee income from our fund and property management activities now stands at £7m.

The contribution from this division (being share of profits, dividends received, fee income and share of revaluation surpluses in the year) amounted to £40m (2006: £5m).

We hope that current market conditions alongside political and social imperatives will mean that the government and Local Authorities have to look more favourably towards the professional private rented sector as a potential partner in providing some of the new housing supply to 2016. We are engaged in this debate and are confident that the model we are creating will be well placed to respond to any initiatives that are introduced.

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. The division also now includes our lettings team and regional sales and acquisitions. In this way we can provide a consistent level of service to each of the portfolios we manage.

	2007	2006
Residential Units Managed	19,312	15,221
Gross Rent Roll	£69m	£51m
Gross Property Expenditure	£18m	£12m

Development

	<u>2007</u>	<u>2006</u>
Market value of development portfolios (including share of joint ventures)	£110m	£97m
Estimate of completed development value	£809m	£675m
Of this, with planning consent	£324m	£178m

We have been building our team and refining our strategy for development so that it is more aligned to the long term ownership model of the group. We intend to continue to sell assets to the open market to assist in generating cash flows for the group, whilst also retaining some stock. Good progress has been achieved on all major development sites during 2007.

In particular, at Newlands (West Waterlooville) we obtained a resolution to grant planning for the development of 100,000 sq m of commercial space and 1,550 new homes. In addition the adopted Hampshire County Structure plan includes a reserve allocation for a further 1,000 units. We are currently in the process of agreeing the Section 106 agreement and hope to start on infrastructure work in the latter part of 2008. This is an exemplar scheme where we will be directly involved in some of the construction and in the long term management of the estate. We expect the first house sales to commence in the financial year ending 2009.

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

Project	Description	Status	Expected Gross Development Value	Income from
<u>Wholly owned</u>				
Hornsey Road Islington	212 residential units, community buildings	Under construction	£44m	2008
Macaulay Road Clapham	97 residential units 30,000 sq.ft retail	Consent granted and demolition commenced	£56m	2009
Barnsbury Complex Islington	141 residential units	Detailed planning consent obtained	£49m	2010
Wards Corner	198 residential units	Conditional development agreement signed	£76m	2012
Newbury	330 residential units 50,000 sq.ft retail	Preferred developer status, conditional development agreement early 2008	£82m	2011
Gateshead College	263 residential units	Detailed planning application late 2007	£72m	2009
<u>Joint venture</u>				
Curzon Park	Mixed use joint venture with Development Securities including 400,000 sq. ft. residential 800,000 sq.ft. office, 20,000 sq.ft retail and 118 bed hotel	Outline application submitted	£196m (Grainger share)	2009

The above analysis demonstrates that revenues from this division will become more significant from 2009 onwards.

Operating contribution from this business in the year (including trading profits, profits on sale of fixed assets and joint venture interests, net of divisional overheads) amounted to £4m (2006: £7m).

Continental Europe

	<u>2007</u>	<u>2006</u>
Residential units owned	4,520	2,739
Market value	£241.7m	£116.9m
Gross annual rent	£9.8m	£4.5m
Gross annual running rent	£15.0m	£7.5m

We have made significant advances in our European operation, in particular the opening of our Mannheim asset and property management business, which now employs seven members of staff. Whilst increasing interest costs have narrowed the spread between yields and funding costs we remain optimistic for the prospects of our German residential business. This is based on our long term strategy which includes buying good quality assets with favourable tenant structures in areas where residential demand is likely to remain high. The results of this have been reflected in the valuation of our portfolio which shows an uplift of 4.0%. We focus on smaller value portfolios (below 20m Euros) and do not rely on overly aggressive privatisation rates to deliver the required level of returns.

We continue to investigate alternative funding structures for our German business and, in particular, the possibility of introducing third party equity.

The operating contribution from our German portfolio in the year was £5m, primarily from net rental yield on the properties which is running at 4.5% (2006: 5.0%). We have two further European interests, one of which was sold in the year, delivering profit of £1.2m on an original investment of £2m. The other, a subsidiary company in which we own an 81.6% stake, holds a development site in Zizkov, Prague and is going through the planning process. Our investment amounts to £3.5m and the gross development value may amount to as much as £170m on phase I with a second phase of similar size to follow.

Prospects

We have been building each of our businesses in a prudent way, without assuming the relatively high levels of house price growth that we have benefited from in recent years. However, we believe that we now have in place a market leading platform that can acquire, develop, fund, manage and sell a diverse range of residential products on a national basis.

We are also confident that we can still produce good long term returns from our specialist portfolios which rely on active management, development and trading of reversionary surpluses and will continue to concentrate our resources in these areas

Rupert Dickinson
Chief Executive
29 November 2007

Financial Review

Evolution of the application of IFRS and a review of our accounts by the Financial Reporting Review Panel has caused us to reconsider the suitability of certain of our accounting policies, in particular the classification of market rented residential assets which were transferred to G:res1 during the year ended 30 September 2006. In full agreement with our auditors, these assets have been reclassified as investment assets rather than trading assets with effect from 1 October 2005 and a prior year adjustment has been made accordingly. The effect has been to remove a revaluation surplus of £23.5m taken through the income statement in 2006 and instead take it through retained earnings at 1 October 2005 net of tax of £7.0m. This adjustment has no effect on the key indicator of market value, namely net asset value, and has no implications for the economics or cash generation of the business. An added benefit is that by removing the one-off revaluation surplus taken to profit in 2006 the disclosed income statements for 2006 and 2007 are far more directly comparable. We have also taken this opportunity to reclassify an immaterial balance of equity release home reversion assets to ensure consistent presentation. Full details of the adjustment are given in note 2.

Performance Overview

Our key performance indicators are:-

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Gross net asset value per share (pence)	828p	677p	22.3%
Return on shareholder equity (1)	27.1%	26.5%	0.6%
Return on capital employed (2)	12.1%	14.0%	(1.9)%

Operating profit before fair value and goodwill adjustments

£89.0m £81.5m 9.2%

(1) Growth in NNNNAV plus dividends paid per share as a percentage of opening NNNNAV

(2) Profit before financing costs plus all revaluation surpluses as percentage of opening gross capital

General

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

	Statutory Balance Sheet £m	Adjustments to market value, deferred tax and derivatives £m	Gross NAV balance sheet £m	Contingent Tax £m	Derivatives £m	Triple NAV Balance Sheet £m
Properties	1,679	643	2,322	-	-	2,322
Investments/other assets	186	5	191	-	2	193
Goodwill	17	-	17	-	-	17
Cash	80	-	80	-	-	80
Total assets	1,962	648	2,610	-	2	2,612
Borrowings etc	(1,408)	(12)	(1,420)	-	9	(1,411)
Other net liabilities	(117)	(6)	(123)	-	-	(123)
Provisions/deferred tax	(114)	112	(2)	(285)	(3)	(290)
Total liabilities	(1,639)	94	(1,545)	(285)	6	(1,824)
Net assets	323	742	1,065	(285)	8	788
2007 Net assets per share (pence)	251	577	828	(221)	6	613
2006 Net assets per share (pence)	193	484	677	(187)	(3)	487

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 take out any adjustments for deferred tax and changes in the fair value of derivatives as calculated under IFRS. NNNAV 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	Fixed assets/ Financial Interest in property at value £m	Total £m
Residential	964	627	1,591	610	2,201
Development	105	16	121	-	121
Total September 2007	1,069	643	1,712	610	2,322
Total September 2006 (restated)	986	527	1,513	388	1,901

Net asset value

Measurements of 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:-

Gross net assets per share (market value of net assets per share before deduction for deferred tax on property assets and before adjustments for fair value of derivatives)	Up 22.3% to 828p from 677p
Triple net assets per share NNNAV (gross NAV per share adjusted for deferred tax on revaluation gains and for mark to market adjustments)	Up 25.8% to 613p from 487p
Grainger NAV (NNNAV adjusted for the discounted and taxed reversionary surplus in our long term regulated and home reversion portfolios)	Up 23.0% to 732p from 595p

Gross net assets per share

	£m	pence per share
Gross NAV as at 30 September 2006	879	677
Revaluation surpluses	158	122
Profit after tax	61	47
Elimination of previously recognised surpluses	(55)	(43)
Other	22	25
Gross NAV as at 30 September 2007	1,065	828

Grainger net assets per share

Reconciliation of Grainger NAV to NNNAV

	£m	pence per share
NNNAV as at 30 September 2007	788	613
Discounted reversionary surplus	216	168
Discounted tax thereon	(62)	(49)
Grainger NAV as at 30 September 2007	942	732

As in previous years, we set out below the major assumptions we have used in calculating the base case Grainger NAV and how it might change by amending those assumptions:-

- house price inflation is taken as zero over the entire reversionary period
- a discount rate of 9.38% has been used (weighted average cost of capital plus 3%)
- no discounting of contingent tax on the revaluation surpluses
- reversionary periods taken as 13 years for regulated properties and 11 years for home reversions

Sensitivity analysis (refer to the financial model on our website www.graingerplc.co.uk).

House price inflation per annum	No discount of deferred tax		Discounting deferred tax	
	Discount rate		Discount rate	
	WACC + 3%	WACC	WACC +3%	WACC
0%	732p	780p	878p	896p
4%	805p	882p	951p	998p
6%	855p	952p	1,001p	1,069p

Financial Performance in the Year

Operating profit before fair value movements and goodwill impairment increased to £89.0m from £81.5m as shown below.

	£m
2006 operating profit before fair value movements	75.1
Add back goodwill impairment	<u>6.4</u>
2006 operating profit before fair value movements and goodwill impairment	81.5
Increase in gross rents and other income	4.1
Increase in property expenses and overheads	(4.3)
Increase in residential trading profits	10.5
Decrease in development trading profits	(3.5)
Other	0.7
2007 Operating profit before fair value movements and goodwill impairment	<u>89.0</u>

The major movement in operating profit derives from an increase in trading profits from our core residential and home reversion portfolios. As expected, development profits have decreased in line with the fall in the number of projects coming through for completion in the year.

Earnings per share

Basic earnings per share have increased by 71.5% to 47.3p from 26.0p (re-stated) as shown below:-

	£m	Pence per share
2006 EPS (restated)	33.5	26.0
Change in goodwill impairment	6.4	4.9
Increase in operating profit before fair value movements	7.5	5.8
Decrease in gain on revaluation of investment properties	(9.0)	(6.9)
Decrease in fair value of derivatives and financial assets	(7.4)	(5.7)
Increased contribution from JV/associates	40.2	31.2
Increase in interest payable	(7.9)	(6.1)
Increase in taxation and other	(2.4)	(1.9)
2007 EPS	60.9	47.3

As well as an improvement in operating profit, this year's result has been enhanced by the significant contribution from our joint ventures and associates. In particular, Grainger GenInvest which is an exclusively London based portfolio, has shown large revaluation gains, our share of which amounts to some £35m.

Interest and Tax

Our net interest charge has increased by £7.9m to £65.0m with interest payable increasing by £11.5m. The increase has arisen from a combination of higher debt levels used to finance the growth in our asset base (particularly home reversions and Germany) and higher underlying interest rate costs. On average monthly debt levels have exceeded 2006 figures by £208m and we have seen three month LIBOR and Euribor rates rise by 123 basis points and 137 basis points respectively in the year.

Our annual tax charge is at an effective rate of 21.4%, the major items affecting it being:-

	£m
Group profit before tax	77.5
Tax at 30%	23.2
Adjustments:-	
Impact of tax rate change on deferred tax	(6.0)
Utilisation of capital losses	(3.0)
Other including prior period adjustments	2.4
Actual tax charge	16.6

Financial Resources

The business continues to be highly cash generative producing £497m (2006: £208m) from operating activities and sales of investment property.

Major cash outflows relate to interest (£66.1m), tax £8.5m and dividends £7.6m. Furthermore we spent a total of £723m on acquiring new properties, funding development and investing in joint ventures. To assist in funding this we raised additional net debt of £336m.

During the year we revised the terms of our core borrowing facility, extending the average maturity by two years and reducing the overall borrowing margin by 13 basis points. The first major repayment of £400m under this facility is not due until March 2010. We also issued a seven year convertible bond producing net proceeds of £110m. The bond has a coupon of 3.625%, a post tax cash cost of approximately 1.5% and a conversion share price of 864p. Subsequent to this issue we bought 1,525,000 shares back in the market for cancellation at an average price per share of £5.12. The average maturity of our debt is 5.9 years (2006: 4.1 years). At 30 September 2007 we had total headroom of £226m and the loan to value ratio stood at 53% (2006: 52%).

Our all-in cost of debt in the year was 6.1% (2006: 5.8%) and our weighted average cost of capital has moved out to 6.38% from 5.67%. Net borrowings of £1,332m were 74% hedged (2006: £1,051m and 66%). We put in place a significant level of new hedging early in the year including a 15 year £100m swap, at 4.98%. In total our financial instruments were 'in the money' by £12.2m at 30 September 2007 (2006: out of the money (£2.1m)) and we have hedges/fixed rates of at least £711m in place until March 2009.

Andrew Cunningham
Deputy Chief Executive and Finance Director
29 November 2007

Consolidated income statement (unaudited)**For the year ended 30 September 2007**

		2007	Restated 2006
	Note	£m	£m
Group revenue		229.3	205.7
Net rental income	3	23.2	28.3
Profit on disposal of trading properties	4	62.8	55.9
Administrative expenses	5	(9.5)	(10.4)
Other income		6.2	2.1
Goodwill impairment loss		-	(6.4)
Net other income/(expense)		6.2	(4.3)
Profit on disposal of investment property	6	2.5	5.2
Profit on disposal of shares in subsidiary		2.0	-
Profit on disposal of joint venture interest		-	0.4
Interest income from financial assets		1.8	-
Operating profit before net valuation gains on investment properties and changes in fair value		89.0	75.1
Net valuation gains on investment properties		9.9	18.5
Change in fair value through profit or loss financial assets		-	0.4
Operating profit		98.9	94.0
Change in fair value of derivatives	1	3.0	10.4
Interest expense		(74.4)	(62.9)
Interest income		9.4	5.8
Share of profit/(loss) of associates after tax		7.7	(0.1)
Share of profit of joint ventures after tax		32.9	0.5
Profit before tax		77.5	47.7
Taxation – current		(16.6)	(30.6)
Taxation – deferred		-	16.4
Tax charge for the year	15	(16.6)	(14.2)
Profit for the year attributable to equity holders of the company		60.9	33.5
Basic earnings per share	7	47.3p	26.0p
Diluted earnings per share	7	46.6p	25.8p
Dividend per share	8	6.18p	5.62p

Included within profit for the financial year is a loss of £91,000 (2006: £29,000) attributable to minority interests.

Consolidated Statement of Recognised Income and Expense (unaudited)
For the year ended 30 September 2007

	2007	<u>Restated</u>
	<u>£m</u>	<u>2006</u>
		<u>£m</u>
Profit for the year	60.9	33.5
Actuarial profit on BPT Limited defined benefit pension scheme net of tax	1.5	0.4
Net exchange adjustments offset in reserves net of tax	0.3	0.1
Changes in fair value of cash flow hedges net of tax	9.0	(0.8)
	<hr/>	<hr/>
Net income/(expense) recognised directly in equity	10.8	(0.3)
	<hr/>	<hr/>
Total recognised income and expense for the year	71.7	33.2
	<hr/>	<hr/>
Effect of adoption of IAS 32 and IAS 39 on 1 October 2005 net of tax	-	(5.4)
Prior year adjustment – reclassification of equity release assets	(0.5)	-
	<hr/>	<hr/>
Total recognised income and expense since last report	71.2	27.8
	<hr/>	<hr/>
The total recognised income and expense in the year is attributable to:		
Equity shareholders of the parent	71.2	33.2
Minority interest	-	-
	<hr/>	<hr/>
	71.2	33.2
	<hr/>	<hr/>

Consolidated balance sheet (unaudited)
as at 30 September 2007

	<u>Note</u>	2007 <u>£m</u>	Restated 2006 <u>£m</u>
ASSETS			
Non-current assets			
Investment property	9	478.6	219.4
Property, plant and equipment		2.3	2.1
Investment in associates	10	68.5	2.0
Investment in joint ventures	11	114.8	71.5
Financial interest in property assets	12	131.7	-
At fair value through profit or loss financial assets		-	19.0
Goodwill		17.4	-
		813.3	314.0
Current assets			
Inventories - trading properties		1,069.1	985.5
Trade and other receivables	13	16.4	5.3
Derivative financial instruments		13.1	2.3
Cash and cash equivalents		80.1	34.5
Assets held for sale		-	168.3
		1,178.7	1,195.9
Total assets		1,992.0	1,509.9
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	14	1,393.8	1,070.5
Trade and other payables		8.0	8.0
Retirement benefits		2.7	4.6
Provisions for other liabilities and charges		1.2	1.3
Deferred tax liabilities	15	113.5	91.1
		1,519.2	1,175.5
Current liabilities			
Interest bearing loans and borrowings	14	18.2	19.4
Trade and other payables	16	84.9	23.3
Current tax liabilities	15	45.8	37.2
Derivative financial instruments		0.8	4.4
		149.7	84.3
Total liabilities		1,668.9	1,259.8
Net assets		323.1	250.1
EQUITY			
Capital and reserves attributable to the company's equity holders			
Issued share capital	17	6.4	6.5
Share premium	17	23.0	22.6
Merger reserve	17	20.1	20.1
Capital redemption reserve	17	0.3	0.2
Cash flow hedge reserve	17	8.2	(0.8)
Equity component of convertible bond	17	22.4	-
Retained earnings	17	242.6	201.3
		323.0	249.9
Total shareholders' equity		323.0	249.9
Equity minority interests		0.1	0.2
Total Equity	18	323.1	250.1

Statement of consolidated cash flows (unaudited)
For the year ended 30 September 2007

	<u>Note</u>	<u>2007</u> <u>£m</u>	<u>Restated</u> <u>2006</u> <u>£m</u>
Cash flow from operating activities			
Profit for the year		60.9	33.5
Depreciation		0.6	0.6
Impairment of goodwill		-	6.4
Net valuation gains on investment properties		(9.9)	(18.5)
Net finance costs		65.0	57.1
Share of profit of associates and joint ventures		(40.6)	(0.4)
Gain on disposal of investment properties and other		(2.5)	(5.6)
Gain on disposal of shares in subsidiary		(2.0)	-
Share based payment charge		1.0	0.9
Change in fair value of derivatives and fair value through profit or loss financial assets		(3.0)	(10.8)
Interest income from financial assets		(1.8)	-
Taxation		16.6	14.2
Operating profit before changes in working capital and provisions		84.3	77.4
(Increase)/decrease in trade and other receivables		(12.1)	3.2
(Decrease)/Increase in trade and other payables		(1.9)	4.0
Increase in trading properties		(65.1)	(64.3)
Cash generated from operations		5.2	20.3
Interest paid		(66.1)	(55.0)
Taxation paid		(8.5)	(15.4)
Net cash outflow from operating activities		(69.4)	(50.1)
Cash flow from investing activities			
Proceeds from sale of investment property and property, plant and equipment		14.8	41.1
Proceeds from sale of joint venture		-	5.4
Proceeds from financial interest in property assets		4.9	-
Disposal of subsidiary net of cash disposed of		251.0	-
Interest received		4.7	2.6
Dividends/distributions received		8.0	0.4
Acquisition of subsidiaries, net of cash acquired		(146.5)	(3.4)
Investment in associates and joint ventures		(93.3)	(57.8)
Acquisition of investment property and property, plant and equipment		(100.9)	(98.9)
Acquisition of financial interest in property assets		(134.7)	-
Acquisition of at fair value through profit or loss financial assets		-	(0.4)
Net cash outflow from investing activities		(192.0)	(111.0)
Cash flows from financing activities			
Proceeds from the issue of share capital		0.5	1.0
Purchase of own shares		(14.8)	(0.5)
Proceeds from new borrowings		227.2	165.2
Issue of convertible bond		109.6	-
Repayment of borrowings		(12.1)	(12.0)
Dividends paid		(7.6)	(6.9)
Purchase of financial derivative		(0.3)	-
Net cash inflow from financing activities		302.5	146.8
Net increase/(decrease) in cash and cash equivalents		41.1	(14.3)
Cash and cash equivalents at beginning of year		39.0	53.3
Cash and cash equivalents at end of year		80.1	39.0

Notes to the Preliminary Announcement of Unaudited Results

1. Basis of preparation

These 2007 preliminary results are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. They have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

The financial information contained in these preliminary results has been prepared in accordance with the Listing rules of the Financial Services Authority and, other than a) the new accounting policy for financial interest in property assets set out in note 12 and b) changes described in note 2 below, in accordance with, the accounting policies set out on pages 69 to 78 of the 2006 Annual Report and Accounts which is available on the Group's website (www.graingerplc.co.uk). The accounting policies have been consistently applied to all periods presented. In addition changes in fair value of derivatives is now presented below operating profit in the income statement as the instruments are not held for trading purposes.

2. Prior Year Adjustment

Evolution of the application of IFRS and a review of our accounts by the Financial Reporting Review Panel has caused us to reconsider the treatment of certain items in our accounts. We have reviewed the treatment and classification in the balance sheet of our residential assets and, in particular, the transfer of assets to the JPUT in 2006.

Classification of property assets

After a considered and detailed review we have concluded that all of our property assets are correctly classified with the exception of some of our equity release home reversion assets and assets transferred to JPUT (see below). The equity release home reversion assets had been shown in the balance sheet as investment property but as the most likely outcome will be the sale of these assets on vacancy the more appropriate classification is as trading stock. This has been corrected retrospectively through a prior year adjustment. There is no impact on the accounts for the year ended 30 September 2005 or prior but the accounts for the year ended 30 September 2006 have been restated. The assets have been reduced from market value to historical cost by deducting £0.5m both from the 2006 revaluation gain in the 2006 income statement and from the value of investment property.

The assets have then been correctly shown as stock rather than investment property with the result that trading stock in the 30 September 2006 balance sheet has increased by £32.8m and investment property decreased by the same amount. Sales of assets of £0.5m and the related cost of sales of £0.2m have been moved from profit on disposal of investment property and added to profit on disposal of trading property; the additional profit arising is insignificant.

Transfer of assets to the JPUT

Included within the assets transferred to the JPUT on 1 December 2005 was £67m of properties that had been classified as trading stock. On transfer, these were reclassified as investment properties and a revaluation gain of £23.5m was recognised in the 2006 income statement. A tax charge of £7.0m arose in respect of this transfer. However, this reclassification did not comply with the requirements of IAS 40 paragraph 57 which explains the circumstances which provide evidence of a change in use of a property asset allowing a transfer between categories to be made. These assets were originally acquired for the purpose of long term capital appreciation and rental growth and, consequently, should always have been shown as investment property rather than trading stock. Indeed one of the main reasons why these assets were chosen to be transferred to the JPUT was that they had always been held for that purpose. Properties similar to these and retained by Grainger are shown in the accounts as investment properties.

This error has been corrected by a prior year adjustment restating the opening 2006 balance sheet (i.e. at 1 October 2005) and the income statement for the year ended 30 September 2006.

Retained earnings at 1 October 2005 have been increased by the revaluation gain of £23.5m and a provision for deferred tax of £7.0m has been made (see note 18).

The gain of £23.5m has been eliminated from the income statement for the year ended 30 September 2006. The tax charge for the year is reduced by £7.0m as the deferred tax provision is released against the current tax charge arising.

Costs of £2.5m relating to the cost of raising equity investment in the JPUT offset against this revaluation gain in 2006 have been transferred to interest expense. This transfer has no impact on 2006 profit before tax.

The above changes have no effect on the market value NAV of the business or on its cash flows. Basic earnings per share for the year ended 30 September 2006 are reduced from 39.1 pence as previously stated to 26.0 pence and diluted earnings per share from 38.9 pence to 25.8 pence.

In addition we are showing separately a profit on disposal of joint ventures interest of £0.4m in the 2006 income statement. Previously this was included within profit on disposal of investment property.

3. Net rental income

	2007	2006
	£m	£m
Gross rental income	52.7	52.6
Property repair and maintenance costs	(15.8)	(12.7)
Property operating expenses (see note 5)	(13.7)	(11.6)
	23.2	28.3

4. Profit on disposal of trading properties

	2007	2006
	£m	£m
Proceeds from sale of trading properties	166.0	151.0
Carrying value of trading properties sold	(92.8)	(85.1)
Other sales costs (see note 5)	(10.4)	(10.0)
	62.8	55.9

5. Administrative expenses

	2007	2006
	£m	£m
Total Group expenses	33.6	32.0

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:-

	2007	2006
	£m	£m
Deducted within net rental income (see note 3)	13.7	11.6
Costs attributable to the disposal of trading properties (see note 4)	10.4	10.0
Administrative expenses	9.5	10.4
	33.6	32.0

6. Profit on disposal of investment property

	2007	2006
	£m	£m
Proceeds from sale of investment property	14.8	41.1
Carrying value of investment property sold	(12.3)	(35.9)
	2.5	5.2

7. Earnings per share

	2007	2006
	No. of	No. of
	Shares	Shares
	'000	'000
Weighted average number of shares for basic earnings per share	128,849	129,001
Weighted average number of shares for diluted earnings per share	134,467	129,804

Basic

Basic earnings per share is calculated by dividing the profit 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 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 2007 was the end of the contingency period. The profit for the year is adjusted to add back the after tax interest cost on the debt component of the convertible bond.

8. Dividends

A final dividend of 4.12p per share has been proposed by the directors for payment on 18 February 2008 (30 September 2006: 3.75p per share). This dividend, totalling £5.3m, has not been provided for in the accounts to 30 September 2007. In the year to 30 September 2007, the final proposed dividend of £4.9m for the year ended 30 September 2006 and the interim dividend for 2007 of £2.7m have been paid.

9. Investment property

	2007	Restated 2006
	£m	£m
Opening balance (2006 as previously reported)	219.4	222.4
Prior year adjustment – transfer of assets to the JPUT (see note 2)	-	67.0
	219.4	289.4
Additions	295.8	115.7
Disposals	(12.3)	(35.9)
Disposal as part of disposal of subsidiary	(209.8)	-
Revaluation gain	9.9	18.5
Exchange adjustments	7.3	-
Transfer from/(to) a disposal group	168.3	(168.3)
Closing balance	478.6	219.4

10. Investment in associates

	2007	2006
	£m	£m
Opening balance	2.0	0.1
Loans advanced	-	2.0
Loans repaid	(2.1)	-
Share of profits/(losses)	7.7	(0.1)
Distributions received	(0.6)	-
Share of change in fair value of cash flow hedges taken through equity	0.4	-
At fair value through profit or loss financial assets transferred to investment in associates	19.0	-
Net assets of subsidiary transferred to investment in associates	88.3	-
Additional equity invested in G:res1 Limited	84.4	-
Sale of equity in G:res1 Limited	(130.6)	-
Closing balance	68.5	2.0

As at 30 September 2007, the Group's interest in associates was as follows:-

	% of share capital/ units held	Country of Incorporation
G:res1 Limited	21.6	Jersey
Schroders Residential Property Unit Trust	22.4	Jersey
Ou Robbins	43.2	Estonia

11. Investment in joint ventures

	2007	2006
	£m	£m
Opening balance	71.5	17.9
Additions	-	6.6
Loans advanced	17.1	51.7
Share of profits	32.9	0.5
Share of change in fair value of cash flow hedges taken through equity	0.7	(0.2)
Distribution received	(7.4)	-
Disposals	-	(5.0)
Closing balance	114.8	71.5

As at 30 September 2007, the Group's interest in joint ventures was as follows:-

	% of share capital/ units held	Country of Incorporation
Grainger GenInvest LLP	50	United Kingdom
Grainger GenInvest No. 2 (2006) LLP	50	United Kingdom
Regen (NT) LLP	33 1/3	United Kingdom

12. Financial interest in property assets

	2007	2006
	£m	£m
Financial interest in property assets	131.7	-

Financial interest in property assets relates to the CHARM portfolio, which is a financial interest in equity mortgages, acquired in the year. It is accounted for under IAS 39 in accordance with the designation available-for-sale financial assets. The interest is initially recognised at fair value plus transaction costs and is subsequently carried at fair value. Subsequent to initial recognition, changes in the values of our interest in the mortgages are recorded through the income statement based on updated estimated cash flows using the effective interest rate applicable at acquisition. Differences relating to updated, estimated cash flows, using the effective interest rate applicable at acquisition compared with the effective interest rate at the year end, assessed as the rate available in the market for an instrument with a similar maturity and credit risk, are taken through equity. When gains or losses in the assets are realised, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from financial interest in property assets. Income received from the mortgages is recognised in the income statement on an accruals basis. All movements in the income statement are shown on the line "interest income from financial assets".

13. Trade and other receivables

	2007	2006
	£m	£m
Trade receivables	5.7	2.9
Other receivables	9.0	2.2
Prepayments and accrued income	1.7	0.2
	16.4	5.3

14. Interest bearing loans and borrowings

As at 30 September 2007 the maturity profile of the Group's debt, net of finance costs, was as follows:-

	2007	2006
	£m	£m
Within one year	18.2	19.4
Between one and two years	5.0	0.4
Between two and five years	783.6	822.3
Over five years	605.2	247.8
	1,412.0	1,089.9

15. Tax

	As at 30 September 2006 £m	Payments in the year £m	Acquired in the year £m	Movements recognised in income £m	Movements recognised in equity £m	As at 30 September 2007 £m
Current tax	37.2	(8.5)	0.5	16.6	-	45.8
Deferred tax						
Trading property uplift to fair value on acquisition	73.7	-	3.3	(9.5)	-	67.5
Investment property revaluation	16.5	-	15.6	8.5	-	40.6
Accelerated capital allowances	1.4	-	-	0.7	-	2.1
Short term timing differences	(0.5)	-	-	0.3	-	(0.2)
Actuarial surplus on BPT pension scheme	0.2	-	-	-	0.6	0.8
Fair value movement in cash flow hedges	(0.2)	-	-	-	2.9	2.7
	91.1	-	18.9	-	3.5	113.5
Total tax	128.3	(8.5)	19.4	16.6	3.5	159.3

The tax charge for the period of £15.3m comprises:-

	2007
	£m
UK taxation	9.2
Overseas taxation	7.4
	16.6

16. Trade and other payables

	2007	2006
	£m	£m
Deposits received	0.6	0.8
Trade payables	29.7	8.4
Other taxation and social security	0.3	1.5
Accruals and deferred income	54.3	12.6
	84.9	23.3

Trade payables in 2007 includes £23.6m relating to acquisitions of property where contracts have either been unconditionally exchanged or notarised.

Accruals and deferred income in 2007 includes £31.2m 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	Capital redemption reserve £m	Cash flow hedge reserve £m	Equity component of convertible bond £m	Retained earnings £m
Balance as at 1 October 2006 as previously reported	6.5	22.6	20.1	0.2	(0.8)	-	201.8
Prior year adjustment – reclassification of equity release assets (see note 2)	-	-	-	-	-	-	(0.5)
Balance as at 1 October 2006 restated	6.5	22.6	20.1	0.2	(0.8)	-	201.3
Retained profit for the year	-	-	-	-	-	-	60.9
Actuarial gain on BPT pension scheme net of tax	-	-	-	-	-	-	1.5
Issue of shares	-	0.4	-	-	-	-	-
Changes in fair value of cash flow hedges net of tax	-	-	-	-	9.0	-	-
Net exchange adjustments offset in reserves net of tax	-	-	-	-	-	-	0.3
Purchase of own shares	-	-	-	-	-	-	(7.0)
Cancellation of treasury shares	(0.1)	-	-	0.1	-	-	(7.8)
Share-based payments charge	-	-	-	-	-	-	1.0
Issue of convertible bond	-	-	-	-	-	22.4	-
Dividends paid	-	-	-	-	-	-	(7.6)
Balance as at 30 September 2007	6.4	23.0	20.1	0.3	8.2	22.4	242.6

18. Consolidated statement of changes in equity

	2007	Restated 2006
	£m	£m
Opening equity shareholders funds (2006 as previously reported)	250.1	211.1
Prior year adjustment – transfer of assets to the JPUT (see note 2)	-	16.5
	250.1	227.6
Effect of adoption of IAS 32 and IAS 39 on 1 October 2006	-	(5.4)
	250.1	222.2
Retained profit for the year (2006 restated)	60.9	33.5
Actuarial gain on BPT Limited defined benefit pension scheme net of tax	1.5	0.4
Changes in fair value of cash flow hedges net of tax	9.0	(0.8)
Net exchange adjustment offset in reserves net of tax	0.3	0.1
Purchase of own shares	(7.0)	(0.5)
Cancellation of treasury shares	(7.8)	-
Issue of shares	0.4	1.0
Share based payments charge	1.0	0.9
Dividends paid	(7.6)	(6.9)
Issue of convertible bond	22.4	-
Minority interest on business combination	(0.1)	0.2
Closing equity shareholders funds	323.1	250.1

- 19.** Copies of this statement are being sent to all shareholders. 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 our website, www.graingerplc.co.uk.