IMPORTANT: you must read the following before continuing. The following applies to the attached document comprising a prospectus for the purposes of the Prospectus Rules (as defined below) and a circular containing notice of a General Meeting (as defined below) (together with any supplements or amendments thereto) (the "**Prospectus**") following this notice, and you are, therefore, advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them, from time to time, any time you receive any information, as the case may be, as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Prospectus is confidential and intended only for you, and **you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the Prospectus (electronically or otherwise) to any other person.**

The Rights Issue consists of: (i) a public offering in the United Kingdom; (ii) a private placement in certain jurisdictions outside the United States of America (the "**United States**" or the "**US**") in accordance with applicable securities laws and in reliance on Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and on the basis of exemptions provided by Directive 2003/71/EC of the European Parliament and the Council of November 4, 2003 on the prospectus to be published when securities are offered to the public or admitted to trading, as amended (the "**Prospectus Directive**"); and (iii) a private placement within the United States to "qualified institutional buyers" ("**QIBs**") as defined in, and in reliance upon, the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**") or another exemption from registration thereunder. This Prospectus has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority of the United Kingdom (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**"), has been approved by the FCA in accordance with section 87A of FSMA and filed with the FCA. This Prospectus is available in accordance with paragraph 3.2.1 of the Prospectus Rules by being made available free of charge on the Company's website at www.graingerplc.co.uk. A printed copy of this Prospectus can also be obtained on request from the Registrar. The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**")) and Numis Securities Limited ("**Numis**" and, with J.P. Morgan Cazenove, the "**Banks**") or any of their respective affiliates or advisers as to the accuracy, completeness or verification of this information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Banks or by their respective affiliates or advisers.

Each prospective investor outside of the United Kingdom, by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to, and agreed with, the Company and the Banks that:

(1) this Prospectus is personal to such prospective investor and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire, any securities mentioned herein outside of the United Kingdom; distribution of this Prospectus or disclosure of any of its contents to any person other than such prospective investor and those persons, if any, retained to advise such prospective investor with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Banks is prohibited;

(2) the prospective investor will not make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

(3) the prospective investor will not forward or deliver this Prospectus (in any form) to third parties.

No person has been authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised.

This Prospectus does not constitute: (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates; or (ii) an offer to sell, or the solicitation of an offer to buy, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Except in connection with offers and sales of the securities mentioned herein in the United Kingdom, no action has been, or will be, taken in any jurisdiction by the Banks or the Company that would permit a public offering of the securities mentioned herein or possession or distribution of this Prospectus or any other publicity materials relating to the Rights Issue in any country or jurisdiction where action for such purpose is required. Persons in possession of this Prospectus are required to inform themselves of, and to comply with, any applicable laws that restrict the distribution of this Prospectus and the offer and sale of any of the securities mentioned herein. None of the Company, the Banks or any of its or their respective affiliates, accepts any legal responsibility for any violation of such restrictions. For a summary of certain restrictions on offers and sales, resales and transfers of the securities mentioned herein, see "*Notice to All Investors*" and "*Overseas Shareholders and Selling and Transfer Restrictions*" in the Prospectus.

The information contained in this Prospectus is accurate only as of its date. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof, or that the information contained herein is correct as of any time subsequent to its date. Any significant new factor or material inaccuracy related to the information included in this Prospectus which is capable of affecting the assessment of any of the securities mentioned herein and which arises or is noted between the date of this Prospectus and Admission (as defined herein), will be announced through electronic media. Notices required under the Listing Rules (as defined herein) will be published in electronic form on the website of the London Stock Exchange (the "**LSE**") (https://www.londonstockexchange.com/companies-and-advisors/main-market/documents/publications.htm). Changes so notified will be deemed to constitute an amendment or supplement to the Prospectus.

In making an investment decision, investors must rely on their own investigation of the Company and the terms of the Rights Issue, including the merits and risks involved. Any decision to purchase any of the securities mentioned herein should be based solely on this Prospectus and any supplement hereto, taking into account that any summary or description set forth in this Prospectus of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be considered to be legal, accounting or tax advice or be otherwise relied upon. This Prospectus does not contain all the information that would be included in a prospectus for the offering of any of the securities mentioned herein, if such offering were registered under the Securities Act. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of any of the securities mentioned herein.

In connection with the Rights Issue and the Acquisition, the Banks are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients or for providing advice in relation to the Rights Issue and the Acquisition. Each of the Banks and any of their respective affiliates, acting as an investor for its own account, may, in connection with the Rights Issue, take up any of the securities mentioned here in the Rights Issue and in that capacity may retain, purchase or sell for its own account such securities and any securities or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this Prospectus to securities being offered or placed should be read as including any offering or placement of such securities to any of the Banks or any of their respective affiliates acting in such capacity. None of the Banks intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Copies of this Prospectus and any supplement hereto are, and will be, available free of charge. This Prospectus is available in accordance with paragraph 3.2.1 of the Prospectus Rules by being made available free of charge on the Company's website at www.graingerplc.co.uk. A printed copy of this Prospectus can also be obtained on request from the Registrar. Information on the Company's website, any website directly or indirectly linked to the Company's website or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in any of the securities mentioned herein.

The Prospectus and the Rights Issue when made are only addressed to, and directed at, persons in member states of the European Economic Area ("**EEA**") who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive ("**Qualified Investors**").

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR IN ANY OTHER JURISDICTION OTHER THAN THE UNITED KINGDOM AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT: (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QIB; OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE

SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR PURSUANT TO AN EXEMPTION FROM, OR IN, A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Confirmation of your representation: by accepting electronic delivery of this Prospectus, you are deemed to have confirmed to the Banks and the Company that: (i) you are a UK resident or you are acting on behalf of one; or (ii) you are, either (a) an institutional investor outside the United States (as defined in Regulation S), or (b) in the United States and a QIB that is acquiring securities for your own account or for the account of another QIB; (iii) if you are in any member state of the EEA, you are a Qualified Investor; or (iv) the securities acquired by you in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in any member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined in the Prospectus Directive); and (v) if you are outside the United States, the United Kingdom and the EEA (and the electronic mail addresses that you gave us and to which this Prospectus has been delivered are not located in such jurisdictions) you are a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

This Prospectus has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Banks or any of their respective affiliates, directors, officers, employees, advisers or agents accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and any hard copy version. By accessing the linked Prospectus, you consent to receiving it in electronic form.

A hard copy of the Prospectus will be made available to you only upon request and if permitted by law.

You are reminded that the Prospectus has been made available to you solely on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person or reproduce it in any manner whatsoever.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of the Prospectus via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in your own jurisdiction.

This Prospectus, which comprises a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this Prospectus and a prospectus relating to the Company and the Rights Issue prepared in accordance with the Prospectus Rules of the Financial Conduct Authority ("**FCA**") made under section 73A of FSMA, has been approved by the FCA in accordance with section 87A of FSMA and filed with the FCA (the "**Prospectus**"). This Prospectus is available in accordance with paragraph 3.2.1 of the Prospectus Rules by being made available free of charge on the Company's website at www.graingerplc.co.uk. A printed copy of this Prospectus can also be obtained on request from the Registrar.

Subject to the restrictions set out below, if you sell, or have sold, or have otherwise transferred, all of your Existing Ordinary Shares (other than ex-rights) held in certificated form before 8.00 am on 3 December 2018 (the "**Ex-Rights Date**"), please send this Prospectus, together with any Provisional Allotment Letter, if and when received, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee.

This Prospectus and/or the Provisional Allotment Letter should not, however, be distributed to, forwarded to or transmitted in, into, or within any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions), the United States, Australia, Canada, Japan and the Republic of South Africa (together, the "Restricted Territories"). Please refer to Part III ("*Terms and Conditions of the Rights Issue*") if you propose to send this Prospectus and/or the Provisional Allotment Letter outside the United Kingdom. If you sell, or have sold, or have otherwise transferred, all of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell, or have sold, or otherwise transferred, part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instructions regarding split applications set out in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus and in the Provisional Allotment Letter. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this Prospectus, the enclosures and the Provisional Allotment Letter and any other such documents should not be distributed in, forwarded to, or transmitted in or into, any Restricted Territory or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter and the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into, the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The Existing Ordinary Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission to listing of the New Ordinary Shares on the premium segment of the Official List will become effective, and dealings in the New Ordinary Shares, nil paid, on the London Stock Exchange's main market for listed securities will commence, at 8.00 am on 3 December 2018 and that dealings in the New Ordinary Shares, fully paid, on the London Stock Exchange's main market for listed securities will commence at 8.00 am on 18 December 2018

Grainger plc

(Incorporated and registered in England and Wales with registered number 00125575)

7 for 15 Rights Issue of 194,748,913 New Ordinary Shares at 178.0 pence per share and Proposed Acquisition of GRIP REIT plc and Notice of General Meeting

Numis Securities Limited
Sponsor, underwriter and bookrunner

J.P. Morgan Cazenove
Underwriter, bookrunner and lead financial adviser

See "*Risk Factors*" on pages 29 to 39 (inclusive) of this Prospectus for a discussion of certain factors that should be considered by Shareholders and investors when considering whether or not to make an application pursuant to the Rights Issue or to invest in the New Ordinary Shares. Your attention is also drawn to the letter from the Chairman of the Company set out in Part I ("*Letter from the Chairman of the Company*") of this Prospectus. **NOTWITHSTANDING THIS, YOU SHOULD READ THE ENTIRE PROSPECTUS AND ANY DOCUMENTS INCORPORATED BY REFERENCE.**

Notice of a General Meeting of the Company, to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG on 30 November 2018 at 11.00 am to approve the Acquisition, is set out at the end of this Prospectus. The Form of Proxy for use at the General Meeting is enclosed. To be valid, Forms of Proxy for use in connection with the meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 am on 28 November 2018 being 48 hours before the time appointed for the meeting.

Alternatively, a proxy may also be appointed for CREST members, by using the CREST electronic proxy appointment service. For further details please see the notes to the notice of the General Meeting set out at the end of this Prospectus. The appointment of a proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

The latest time and date for acceptance and payment in full under the Rights Issue is expected to be 11.00 am on 17 December 2018. The procedure for acceptance and payment is set out in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus and, for Qualifying Non-CREST Shareholders only, in the Provisional Allotment Letters. *Qualifying CREST Shareholders should refer* to Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus.

Subject to the passing of the Resolution at the General Meeting, it is expected that Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Shareholders with a registered address in, or otherwise resident or located in, any Restricted Territory ("**Excluded Shareholders**")) will be sent Provisional Allotment Letters on 30 November 2018 and that Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Shareholders) will receive a credit note to the appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled as soon as practicable after 8.00 am on 3 December 2018. The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this Prospectus and the Rights Issue.

The Provisional Allotment Letter is personal to Qualifying Non-CREST Shareholders and cannot be transferred, sold or assigned except to satisfy bona fide market claims. Applications under the Rights Issue may only be made by the Qualifying Shareholder (as defined elsewhere herein) originally entitled or by a person entitled by virtue of a bona fide market claim.

The distribution of this Prospectus and/or the accompanying documents or any other offering or public material relating to the Rights Issue and/or the Provisional Allotment Letter and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this Prospectus and/or the accompanying documents comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions. In particular, this Prospectus, the accompanying documents and any other offering or publicity material, should not be distributed in, forwarded to, or transmitted in or into, any Restricted Territory or any other jurisdictions where the extension and availability of the Rights Issue would breach any applicable law. Any persons (including custodians, nominees and trustees) who have a contractual or other legal obligation to forward this Prospectus or any accompanying documents to any Restricted Territory, should seek appropriate advice before taking any action. The Prospectus may only be used by those persons to whom it has been distributed in connection with the Rights Issue described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of the Company.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of investors who meet the criteria of retail and professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights may decline, and investors could lose all or part of their investment; the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove and Numis Securities Limited (the Banks) will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights and determining appropriate distribution channels.

NOTICE TO UNITED STATES SHAREHOLDERS

Except as otherwise provided for herein, this Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any Shareholder with a registered address, or who is located or resident, in the United States. None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters has been, or will be, registered under the Securities Act or under securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into, the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of persons in the United States reasonably believed to be "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**"), in transactions exempt from, or not otherwise subject to, the registration requirements, of the Securities Act. The New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S under the Securities Act. Subject to certain limited exceptions, neither this Prospectus nor the Provisional Allotment Letters will be distributed in, or into, the United States.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon, or endorsed the merits of, the offering of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO OVERSEAS SHAREHOLDERS

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS OR INVESTORS IN ANY RESTRICTED TERRITORY OR ANY OTHER JURISDICTION WHERE THE EXTENSION OR AVAILABILITY OF THE RIGHTS ISSUE (AND ANY OTHER TRANSACTION CONTEMPLATED THEREBY) WOULD BREACH ANY APPLICABLE LAW OR REGULATION. This Prospectus does not constitute an offer of, or a solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or solicitation.

None of this Prospectus, the Provisional Allotment Letter or any related documentation constitutes, or will constitute, or forms part of, an offer of, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person with a registered address in, or who is otherwise located or resident in, any of the Restricted Territories or to any person in any jurisdiction to whom, or in which, such offer or solicitation is unlawful.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter and the New Ordinary Shares have not been, and will not be, registered under the relevant laws of any Restricted Territory or any state, province or territory thereof and may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from, any Restricted Territory or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Territory except pursuant to an applicable exemption. There will be no public offer in any Restricted Territory. Therefore, subject to certain exceptions, Provisional Allotment Letters will not be sent, nor will any Rights Issue Entitlements be credited, to a stock account in CREST on behalf of any Excluded Shareholder.

Prospective investors must not treat the contents of this Prospectus as advice relating to any legal, taxation, investment or other matter. Prospective investors must inform themselves as to: (i) the legal requirements within their own jurisdiction for the subscription for, purchase, holding, transfer, redemption or other disposal of shares; (ii) any foreign exchange restrictions applicable to the subscription for, purchase, holding, transfer, redemption or other disposal of securities which they may encounter; and (iii) the income and other tax consequences which may apply in their own jurisdictions as a result of the purchase, holding, transfer, redemption or other disposal of securities. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to the legal, taxation, investment or other related matters concerning the Company and an investment therein.

This Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares to any person with a registered address, or who is otherwise located or resident, in the Restricted Territories or in any other jurisdiction in which such an offer or solicitation is unlawful. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered or qualified for distribution to the public under the relevant laws of any state, province or territory of any of the Restricted Territories and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within any Restricted Territory or in any other jurisdiction where the extension and availability of the Rights Issue would breach any applicable law, except pursuant to an applicable exemption.

The Banks may arrange for the offer of New Ordinary Shares in the United States not taken up in the Rights Issue only to persons reasonably believed to be QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The New Ordinary Shares, the Nil Paid Rights and the Fully Paid Rights offered outside the United States are being offered in reliance on Regulation S. **Prospective investors are hereby notified that sellers of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares may be relying on the exemption from registration provisions under Section 5 of the Securities Act provided by Rule 144A.**

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

All Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read the information set out in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus.

NOTICE TO ALL INVESTORS

Capitalised terms have the meanings ascribed to them in Part XIV ("*Definitions and Interpretation*") which begins on page 313 of this Prospectus.

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information contained in this Prospectus for any purpose other than considering an investment in the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus, each offeree of the Provisional Allotment Letters, the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares agrees to the foregoing. In addition, certain information in relation to the Group is incorporated by reference into this Prospectus. You should refer to

Part XIII ("*Additional Information*") of this Prospectus for further information. Prospective investors should only rely on the information contained in this Prospectus and any documents incorporated herein by reference. Without limitation, unless expressly stated herein, the contents of Group websites, and any links accessible through Group websites do not form part of this Prospectus.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the directors of the Company (the "**Directors**") or the Banks. Investors also acknowledge that: (i) they have not relied on any of the Banks (or any of their respective affiliates) in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus in making their relevant decision. The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Each of J.P. Morgan Cazenove, which is authorised in the United Kingdom by the PRA and regulated in the United Kingdom by the FCA and the PRA, and Numis, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no one else in connection with the Acquisition and the Rights Issue and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Banks, nor for providing advice in relation to the Acquisition, the Rights Issue or any other matters referred to in this Prospectus. Neither the Banks nor any of their respective affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, tort or, under statute or otherwise) to any person who is not a client of the Banks in connection with this Prospectus, any statement contained in this Prospectus, the Acquisition, the Rights Issue or otherwise.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by FSMA or the regulatory regime established thereunder, the Banks do not accept any responsibility whatsoever or make any representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or verification or for any other statement made, or purported to be made, by them, or on their behalf, in connection with the Company, the Ordinary Shares, Admission or the Acquisition, and nothing in this Prospectus is, or will be, relied upon as a promise or representation in this respect, whether as to the past, present or future. Accordingly, the Banks disclaim to the fullest extent permitted by law, all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

Neither the delivery of this Prospectus, nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct at any time after its date.

This Prospectus is dated 14 November 2018.

WHERE TO FIND HELP

Telephone Link Asset Services on +44 (0)371 664 0321

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

THE CONTENTS OF THIS PROSPECTUS, OR ANY SUBSEQUENT COMMUNICATION FROM THE COMPANY OR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. THE COMPANY IS NOT AUTHORISED TO PROVIDE SUCH ADVICE. EACH SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, STOCKBROKER, BANK MANAGER, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER AUTHORISED UNDER FSMA IF YOU ARE RESIDENT IN THE UNITED KINGDOM, OR, IF YOU RESIDE OUTSIDE THE UNITED KINGDOM, ANOTHER APPROPRIATELY AUTHORISED FINANCIAL ADVISER, FOR LEGAL, FINANCIAL OR TAX ADVICE.

TABLE OF CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A–E (A.1–E.7). This summary contains all the Elements required to be included in a summary for this type of securities and the issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A—Introduction and warnings		
A.1	**Introduction**	This summary should be read as an introduction to this prospectus. Any decision to invest in the securities should be based on consideration of this prospectus as a whole by the investor. Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent for intermediaries**	Not applicable; no consent has been given by the Company or any person responsible for drawing up this Prospectus to use this Prospectus for any subsequent resale or final placement of securities by financial intermediaries.

Section B—Company		
B.1	**Legal and commercial name**	Grainger plc ("**Grainger**" or the "**Company**")
B.2	**Domicile/legal form/ legislation/ country of incorporation**	The Company was incorporated and registered in England and Wales on 27 November 1912, with registered number 00125575 under the Companies (Consolidation) Act 1908 as a company limited by shares under the name Grainger Trust Limited. On 17 February 1982 the Company re-registered as a public company and changed its name to Grainger Trust plc. The Company was subsequently admitted to listing on the Official List and to trading on the London Stock Exchange's main market on 21 February 1984. On 5 March 2007 the Company changed its name to Grainger plc. The principal legislation under which the Company operates, and under which the New Ordinary Shares will be created, is the Companies Act.
B.3	**Current operations/ principal activities/ principal markets**	**Grainger** Grainger is a FTSE 250 property business which is the United Kingdom's largest listed residential landlord based on number of properties and which the Directors believe is the United Kingdom's leading private rental housing business. The Grainger Group invests in, develops, operates and trades residential homes for rent across the United Kingdom and, as of

Section B—Company		
		30 September 2018, had total assets under management of approximately 8,200 units worth £2.8 billion (£2.1 billion worth of wholly-owned assets (6,530 units), £173 million worth of co-investments (425 units) and £523 million worth of third-party share assets under management (1,282 units)). The primary sources of revenue for the Grainger Group are rental income from its tenanted properties and capital returns generated by sales from the Regulated Tenancies Portfolio and development activities. The Grainger Group's portfolio of residential properties is comprised primarily of PRS properties and regulated tenancies, with each contributing approximately 50 per cent. to the Group's net rental income. The Grainger Group's business model has three elements: (i) originating, planning and developing high-quality assets; (ii) investing in well-located and attractive properties; and (iii) operating and managing the properties for customers. In recent years, the Grainger Group has focussed on increasing its revenues from recurring net rental income and relying less on trading income and capital value growth. The Grainger Group has used the proceeds of property disposals to fund increased investment in PRS assets, in order to achieve this objective. **GRIP** GRIP invests in market-let residential properties in the United Kingdom. The GRIP Group's aim is to grow by investing in predominantly stabilised, market-let blocks and portfolios focused on London and South East England. GRIP can also invest in Build to Rent development opportunities. A significant majority of the GRIP Group's portfolio is located in London (£638 million, or 92 per cent. of the properties by Market Value as of 30 September 2018) with the remainder of the portfolio located in the South East of England. As of 30 September 2018, GRIP held 1,707 units with a total Market Value of £673 million and a total Vacant Possession Value of £741 million, giving rise to a Reversionary Surplus of £68 million. In addition GRIP holds £23 million of PRS assets in the course of construction. The GRIP Group's business plan is to hold the majority of units over the life of the fund and add value through improved management and a refurbishment programme. The plan also includes limited sales of underperforming assets with proceeds being used for reinvestment and capital improvements. GRIP is a joint venture between Grainger and APG and is currently owned 75.1 per cent. by APG and 24.9 per cent by Grainger. The GRIP Group currently receives asset and property management services from Grainger on an arm's length basis, with Grainger acting as the GRIP Group's fund advisor and property manager. The GRIP Group has no employees of its own. Upon the consummation of the Acquisition, GRIP will become a wholly-owned subsidiary of Grainger and will be consolidated with the Group for accounting purposes.
B.4a	**Most significant recent trends of the Company and its industry**	Since 2008, the PRS has been the fastest growing housing tenure in the United Kingdom. It is now the second most common housing tenure at 20 per cent. of the English housing market (4.7 million households), a doubling since 2002 (*Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018)*). Home ownership in the United Kingdom has been in decline since 2003 and now stands at 63 per cent. from its peak of 71 per cent. in 2003.

<table>
<tr><th colspan="3">Section B—Company</th></tr>
<tr><td></td><td></td><td>
Forecasts by PwC suggest continued growth in the PRS with the sector estimated to grow to 7.2 million households by 2025 (Source: PwC, UK Economic Outlook (July 2015)). Growth in the PRS market has been seen across all age groups, with the fastest growth seen in the 25–34 age group. However, 56 per cent. of all PRS households are made up of individuals over the age of 35, while 38 per cent. of all PRS households are families with dependent children (Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018)). This growth in demand for renting is coupled with constrained supply. Estimates by the BPF suggest that the supply of purpose-built PRS homes, as at Q3 2018, is only 131,855.
The current PRS market is dominated by small, private landlords (also referred to as buy-to-let landlords), with 98 per cent. of these landlords holding portfolios of less than 10 properties (Source: House of Commons Library (Alex Bate), Building the new private rented sector: issues and prospects (England), 19 June 2017).
Recent changes to the tax system and by the Bank of England on buy-to-let lending requirements have resulted in a reduction of PRS homes being provided by the buy-to-let market, with 20 per cent. of buy-to-let landlords intending to reduce their portfolios in the next year (Source: National Landlord Association, "20% of landlords plan on selling up", 11 January 2018). Whilst these recent policy changes have been disadvantageous to the small, buy-to-let landlord sector they have encouraged investment in the PRS (and Build to Rent) market by large-scale investors and operators. Since 2012, £4.5 billion of government support has been allocated to the Build to Rent sector and changes have been made in the planning system to enable greater number of Build to Rent developments to take place (Source: Housing White Paper, National Planning Policy Framework, London Supplementary Planning Guidance).
</td></tr>
<tr><td>B.5</td><td>Group structure</td><td>The Company acts as the holding company of the Group with headquarters in the United Kingdom. The Company is a FTSE 250 property business that invests in, develops, operates and trades residential homes for rent across the United Kingdom. Following completion of the Acquisition, the Company will be the parent of the Enlarged Group.</td></tr>
<tr><td>B.6</td><td>Notifiable interests, different voting rights and controlling interests</td><td>
As of the Latest Practicable Date, the Company had been notified in accordance with DTR5 of the Disclosure and Transparency Rules of the following interest in its Ordinary Shares:
<table>
<tr><th>Shareholder</th><th>Number of shares (million)</th><th>Percentage of Total Voting rights</th></tr>
<tr><td>BlackRock Inc.</td><td>32.4</td><td>7.8</td></tr>
<tr><td>Schroder Investment Management Ltd</td><td>27.3</td><td>6.5</td></tr>
<tr><td>Aberdeen Standard Investments</td><td>24.1</td><td>5.8</td></tr>
<tr><td>The Vanguard Group Inc.</td><td>15.6</td><td>3.7</td></tr>
<tr><td>Columbia Threadneedle Investments</td><td>15.4</td><td>3.7</td></tr>
<tr><td>Aberforth Partners LLP</td><td>15.3</td><td>3.7</td></tr>
<tr><td>Norges Bank Investment Management</td><td>14.7</td><td>3.5</td></tr>
<tr><td>M&G Investment Management Ltd</td><td>14.0</td><td>3.3</td></tr>
<tr><td>Legal & General Investment Management Limited</td><td>13.8</td><td>3.3</td></tr>
</table>
Save as disclosed above, the Company is not aware of any person who, as of the Latest Practicable Date, directly or indirectly, has a holding which is notifiable under English law.
</td></tr>
</table>

Section B—Company		
		The Company is not aware of any persons who, as of the Latest Practicable Date, directly or indirectly, jointly or severally, exercise, or could exercise, control over the Company, nor is the Company aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders has different voting rights. To the extent known to the Company, the Company is not directly or indirectly owned or controlled by any person or any group of persons.
B.7	**Historical financial information**	**Grainger** The tables below set out Grainger's summary financial information for the periods indicated. The financial information has been extracted without adjustment from the audited financial statements of Grainger for the three financial years ended 30 September 2016, 30 September 2017 and 30 September 2018.

Consolidated income statement

	For the financial year ended 30 September		
	2016	**2017**	**2018**
	(in £ millions)		
Group revenue	**219.9**	**264.7**	**270.7**
Net rental income	37.4	40.4	43.8
Profit on disposal of trading property	69.9	73.7	81.2
Profit on disposal of investment property	1.6	2.2	1.4
Income from financial interest in property assets	5.8	5.3	6.5
Fees and other income	7.3	5.1	7.1
Administrative expenses	(31.8)	(27.2)	(27.9)
Other expenses	(6.0)	(3.9)	(1.1)
Profit on disposal of joint venture	—	—	7.0
Impairment of inventories to net realisable value	(2.7)	(5.4)	(0.5)
Reversal of impairment/(impairment) of joint venture	14.1	(3.6)	5.5
Operating profit before net valuation gains on investment property	**95.6**	**86.6**	**123.0**
Net valuation gains on investment property	20.3	18.0	22.6
Operating profit after net valuation gains on investment property	**115.9**	**104.6**	**145.6**
Change in fair value of derivatives	(9.9)	0.2	(0.2)
Finance costs	(39.2)	(29.1)	(27.2)
Finance income	2.5	2.1	2.1
Corporate bond redemption	—	—	(27.4)
Share of profit of associates after tax	9.8	4.3	7.2
Share of profit of joint ventures after tax	5.1	4.2	0.6
Profit before tax—continuing operations	**84.2**	**86.3**	**100.7**
Tax charge for the year—continuing operations	(9.7)	(12.8)	(13.3)
Profit after tax—continuing operations	**74.5**	**73.5**	**87.4**
Discontinued operations			
Profit after tax for the year for discontinued operations	60.8	1.2	—
Profit for the year attributable to the owners of the Company	**135.3**	**74.7**	**87.4**
Basic earnings per share	32.6p	18.0p	21.0p
Diluted earnings per share	32.5p	17.9p	20.9p
Basic earnings per share—continuing operations only	18.0p	17.7p	21.0p
Diluted earnings per share—continuing operations only	17.9p	17.6p	20.9p

Section B—Company

Consolidated statement of financial position

	As of 30 September		
	2016	2017	2018
	(in £ millions)		
ASSETS			
Non-current assets			
Investment property	261.3	391.0	589.7
Property, plant and equipment	1.1	0.7	0.3
Investment in associates	105.1	123.2	134.0
Investment in joint ventures	78.9	74.4	11.6
Financial interest in property assets	93.1	86.1	82.2
Retirement benefits	—	—	0.9
Deferred tax assets	8.6	9.7	3.4
Intangible assets	2.1	2.4	4.7
Total non-current assets	**550.2**	**687.5**	**826.8**
Current assets			
Inventories—trading property	904.3	841.3	799.3
Trade and other receivables	64.0	145.9	150.4
Derivative financial instruments	0.3	3.4	4.4
Cash and cash equivalents	90.7	88.9	109.3
Assets classified as held-for-sale	3.4	—	—
Total current assets	**1,062.7**	**1,079.5**	**1,063.4**
Total assets	**1,612.9**	**1,767.0**	**1,890.2**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	744.7	924.6	960.1
Retirement benefits	5.2	0.2	—
Provisions for other liabilities and charges	1.4	1.3	1.3
Deferred tax liabilities	30.2	32.6	29.9
Total non-current liabilities	**781.5**	**958.7**	**991.3**
Current liabilities			
Interest-bearing loans and borrowings	99.0	1.1	1.1
Trade and other payables	38.4	48.8	70.7
Provisions for other liabilities and charges	0.9	0.8	0.7
Current tax liabilities	4.8	7.4	7.4
Derivative financial instruments	13.1	4.9	3.4
Total current liabilities	**156.2**	**63.0**	**83.3**
Total liabilities	**937.7**	**1,021.7**	**1,074.6**
NET ASSETS	675.2	745.3	815.6
EQUITY			
Capital and reserves attributable to the owners of the Company			
Issued share capital	20.9	20.9	20.9
Share premium account	110.8	111.1	111.4
Merger reserve	20.1	20.1	20.1
Capital redemption reserve	0.3	0.3	0.3
Cash flow hedge reserve	(12.0)	(2.1)	0.5
Available-for-sale reserve	7.3	6.5	6.0
Retained earnings	527.7	588.5	656.4
Equity attributable to the owners of the Company	**675.1**	**745.3**	**815.6**
Non-controlling interests	0.1	—	—
TOTAL EQUITY	**675.2**	**745.3**	**815.6**

Section B—Company

Consolidated statement of cash flows

	For the financial year ended 30 September		
	2016	2017	2018
	(in £ millions)		
Cash flow from operating activities			
Profit for the year	135.3	74.7	87.4
Depreciation and amortisation	0.9	0.9	0.9
Net valuation gains on investment property	(19.4)	(18.0)	(22.6)
Net finance costs	45.4	27.0	25.1
Corporate bond redemption	—	—	27.4
Share of profit of associates and joint ventures	(15.1)	(8.5)	(7.8)
Profit on disposal of investment property	(1.6)	(2.2)	(1.4)
Share-based payments charge	1.9	2.1	1.1
Change in fair value of derivatives	9.9	(0.2)	0.2
(Reversal of impairment)/impairment of joint venture	(14.1)	3.6	(5.5)
Profit on disposal of joint venture	—	—	(7.0)
Income from financial interest in property assets	(5.8)	(5.3)	(6.5)
Tax	10.9	13.1	13.3
Profit on disposal of discontinued operations	(56.6)	—	—
Costs of loan settlement—discontinued operations	12.3	—	—
Cash generated from operations before changes in working capital	104.0	87.2	104.6
Increase in trade and other receivables	(12.2)	(78.8)	(3.0)
(Decrease)/increase in trade and other payables	(6.0)	15.5	23.9
Decrease in provisions for liabilities and charges	(0.1)	(0.2)	(0.1)
Decrease in inventories	13.2	61.2	42.0
Cash generated from operations	98.9	84.9	167.4
Interest paid	(42.4)	(27.1)	(30.4)
Tax paid	(1.9)	(11.8)	(10.2)
Payments to defined benefit pension scheme	(0.6)	(0.5)	(0.5)
Net cash inflow from operating activities	**54.0**	**45.5**	**126.3**
Cash flow from investing activities			
Proceeds from sale of investment property	13.2	9.4	5.0
Proceeds from sale of joint venture	—	—	67.0
Proceeds from financial interest in property assets	9.3	11.3	9.9
Proceeds from disposal of discontinued operations net of costs and cash disposed	222.3	—	—
Dividends received	7.5	4.8	2.3
Investment in associates and joint ventures	—	(8.8)	(5.2)
Loans advanced to associates and joint ventures	(16.0)	(9.5)	(5.4)
Loans repaid by associates and joint ventures	16.7	5.0	14.0
Acquisition of investment property	(79.5)	(118.9)	(179.7)
Acquisition of property, plant and equipment and intangible assets	(0.6)	(0.8)	(2.9)
Net cash inflow/(outflow) from investing activities	**172.9**	**(107.5)**	**(95.0)**
Cash flow from financing activities			
Awards of SAYE shares	0.1	0.3	0.3
Purchase of own shares	(0.6)	(0.3)	(0.3)
Proceeds from new borrowings	188.2	320.0	650.3
Corporate bond redemption	—	—	(25.8)
Payment of loan costs	(1.7)	(3.1)	(3.0)
Purchase of interest rate caps	(1.0)	—	—
Payment of loan settlement costs	(11.7)	—	—
Settlement of derivative contracts	(37.9)	—	—
Repayment of borrowings	(347.5)	(237.6)	(611.6)
Dividends paid	(14.7)	(19.3)	(20.8)
Net cash inflow/(outflow) from financing activities	**(226.8)**	**60.0**	**(10.9)**
Net (decrease)/increase in cash and cash equivalents	**0.1**	**(2.0)**	**20.4**
Cash and cash equivalents at the beginning of the year	88.8	90.7	88.9
Net exchange movements on cash and cash equivalents	1.8	0.2	—
Cash and cash equivalents at the end of the year	**90.7**	**88.9**	**109.3**

Section B—Company		
		The following significant changes to the financial condition and operating results of Grainger occurred during the period covered by the Grainger Financial Information: In the year ended 30 September 2017, profit before tax—continuing operations increased by 2 per cent. to £86.3 million and adjusted earnings increased by 40 per cent. to £74.4 million. Net rental income increased by 8 per cent. to £40.4 million, supported by acquisitions, active asset management and increased operational efficiencies which saw a reduction in property operating costs (gross to net) from 28 per cent. in 2016 to 26 per cent. in 2017. In addition, the Group improved its capital structure, with a cost of debt of 3.4 per cent. at the end of 2017. The total return for the year ended 30 September 2017 was 7.3 per cent., supported by an enhanced income return and a lower level of capital growth compared to the prior-year period. In the year ended 30 September 2018, profit before tax—continuing operations increased by 17 per cent. to £100.7 million and adjusted earnings increased by 26 per cent. to £94.0 million. Net rental income increased by 8 per cent. to £43.8 million, reflecting acquisitions and rental growth from the existing portfolio. In April 2018, the Group refinanced its corporate bond, contributing to a decrease in the cost of debt at year-end to 3.2 per cent. In addition, the Group achieved its initial £850 million investment target, two years ahead of plan. During the period, the Group successfully completed and let three new PRS assets: Argo Apartments in London, phase one of Clippers Quay in Greater Manchester and the first 104 family units in Berewood, Hampshire. Since 30 September 2018, there have been no significant changes to the financial condition and operating results of Grainger.

Section B—Company

GRIP

The tables below set out GRIP's summary financial information for the periods indicated. The financial information has been extracted without adjustment from both the historical financial information of GRIP for the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 and the unaudited interim results of GRIP for the six months ended 30 June 2017 and 30 June 2018.

Consolidated income statement (audited)

	For the financial year ended 31 December		
	2015	**2016**	**2017**
		(in £000)	
Group Revenue	**23,152.9**	**25,833.8**	**27,454.2**
Net rental income	17,221.8	18,963.8	20,153.9
Profit on disposal of investment property	1,513.2	976.9	661.4
Fees and other income	85.2	109.9	77.4
Administrative expenses	(3,786.5)	(7,523.8)	(5,750.9)
Operating profit before net valuation gains on investment property	**15,033.8**	**12,526.8**	**15,141.8**
Net valuation gains on investment property	41,694.5	26,206.3	4,336.0
Operating profit after net valuation gains on investment property	**56,728.2**	**38,733.1**	**19,477.8**
Change in fair value of derivatives	(841.3)	(490.2)	593.5
Finance costs	(12,073.8)	(8,687.2)	(8,162.2)
Finance income	5.8	6.3	2.8
Profit before tax	**43,818.9**	**29,562.0**	**11,911.9**
Tax charge	189.2	(3,118.1)	(17.4)
Profit after tax	**44,008.1**	**26,443.9**	**11,894.5**
Profit for the period attributable to:			
Shareholders	43,177.0	25,782.8	11,537.9
Non-controlling interest	831.1	661.1	356.6
	44,008.1	**26,443.9**	**11,894.5**

Section B—Company		

Consolidated income statement (unaudited)

	For the six months ended 30 June	
	2017	2018
	(in £000)	
Group Revenue	**13,627.5**	**14,451.5**
Net rental income	10,465.9	9,427.8
Profit on disposal of investment property	359.6	679.6
Fees and other income	14.4	72.2
Administrative expenses	(1,391.5)	(1,546.6)
Operating profit before net valuation gains on investment property	**9,448.4**	**8,633.0**
Net valuation gains on investment property	981.8	6,136.8
Operating profit after net valuation gains on investment property	**10,430.2**	**14,769.8**
Change in fair value of derivatives	229.7	47.2
Finance costs	(3,991.4)	(4,746.9)
Finance income	1.4	43.1
Profit before tax	**6,669.9**	**10,113.2**
Tax (charge) / credit	(7.5)	(38.3)
Profit after tax	**6,662.4**	**10,074.9**
Profit for the period attributable to:		
Shareholders	6,518.4	9,530.1
Non-controlling interest	144.1	544.8
	6,662.4	**10,074.9**

Section B—Company

Consolidated statement of financial position (audited)

	As of 31 December		
	2015	2016	2017
		(in £000)	
ASSETS			
Non-current assets			
Investment property	544,363.2	638,258.1	675,940.1
Deferred tax asset	3,179.2	61.1	43.7
Total non-current assets	**547,542.4**	**638,319.2**	**675,983.8**
Current assets			
Trade and other receivables	3,716.9	7,120.4	1,073.8
Cash and cash equivalents	22,150.7	26,666.3	44,815.4
Total current assets	**25,867.6**	**33,786.7**	**45,889.2**
Total assets	**573,410.0**	**672,105.9**	**721,873.0**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	195,951.7	215,305.6	209,772.9
Derivative financial instruments	1,138.9	4,068.0	2,718.4
Trade and other payables	1,000.0	5,000.0	8,000.0
Total non-current liabilities	**198,090.6**	**224,373.6**	**220,491.3**
Current liabilities			
Interest-bearing loans and borrowings	98,060.8	92,884.1	95,580.3
Derivative financial instruments	—	—	66.1
Trade and other payables	7,782.4	7,506.4	10,526.8
Total current liabilities	**105,843.2**	**100,390.5**	**106,173.2**
Total liabilities	**303,933.8**	**324,764.1**	**326,664.5**
NET ASSETS	**269,476.2**	**347,341.8**	**395,208.6**
EQUITY			
Capital and reserves			
Share capital	—	16,414.0	18,188.6
Share premium account	—	—	35,601.2
Unitholders capital	129,276.3	—	—
Cash flow hedge reserve	(982.1)	(3,396.5)	(2,713.4)
Retained earnings	136,620.2	473,819.5	483,357.4
Merger reserve	—	(145,168.9)	(145,168.9)
Non-controlling interest	4,561.8	5,673.7	5,943.6
Total equity	**269,476.2**	**347,341.8**	**395,208.6**

Section B—Company

Consolidated statement of financial position

	As of 31 Dec 2017 (audited)	As of 30 Jun 2018 (as restated) (unaudited)
	(in £000)	
ASSETS		
Non-current assets		
Investment property	675,940.1	679,534.9
Deferred tax asset	43.7	5.4
Total non-current assets	**675,983.8**	**679,540.3**
Current assets		
Trade and other receivables	1,073.8	2,503.7
Cash and cash equivalents	44,815.4	55,028.9
Total current assets	**45,889.2**	**57,532.6**
Total assets	**721,873.0**	**737,072.9**
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	209,772.9	216,326.1
Derivative financial instruments	2,718.4	1,813.2
Trade and other payables	8,000.0	—
Total non-current liabilities	**220,491.3**	**218,139.3**
Current liabilities		
Interest-bearing loans and borrowings	95,580.3	73,139.0
Derivative financial instruments	66.1	—
Trade and other payables	10,526.8	20,773.0
Total current liabilities	**106,173.2**	**93,912.0**
Total liabilities	**326,664.5**	**312,051.3**
NET ASSETS	**395,208.6**	**425,021.6**
EQUITY		
Capital and reserves		
Share capital	18,188.6	19,098.9
Share premium account	35,601.2	53,543.1
Cash flow hedge reserve	(2,713.4)	(1,811.3)
Retained earnings	483,357.4	492,887.5
Merger reserve	(145,168.9)	(145,168.9)
Non-controlling interest	5,943.6	6,472.3
Total equity	**395,208.6**	**425,021.6**

Section B—Company

Consolidated statement of cash flows (audited)

	For the financial year ended 31 December		
	2015	2016	2017
		(in £000)	
Cash flow from operating activities			
Profit for the year	44,008.1	26,443.9	11,894.5
Net valuation gains on investment properties	(41,694.5)	(26,206.3)	(4,336.0)
Net finance costs	12,909.3	9,171.1	7,565.9
Tax	(189.2)	3,118.1	17.4
Profit on disposal of investment property	(1,513.2)	(976.9)	(661.4)
Cash generated from operations before changes in working capital	13,520.5	11,549.9	14,480.4
Increase in trade and other receivables	(3,240.4)	(3,297.5)	6,122.6
Increase in trade and other payables	896.9	3,487.3	5,889.3
Cash generated from operations	11,177.0	11,739.7	26,492.3
Interest paid	(9,982.5)	(8,289.8)	(7,607.0)
Tax paid	—	—	(17.4)
Net cash inflow from operating activities	**1,194.5**	**3,449.9**	**18,867.9**
Cash flows from investing activities			
Acquisition of investment properties	(19,245.9)	(22,569.1)	(50,771.6)
Acquisition of subsidiary	—	(57,265.2)	—
Net proceeds from sale of investment properties	10,274.7	13,689.2	19,032.2
Interest received	5.8	6.3	2.8
Net cash outflow from investing activities	**(8,965.4)**	**(66,138.8)**	**(31,736.6)**
Cash flows from financing activities			
Proceeds from the issue of shareholder/unitholder capital	6,034.5	28,989.7	37,375.8
Income distributions paid	(4,000.0)	(500.0)	(2,113.7)
Capital distributions paid	—	(50.0)	—
Proceeds from bank borrowings	197,389.4	58,306.6	—
Repayment of bank borrowings	(157,894.6)	(39,039.5)	(5,897.0)
Payment of loan issue costs	(2,588.8)	(307.5)	(98.4)
Proceeds from unitholder borrowings	1,131.6	44,630.2	1,751.0
Repayment of unitholder borrowings	(30,000.0)	(24,825.0)	—
Net cash inflow from financing activities	**10,072.2**	**67,204.4**	**31,017.7**
Net increase in cash and cash equivalents in the period	2,301.3	4,515.6	18,149.0
Cash and cash equivalents at beginning of period	19,849.5	22,150.8	26,666.3
Cash and cash equivalents at end of period	**22,150.8**	**26,666.3**	**44,815.4**

Consolidated statement of cash flows (unaudited)

	For the six months ended 30 June 2017	For the six months ended 30 June 2018
	(in £000)	
Cash flow from operating activities		
Profit for the period	6,662.4	10,074.9
Net valuation gains on investment properties	(981.8)	(6,136.8)
Net finance costs	3,760.3	4,643.7
Tax	7.5	38.3
Profit on disposal of investment property	(359.6)	(679.6)
Cash generated from operations before changes in working capital	9,088.8	7,940.6
(Increase)/decrease in trade and other receivables	(557.3)	(1,391.6)
Increase in trade and other payables	1,070.3	2,163.4
Cash generated from operations	9,601.8	8,712.5
Interest paid	(3,269.6)	(4,417.0)
Net cash inflow from operating activities	**6,332.2**	**4,295.3**
Cash flows from investing activities		
Acquisition of investment properties	(28,219.4)	(15,110.3)
Net proceeds from sale of investment properties	3,929.8	18,332.0
Interest received	1.4	43.1
Net cash outflow/inflow from investing activities	**(24,288.2)**	**3,264.8**
Cash flows from financing activities		
Proceeds from the issue of shareholder/ unitholder capital	27,099.0	18,852.2
Income distributions paid	(33.7)	(29.5)
Proceeds from bank borrowings	—	134,683.7
Repayment of bank borrowings	(265.9)	(127,948.7)
Payment of loan issue costs	(33.8)	(462.9)
Repayment of unitholder borrowings	—	(22,441.4)
Net cash inflow from financing activities	**26,765.6**	**2,653.4**
Net increase in cash and cash equivalents in the period	8,809.6	10,213.5
Cash and cash equivalents at beginning of period	26,666.3	44,815.4
Cash and cash equivalents at end of period	**35,475.9**	**55,028.9**

The following significant changes to the financial condition and operating results of GRIP occurred during the period covered by the GRIP Financial Information and the Unaudited GRIP Interim Financial Information:

In the financial year ended 31 December 2017, GRIP reported a net profit after tax for the year of £11.9 million, compared to £26.4 million for the financial year ended 31 December 2016, and an operating profit before net valuation gains on investment property of £15.1 million, compared to £12.5 million for the financial year ended 31 December 2016. As of 31 December 2017, the net asset value per share was £21.73 (£21.40 adjusted for minority interest), compared to £21.16 (£20.91 adjusted for minority interest and amortised set-up costs) at 31 December 2016.

In the six months ended 30 June 2018, GRIP reported a net profit after tax for the period of £10.1 million, compared to £6.7 million for the six months

Section B—Company		
		ended 30 June 2017, and an operating profit before net valuation gains on investment property of £8.6 million, compared to £9.4 million for the six months ended 30 June 2017. As of 30 June 2018, the net asset value per share was £22.25 (£21.91 adjusted for minority interest), compared to £21.73 (£21.40 adjusted for minority interest) as of 31 December 2017. Since 30 June 2018, there have been no significant changes to the financial condition and operating results of GRIP.
B.8	**Pro forma financial information**	Selected key unaudited pro forma financial information is set out below. This information has been prepared in a manner consistent with the accounting policies adopted by Grainger as of 30 September 2018. **Unaudited pro forma income statement** The unaudited pro forma income statement has been prepared to illustrate the effect of the Rights Issue and the Acquisition on the consolidated income statement of the Grainger Group. The pro forma income statement is based on the audited consolidated income statement of the Grainger Group for the year ended 30 September 2018 and the GRIP Group's audited income statement for the year ended 31 December 2017 and has been prepared on the basis that the Rights Issue and the Acquisition completed on 30 September 2018. The unaudited pro forma income statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Grainger Group's actual results of operations.

Section B—Company

	Grainger Group	Removal of investment in GRIP	Grainger Group excluding investment in GRIP	GRIP Group	Adjustments		Pro Forma
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
	£m	£m	£m	£m	£m	£m	£m
Group revenue	**270.7**		**270.7**	**27.5**			**298.2**
Net rental income	43.8		43.8	20.2	1.8		65.8
Profit on disposal of trading property	81.2		81.2	—			81.2
Profit on disposal of investment property	1.4		1.4	0.7			2.1
Income from financial interest in property assets	6.5		6.5	—			6.5
Fees and other income	7.1		7.1	0.1	(3.8)		3.4
Administrative expenses	(27.9)		(27.9)	(5.8)	2.1		(31.6)
Other expenses	(1.1)		(1.1)	—		(2.0)	(3.1)
Profit on disposal of joint venture	7.0		7.0	—			7.0
Impairment of inventories to net realisable value	(0.5)		(0.5)	—			(0.5)
(Impairment)/reversal of impairment of joint venture	5.5		5.5	—			5.5
Operating profit before net valuation gains on investment property	**123.0**	—	**123.0**	**15.2**	**0.1**	**(2.0)**	**136.3**
Net valuation gains on investment property	22.6		22.6	4.3			26.9
Operating profit after net valuation gains on investment property	**145.6**	—	**145.6**	**19.5**	**0.1**	**(2.0)**	**163.2**
Change in fair value of derivatives	(0.2)		(0.2)	0.6			0.4
Finance costs	(27.2)		(27.2)	(8.2)	0.6		(34.8)
Finance income	2.1		2.1	—	(0.6)		1.5
Corporate bond redemption	(27.4)		(27.4)	—			(27.4)
Share of profit of associates after tax	7.2	(7.2)	—	—			—
Share of profit of joint ventures after tax	0.6		**0.6**	—			0.6
Profit before tax—continuing operations	**100.7**	**(7.2)**	**93.5**	**11.9**	**0.1**	**(2.0)**	**103.5**
Tax charge for the year—continuing operations	(13.3)	1.4	(11.9)	—	—	0.4	(11.5)
Profit for the year attributable to the owners of the Company	**87.4**	**(5.8)**	**81.6**	**11.9**	**0.1**	**(1.6)**	**92.0**

Notes

(1) The income statement of the Grainger Group for the year ended 30 September 2018 has been extracted without adjustment from its audited financial statements.

(2) Pre-completion of the Rights Issue and the Acquisition, the GRIP Group is equity accounted for as an investment in an associate in the Company's consolidated financial statements in accordance with IFRS. The adjustment in Note 2 represents the elimination of the share of profits net of tax from the GRIP Group as presented in the Grainger Group's income statement for the year ended 30 September 2018. Following completion of the Rights Issue and the Acquisition, the GRIP Group will be accounted for as a wholly owned subsidiary of the Company in accordance with IFRS 3 (Revised).

(3) This column represents the income statement of the Grainger Group as extracted from its audited financial statements for the year ended 30 September 2018 as adjusted by Note 2 above.

(4) The income statement of the GRIP Group for the year ended 31 December 2017 has been extracted without adjustment from its audited financial statements.

(5) The adjustment in Note 5 reflects the removal of intercompany transactions that will not continue following the Rights Issue and the Acquisition. In the year to 30 September 2018, the Grainger Group earned £3.8 million in property management fees and asset advisory fees from the GRIP Group that were recognised within fees and other income in the Grainger Group's income statement. In the year to 31 December 2017, the GRIP Group paid £1.8 million in property management fees and £2.1 million in asset advisory fees to Grainger, such amounts were recognised within net rental income and administrative expenses respectively in the GRIP Group's income statement.

The GRIP Group has shareholder loans repayable to the Grainger Group which bear fixed interest at 4.75 per cent on the principal amount. In the year to 30 September 2018, the Grainger Group earned £0.6 million in interest on shareholder loans from the GRIP Group that were recognised in finance income in the Grainger Group's income statement. In the year to 31 December 2017, the GRIP Group paid £0.6 million in interest on shareholder loans to the Grainger Group that were recognised in finance costs in the GRIP Group's income statement.

The difference in the quantum of amounts recognised in respect of intercompany transactions is due to the non-coterminous periods reported in the pro forma.

(6) The adjustment in Note 6 reflects the costs of the Acquisition. Such costs consist of adviser fees wholly attributable to the Acquisition and are non-recurring. Costs in relation to the Rights Issue will be attributed to equity in accordance with IAS 32 and as such do not impact the income statement.

The pro forma statement of net assets does not give effect to fair value adjustments to net assets arising from the purchase price being greater than the book value of the net assets acquired. The pro forma purchase price premium has been attributed to goodwill and no pro forma amortisation nor impairment charge has been applied to the goodwill balance in the period presented. The fair value adjustments, when finalised post completion of the Acquisition, may be material.

No adjustment has been made to reflect the trading results of the Grainger Group or the GRIP Group since 30 September 2018 or 31 December 2017 respectively or any other change in their financial positions in these periods.

Unaudited pro forma net assets statement

The unaudited pro forma net assets statement has been prepared to illustrate the effect of the Rights Issue and the Acquisition on the consolidated net assets of the Grainger Group. The pro forma net assets statement is based on the audited consolidated net assets of the Grainger Group as at 30 September 2018 and the consolidated net assets of the GRIP Group as at 30 June 2018 and has been prepared on the basis that the Rights Issue and the Acquisition completed on 30 September 2018.

The unaudited pro forma net assets statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Grainger Group's actual financial position.

	Grainger Group	Removal of investment in GRIP	Grainger Group excluding investment in GRIP	GRIP Group	Adjustments				Pro Forma
	Note 1 £m	Note 2 £m	Note 3 £m	Note 4 £m	Note 5 £m	Note 6 £m	Note 7 £m	Note 8 £m	£m
Non-current assets									
Investment property	589.7		589.7	679.5					1,269.2
Property, plant and equipment	0.3		0.3	—					0.3
Investment in associates	134.0	(109.2)	24.8	—	(18.2)				6.6
Investment in joint ventures	11.6		11.6	—					11.6
Financial interest in property assets	82.2		82.2	—					82.2
Retirement benefits	0.9		0.9	—					0.9
Deferred tax assets	3.4		3.4	—					3.4
Intangible assets	4.7		4.7	—				28.0	32.7
	826.8	**(109.2)**	**717.6**	**679.5**	**(18.2)**	**—**	**—**	**28.0**	**1,406.9**
Current assets									
Inventories—trading property	799.3		799.3	—					799.3
Trade and other receivables	150.4		150.4	2.5	(1.0)				151.9
Derivative financial instruments	4.4		4.4	—					4.4
Cash and cash equivalents	109.3		109.3	55.0		(396.2)	331.6		99.7
	1,063.4	**—**	**1,063.4**	**57.5**	**(1.0)**	**(396.2)**	**331.6**	**—**	**1,055.3**
Total Assets	**1,890.2**	**(109.2)**	**1,781.0**	**737.0**	**(19.2)**	**(396.2)**	**331.6**	**28.0**	**2,462.2**
Non-current liabilities									
Interest-bearing loans and borrowings	960.1		960.1	216.3					1,176.4
Provisions for other liabilities and charges	1.3		1.3	—					1.3
Deferred tax liabilities	29.9		29.9	—					29.9
Derivative financial instruments	—		—	1.8					1.8
	991.3	**—**	**991.3**	**218.1**	**—**	**—**	**—**	**—**	**1,209.4**
Current liabilities									
Interest bearing loans and borrowings	1.1		1.1	73.1	(18.2)	(54.9)			1.1
Trade and other payables	70.7		70.7	20.8	(2.0)				89.5
Provisions for other liabilities and charges	0.7		0.7	—					0.7
Current tax liabilities	7.4		7.4	—					7.4
Derivative financial instruments	3.4		3.4	—					3.4
	83.3	**—**	**83.3**	**93.9**	**(20.2)**	**(54.9)**	**—**	**—**	**102.1**
Total liabilities	**1,074.6**	**—**	**1,074.6**	**312.0**	**(20.2)**	**(54.9)**	**—**	**—**	**1,311.5**
Net assets	**815.6**	**(109.2)**	**706.4**	**425.0**	**1.0**	**(341.3)**	**331.6**	**28.0**	**1,150.7**

Notes

(1) The net assets of the Grainger Group as at 30 September 2018 have been extracted without adjustment from its audited financial statements for the year ended 30 September 2018.

(2) Pre-completion of the Rights Issue and the Acquisition, the GRIP Group is equity accounted for as an investment in an associate in the Company's consolidated financial statements in accordance with IFRS. The adjustment in Note 2 represents the elimination of the equity investment net of the £18.2 million shareholder loan in the GRIP Group as presented in the Grainger Group's statement of financial position as at 30 September 2018. Following completion of the Rights Issue and the Acquisition, the GRIP Group will be accounted for as a wholly owned subsidiary of the Company in accordance with IFRS 3 (Revised).

Section B—Company

		(3) This column represents the net assets of the Grainger Group as extracted from its audited financial statements for the year ended 30 September 2018 as adjusted by Note 2 above. (4) The net assets of the GRIP Group as at 30 June 2018 have been extracted without adjustment from its unaudited financial statements as at 30 June 2018. (5) The adjustment in Note 5 reflects the removal of intercompany balances comprising property management fees and asset advisory fees payable to the Grainger Group by the GRIP Group and shareholder loans held on the balance sheets of both the Grainger Group and the GRIP Group. The difference in the quantum of the adjustments impacting trade receivables and trade payables in respect of intercompany balances is due to the non-coterminous periods reported in the pro forma. (6) The adjustment in Note 6 reflects the purchase consideration payable by the Grainger Group in respect of the Acquisition. The consideration payable is comprised of £341.3 million in relation to the acquisition of the GRIP Group and £54.9 million repayment of shareholder loans to the previous shareholder, which is eliminated on consolidation. (7) The adjustment in Note 7 reflects the gross cash raised from the Rights Issue of £346.7 million net of costs of the Rights Issue and the Acquisition of £15.1 million. Such costs consist of adviser fees wholly attributable to the Rights Issue and the Acquisition and are non-recurring. Note 7 £m Rights Issue proceeds: 346.7 Costs of Rights Issue and Acquisition: (15.1) **Net proceeds received: 331.6** (8) The adjustment in Note 8 represents the goodwill that will be recognised in the Company's consolidated financial statements upon completion of the Rights Issue and the Acquisition, with the Acquisition being accounted for as a business combination in accordance with IFRS 3 (Revised). Goodwill of £28.0 million is calculated as the purchase consideration of £341.3 million less the Grainger Group's controlling interest in share of net assets acquired of £313.3 million as at 30 June 2018. Since June 2018, the GAV investment value of the GRIP Group's portfolio has increased 1.9 per cent. A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed. Following the completion of the fair value assessment, goodwill on acquisition will be reassessed. Note 8 £m Consideration: 341.3 Net assets acquired: (313.3) **Pro forma goodwill: 28.0** The net assets acquired represent the Grainger Group's controlling interest acquired as follows: £m Net assets as at 30 June 2018: 425.0 Less estimated distributions[(1)]: (4.9) Less non-controlling interest[(2)]: (6.5) **Equity attributable to owners net of estimated distributions: 413.6** Net assets acquired (75.1% x £413.6m): 310.6 APG minority interest[(3)]: 2.7 **Net assets acquired: 313.3** The adjustments above are in accordance with the terms of the agreement as follows: (1) The reduction to the net asset position relating to the minimum property income distribution that was payable at 30 June 2018 under the UK REIT regime. (2) The acquisition of the net assets that relate to APG's interest in the GRIP Group. The full minority interest in the GRIP Group has been deducted to calculate the share of net assets directly held by APG. (3) APG's non-controlling interest as at 30 June 2018 which is specifically being acquired under the agreement. No adjustment has been made to reflect the consolidated trading results of the Grainger Group or the GRIP Group since 30 September 2018 and 30 June 2018 respectively or of any other change in their financial position in these periods.
B.9	**Profit forecast/ estimates**	Not applicable. There are no profit forecasts or estimates contained in this Prospectus.
B.10	**Qualifications in the audit report**	Not applicable. There have been no qualifications of the audit reports incorporated into this Prospectus by reference.
B.11	**Insufficient working capital**	Not applicable. The Company is of the opinion that, taking into account the net proceeds of the Rights Issue, and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

Section C—Securities		
C.1	**Type and class of securities**	The Rights Issue comprises 194,748,913 New Ordinary Shares. The nominal value of the total issued Ordinary Share capital of the Company immediately following the Rights Issue is expected to be £30,603,401 divided among 612,068,013 Ordinary Shares. The ISIN for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares being GB00B04V1276. The ISIN for the Nil Paid Rights is GB00BGDM7H07 and for the Fully Paid Rights is GB00BGDM7J21.
C.2	**Currency**	All New Ordinary Shares being offered are denominated in Pounds Sterling.
C.3	**Shares issued/value per share**	As of the Latest Practicable Date, the Company has 417,319,100 fully paid Ordinary Shares of 5 pence each in issue. The Company has no partly paid Ordinary Shares in issue. The Company holds 1,506,300 shares in treasury and is not permitted to exercise voting rights in respect of these shares. Therefore the total number of voting rights in the Company as of 12 November 2018 is 417,319,100.
C.4	**Rights attaching to the securities**	The New Ordinary Shares will be issued and credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares in issue at the time the New Ordinary Shares are delivered.
		Subject to any special voting rights, restrictions or prohibitions on voting for the time being attached to Ordinary Shares (for example, in the case of joint holders of a share, the only vote which will count is of the person whose name is entered first in the register). Shareholders shall have the right to receive notice of, and to attend and vote at, general meetings of the Company.
		Subject to the provisions of the Act, the Company may, from time to time, declare dividends and make other distributions on the Ordinary Shares.
C.5	**Restrictions on the free transferability of the securities**	Not applicable; there are no restrictions on the free transferability of the Ordinary Shares set out in the constitutional documents of the Company.
C.6	**Admission to trading**	The Existing Ordinary Shares are listed on the premium segment of the Official List and are traded on the London Stock Exchange's main market for listed securities. Application will be made to the UK Listing Authority and the London Stock Exchange for all of the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The New Ordinary Shares will not be listed on any other regulated market. It is expected that admission to listing of the New Ordinary Shares, nil paid, and dealings in the New Ordinary Shares, nil paid, on the London Stock Exchange's main market for listed securities will commence at 8.00 am on 3 December 2018.
C.7	**Dividend policy**	The substantial increase in net rental income that Grainger will receive on completion of the Acquisition will facilitate an increase in the dividend to be paid to Grainger shareholders in line with the Company's dividend policy to distribute 50 per cent. of net rental income.

Section D—Risks		
D.1	**Key information on the key risks specific to the issuer or its industry**	The Group's operating and financial performance is influenced by macro-economic conditions, including changes in gross domestic product, unemployment and consumer expenditure, particularly in the United Kingdom. The rental income that the Group's property portfolio produces may fluctuate due to adverse market conditions, higher vacancy rates and changes in the UK retail price index. Rental income of properties subject to a regulated tenancy depend on rental levels set by a rent officer, which may be lower than Market Value. The Market Value of properties in the Group's portfolio, and revenue generated from the sale of properties, are dependent on economic conditions, political developments, the cost and availability of finance to prospective purchasers and supply and demand of residential real estate in the United Kingdom. Valuations of the Group's property portfolio are inherently subjective and uncertain, are made on the basis of assumptions and assessments that may prove to be inaccurate or flawed, and are conducted on a sampling basis that may not accurately represent the Group's portfolio. Property acquisitions may expose the Group to unforeseen risks and liabilities associated with properties the Group acquires, including a failure to achieve expected results, unidentified risks and problems, substantial costs, delays and other operational and financial problems. The Group's success depends on its senior management team and other key personnel, and its business may be harmed if their services are lost or it is unable to recruit new senior management and key personnel. The Group's operating and other expenses could increase without a corresponding increase in revenue from properties or tenant reimbursements of operating and other costs. The Group faces competition from other property companies and other commercial organisations active in the UK property market. The Group has significant borrowings, the amount and terms of which may restrict its ability to engage in certain business activities and limit its financial and operational flexibility. The Group's interest costs could increase due to fluctuations in interest rates or due to a change in its credit rating. Moreover, the costs of finance could increase or, in the longer term, financing could cease to be available on appropriate terms or at all. The Enlarged Group may fail to realise the value paid for the Acquisition of the remaining share capital of GRIP. The Group may be disadvantaged if the Acquisition does not complete. Grainger Shareholders will be exposed to a drag on earnings per share if the Rights Issue completes but the Acquisition does not complete.
D3	**Key information on the key risks specific to the securities**	The value of an investment in New Ordinary Shares may go down as well as up, and any fluctuations may be material and may not reflect the underlying asset value. The market price for the New Ordinary Shares may decline below the Rights Issue Price, and investors may not be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price of such New Ordinary Shares.

Section D—Risks		
		Shareholders who do not (or are not permitted to) acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company. Overseas Shareholders may not be able to acquire New Ordinary Shares in the Rights Issue or subscribe for future issues of Ordinary Shares. Grainger may invest or spend the proceeds of the Rights Issue in ways with which Shareholders may not agree, including if the Acquisition fails to close.

Section E—Offer		
E.1	**Total net proceeds and estimate of total expenses of the Rights Issue and the Acquisition**	The Company expects to raise net proceeds (after deducting commissions, other estimated offering-related fees and expenses) from the Rights Issue of approximately £331.6 million. The total costs and expenses of, and incidental to, the Rights Issue and the Acquisition payable by the Company (relating to, amongst other things, underwriting commissions) are estimated to amount to approximately £15.1 million (excluding VAT). The Company intends to pay for all expenses arising from, or in connection with, the Rights Issue. Therefore, no expenses will be charged by the Company to Shareholders who take up their rights in the Rights Issue.
E.2a	**Reasons for the Rights Issue/use of proceeds**	At the time of the strategic review undertaken in early 2016, the Grainger board set three key strategic priorities and has made significant progress in respect of each of these, namely to grow rental income, to simplify and focus and to build on Grainger's experience as the United Kingdom's leading residential landlord. Since the strategy was implemented, the Grainger Group has made significant progress in respect of each of these three strategic priorities. Progress includes successfully securing £943 million of PRS investment (plus an additional £45 million secured via GRIP), restructuring the business to enhance efficiency and reducing administrative expenses by 25 per cent from 2015 to 2017 and creating a pipeline of c. 5,300 PRS units (secured and in planning or legals). Given this significant progress, the Grainger board is now looking to further increase and accelerate Grainger's exposure to the private rental sector, maximising the opportunities and efficiency of the Grainger platform and further growing rental income. The proposed Acquisition provides an opportunity for Grainger to build on its achievements to date and to continue to fulfil its strategic priorities. Grainger proposes to use the net proceeds of the Rights Issue of £331.6 million to finance the cash consideration of £396.2 million for the Acquisition. The remaining cash consideration of £64.6 million not financed by the Rights Issue will be funded by existing capacity under Grainger's banking facilities. Financing the Acquisition through the Rights Issue will allow further funding made available from asset recycling and additional debt (within the target range LTV of 40% to 45%) to be invested in the future pipeline. This pipeline comprises £988 million (including £45 million via GRIP) already secured and committed, together with £382 million on schemes currently within the planning and legal stages.
E.3	**Terms and conditions of the Rights Issue**	The Company proposes to raise gross proceeds of approximately £346.7 million through the Rights Issue at a price of 178.0 pence per New Ordinary Share. The New Ordinary Shares are being offered by way

Section E—Offer		
		of rights to all Qualifying Shareholders (other than, subject to certain exceptions, Excluded Shareholders) on the basis of seven New Ordinary Shares for every 15 Existing Ordinary Shares held and registered in their name at the close of the offer. The Rights Issue Price of 178.0 pence per New Ordinary Share represents a 39 per cent. discount to the Closing Price of an Existing Ordinary Share of 291.0 pence on 13 November (being the latest Business Day before announcement of the Rights Issue) 2018 and a 30 per cent. discount to the theoretical ex-rights price based on that Closing Price. The New Ordinary Shares will, when issued and fully paid, rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Shares and otherwise *pari passu* with the Existing Ordinary Shares. Fractions of New Ordinary Shares will not be allotted to any Qualifying Shareholders, but will be aggregated and sold in the market ultimately for the benefit of the Company. The issue or offer of Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than, the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights. Subject to certain exceptions, the Rights Issue is not being made in the United States or the other Restricted Territories. The Company has arranged for the Rights Issue to be underwritten in full to provide certainty as to the amount of capital to be raised on, and subject to, the terms of the Underwriting Agreement. The Underwriting Agreement is not subject to any right of termination after Admission (including in respect of any statutory withdrawal rights). The Rights Issue is conditional upon, among other things: (i) Admission occurring not later than 8.00 am on 3 December 2018 (or such later time and/or date as the Company and the Banks may agree, not being later than 8.00 am on 17 December 2018); (ii) the Underwriting Agreement becoming unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and (iii) the passing of the Resolution (without amendment) at the General Meeting and not (without the prior written agreement of the Banks) at any adjournment of such meeting.
E.4	**Conflicts of interest**	Not applicable. There are no interests (including conflicts of interest), known to the Company, which are material to the Rights Issue or the Acquisition.
E.5	**Name of person offering to sell the securities**	Not Applicable. The Rights Issue constitutes an offer of New Ordinary Shares by the Company. Pursuant to the Underwriting Agreement, the Company has agreed, subject to customary exceptions, not to issue any Ordinary Shares or rights to subscribe for or acquire Ordinary Shares during the period of 180 days from the date of settlement of the Banks' payment obligations to the Company under the Underwriting Agreement, without the prior written consent of the Banks (not to be unreasonably withheld or delayed).
E.6	**Dilution**	Upon completion of the Rights Issue, the New Ordinary Shares will represent approximately 46.7 per cent. of the existing issued ordinary share

Section E—Offer		
		capital of the Company and will comprise approximately 31.8 per cent. of the Enlarged Share Capital of the Company immediately following completion of the Rights Issue. If a Qualifying Shareholder does not, or is not permitted to, take up New Ordinary Shares under the Rights Issue, such Qualifying Shareholder's shareholding in the Company will be diluted by 31.8 per cent. as a result of the Rights Issue.
E.7	**Expenses charged to the investor**	Qualifying Shareholders will not be charged expenses by the Company in respect of the Rights Issue, except in the following circumstance. Any Qualifying Non-CREST Shareholder who is an individual whose registered address is in the United Kingdom or in any other jurisdiction in the EEA may elect to sell all of their Nil Paid Rights, or effect a Cashless Take-up, using the Special Dealing Service. Link Asset Services will charge a commission of 1 per cent. of the gross proceeds of sale of the Nil Paid Rights which are the subject of the sale, subject to a minimum of £15 per holding.

RISK FACTORS

The Acquisition (as defined elsewhere herein) and any investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights are subject to a number of risks. Prior to making any investment decision, Shareholders and prospective investors should consider carefully the factors and risks associated with any investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus and all of the information incorporated by reference into this Prospectus. Shareholders and prospective investors should also note that the risks relating to the Group, its industry and the New Ordinary Shares, Nil Paid Rights and the Fully Paid Rights summarised in the section of this Prospectus entitled "Summary" are the risks that management believes to be the most essential to an assessment by a Shareholder or prospective investor as to whether or not to consider an investment in the securities mentioned herein. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, Shareholders and prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary", but also, among other things, the risks and uncertainties described below.

The risk factors described below are not an exhaustive list or explanation of all risks which Shareholders or potential investors may face when making an investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights, and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to management, or that management currently deems immaterial, may, individually or cumulatively, also have a material adverse effect on the Group's business, prospects, results of operations and financial position, and, if any such risk should occur, the price of the securities discussed herein may decline, and Shareholders and potential investors could lose all or part of their investment. Shareholders and potential investors should, therefore, consider carefully whether an investment in the New Ordinary Shares, Nil Paid Rights or Fully Paid Rights is suitable for them in light of the information presented in this Prospectus, as well as their individual circumstances.

This Prospectus contains forward-looking statements that are based on assumptions and estimates, which are subject to risks and uncertainties. Actual results and future developments could differ materially from what is expressed or implied by such forward-looking statements as a result of many factors, including, but not limited to, the risks that the Group faces as described below and elsewhere in this Prospectus.

(A) RISKS ASSOCIATED WITH THE GROUP (AND THE ENLARGED GROUP FOLLOWING COMPLETION OF THE ACQUISITION)

RISKS RELATING TO THE PROPERTY INDUSTRY

The Group is affected by economic conditions, particularly in the United Kingdom.

The Group's operating and financial performance is influenced by macro-economic conditions, particularly in the United Kingdom. In the Company's financial year ended 30 September 2018, the United Kingdom's economic recovery continued with an increase in gross domestic product, historically low unemployment and low but gradually increasing interest rates. There can be no assurance, however, that economic growth will continue or that unemployment will remain at a low level. Furthermore, external factors such as geo-political conflicts and a slowdown of economic growth in emerging markets may affect economic conditions in the United Kingdom. Any lack of or reduced economic growth in the United Kingdom, higher unemployment or reduced consumer expenditure may impact the income level of the Group's tenants, may affect levels of home ownership generally, demand for the disposal of real estate assets, the ability of the Group's tenants to pay rents and may cause prices of residential real estate to fall, thereby reducing the value of the Group's portfolio of properties. There may, for instance, be a short-term negative impact on economic conditions as a result of the United Kingdom's decision to leave the European Union, including on the property and finance markets and construction costs. Given its recent strategic focus on developing and acquiring new assets in the private rental sector ("**PRS**"), the Group is susceptible to a deterioration of economic conditions that could lead to increased difficulty in finding and retaining tenants as well as increased competition among PRS developers.

The rental income that the Group's property portfolio produces may fluctuate as a result of factors which are outside its control.

Gross rental income constituted 21.9 per cent. of the Group's gross revenue in the financial year ended 30 September 2018. Rental rates in the United Kingdom are generally affected by conditions in the economy and financial markets, as well as by factors specific to the local market in which a property is located. The Group is most at risk with respect to rental levels in its PRS portfolio to the extent that adverse market conditions affect rent review negotiations and the ability to re-let property following the termination of a tenancy. In addition, with respect to rental levels in its residential-regulated tenancies business portfolio (comprising properties subject to a regulated tenancy and interests in, or relative to, properties subject to a regulated tenancy located in the United Kingdom ("**Regulated Tenancies Portfolio**")), the Group is at risk to the extent that adverse market conditions affect the rental levels which are set by a rent officer.

Rental income in respect of the Group's PRS properties may be adversely affected in times of adverse economic conditions and a depressed residential market. There can be no assurance that the Group's tenants, in relation to its PRS properties, will renew their leases at the end of their current tenancies, nor can there be any assurance that new tenants of equivalent standing (or any new tenants) will be found to take up vacant properties at the same or similar rental levels.

During periods in which properties are vacant, the Group will not receive rent and will incur additional expenses until the relevant properties are re-let. Even if tenant renewals or replacements are affected, there can be no assurance that such renewals or replacements will be on terms (including rental levels and rent review terms) that are as favourable to the Group as before, or that new tenants will be as creditworthy as previous tenants.

Rents on the Group's regulated tenancies may only be reassessed every two years and are capped at the percentage change in UK Retail Price Index ("**RPI**") since the rent was last registered plus a percentage prescribed by law (currently 5 per cent.). This may lead to a reduction of the Group's rental income on an inflation-adjusted basis if the new rent awarded by the rent officer is beneath the statutory cap. Furthermore, where the levels of inflation are negative, regulated rental rates may not be increased from the rental levels previously in place.

The Market Value of the Group's portfolio and the Group's revenue, cash flow and profits from the sale of properties are dependent on economic conditions and the residential real estate market in the United Kingdom.

The Group generates a significant proportion of its revenues from the sale of properties. Market values of properties in the United Kingdom are generally affected by overall conditions in the economy, political factors and one-off events, including the condition of financial markets, the cost and availability of finance to businesses and consumers, fiscal and monetary policies, changes in government legislation, political developments, including changes in regulatory or tax regimes, changes in unemployment, gilt yields, interest rates and credit spreads, levels of prevailing inflation, the supply of, or a reduction in demand for, residential property, the returns from alternative assets as compared to residential property, environmental considerations, and changes in planning laws and practices. Residential real estate values are also affected by factors specific to each local market in which the property is located, including the supply of available property and demand for residential real estate and the availability of mortgage finance to prospective purchasers.

The Group also holds properties where its intention on acquisition was to hold such properties for long-term rental yield and/or capital appreciation ("**Investment Properties**"). Any increase or decrease in the valuation of the Investment Properties is recorded as a revaluation gain or deficit in the Group's financial statements. Any movement in the capital value of Investment Properties in the Group's financial statements will have a consequential impact on the Group's results of operations. Moreover, any decrease in the capital value of the Group's Investment Properties could result in non-compliance with the loan-to-value covenants under the Group's borrowing arrangements, which could severely restrict its ability to make any material acquisitions of property or any acquisitions of land with strategic development potential.

The Group's ability to generate revenue and cash flow from the sale of its properties depends on the existence of buyers willing to pay attractive prices for those properties at the time the Group seeks to sell them. The existence of these buyers in turn depends upon overall economic conditions, the residential real estate market and the other factors set out above including, in particular, the availability of mortgage finance. In difficult economic conditions, the Group may not be able to sell properties for an appropriate price or on acceptable terms in a timely manner, or at all. As a consequence, the Group may be unable to realise a property's reversionary surplus ("**Reversionary Surplus**"), which is the difference between a property's Market Value whilst it is tenanted and the value that could be realised if such property became vacant and were sold as of that date ("**Vacant Possession Value**").

Without qualifying the statement made as to sufficiency of the Company's working capital, in the longer term, if the Group were required to liquidate a significant portion of its portfolio in order to generate additional cash flow to support the Group's operations, comply with financial covenants or repay outstanding indebtedness, it might have to make accelerated sales. Due to the nature of the Group's properties, this would likely be achieved by way of sales of properties subject to an existing tenancy ("**Investment Sales**"). In the Regulated

Tenancies Portfolio, Investment Sales do not crystallise the full extent of the Reversionary Surplus associated with such properties and result in less revenue than the Group would expect if the property were held until a vacant possession sale could be made.

In addition, the length of time needed to find purchasers and to complete such transfers or sales may increase in periods of market uncertainty. Downward pressure on sales prices may occur in the future and volumes of property sales and the revenue and profits from such sales may also be adversely affected.

Property valuation is inherently subjective and uncertain.

For the purposes of the Group's financial statements, the valuation of its properties is undertaken internally by the Group and externally by third-party professional valuers. Valuations are inherently subjective due to the individual nature of each property. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate, particularly in periods characterised by asset value volatility or lower transaction volumes in the residential real estate markets, as has recently been the case in the United Kingdom. As a result, valuations are subject to a degree of uncertainty and accordingly are an area of significant judgment in respect of the Group's financial statements.

In determining the Market Value of any property, the valuers are required to make certain assumptions. These assumptions include, but are not limited to, matters such as the existence of willing buyers and willing sellers in uncertain market conditions, future house price inflation, future rental levels, title, condition of structure and services, deleterious materials, goodwill, environmental matters, property locations, statutory requirements and planning, leasing and other information. In undertaking the valuation, the valuers typically adopt a default position that a property is in an unimproved position and will require full modernisation.

Incorrect assumptions or flawed assessments underlying the valuation reports could have a material adverse effect on the value of the Group's portfolio, and could potentially inhibit the Group's ability to realise a sale price that reflects the stated valuation or to raise financing using the Group's properties as security. There is also a risk that the valuations of the Group's properties will not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date.

As of 30 September 2018, the Group's wholly-owned property portfolio comprised 6,530 properties. As the Group's business involves thousands of individual units and tenants, its external valuers adopt a sampling approach to their inspections of the Group's wholly-owned properties in preparing their valuation reports. Properties which are not included in any sample inspected by the valuers may have characteristics which could, in the aggregate, have a significant effect on the assumptions used by the valuers or the final conclusions reached in property valuation reports. As a result, property valuations may not accurately reflect the actual composition of the Group's portfolio or the values of the Group's properties at any valuation date, and thus the samples selected by the valuers may not be representative of the Group's property portfolio and a sample may not include the characteristics which should form part of the sample pool. The value of the Group's equity interest in agreements with strategic joint ventures, associates and co-investors (collectively, "**Partners**") is similarly impacted in relation to the valuations carried out by its Partners' external valuers (which may include the Group's external valuers).

Property acquisitions may expose the Group to unforeseen risks and liabilities associated with properties the Group acquires.

One of the routes through which the Group plans to pursue its strategy of increased investment in PRS assets is the acquisition of existing stabilised tenanted units. Property acquisitions involve a number of risks including, but not limited to, a failure to achieve expected results, unexpected problems and other risks inherent in the acquired property and associated with unanticipated events or liabilities. Before acquiring a property or a portfolio of properties, the Group assesses the value and the potential value of such property or portfolio and the potential return on its investment. In making the assessment and otherwise conducting due diligence, the Group relies on the resources available to it. There can be no assurance, however, that due diligence examinations carried out by the Group or by third parties in connection with any properties or portfolios of properties the Group acquires, will reveal all of the risks and problems associated with such property or portfolio, or the full extent of such risks and problems. When the Group acquires or owns a property, the property may be subject to hidden material defects or deficiencies in the title to the property or otherwise which were not apparent at the time of acquisition, including structural damage, environmental hazards, legal restrictions or encumbrances and non-compliance with existing building standards or health and safety or other administrative regulations. There can be no assurance that the Group will be able to identify, acquire or profitably manage additional properties without substantial costs, delays or other operational or financial problems, or at all.

The cost of the Group's renovation, maintenance and modernisation programmes may be higher than expected, given the age of the Residential Portfolio and the Group's dependence on third parties.

Meeting budgets and deadlines for renovation, maintenance and modernisation projects often depends on accurate information regarding the Group's real estate properties and on the reliability of third-party contractors. Accurate construction, historical and other related information for properties is not always available. If, for example, any of the Group's real estate violates building codes or was built using defective or other inappropriate materials, the Group could incur substantial unbudgeted costs to remediate the problem (for example to remove asbestos contamination). Routine or unforeseen renovation, maintenance or modernisation projects that are delayed by, for example, the bankruptcy of a general contractor, may also cause the Group to exceed a budget or deadline.

The Group is exposed to potential liability relating to the leasing, selling and developing of real estate.

The Group may be subject to claims due to defects in quality or title relating to the leasing and sale of its properties. This liability may apply to defects in properties that were unknown to the Group but could have, or should have, been discovered. These liabilities could include, but are not limited to, liabilities for clean-up or remediation of undisclosed environmental conditions, liabilities to tenants, to creditors or to other persons involved with the properties prior to the acquisition, tax liabilities or indemnification claims by parties claiming to be entitled to be indemnified by the former owners of the properties.

Any claims for recourse the Group may have against parties from which the Group has purchased such a property may fail because of the expiration of an applicable limitation period, lack of proof that the previous seller knew, or should have known, of the defect, the insolvency of the previous seller or for other reasons.

RISKS RELATING TO THE GROUP'S OPERATIONS AND ITS DEVELOPMENT PORTFOLIO

The Group's success depends on its senior management team and other key personnel, and its business may be harmed if their services are lost or it is unable to recruit new senior management and key personnel.

The Group's success depends upon the continuing services of the members of its senior management team and other key employees, and recruitment of new senior management and key personnel where necessary. If one or more senior executives or other key personnel are unable or unwilling to continue in their present positions, the Group may not be able to replace them easily or at all, its business may be disrupted and its financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is high; the pool of qualified candidates is limited; and the Group may not be able to retain the services of its senior executives or key personnel, or attract and retain high-quality new senior executives or key personnel. If any key personnel leave and carry on any activities competing with the Group, it may lose tenants and staff members, and legal remedies against such individuals may be limited.

In addition, the loss of suitably qualified employees, in particular with expertise in the acquisition, development and operation of PRS assets, or the inability to hire and retain suitably qualified replacements could impair the Group's ability to execute its business plan and achieve its objectives, lead to employee morale problems or the loss of key employees, any of which could have a material adverse effect on the value of the Group's portfolio and its business, results of operations, financial condition or prospects.

The Group may be subject to increases in operating and other expenses.

The Group's operating and other expenses could increase without a corresponding increase in revenue from properties or tenant reimbursements of operating and other costs.

Increases in the inflation rate, property taxes, other statutory charges, insurance premiums or the costs of maintaining properties may cause the Group's operating and other expenses to increase, and the Group may be unable to pass on such increases to its tenants. Furthermore, the Group must sometimes incur additional renovation and modernisation costs in order to facilitate sales of Group properties, and it may not be able to pass on such costs to the purchaser.

The Group engages independent contractors and consultants to provide various services in relation to repairs and maintenance in respect of its properties. If the performance of any such contractor or consultant is unsatisfactory, it may be necessary to replace the contractor or consultant concerned or to take other action to remedy the situation, which may lead to increased costs.

In addition, the Group's operating costs and other expenses could be negatively impacted by changes in laws, regulations or government policies which increase the costs of compliance, as well as by defects affecting the properties which need to be rectified.

The Group is exposed to longevity risk for tenants in relation to the Regulated Tenancies Portfolio.

The Group derives most of its cash flows and financial returns attributable to its regulated tenancies business by buying properties subject to existing tenancies and selling those properties when they fall vacant. In the event of increases in tenant life expectancy above the Group's estimates, it is likely that the average holding period for the assets will increase correspondingly and thus delay the timing of the cash flows from sales. Holding the assets for a longer than expected period may decrease the ultimate return achieved, depending on the change in the value of the underlying property over the additional period and would restrict the Group's ability to realise assets to generate cash.

The Group faces competition from other property companies and other commercial organisations active in the UK property market.

The Group operates in competitive environments. Entry barriers for individuals or companies acquiring residential properties in the United Kingdom to let are generally low. However, barriers to entry in respect of a PRS business at scale and in the Build to Rent sector are in contrast significantly higher, principally due to capital requirements and development, as well as investment and operational capabilities required to develop, acquire and manage a large scale PRS portfolio. The Group competes with a large number of private buyers and real estate owners and developers, some of which may have greater resources, may be willing to accept lower returns on their investments, may be less leveraged than the Group or may have more liquidity with which to take advantage of acquisition opportunities. Competitors include both regional investors with in-depth knowledge of the local markets and other property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. Such competition may adversely affect the Group's ability to maintain or grow rental income or to obtain tenants for its development projects and achieve sales or to make suitable acquisitions of properties or businesses.

The Group may fail to realise fully its PRS property acquisition, development or customer service strategies.

Management's strategy to continue to acquire and develop PRS properties anticipates that the Group may, when appropriate opportunities arise, acquire or develop property portfolios. These acquisitions may be limited by management's ability to identify and acquire suitable properties and development sites at satisfactory prices. This strategy involves the risk that the Group fails to convert acquisition and development investment into rental income, or fails to manage change whilst maintaining its position as the United Kingdom's largest listed residential property owner and manager. There can be no assurance that this aspect of management's strategy will be implemented as currently envisioned, and the Group may fail to transact and acquire assets on acceptable terms or at all.

Moreover, management aims to provide consistently high service standards directly to the Group's diversified customer base. A failure to integrate any new acquisitions or developments into the Group's management platform, however, could have an adverse effect on customer experience, the level of customer complaints, the Group's reputation, results of operations, financial condition or prospects.

The Enlarged Group's future development projects may be limited by difficulties in obtaining planning permission.

Planning permission (including any decrees, permits, consents or approvals required from third parties) for developments may be delayed or refused or granted on onerous terms (including requirements to make contributory payments to local authorities or carry out infrastructure works as part of the authorised development). Refusal of planning permission will, subject to rights of appeal, result in a development not proceeding as originally intended, and a degree of abortive costs may be incurred by the Group. The value of the development property could also be significantly impaired as a result. Moreover, delays in obtaining planning permission could result in developments not being progressed in a timely manner or at significant additional cost, which could impact the development's rate of return.

Development cost inflation may adversely affect returns on investment.

Cost inflation presents a risk to the profitability of the Group's developments and could potentially adversely impact the Group's cash position and overall return on investment. Construction cost inflation is principally influenced by supply and demand dynamics within the industry and is beyond the control of the Group. Significant increases in construction costs inflation could, therefore, adversely affect the profitability of the Group's investment in development. In addition, there could be delays and cost overruns on development projects, including delays on development projects initiated by the Group due to prevailing market conditions.

There can be no assurance that any developments or refurbishments undertaken by the Group will be completed on time or on budget. Any delays or cost overruns on developments or refurbishments could be caused by a range of factors, including an inability to properly control the design and construction programme, contractor failure or default, an inability of contractors to deliver to expected levels of capacity and capability, issues relating to third-party rights (such as requirements for consents), construction cost inflation and additional works required by law or regulation relating to archaeological remains and/or listed buildings. Furthermore, not all of the Group's development projects are carried out on a design-and-build basis. In some circumstances, the Group appoints designers and contractors directly, rather than appointing a single main building contractor that then subcontracts out certain portions of the design and construction of the works. This may increase the risk of interface issues and deficiencies in one part of the design or construction of the works delaying other elements of the design and construction.

Moreover, the Group's development of land or property (which is subject to compulsory purchase orders) may be subject to significant costs and delays. In the event of a compulsory purchase order, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that property as of the date of valuation, as determined by reference to a statutory compensation code. There can be no assurance that developments or refurbishments will be free from defects once completed. Any such delays, cost overruns or defects may result in compensatory payments to be made by the Group and claims being made against the Group. While the Group may, in some cases, have onward claims against suppliers in these circumstances, it is not necessarily the case that full, or any, recovery would be possible or achieved in practice. In adverse market conditions, the cost of a development can also be significantly more than its Market Value on completion, and developments may not become income-producing to the extent expected (and may instead remain, or become, a net expense).

The Group's reliance on information technology systems exposes its business to disruptions or unexpected costs and exposes the Group to the risk of infringing applicable data protection legislation.

The Group's ability to maintain financial controls and provide a quality service to its tenants and to those clients it provides real estate management services to depends, in part, on the efficient and uninterrupted operation of its information technology systems, including its computer systems. The Group's information technology systems are vulnerable to damage or temporary interruption from flood, fire, power loss, telecommunications failure and other similar events. The Group's information technology systems could also be subject to viruses, sabotage, vandalism, cybercrime and similar misconduct. Any damage to, or failure of, any of the Group's information technology systems could result in temporary interruptions to the Group's financial controls and/or asset or property management operations, or cause a breach of confidential information.

In its operating business, the Group accumulates, stores and uses data that is protected by data protection laws. The breach of these laws or the leakage of personal identifiable data may result in substantial fines on the Group and reputational damage.

External events beyond the control of the Group may adversely impact its operations.

External events, such as civil emergencies, terrorist attacks, natural disasters or extreme weather occurrences, could result in damage to the Group's properties, inhibit or prevent access to the Group's properties and adversely impact the operations of the Group, the Group's tenants or members of the Group's supply chain. Such events could give rise to reduced demand from tenants and investors for the Group's properties resulting in reduced rental income and property values.

The risk of litigation is inherent in the Group's operations.

In the ordinary course of the Group's business, legal actions, claims against and by the Group and arbitrations involving the Group arise. The Group may be subject to litigation from tenants, landlords, Partners, purchasers of properties previously or currently owned by the Group, current or former employees and third parties, including visitors to its properties. As a result of a court ruling or of a settlement of such litigation, the Group may be required to make substantial payments. Regardless of the merit of a claim or the outcome of the legal proceedings, the Group may receive or be associated with negative publicity.

Standardised contracts and processes used to manage the Group's diverse property portfolio could have errors.

The Group's business involves thousands of individual properties, each with a relatively small individual value. As a consequence, the Group is party to numerous contractual relationships with tenants, contractors and service providers, none of which, individually, is material to the Group's business. To manage these legal relationships in an efficient manner, the Group often uses standardised documents and processes to enter into agreements relating to the acquisition, sale and letting of properties. These documents and processes could, however, contain ambiguities and errors, which, if adverse to the Group, could affect a disproportionately large number of contracts or properties.

The Group may suffer uninsured losses or suffer material losses in excess of insurance proceeds.

The Group's insurance may be insufficient to cover physical damage to property and/or liabilities caused by covered incidents, resulting in losses that may not be fully compensated by insurance. Furthermore, certain types of risks (such as war risk, terrorist acts, flood damage and subsidence damage) may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently, or in the future, covered by the Group's insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, the Group could sustain a material financial loss or lose capital invested in the affected property or properties, as well as future income either from the impacted property or properties, or as a consequence of the loss with respect to the Group's operations. In the latter case, for example, loss could occur as a result of the disruptive impact arising from the loss of one the Group's main office buildings. The Group would also remain liable for any debt or other financial obligation related to an affected property or properties. Moreover, the Group is liable to repair damage or meet liabilities caused by uninsured risks. No assurance can be given that material losses or liabilities in excess of insurance proceeds will not occur in the future.

The Group operates a defined benefit pension scheme to which it may be required to increase its contributions to fund an increase in the cost of future benefits and/or funding shortfalls.

The Group provides retirement benefits to certain of its former and current employees through a number of pension arrangements, including the operation of a defined benefit pension scheme, the BPT Limited Retirement Benefits Scheme (the "**BPT Scheme**"). As of 30 September 2018, there were 128 members in the scheme (which is now closed to additional members and therefore is not creating new defined benefits). As of 30 June 2017, being the year-end of the BPT Scheme's last audited accounts, the BPT Scheme's net assets amounted to £30.8 million. In addition, in that financial year, £0.5 million in employer contributions were made to the BPT Scheme. If the Market Value of the BPT Scheme substantially declines from its current funding level in relation to its assessed liabilities (which depends on, among other things: (i) the real returns that can be obtained on the assets; (ii) the longevity of the BPT Scheme's members; (iii) the rate of increase of salaries; (iv) discount rate assumptions; and (v) inflation) or if the trustees determine that the Group's financial position requires a different approach to contributions to the BPT Scheme and/or deficit reduction, the Group may be required to increase its contributions.

RISKS RELATING TO FINANCING

The Group has significant borrowings, the amount and terms of which may restrict its ability to engage in certain business activities and limit its financial and operational flexibility.

Without qualifying the statement made as to sufficiency of the Company's working capital, in the longer term, the Group is subject to the risk that it will be unable to generate sufficient cash flows, or be unable to obtain sufficient funding, to satisfy its obligations to service and/or refinance its indebtedness. As of 30 September 2018, the Group had £973.5 million in aggregate of interest-bearing loans and borrowings outstanding under its borrowing arrangements, including amounts outstanding under the Group's £720 million of committed banking facilities (the "**Core Debt Facilities**") due starting from 2020 onwards and the Group's £350 million 3.375 per cent. guaranteed secured notes due 2028 (the "**Notes**"). As a result, the Group must dedicate a substantial portion of its cash flow from operating activities to the payment of principal of, and interest on, its borrowings, thereby reducing the availability of such cash flow to fund working capital, acquisitions or other general corporate purposes. The amount of the Group's indebtedness could reduce its flexibility to respond to general adverse economic and industry conditions and could place the Group at a disadvantage compared to competitors with less indebtedness.

In addition, certain of the Group's borrowing arrangements contain covenants that require the Group to maintain certain specified financial ratios, including loan-to-value ratios and cash flow interest coverage ratios.

Moreover, the terms governing each of the Core Debt Facilities and the Notes contain covenants with limitations on the purchase of assets, as well as limitations on mergers, consolidation and the sale of substantially all of the Group's assets. These restrictive covenants may limit the Group's ability to finance its future operations and capital needs and its ability to pursue business opportunities. The Group's ability to meet its financial and other covenants can be affected by events beyond its control, and there can be no assurance and that the Group will meet them.

If breached, the representations and warranties, financial covenants and other covenants contained in the Group's borrowing arrangements could give rise to an event of default. Additionally, an event of default could be triggered under the terms of the Core Debt Facilities if an event or circumstance occurs or exists which has, or is reasonably likely to have, a material adverse effect on the Group's performance of the financial covenants or payment obligations under the Core Debt Facilities. An event of default under any one of the Group's borrowing arrangements (including derivatives) could lead the Group's creditors to cancel and accelerate the facility, which could, in turn, trigger cross-default or cross-acceleration provisions in certain of the Group's other debt instruments.

The Group has granted floating charge security over properties in connection with certain of its borrowing arrangements. As a result, after the occurrence of an event of default the relevant lenders may also be able to enforce their security over the relevant assets and to make a demand on any guarantees given in respect of the relevant borrowings.

The Group's interest costs could increase due to fluctuations in interest rates or due to a change in its credit rating.

The Group is exposed to financial market risks, including fluctuations in interest rates, which impact the Group's payments on unhedged borrowings and creates volatility in relation to its derivative contracts and losses from imperfect hedge correlations

The Group's interest rate risk arises from the risk of fluctuations in interest charges on floating rate borrowings. The Group's interest rate hedging strategy can result in volatility in the Group's net assets caused by marking to market these derivative contracts at each balance sheet date. This could have a material adverse effect on the Group's net asset value and income statement in the future. The Group may also be exposed to market interest rate risk on expiry of interest rate swaps, an inability to hedge or hedge on reasonable terms, or if hedge counterparties default.

The interest rate payable on the Notes is subject to an interest rate adjustment of 125 basis points in the event that Standard & Poor's Credit Market Services Europe Limited downgrades the rating of the Notes to lower than BBB–. The failure to maintain the rating of the Notes at or above BBB– could therefore significantly increase the Group's interest costs.

The costs of finance could increase or, in the longer term, financing could cease to be available on appropriate terms or at all.

The ability of the Group to operate its business depends in part on it being able to raise funds. A significant part of the Group's funding is generated organically through sales of real estate assets and rental income. Should a liquidity crisis such as that which occurred in late 2008 and early 2009 recur at a time when the Group needs to raise financing, the Group could be materially adversely affected. Moreover, an increase in the cost, or lack of availability, of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or the inability of a financing counterparty to honour pre-existing lending arrangements, or reasons specific to the Group) could impact both the Group's ability to progress investment opportunities necessary to deliver rates of return that meet investor expectations and the day-to-day financing (or refinancing) requirements of the Group's business over the longer term. In addition, adverse interest rate movements could lead to an increase in the cost of borrowing. An increase in the Group's loan-to-value ratios, for example as a result of reductions in property values, could also increase the cost of financing or restrict the Group's ability to arrange such financing or refinancing. Any increase in the cost of financing or any decrease in the availability of financing on reasonable terms could have a material adverse effect on the value of the Group's portfolio and its business, results of operations, financial condition or prospects.

New tax rules could result in the deductibility of finance costs being restricted when computing profits for UK corporation tax purposes

In April 2017, the UK government introduced new rules under which a company may be subject to restrictions on the deductions that it can obtain for interest and certain other financing costs when computing its profits for

UK corporation tax purposes. Whether these rules will apply to restrict such deductions in any given accounting period will depend on various factors including, amongst other things, the aggregate net interest expense of the relevant group companies which are within the charge to UK corporation tax and the relevant group's UK taxable profits for that period.

If these rules apply to restrict the deductions that can be obtained by the Company or any members of the Group, this could impact on the after-tax profits that may be available to be distributed to the Shareholders.

(B) RISKS RELATING TO THE ACQUISITION

The Enlarged Group may fail to realise the value paid for the Acquisition.

Currently, the Group owns a 24.9 per cent. share in GRIP and provides property and asset management services to the properties owned by GRIP on a third-party basis. Upon completion of the Acquisition, which is expected by the end of December 2018, the Group will acquire the remaining share capital of GRIP from APG and will become the 100 per cent. owner of GRIP in consideration for an aggregate purchase price of £396.2 million. There can be no assurance that the added value of acquiring the remaining share capital of GRIP will be equal to or exceed the consideration payable under the Acquisition Agreement with APG.

The Group may face unexpected difficulties in delivering the anticipated operating, management and administrative efficiencies in line with the Grainger Group's platform. Further, GRIP's portfolio of existing properties and pipeline of future investments may not generate the growth prospects that are currently anticipated. The expected benefits of the Acquisition, in particular anticipated administrative efficiencies and growth opportunities, may not be realised in full or at all, or may take longer to realise than anticipated.

Furthermore, the Acquisition has required, and will likely continue to require, substantial amounts of management's time and focus, which could adversely affect their ability to operate the Group's business. In addition, the Group may lose employees who are instrumental for the integration and further development of the combined business as well as tenants and suppliers.

The Group may be disadvantaged if the Acquisition does not complete.

Under the terms of the GRIP shareholders' agreement with APG, APG has a right to request partial or full liquidity from GRIP in January 2019 and at five-year intervals thereafter. The Grainger Group is obliged to propose a liquidation plan, either through the sale of assets or the sale of APG's shares, and, if approved by APG, to implement such plan within 12 months.

In the event that the Acquisition does not complete, the terms of the existing shareholders' agreement will remain in place. As a result, APG may decide to exercise its right to liquidate and, subject to Grainger's right of first refusal, may sell all or a portion of its stake in GRIP to a third party whose interests may compete or conflict with those of Grainger, which would increase the administrative burden of Grainger's investment in GRIP and may lead to a loss of intellectual property and trade secrets to a competitor. If APG sells its stake in GRIP, drag-along rights under the shareholders' agreement may obligate Grainger to also sell its existing stake, which would lead to a reduction in Grainger's access to GRIP's portfolio and investment pipeline in London and South East England, which Senior Management views as a critical strategic area. Any subsequent shareholder in GRIP may seek to terminate Grainger as GRIP's property manager and fund advisor, or may seek to renegotiate such service arrangements on terms less favourable to Grainger.

Grainger Shareholders will be exposed to a drag on earnings per share if the Acquisition does not complete.

In the event that the Rights Issue completes and Admission occurs but the Acquisition does not complete, Grainger will have an increased number of its shares in issue but without any associated increase in earnings from the Acquisition. In such circumstances, Shareholders will be exposed to lower earnings per share until such time as the Group returns the proceeds of the Rights Issue to Shareholders.

(C) RISKS RELATING TO LAW AND REGULATION

Potential liability for environmental and health and safety problems could result in substantial costs to the Group.

The Group, as owner or occupier of real property, is subject to a variety of laws and regulations concerning the protection of health, safety and the environment in each jurisdiction in which its owned or managed properties are located. In particular, a significant health and safety incident as a result of inadequate or inappropriately implemented procedures could result in legal action and/or subsequent reputational damage. Environmental laws and regulations can also impose liability for cleaning up contaminated land and buildings, watercourses or groundwater. UK legislation and regulations extend such liability to any person who causes or knowingly permits such contamination and, in some cases, present owners or occupiers. Moreover, environmental laws and regulations can impose strict liability, which could render the Group liable without regard to negligence or fault, and could expose the Group to liability for the conduct of, or conditions caused by, third parties, or for acts that were in compliance with all applicable laws at the time such acts were performed. Consequently, in the ordinary course of business, and in connection with past and future acquisitions, the Group (as owner or occupier of existing or future real property) could be, or could become, responsible for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or in a property, or that are migrating to, or have migrated from, a property owned or occupied by it.

The Group could also be exposed to the risk of third-party personal injury and/or property damage claims in connection with contamination. More stringent requirements for environmental protection could also be imposed by the relevant regulatory authorities, which could increase the Group's costs or delay planning permission for the Group's properties. The costs of any such required removal, investigation or remediation of such substances could be substantial regardless of whether the Group is found to be at fault. Moreover, the presence of such substances, or the failure to remedy the situation properly, could also adversely affect the value of the affected property or the Group's ability to sell, let, develop or borrow against it (as security).

There can be no assurance that costs related to any or all of such liabilities will not arise in relation to a number of Group-owned, Group-managed or joint-venture-owned properties.

Changes in legislation or regulation may adversely affect the Group's business, results of operations, financial condition or prospects.

The Group is required to comply with a wide range of legislation and regulation. Changes in the laws or regulations governing residential property, or in their interpretation or enforcement thereof, could adversely affect the Group's business, whether due to a significant decrease in the number of residential property transactions or otherwise. Increased tax or stamp duty land tax, changes to land tax policies, additional environmental or other obligations on homeowners, increased regulation of estate agencies, statutory caps on rent increases, or similar developments could also limit the Group's ability to increase rents, lead to a decrease in the volume and/or prices of transactions in the UK residential property market, or prevent the Group from realising certain of its strategic opportunities. Moreover, changes in legislation or regulation, including tax legislation, could require the Group to incur additional compliance costs or require the Group to change its operations or accounting and reporting systems.

The regulatory framework within which the Group operates is also subject to change and reinterpretation by governmental authorities. For example, following the 2017 Grenfell Tower tragedy, in which a fire consumed a 24-storey block of flats in London, the Interim Report of Dame Judith Hackitt stated that the "current regulatory system for ensuring fire safety in high-rise and complex buildings is not fit for purpose". As a result, management expects that a new fire safety regime will be issued once all relevant investigations and inquiries are concluded.

Any such changes or interpretations in legislation or regulation could result in significant compliance costs for the Group's business and divert management's time from the Group's core operations.

(D) RISKS RELATING TO THE RIGHTS ISSUE

The value of an investment in New Ordinary Shares may go down as well as up, and any fluctuations may be material and may not reflect the underlying asset value.

From time to time, publicly traded securities experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the New Ordinary Shares may prove to be highly volatile. The market price of the New Ordinary Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Group's control, including changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments, additions or departures of key personnel, any shortfall in revenues or net income or any increase in losses or decrease in profits from levels expected by securities analysts, future issues or sales of Ordinary Shares and fluctuations in the stock market price and volume. Any of these events could result in a material decline in the price of the New Ordinary Shares.

The market price for the New Ordinary Shares may decline below the Rights Issue Price.

There is no assurance that the public trading market price of the New Ordinary Shares will not decline below the Rights Issue Price. Should that occur, investors who sell their New Ordinary Shares will suffer an immediate loss as a result. Moreover, there can be no assurance that, following an investors acquisition of New Ordinary Shares, it will be able to sell the New Ordinary Shares at a price equal to or greater than the acquisition price of such New Ordinary Shares.

Shareholders who do not (or are not permitted to) acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company.

Upon completion of the Rights Issue, the New Ordinary Shares will represent approximately 31.8 per cent. of the Enlarged Share Capital (as defined elsewhere herein) immediately following completion of the Rights Issue. If, during the subscription period for the Rights Issue, Qualifying Shareholders do not (or are not permitted to) take up their entitlements under the Rights Issue, either because a Qualifying Shareholder is in a jurisdiction where participation is restricted for legal, regulatory and/or other reasons, or because a Qualifying Shareholder does not respond to the Rights Issue by 11.00 am (London time) on 17 December 2018 (the expected latest time and date for acceptance and payment in full for such Qualifying Shareholder's provisional allotment of New Ordinary Shares) and such Qualifying Shareholder's Nil Paid Rights to acquire New Ordinary Shares lapse, such Qualifying Shareholder's proportionate ownership and voting interests in the Company will be reduced by 31.8 per cent. and the percentage that their Ordinary Shares represent in the Enlarged Share Capital following the Rights Issue will be reduced accordingly. There can be no assurance that a sale by a Qualifying Shareholder of any of its unexercised Nil Paid Rights (or a sale on their behalf of such rights) will result in receipt of consideration sufficient to compensate such Qualifying Shareholder fully for the dilution of his or her percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Overseas Shareholders may not be able to acquire New Ordinary Shares in the Rights Issue or subscribe for future issues of Ordinary Shares.

The securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Qualifying Shareholders in the Rights Issue. In particular, holders of Ordinary Shares who are located in the United States may not be permitted to take up their entitlements under the Rights Issue unless an exemption from the registration requirements of the Securities Act is available. None of the securities offered in the Rights Issue will be registered in the United States under the Securities Act. The securities laws of certain other jurisdictions may also restrict the Company's ability to allow participation by Qualifying Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in, or who are resident in, or who are citizens of, countries other than the United Kingdom, should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Ordinary Shares, or otherwise participate in the Rights Issue.

Grainger may invest or spend the proceeds of the Rights Issue in ways with which Shareholders may not agree, including if the Acquisition fails to close.

Grainger may decide to use the net proceeds from the Rights Issue differently from its intention as of the date of this Prospectus, including as a result of a failure of the Acquisition to close by the long-stop date on 31 December 2018 or if the net proceeds from the Rights Issue exceed the actual costs of the Acquisition. Shareholders will not have the opportunity, as part of their investment decision, to assess whether such proceeds are used appropriately. Grainger's management may use such proceeds in ways with which Shareholders disagree, including investments that may not yield a return or that fail to enhance the price of the Ordinary Shares.

IMPORTANT INFORMATION

1. General

The Company accepts responsibility for the completeness and accuracy of the information contained in this Prospectus. To the best knowledge of the members of the Board, who have taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors should only rely on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, or the Banks. Neither the contents of the Company's or any other member of the Grainger Group's websites form part of this Prospectus. Without prejudice to any legal or regulatory obligations on the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and Prospectus Rule 3.4.1, neither the delivery of this Prospectus nor any sale made pursuant to it will, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Grainger Group taken as a whole since the date of this Prospectus or that the information in this Prospectus is correct as of any time after the date of this Prospectus.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Rights Issue, including the merits and risks involved.

Any reproduction, retransmission or other redistribution of this Prospectus, in whole or in part, under any circumstances and any disclosure of its contents or use of any information in this Prospectus for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this Prospectus, you agree with the foregoing. This agreement will be relied upon by the Company, the Banks and their respective affiliates and agents, as well as persons acting on their behalf.

The distribution of this Prospectus and/or the Provisional Allotment Letters into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession these documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of any such jurisdictions. In particular, such documents and any other offering or publicity material should not be distributed, forwarded or transmitted in, into or within, the United States or any other Restricted Territory.

Prospective investors must not treat the contents of this Prospectus as advice relating to any legal, financial, business, taxation, investment or other matter. Prospective investors must inform themselves as to: (i) the legal requirements within their own jurisdiction for the subscription for, purchase, holding, transfer, redemption or other disposal of Ordinary Shares; (ii) any foreign exchange restrictions applicable to the subscription for, purchase, holding, transfer, redemption or other disposal of Ordinary Shares which they may encounter; and (iii) the income and other tax consequences which may apply in their own jurisdictions as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to the legal, taxation, investment or other related matters concerning the Company and an investment therein. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE RIGHTS ISSUE OR HAS DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Recipients of this Prospectus acknowledge that: (i) they have not relied on the Banks or any person affiliated with the Banks in connection with any investigation of the accuracy of any information contained in this Prospectus, or their investment decision; and (ii) they have only relied on the information contained in this Prospectus, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or the Banks.

In connection with the Rights Issue, the Banks and any of their respective affiliates, acting as investors for their own accounts, may acquire Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or other related investments in connection with the Rights Issue or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by the Banks and any of their respective affiliates acting as investors for their own accounts. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this Prospectus or any Provisional Allotment Letter, if and when received, or other document to a jurisdiction outside the United Kingdom should read paragraph 7 of Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus.

The New Ordinary Shares are transferable, except in accordance with, and subject to, the restrictions relating to Overseas Shareholders set out in paragraph 7 of Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus. No action has been taken by the Company that would permit an offer of the New Ordinary Shares or possession or distribution of this Prospectus or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the United Kingdom. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

The New Ordinary Shares have not been, and will not be, registered under the relevant laws of any Restricted Territory and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the Restricted Territories, except pursuant to an applicable exemption from registration, and in compliance with, any applicable securities laws.

2. Presentation of financial information

Grainger

The audited consolidated financial statements of Grainger included in the 2016 Annual Report and Accounts as of, and for, the financial year ended 30 September 2016 (the "**2016 Grainger Financial Information**"), in the 2017 Annual Report and Accounts as of, and for, the financial year ended 30 September 2017 (the "**2017 Grainger Financial Information**"), and in the 2018 Annual Report and Accounts as of, and for, the financial year ended 30 September 2018 (the "**2018 Grainger Financial Information**" and, together with the 2016 Grainger Financial Information and the 2017 Grainger Financial Information, the "**Grainger Financial Information**"), together with the independent auditor's reports to the members of Grainger, are incorporated by reference into this Prospectus, as further detailed in Part VI ("*Grainger Historical Financial Information*").

The Grainger Financial Information was prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations and those parts of the Companies Act applicable to companies reporting under IFRS. The Grainger Financial Information incorporated by reference in this Prospectus has been audited by KPMG LLP of 15 Canada Square, Canary Wharf, London E14 5GL, member of the Institute of Chartered Accountants in England and Wales, independent auditor and reporting accountant, as stated in their reports incorporated by reference.

GRIP

GRIP Financial Information

Financial information relating to GRIP has been extracted without adjustment from GRIP's consolidated historical financial information and is set out in Part A of Part VII ("*GRIP Historical Financial Information*"). The accounting policies of Grainger have been applied to the consolidated historical financial information of GRIP set out in Part A of Part VII ("*GRIP Historical Financial Information*") on a consistent basis with the accounting policies adopted in the Grainger annual consolidated accounts for the year ended 30 September 2018.

The GRIP Financial Information was prepared in accordance with IFRS, IFRS interpretations and the Companies Act applicable to companies reporting under IFRS. The KPMG LLP accountant's report on the GRIP Financial Information is set out in Part B of Part VII ("*GRIP Historical Financial Information*").

Unaudited GRIP Interim Financial Information

The interim consolidated financial information relating to GRIP set out in Part C of Part VII ("*GRIP Historical Financial Information*") is unaudited and the Directors confirm that the accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those followed in the preparation of Grainger's annual consolidated accounts for the year ended 30 September 2018.

Presentation

Grainger and GRIP publish their financial statements in Pounds Sterling. The abbreviation "£m" represents millions of Pounds Sterling. All references to 'Pounds', 'Pounds Sterling', 'Sterling', '£', 'GBP', 'pence', 'penny' and 'p' are to the lawful currency of the United Kingdom.

The Grainger Financial Information, the GRIP Financial Information and the Unaudited GRIP Interim Financial Information presented in a number of tables and in a number of other places in this Prospectus has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

3. **International Financial Reporting Standards**

As required by the Companies Act and Article 4 of the European Union IAS Regulation, the Grainger Financial Information and the GRIP Financial Information are prepared in accordance with IFRS issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union. Parts of this Prospectus contain non-IFRS financial measures, which the Directors and Senior Management use to evaluate the performance and the Directors believe provide investors with meaningful, additional insight as to underlying performance of the Grainger Group's business. As the Grainger Group's definition of these non-IFRS measures may differ from those used by other companies and industries, presentation of these measures may not be comparable to other similarly-titled measures used by other companies.

Non-IFRS measures

Non-IFRS measures have been rounded to the nearest whole number or the nearest decimal. Certain percentages presented in the tables reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The non-IFRS measures contained in this Prospectus include:

Adjusted earnings

Adjusted earnings is defined as profit before tax and after finance and operating costs but before valuation movements on investment assets, derivatives and other adjustments that are considered to not form part of the normal ongoing revenue or costs of the business, which consist of:

- in 2018, costs in relation to the existing corporate bond redemption of £27.4 million, consisting of a £25.8 million gross prepayment cost and £1.6 million expense of unamortised costs and outstanding premium;
- in 2017, a provision for historical non-core businesses of £1.6 million and costs relating to the implementation of a strategic change in operations of £1.2 million; and
- in 2016, a £10.7 million profit from an investment in Prague, restructuring costs of £2.6 million, an additional provision of £1.3 million relating to the provision of a pension and BUPA medical cover to former employees of the Group and BPT Limited, and income of £0.8 million from a claim against a contractor.

Adjusted earnings is used as a measure to aid understanding of the performance of the Grainger Group's continuing business and as an indicator of the underlying growth in the Grainger Group's profits. A reconciliation of IFRS earnings to adjusted earnings is provided in paragraph 10 of Part V ("*Grainger Operating and Financial Review*").

Like-for-like rental growth

Like-for-like rental growth is defined as the difference between gross rental income from properties in operation during two consecutive periods as a percentage of the gross rental income from those properties in the earlier period. The calculation of like-for-like rental growth includes completed properties and excludes properties under refurbishment and properties that were acquired or disposed of in either of the comparative periods. The Directors use, and the Grainger Group presents, like-for-like rental growth on a proportional consolidated basis to reflect the underlying value and/or performance of the existing portfolio excluding changes in the portfolio (i.e., acquisitions and disposals, and developments) that have occurred between the periods.

Property operating costs (gross to net)

Property operating costs (gross to net) is defined as property operating expenses as a percentage of gross rental income.

The Group's property operating expenses are the Group's expenses relating to maintenance and servicing of its trading and investment properties. Property operating costs relate only to the costs directly associated with the generation of rental income and include costs associated with general repairs and maintenance, insurance, employment (relating to people employed in managing the properties) and the write-off of customer bad debts. They do not include general and administrative expenses associated with the Group's operations. Costs directly related to developing the portfolio are capitalised into the cost base of the asset being developed and therefore do not get expensed in the Group's income statement.

EPRA NAV and EPRA NNNAV

EPRA net asset value ("**EPRA NAV**") is 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.

EPRA triple net asset value ("**EPRA NNNAV**") is EPRA 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.

Both EPRA NAV and EPRA NNNAV are included in the performance measures for property companies issued by the European Public Real Estate Association ("**EPRA**") which are deemed to be of key importance to investors and which aim to encourage more consistent and widespread disclosure.

Total Return

Total return, also described as return on shareholder equity ("**ROSE**"), is calculated as the sum of (a) the difference between EPRA NNNAV per share at the beginning and end of the period and (b) the dividend per share relating to each respective year as a percentage of (c) EPRA NNNAV per share at the beginning of the period (i.e., total return equals (a + b) ÷ c). The Grainger Group uses total return as an indicator of the aggregate capital growth and income return to shareholders.

Net debt

Net debt is calculated by taking the total cash and cash equivalents net of client cash, less total current and non-current interest-bearing borrowings net of unamortised borrowing costs and capitalised premiums and or discounts as a result of issuance above/below par to show the net borrowing position at a point in time.

Cost of debt

Cost of debt is calculated as the weighted average cost of borrowings, comprising interest, amortisation of debt costs and excluding commitment fees, as a percentage of the total of current and non-current interest bearing borrowings at the period end. Cost of debt is used as an indicator of the cost effectiveness of the Grainger Group's financing.

LTV

Loan to value ("**LTV**") is the ratio of the Grainger Group's net debt to the Market Value of its properties plus the value of the Group's investments in joint ventures, associates and shares held in treasury on a consolidated basis. The Grainger Group uses LTV as the Directors believe it reflects the capital structure of the business. Moreover, various LTV measures (as defined in facility agreements) are used for monitoring and reporting on facility specific debt covenants.

4. **Presentation of KPIs and operating measures**

This Prospectus contains certain KPIs. These are used by the Directors and management to analyse the Group's business and financial performance and to track the Group's progress and help develop long-term strategic plans. The Directors and management regularly review these KPIs. The Directors and management consider that an understanding of these KPIs and the trends that may affect the Group's performance in future periods is important to investors and analysts.

Throughout this Prospectus, references are included to the Market Value or net asset value of properties within the Grainger and GRIP portfolios. This represents the Market Value placed on the portfolios for use in the audited financial statements of Grainger plc and GRIP REIT plc, and the basis of these valuations are set out in the financial statements of the respective entities. In certain circumstances, these may differ from the Market Value included in the RICS Red Book Valuations included in the Valuation Reports included in Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*") of the Prospectus. A full reconciliation is included in paragraph 9.5 of Part V ("*Grainger Operating and Financial Review*") of the Prospectus explaining the differences.

Where Vacant Possession Values are referred to in the body of this Prospectus, these values have been provided by Allsop LLP ("**Allsop**") and CBRE Limited ("**CBRE**") as part of their valuation for use in the Annual Report and Accounts. These values do not form part of the respective Valuation Reports included in this Prospectus.

5. **Management information**

The information contained in this Prospectus includes certain estimated statements. Unless otherwise stated, these statements are estimates of the Directors and management. While the Directors and management believe this information to be reliable, it has not been assessed or confirmed by independent sources.

6. **Rounding**

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments with figures rounded to the nearest whole number or nearest decimal point. Accordingly, in certain instances, the sum of the numbers in a column or row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

7. **No profit forecast**

No statement in this Prospectus is intended to be a profit forecast or to imply that the earnings of the Grainger Group for the current year or future years will necessarily match or exceed the historical or published earnings of the Grainger Group.

8. **Sourcing of information**

Certain information in this Prospectus has been sourced from third parties. Where information in this Prospectus has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this Prospectus which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware, and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Unless otherwise indicated, all sources for industry data and statistics are estimates or forecasts contained in or derived from internal or industry sources that the Company believes to be reliable. Market data used throughout this Prospectus was obtained from independent experts, independent industry publications and other publicly available information. Although the Company believes that these sources are reliable, it has not independently verified and does not guarantee the accuracy and completeness of this information.

Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this Prospectus should be viewed with caution and no representation or warranty is given by any person as to their accuracy.

9. **References to time**

Unless otherwise stated, all references to time in this Prospectus are to the time in London, United Kingdom.

10. **No incorporation of website information**

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Company's website have not been verified and do not form part of this Prospectus and investors should not rely on it, except where expressly incorporated by reference within paragraph 23 of Part XIII ("*Additional Information*") of this Prospectus.

11. **References to defined terms**

Certain terms used in this Prospectus, including certain capitalised terms and certain technical and other terms, are defined in Part XIV ("*Definitions and Interpretation*") of this Prospectus.

12. **Forward-looking statements**

Certain statements contained in this Prospectus, as well as in written and oral statements that the Company, its management and/or its directors may make from time to time in reports, filings, news releases, conferences, teleconferences, postings or otherwise are or may constitute "forward-looking statements". Such forward-looking statements include, without limitation, statements in relation to the Grainger Group's financial condition; results of operations; cash flows; dividends; financing plans; business strategies; operating efficiencies; budgets; capital and other expenditures; competitive positions; growth opportunities for existing products; plans and objectives of management and other matters and other statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Grainger Group, in the industries in which it operates, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, general economic and business conditions, changes in government relations or policy, competition and the other risks described in this Prospectus. Given these uncertainties, prospective investors and Shareholders are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements are stated as of the date of this Prospectus. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange, the FSMA or applicable law, the Company does not have any obligation to update or publicly revise any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the rules of the FCA, the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the London Stock Exchange or by law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Prospectus to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Any forward-looking statement contained in this Prospectus based on past or current trends and/or activities of the Grainger Group should not be taken as a representation that such trends or activities will continue in the future. These forward-looking statements are further qualified by the risk factors described in the "Risk Factors" section of this Prospectus. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statement made as to sufficiency of working capital on page 23 of this Prospectus.

13. **Notice to investors in the United States of America**

Subject to certain exceptions, neither this Prospectus nor the Provisional Allotment Letter constitutes, or will constitute, or forms part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or acquire, New Ordinary Shares, Nil Paid Rights and/or Fully Paid Rights to any Shareholder with a registered address in, or who is located or resident, in the United States. If you are in the United States, you may not exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Ordinary Shares offered hereby.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Shareholders in the United States reasonably believed to be QIBs, within the meaning of Rule 144A, in offerings exempt from, or in a transaction not subject to, the registration requirements under the Securities Act. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter and the New Ordinary Shares being offered outside the United States are being offered in reliance on Regulation S. If you are a QIB located in the United States, in order to exercise your Nil Paid Rights or Fully Paid Rights and/or acquire any New Ordinary Shares upon exercise thereof, you must sign and deliver an investor letter.

If you sign such an investor letter, you will be, amongst other things, representing that you and any account for which you are acquiring the New Ordinary Shares, the Nil Paid Rights, the Provisional Allotment Letter or the Fully Paid Rights are a QIB; and agreeing not to reoffer, sell, pledge or otherwise transfer the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters, except: (i) in an offshore transaction in accordance with Rule 904 of Regulation S (which, for the avoidance of doubt, includes a sale over the London Stock Exchange), and neither the seller nor any person acting on its behalf knows that the transaction has been pre-arranged with a buyer in the United States; (ii) to a QIB in a transaction in accordance with Rule 144A; (iii) with respect to the New Ordinary Shares only, pursuant to Rule 144 under the Securities Act ("**Rule 144**") (if available); or (iv) in another transaction pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and, in each case, in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

No representation has been, or will be, made by the Company or the Banks as to the availability of Rule 144 or any other exemption under the Securities Act or any applicable securities laws of any state or other jurisdiction of the United States for the reoffer, pledge or transfer of the New Ordinary Shares.

Any envelope containing a Provisional Allotment Letter and post-marked from the United States will not be valid unless it contains a duly executed investor letter in the appropriate form as described above; any Provisional Allotment Letter in which the exercising holder requests New Ordinary Shares to be issued in registered form and gives an address in the United States will not be valid unless it contains a duly executed investor letter.

The payment paid in respect of Provisional Allotment Letters that do not meet the foregoing criteria will be returned without interest.

Any person in the United States who obtains a copy of this Prospectus and who is not a QIB will be unable to purchase, or acquire, Nil Paid Rights, Fully Paid Rights and/or New Ordinary Shares and is required to disregard this Prospectus.

14. **Available information**

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any holder or beneficial holder of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such owner all notices of general Shareholders' meetings and other reports and communications that the Group generally makes available to Shareholders.

15. **Enforcement of civil liabilities**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates below is indicative only and may be subject to change without further notice.(1)

Announcement of the Acquisition and Rights Issue	14 November 2018
Publication and posting of this Prospectus, Notice of General Meeting and the Form of Proxy	14 November 2018
Latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments by Shareholders for the General Meeting	11.00 am on 28 November 2018
Record date for entitlement under the Rights Issue for Qualifying Shareholders	5.00 pm on 28 November 2018
General Meeting	11.00 am on 30 November 2018
Announcement of the results of the General Meeting	30 November 2018
Provisional Allotment Letters despatched (to Qualifying Non-CREST Shareholders only)(2)	30 November 2018
Special Dealing Service open for applications	30 November 2018
Admission of the New Ordinary Shares	8.00 am on 3 December 2018
Dealings in the New Ordinary Shares, nil paid, commence on the London Stock Exchange	8.00 am on 3 December 2018
Ex-entitlement date for the Rights Issue	8.00 am on 3 December 2018
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)(2)	as soon as practicable after 8.00 am on 3 December 2018
Nil Paid Rights and Fully Paid Rights enabled in CREST(2)	as soon as practicable after 8.00 am on 3 December 2018
Latest time and date for receipt of instructions under Special Dealing Service in respect of Cashless Take-up or disposal of Nil Paid Rights	11.00 am on 11 December 2018
Recommended latest time and date for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 pm on 11 December 2018
Latest time and date for depositing Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights or Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 pm on 12 December 2018
Dealings carried out in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service	13 December 2018
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 pm on 13 December 2018
Settlement of dealings in relation to Cashless Take-up or disposal of Nil Paid Rights under Special Dealing Service	14 December 2018
Despatch of Cheques in relation to proceeds of disposal of Nil Paid Rights under Special Dealing Service	17 December 2018
Latest time and date for acceptance, payment in full and registration of renounced Provisional Allotment Letters	11.00 am on 17 December 2018

Result of Rights Issue to be announced through a Regulatory Information Service	by 8.00 am on 18 December 2018
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	8.00 am on 18 December 2018
New Ordinary Shares credited to CREST stock accounts (uncertificated holders only)	as soon as possible after 8.00 am on 18 December 2018
Settlement in respect of rump shares	20 December 2018
Expected date of completion of the Acquisition	21 December 2018
Expected date of despatch of definitive share certificates for New Ordinary Shares to be held in certificated form	by no later than 3 January 2019

Notes:

(1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus may be adjusted by Grainger in consultation with the Banks in which event details of the new times and dates will be notified to the UKLA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.

(2) Subject to certain restrictions relating to Qualifying Shareholders with registered addresses outside the United Kingdom, details of which are set out in paragraph 7 of Part III ("Terms and Conditions of the Rights Issue") of this Prospectus.

(3) References to times in this Prospectus are to London time.

(4) If you have any queries on the procedure for acceptance and payment or on the procedure for splitting Provisional Allotment Letters you should contact Link Asset Services between 9.00 am and 5.30 pm (London time) Monday to Friday (excluding public holidays in England and Wales) on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

RIGHTS ISSUE STATISTICS

Rights Issue Price per New Ordinary Share	178.0 pence
Basis of Rights Issue	7 New Ordinary Shares for every 15 Existing Ordinary Shares
Number of New Ordinary Shares in issue at the Latest Practicable Date	417,319,100
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue(1)	194,748,913
Number of Ordinary Shares in issue immediately following completion of the Rights Issue(1)	612,068,013
New Ordinary Shares as a percentage of the Company's enlarged issued share capital immediately following completion of the Rights Issue	31.8%
Estimated net proceeds receivable by the Company, after deduction of estimated commissions, fees and expenses in respect of the Rights Issue and Acquisition(2)	£331.6 million

Notes:

(1) On the assumption that no further Ordinary Shares are issued from the date of this Prospectus until completion of the Rights Issue other than the New Ordinary Shares. The actual number of New Ordinary Shares to be issued under the Rights Issue will be subject to rounding to eliminate fractions.

(2) Based on the maximum number of New Ordinary Shares being issued under the Rights Issue.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Mark Clare (*Non-Executive Chairman*) Helen Gordon (*Chief Executive*) Vanessa Simms (*Chief Financial Officer*) Tony Wray (*Non-Executive Director*) Andrew Carr-Locke (*Non-Executive Director*) Rob Wilkinson (*Non-Executive Director*) Justin Read (*Non-Executive Director*)

The business address of each of the Grainger Directors is the registered office of the Company.

Company Secretary	Adam McGhin
Registered Office	Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Website	www.graingerplc.co.uk

Advisers and others

Sponsor, bookrunner and underwriter to the Company	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Lead financial adviser, bookrunner and underwriter to the Company	**J.P. Morgan Cazenove** 25 Bank Street Canary Wharf London E14 5JP
Legal adviser to the Company in connection with the Rights Issue and Acquisition (as to English and US law)	**Hogan Lovells International LLP** Atlantic House Holborn Viaduct London EC1A 2FG
Legal adviser to the Banks in connection with the Rights Issue and Acquisition (as to English and US law)	**Freshfields Bruckhaus Deringer LLP** 65 Fleet Street London EC4Y 1HS
Independent Auditor and Reporting Accountant to Grainger	**KPMG LLP** 15 Canada Square Canary Wharf London E14 5GL
Reporting Accountant to Grainger in respect of GRIP	**KPMG LLP** 15 Canada Square Canary Wharf London E14 5GL
Registrars and Receiving Agent	**Link Asset Services** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

MARKET OVERVIEW

Grainger operates in the residential real estate market in the United Kingdom.

Overview

Grainger's focus on the PRS is supported by strong growth in demand for renting. Since 2008, the PRS has been the fastest growing housing tenure in the United Kingdom. It is now the second most common housing tenure at 20 per cent. of the English housing market (4.7 million households), a doubling since 2002 (*Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018)*). Home ownership in the United Kingdom has been in decline since 2003 and now stands at 63 per cent. from its peak of 71 per cent. in 2003.

Forecasts by PwC suggest continued growth in the PRS with the sector estimated to grow to 7.2 million households by 2025 (*Source: PwC, UK Economic Outlook (July 2015)*).

Growth in the PRS market has been seen across all age groups, with the fastest growth seen in the 25–34 age group. However, 56 per cent. of all PRS households are made up of individuals over the age of 35, while 38 per cent. of all PRS households are families with dependent children (*Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018)*).

This growth in demand for renting is coupled with constrained supply. Estimates by the BPF suggest that the supply of purpose-built PRS homes, as at Q3 2018, is only 131,855.

The current PRS market is dominated by small, private landlords (also referred to as buy-to-let landlords), with 98 per cent. of these landlords holding portfolios of less than 10 properties (*Source: House of Commons Library (Alex Bate), Building the new private rented sector: issues and prospects (England), 19 June 2017; Shelter/YouGov Survey of Private Landlords, February 2016*).

Recent changes to the tax system and by the Bank of England on buy-to-let lending requirements have resulted in a reduction of PRS homes being provided by the buy-to-let market, with 20 per cent. of buy-to-let landlords intending to reduce their portfolios in the next year (*Source: National Landlord Association, "20% of landlords plan on selling up", 11 January 2018*).

Whilst these recent policy changes have been disadvantageous to the small, buy-to-let landlord sector they have encouraged investment in the PRS (and Build to Rent) market by large-scale investors and operators. Since 2012, £4.5 billion of government support has been allocated to the Build to Rent sector and changes have been made in the planning system to enable greater number of Build to Rent developments to take place (*Source: Housing White Paper, National Planning Policy Framework, London Supplementary Planning Guidance*).

UK residential real estate market

The UK residential real estate market has been characterised by strong capital growth over the last 50 years and reliable recovery following occasional periods of price correction. Since the 2008 financial crisis, UK house prices have grown, on average, by three per cent. each year. This growth is very location specific and has ranged from annualised growth of one per cent. in Northern regions to annualised growth of six per cent. in London during this period (*Source: ONS and Land Registry House Price Index—October 2018 release*).

The strong growth in prices has been driven by an imbalance between demand and supply in the United Kingdom. The UK population has grown steadily for several years and is forecast to continue to grow; over the next 10 years, the population is forecast to reach 69.5 million, a 3.5 million increase from mid-2017 at a CAGR of 0.5 per cent. (*Source: ONS, 2016-based National Population Projections, October 2017*). In the last decade, the average household size in the UK has not changed and housebuilding in the United Kingdom has failed to keep up with the increased demand. The UK government set a housebuilding target of 300,000 homes annually to keep up with population growth and to compensate for years of under-supply (*Source: MHCLG, Fixing Our Broken Housing Market February 2017; Homes England Strategic Plan 2018/19–2022/23*). In contrast, over the last five years England alone has built, on average, 168,000 homes each year (*Source: MHCLG, Net Additional Dwellings, November 2017 release*).

The low interest rate environment following the 2008 financial crisis, and the availability of historically cheap mortgages also supported price growth. Lower credit costs have meant that buyers, meeting the lending requirements, have been able to transact at higher prices.

Growth in housing prices, at a median of 7 per cent. per annum since 1997, has been significantly ahead of household income growth, whereas earnings growth has averaged 3 per cent. per year since 1997, which has contributed to a decline in homeownership (*Source: ONS, Housing Affordability in England and Wales 1997–2016, March 2017*).

Since its peak in 2003, where 71 per cent. of households owned their homes, homeownership has been steadily reducing in England. It is now estimated that just 63 per cent. of households are homeowners, the lowest proportion recorded since 1985. In contrast, the PRS has seen rapid growth during the same period, rising from 11 per cent. of households in 2004 to 20 per cent. in 2017, the highest proportion recorded since comparable records began. The largest growth in the PRS has been recorded amongst those aged under 35, with around half now living in the sector, up from 27 per cent. in 2007. However, growth has also been recorded across all other age groups, with 56 per cent. of the PRS market comprised of individuals over the age of 35, as compared to 54 per cent. in 2008 (*Source: MHCLG, English Housing Survey 2016/17).*

Affordability issues have been the key driver of growth in the PRS. High house prices and stricter mortgage underwriting requirements from banks (deposit and income affordability requirements) have left potential buyers facing large barriers to home ownership. Nationwide estimates that it would take around eight years for a typical buyer to save a deposit on the average house (*Source: Nationwide House Price Index, December 2017*).

Additionally, there is evidence that growth in the PRS is not just affordability driven, with changing attitudes to home ownership also a factor. Knight Frank estimates that 37 per cent. of renters are in the sector through choice rather than affordability issues, with many wanting the flexibility and lower responsibility requirements renting brings (*Source: Knight Frank, Multihousing 2017*).

With affordability pressures likely to remain in the housing market and people spending longer renting, the private rented sector is set to grow further. PwC estimates that by 2025, 25 per cent. of UK households (7.2 million households) will live within the PRS (*Source: PwC, The Continuing Rise of Generation Rent, 2015*).

Not only is the PRS growing, but it is also changing. Currently, the supply of rental homes in the United Kingdom is dominated by small individual buy-to-let landlords; it is estimated that only two per cent. of existing landlords have portfolios of ten or more rental homes (*Source: Shelter/YouGov—Survey of Private Landlords, February 2016*). However, as the rental sector becomes an increasingly important player in the national housing market, the Government has become increasingly supportive of encouraging institutional Build to Rent investors to invest in the sector to help professionalise it.

Build to Rent developments are characterised as purpose-built schemes designed specifically for renting. Unlike other rental homes, particularly blocks of flats, the entire scheme is operated under unified ownership and management. Build to Rent aims to provide renters with a better service offering than existing rental homes currently do. This includes developing better quality homes, offering longer tenancy agreements, providing on-site amenities (such as gyms, concierges and guest rooms for example) and placemaking to encourage a sense of community.

Since the Government's review of "Barriers to Institutional Investment in the Private Rented Sector" in 2012, it has proposed and implemented new policies to increase Build to Rent activity in the United Kingdom. This includes the creation of a £1 billion Build to Rent fund, a £3.5 billion PRS Housing Guarantee Scheme and changes to the National Planning Policy Framework to make it easier for Build to Rent investors to develop new homes (*Source: DCLG, Fixing Our Broken Housing Market, February 2017*).

The Government also made several policy changes to curb the growth of buy-to-let landlords in the PRS. Punitive tax changes such as additional stamp duty costs on buy-to-let investments and the removal of mortgage interest tax relief, have made new buy-to-let investments for many unviable. These changes have had a significant impact on the sector, as evidenced by the reduction in the number of new buy-to-let mortgages taken out in 2017, which was 26 per cent. lower than the previous year (*Source: UK Finance, Mortgage Trends Update, February 2018*).

The underlying fundamentals of the PRS and Government support for Build to Rent has made the sector attractive to many institutional investors. It is estimated that £25 billion has been committed to the sector and that by 2020, this will grow to £50 billion (*Source: LSH, Build to Rent—Reaching Out To The Regions, 2017*).

UK Tenancies

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 and most lettings after that date are either assured or assured shorthold tenancies. The table below sets out some of the key features of Grainger's residential tenancies:

	Assured Shorthold	**Assured/Assured Periodic**	**Regulated**	**Life (including the CHARM Portfolio)**
% of Residential Portfolio as at 30 September 2018	34.9%	5.8%	37.8%	8.9%
UK Primary Legislation Regulation	Housing Act 1988	Housing Act 1988	Rent Act 1977	FSMA 2000
Security of Tenure (Tenancy Length)	Fixed term tenancy: typically 6–12 months but Grainger's new Build to Rent schemes also offer three year tenancies.	Periodic tenancy: Week-to-Week or Month-to-Month basis. Fixed-term tenancy: 12–18 months	Lifetime tenancy	
Rent Setting	Market rent	Market rent	'Fair Rent' set by Valuation Office Agency Rent Officer	No Rent(1)
Rent Increases	At specified rent review periods set out in contract or at renewals	Rent review clause	'Fair Rent' increase every two years and set by Valuation Office Agency Rent Officer	—
Responsibility for maintenance	Landlord	Landlord	Landlord	Tenant
Eviction Rights	Landlord may take possession, for any reason after the later of (i) six months after the beginning of tenancy or (ii) the end of the fixed term, upon two months' notice.	Court order required to evict. Landlord must provide legal reason to evict.	Court order required to evict. Landlord must provide legal reason to evict.	
Other characteristics	Most new tenancies are automatically assured shorthold tenancies, and this is now the most common form of tenancy.	Tenant has the right to renew tenancy.	Family members or cohabitee may have succession rights in event of regulated tenant death. No new regulated tenancies have been created since 1989.	Tenant transfers ownership in return for cash lump sum and rent-free occupation.

(1) Grainger receives interest and other payments from the CHARM Portfolio. For further details see paragraph 2.1(d) of Part A of Part IV ("*Information on the Company, GRIP and the Enlarged Group*").

REGULATION

1. Residential Tenancies in England and Wales

(a) Background

The legislation governing residential tenancies in England and in Wales includes the Rent Act 1977 (as amended) (the "**Rent Act**"), the Landlord and Tenant Act 1985 and the Housing Act 1988 (as amended) (the "**Housing Act**"). The legislation provides differing levels of protection for each of regulated, statutory and assured shorthold tenancies on a number of matters, including in relation to the tenant's ability to remain in the property on expiry of the tenancy ("**security of tenure**"), the landlord's ability to terminate the tenancy, rent increases, succession rights and repair and maintenance obligations. The Group's portfolio of properties includes properties which are subject to regulated tenancies, statutory tenancies, assured tenancies and assured shorthold tenancies.

Regulated and statutory tenancies

Subject to certain exceptions (including, for example, lettings with resident landlords), most residential tenancies entered into prior to 15 January 1989 are regulated tenancies governed by the Rent Act. No new regulated tenancies have been created since 15 January 1989. At the end of the contractual term of a regulated tenancy, it is automatically converted into a statutory tenancy on the same terms as those which applied pursuant to the regulated tenancy, provided that the tenant occupies the dwelling as his or her only or primary residence.

Assured tenancies

Provided that certain criteria were satisfied, tenancies entered into between 15 January 1989 and 28 February 1997 were automatically assured tenancies unless a special procedure was followed to set up an assured shorthold tenancy. The criteria to be satisfied are set out in the Housing Act and include, amongst other things, that the tenant (or at least one of the joint tenants) must occupy the dwelling as his or her only or principal home. Tenancies which started on or after 28 February 1997 will only be assured tenancies if the landlord served a notice before the beginning of the tenancy or included a simple declaration in the tenancy agreement to this effect, or if the landlord subsequently serves notice to this effect. An assured tenancy may be granted for a fixed term or may be a contractual periodic tenancy (which runs indefinitely from one rent period to the next). At the end of the contractual term of a fixed term assured tenancy, the tenancy is automatically converted into a statutory periodic tenancy, which runs from one rent period to the next on the same terms as the preceding fixed term assured tenancy.

Assured shorthold tenancies

Subject to a few exceptions (for example, where the annual rent is more than £100,000), any assured tenancy entered into after 28 February 1997 is automatically deemed to be an assured shorthold tenancy unless the agreement specifies otherwise or there is a notice served by the landlord (at the outset of the tenancy or at any time subsequently) stating that the agreement is to be an assured non-shorthold tenancy. As with assured tenancies, an assured shorthold tenancy may be granted for a fixed term or may be a contractual periodic tenancy (which runs indefinitely from one rent period to the next). At the end of the contractual term of a fixed term assured shorthold tenancy, the tenancy is automatically converted into a statutory periodic tenancy, which runs from one rent period to the next on the same terms as the preceding fixed term assured shorthold tenancy.

(b) Security of tenure and termination

Regulated and statutory tenancies

At the end of the contractual term of a regulated tenancy, the tenancy is automatically converted into a "statutory tenancy", so long as the tenant occupies the dwelling as his or her only or primary residence.

To recover possession, the landlord must obtain a court order, which will only be granted if the landlord is able to establish one or more of the grounds for possession set out in the Rent Act. The grounds for possession include both mandatory and discretionary grounds. If the landlord can prove that a mandatory ground exists, the court must grant an order for possession subject to any defence available under the Human Rights Act 1998 (the "**Human Rights Act**"). If the landlord can prove that a discretionary ground exists, the court will only make an order if it also considers it reasonable to do so. Mandatory grounds include, amongst others, where the landlord requires the property for his or her own occupation upon retirement, where the property is let for a term of eight months or less (it having previously been used for a holiday-let), where the property is required by a minister of religion, where the property is required by a person employed by the landlord in agriculture, and where the property is required as a residence for the landlord (who must have been a member of the armed forces when the property was acquired and on the date the regulated tenancy was granted). In most cases, the landlord must also show that it served notice on the tenant prior to the commencement of the tenancy, warning the tenant that the landlord may seek possession on one of the mandatory grounds.

Discretionary grounds include, amongst others, non-payment of rent or breach of covenant, nuisance or use of the property for illegal or immoral purposes, waste or neglect by the tenant leading to a deterioration in the condition of the property, damage to furniture due to ill-treatment by the tenant, an unauthorised assignment or sub-letting, a sub-letting by the tenant at a rent greater than the fair rent, where occupation is required for the landlord or a relevant family member, where the property is reasonably required by the landlord for occupation by a full-time employee, and where the landlord would suffer serious prejudice because he or she has sold or re-let the property on the strength of the tenant having served a notice to quit.

A tenant under a regulated tenancy is able to terminate the tenancy by giving notice to the landlord in accordance with the tenancy agreement. A tenant under a statutory tenancy must give the same amount of notice as would have been required under the preceding regulated tenancy. If no notice would have been required, the statutory tenant must give at least three months' notice.

Assured tenancies

The landlord of an assured tenancy is only able to regain possession of the property if it can prove that certain circumstances exist, otherwise the tenant has the right to remain in the property.

With regards to fixed term tenancies, the landlord has the right to regain possession during the fixed term if it can prove that certain grounds exist and the tenancy agreement makes provision for it to be terminated on one of these grounds. These grounds include both mandatory grounds (where a court must make an order for possession subject to any defence available under the Human Rights Act) and discretionary grounds (where the court may make an order for possession if it considers it reasonable to do so). Mandatory grounds include where a mortgage was granted before the commencement of the tenancy and the mortgagee requires possession in order to exercise a power of sale (although note that the landlord must have notified the tenant in writing before the tenancy started that it might seek possession on this ground), and where the rent remains unpaid for a certain period of time. Discretionary grounds include, for example, non-payment of rent, persistent late payment of rent, breach of the tenant covenants in the tenancy agreement, the deterioration in the condition of the property/ common parts due to the waste or neglect of the tenant, the tenant causing a nuisance or using the property for illegal or immoral purposes and deterioration in the condition of the furniture due to ill-treatment by the tenant.

In the case of a contractual periodic tenancy, or where a fixed term tenancy has lapsed into a statutory periodic tenancy, again the landlord may regain possession only if it can prove that certain grounds exist. These include the grounds described above, in addition to a number of other mandatory and discretionary grounds. Mandatory grounds include where the landlord requires the property as his or her principal home, where the property is required by a minister of religion, where the landlord intends to demolish/reconstruct/carry out substantial works to the property and where the tenancy has devolved under the will of a former tenant during the previous 12 months. Discretionary grounds include where suitable alternative accommodation is available for the tenant.

Assured shorthold tenancies

An assured shorthold tenant has the right to remain in the property for the longer of (i) the fixed term of the tenancy or (ii) for six months (if the fixed term is less than six months or it is a contractual periodic tenancy). At the end of this period the landlord has the automatic right to regain possession by serving two months' notice on the tenant. Following expiry of the notice, the tenant should leave voluntarily, but if it does not do so, the landlord can apply to the court and obtain an order for possession, which will be granted subject to any defence available under the Human Rights Act provided that the landlord has complied with the requirement to serve two months' notice. There are further defences available if a deposit was taken at the start of the tenancy and that deposit was not registered, or if requisite statutory information has not been provided to the tenant within a set timescale.

In the case of fixed term tenancies, if the landlord wishes to regain possession during the fixed term, it may only do so if it can prove that certain grounds exist and the tenancy agreement makes provision for it to be terminated on one of these grounds. These are the same grounds which apply to the termination of an assured tenancy during the fixed term, as described above.

In the case of a contractual periodic tenancy, if the landlord wishes to regain possession during the first six months, again it must be able to prove that certain grounds exist. These are the same grounds which apply to the termination of a contractual periodic assured tenancy, as described above.

(c) Rent

Regulated and statutory tenancies

The Rent Act established a system for registering "fair rents" for dwelling-houses. Once a fair rent has been registered, it becomes the maximum amount chargeable under any regulated or statutory tenancy of that property. If the fair rent is registered after the tenancy was granted, the fair rent is the maximum amount that will be payable, even if the tenancy agreement provides for a higher rent.

The rent is assessed by a rent officer (an official with the Valuation Office Agency) in accordance with the criteria set out in the Rent Act, which state that the rent officer is to have regard to all the circumstances (other than personal circumstances), in particular to any premium paid, the age, character, locality and state of repair of the property, and the quantity, quality and condition of any furniture provided under the tenancy. The fair rent determined by the rent officer may be lower than the market rent, as he or she will assume that there is no shortage of properties available to rent in the area. The fair rent includes any sums payable by the tenant to the landlord in respect of council tax, for use of furniture, or for services.

Either the landlord or the tenant can apply to the rent officer for a rent to be registered, following which the fair rent applies until either party applies for a reassessment. Any rent increase is capped at the percentage change in RPI since the rent was last registered plus a percentage prescribed by law (currently 5 per cent.). The landlord can apply one year and nine months after the effective date of the last registration, but the new registered rent will not become effective until a two year period has passed since the previous assessment. An application can be made at any time if it is made jointly by the landlord and the tenant, or if there has been a change of circumstances which mean that the old rent is no longer fair. It is possible for the rent officer to determine a rent decrease as well as a rent increase.

Assured tenancies and assured shorthold tenancies

There is no statutory control over the amount of rent that a landlord can charge for properties subject to assured tenancies or assured shorthold tenancies, meaning a landlord can charge a full market rent, though a tenancy with a rent of more than £100,000 will not be an assured shorthold tenancy but will be a contractual tenancy (which is not affected by the statutory regulations referred to here). Where an assured tenancy or an assured shorthold tenancy has a substantive rent, the tenancy agreement is likely to set out any rent review provisions which will determine the position relating to rent increases. With regards to assured shorthold tenancies only, if the tenant considers that the rent being charged is significantly higher than that paid by comparable tenants, the tenant has the right to apply to the First-tier Tribunal Property Chamber (Residential Property) within the first six months of the term for a determination of the rent which the landlord might reasonably be expected to obtain under the assured shorthold tenancy. The First-tier Tribunal Property Chamber (Residential Property) can only make a determination if there are sufficient comparables in the area. If a rent is determined, that rent will be the maximum chargeable throughout the remainder of the fixed term.

With regards to fixed term tenancies, if the tenancy agreement is silent as to whether the rent will be reviewed during the fixed term, the landlord must wait until the end of the term before increasing the rent, unless the tenant agrees otherwise. Once the fixed term has expired, the landlord can increase the rent if the tenant agrees. Alternatively, the landlord can use the formal procedure set out in the Housing Act to propose a rent increase to be payable as soon as the fixed term tenancy lapses into a statutory periodic tenancy. In doing so, the landlord must serve a notice on the tenant as to the proposed rent in a prescribed form. The determination of a rent increase can be referred to the First-tier Tribunal Property Chamber (Residential Property) for arbitration if both parties cannot agree on the new rent. The First-tier Tribunal Property Chamber (Residential Property) is specifically directed to determine the rent at which the premises might reasonably be let in the open market. As a market rent may be charged, there is scope for both rent increases and rent decreases following the assessment.

With regards to contractual periodic tenancies, if the tenancy agreement is silent as to whether the rent will be reviewed then, unless the tenant otherwise agrees, the landlord must follow the formal procedure set out in the Housing Act to propose a rent increase to be payable from a year after the tenancy began.

(d) Succession

Regulated and statutory tenancies

Upon the death of a regulated or statutory tenant, the tenant's spouse or civil partner (if, in respect of each, both are living in the property immediately before the death of the regulated or statutory tenant) or a person living with the tenant as his or her husband or wife or civil partner will become the statutory tenant of the property. If there is no such person, but a person who was a member of the tenant's family and was living with the tenant at the time of death and for two years immediately beforehand, then that person is entitled to an assured tenancy (not a statutory tenancy) of the property by succession.

Where the tenant's successor dies, and there is a person who (i) was a member of the original tenant's family immediately before the original tenant's death and (ii) was a member of the tenant's successor's family immediately before the tenant's successor's death and (iii) was living in the property with the tenant's successor at the time of, and for the period of two years immediately before, the tenant's successor's death, then that person is entitled to an assured tenancy of the property by succession.

Assured tenancies and assured shorthold tenancies

If a tenant dies and the tenancy is a joint tenancy, the remaining joint tenant or tenants have an automatic right to stay in the property.

If the tenant was a sole tenant, the right to succession depends on whether the tenant had a fixed term tenancy or a periodic tenancy. A tenancy agreement can grant additional rights of succession which go beyond those set out in statute.

In the case of a fixed term tenancy, if the fixed term has not expired, the tenancy is passed to whoever the tenant specified in his or her will and if the beneficiary takes up residence before the expiry of the term, that beneficiary will become an assured tenant, entitled to a statutory periodic tenancy. If it was a contractual periodic tenancy or a statutory periodic tenancy, the tenant's husband or wife (or a person living with the tenant as husband or wife) has an automatic right to succeed to a periodic tenancy if he or she was living with the tenant at the time of the tenant's death, unless the tenant who died was already a successor themselves. Only one succession is allowed.

(e) Repair and maintenance obligations

For regulated, statutory/assured and assured shorthold tenancies granted on or after 24 October 1961 for terms of less than seven years, responsibility for repair and maintenance is governed by the provisions of the Landlord and Tenant Act 1985. Under section 11 of the Landlord and Tenant Act 1985, the landlord must keep in repair the structure and exterior (including drains, gutters and external pipes) of the dwelling house (and, if the property forms part of a larger building in which the landlord has an interest, the repairing obligation also extends to the structure and exterior of that part of the building). The landlord must also keep in repair and proper working order the installations in the dwelling house for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity), space heating and heating water (and if the property forms part of a larger building, the landlord must also keep in repair and proper working order any installation which directly or indirectly serves the property and which is under the landlord's control or forms part of the larger building in which the landlord has an interest). Note, however, that the landlord is not liable to repair damage caused by the tenant failing to use the premises in a tenant-like manner.

(f) Energy Performance Certificate and Recommendation Report

An Energy Performance Certificate ("**EPC**") is a certificate which contains information about the energy efficiency of a building. It is prepared in conjunction with a recommendation report, which contains suggestions for improving the building's energy performance. An EPC is generally valid for 10 years from the date of issue, although a valid EPC will be revoked if a new one is issued for the building. According to the Energy Performance of Buildings (England and Wales) Regulations 2012 and the Building Regulations 2010 (both as amended by the Energy Performance of Buildings (England and Wales) etc. (Amendment) Regulations 2013) a seller or landlord must make an EPC and recommendation report available free of charge to prospective buyers and tenants whenever a building (commercial or residential) is constructed, sold or rented out. The requirements for EPCs are more complicated in relation to flats, multi-let and mixed use properties (for example, in relation to flats, every dwelling must have its own EPC). There is no obligation to provide an existing occupier with an EPC or a recommendation report. Where a tenant sells its leasehold interest to a third party, it is the tenant's responsibility to provide the EPC to the buyer. There are fines ranging from £200 to £5,000 per offence for failing to comply with the legislation relating to EPCs.

*(g) The UK Minimum Energy Efficiency Standards ("**MEES**")*

MEES is aimed at reducing the carbon footprint of commercial and privately rented buildings across the United Kingdom by improving their energy efficiency.

MEES will require that all applicable properties must have an energy efficiency band rating of "E" or above.

From 1 April 2018 the grant of new tenancies (including renewals or extensions) of existing tenancies of properties which have an energy efficiency rating below E will be prohibited. A statutory periodic tenancy which arises after the end of a fixed term assured shorthold tenancy is classed as a new tenancy.

Furthermore, from 1 April 2020, where a domestic property's rating falls below this minimum rating the continued letting of domestic properties will be prohibited.

Penalties will be enforced by local authorities and determined by reference to the duration of the breach. Penalties for domestic property will be up to £4,000 and for commercial property could be up to £150,000.

MEES and Assured Tenancies and Assured Shorthold Tenancies

Where an assured tenancy (whether shorthold or not) is granted on or after 1 April 2018, or such a tenancy continues at any time after 1st April 2020, then the minimum E rating is required. If this is not achieved landlords will be prohibited from letting substandard properties (unless an exemption applies).

As from 1 April 2020 MEES will apply to ongoing assured tenancies in existence on or after that date, as well, of course, as any new assured tenancies granted after that date.

Regulated Tenancies

It has not been possible to grant new regulated tenancies since 15 January 1989, well before EPCs were first introduced. The only exception is where there is the grant of a new tenancy to an existing Rent Act protected tenant, whether of the same or a different property owned by the same landlord. In practice, it is only likely that these properties will be subject to the Regulations where an EPC has been obtained when the property was sold (or modified). As they are often unimproved it is quite possible that Rent Act tenancies will have an F or G rating.

After 1 April 2018 if an existing statutory tenant dies then a new tenancy, an assured tenancy by succession, will be automatically granted to a family member living with the deceased (so long as they have lived with him or her at least two years before his or her death). This could potentially trigger the regulations but only if there was an existing EPC which was legally required and remains valid, normally because the property has previously been sold (subject to the sitting tenancy). The landlord can then register a temporary exemption for six months but within this time must carry out the necessary improvement works to meet the minimum E rating, unless another exemption is applicable and is registered. On the other hand, if the existing statutory tenant dies leaving a spouse or partner then there is a transmission of the existing statutory tenancy to that spouse or partner. This is not the grant of a new tenancy, so no question of compliance arises at that point.

From 1 April 2020 onwards if the property has been required to have an EPC, e.g. due to a sale, then the Regulations will apply if the property has an F or G rating. Energy efficiency improvements must then be carried out to bring the property up to a minimum E unless an exemption applies and is registered by the landlord.

2. **Financial Conduct Authority**

As a listed company which is admitted to trading on a regulated market in the European Union, Grainger is required to comply with the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules (all as contained in the FCA Handbook). Grainger is also subject to the disclosure requirements under the Transparency Directive and the corporate governance regime set out in the Corporate Governance Code.

PART I
LETTER FROM THE CHAIRMAN OF THE COMPANY

Grainger plc (the "**Company**")

(Incorporated and registered in England & Wales with registered number 00125575)

Directors	**Registered office**
Mark Clare (*Non- Executive Chairman*)	Citygate
Helen Gordon (*Chief Executive*)	St James' Boulevard
Vanessa Simms (*Chief Financial Officer*)	Newcastle upon Tyne NE1 4JE
Tony Wray (*Non-Executive Director*)	
Andrew Carr-Locke (*Non-Executive Director*)	
Rob Wilkinson (*Non-Executive Director*)	
Justin Read (*Non-Executive Director*)	

14 November 2018

Dear Shareholder,

Proposed 7 for 15 Rights Issue of 194,748,913 New Ordinary Shares at 178.0 pence per New Ordinary Share to fund PRS growth strategy and acquisition of 100 per cent. interest in GRIP REIT plc ("GRIP") and Notice of General Meeting

Introduction: Strategic Rationale

The Company has made excellent progress in implementing its strategy to grow its private rented sector ("**PRS**") investment business. To further accelerate this growth and enhance income returns for its shareholders the Company proposes to undertake a rights issue to raise £347 million (the "**Rights Issue**").

The proceeds from the Rights Issue will facilitate the acquisition of APG's majority interest in GRIP, the Company's PRS co-investment vehicle, for £396 million, which includes £55 million repayment of shareholder loans due to APG, so that GRIP is fully owned by the Company (the "**Acquisition**").

The Acquisition will significantly increase Grainger's wholly owned PRS portfolio of 2,841 PRS units by an additional c.1,700 PRS units in key target locations in London and the South East of England.

The Acquisition supported by the Rights Issue will enable Grainger to also expand its PRS pipeline, utilising operating cash flow, gearing on the pipeline as schemes complete, and the Company's well-established asset recycling programme.

The Company intends to extend its £943 million secured PRS pipeline (plus an additional £45 million secured via GRIP) by a further £382 million of PRS opportunities which are currently in the planning and legal stages. This additional pipeline comprises £251 million in London and the South East of England and £131 million in other target UK cities. The schemes within the pipeline are expected to complete and deliver returns over the next two to three years which should enable the Company to increase its net rental income and dividend.

The Acquisition supported by the Rights Issue will enable Grainger to accelerate its PRS growth strategy:

- To expand its existing property portfolio by owning 100 per cent. of GRIP's operational portfolio of c.1,700 PRS units, a portfolio which is very familiar to Grainger, having managed the assets on behalf of GRIP since 2013.
  - GRIP's PRS portfolio is made up of 35 high-quality, mid-market PRS assets, located in Grainger's target markets in London and the South East of England, where both current PRS demand and long-term growth potential are expected by the Company to be strong. GRIP's PRS portfolio also includes two secured PRS schemes (Silbury Boulevard in Milton Keynes comprising 139 units, and East Street in Southampton, comprising 132 units).
  - In the 12 months following completion of the Acquisition, the GRIP portfolio is forecast to generate gross rents of £32.5 million per annum.[1] It currently generates a gross yield of 4.9 per cent.[2] and achieved 3.0 per cent. like for like rental growth (FY18). Rent levels within the GRIP portfolio are at mid-market price points, ensuring the portfolio attracts high levels of demand and presents a lower

[1] Assuming 3.2 per cent. rental growth and normalised void rates. Forecasted gross rent is a target only and not a profit forecast. There can be no guarantee of future performance.

[2] Estimated rental value as a percentage of GAV for the stabilised portfolio.

risk profile with regard to consumer affordability. On average, rents within the GRIP portfolio are 8 per cent. lower than the London market average and 42 per cent. lower than the South East market average. Excluding void properties due to refurbishment, the portfolio has an occupancy level of around 95 per cent.

- Increase the Company's PRS pipeline by a further £382 million at targeted gross yields on cost of between 5.5 and 8 per cent. once the schemes have completed and stabilised.
  - In total Grainger's PRS investment pipeline will total £1,370 million, comprising £943 million secured, an additional £45 million secured via GRIP and the further £382 million referred to above.
  - This is in addition to the interest in GRIP's stabilised portfolio being acquired by Grainger, equalling £505 million for the 75.1 per cent. interest.
- Significantly increase Grainger's net rental income, underpinning dividend growth and boosting long-term shareholder returns, whilst making Grainger a more resilient business with a greater proportion of recurring rental income contributing to total returns.
- Position the Company to be able to capture the significant growth opportunities within the UK PRS market, with industry forecasts of PRS household growth from 4.7 million households to 7.2 million by 2025.[3]
- Further simplify Grainger's Group structure, with improved financial reporting and streamlining of internal processes, providing cost synergies and further economies of scale, which will partially offset the loss of the management fees that Grainger currently receives for managing GRIP.
- Significantly increase dividends based on the Company's existing policy of distributing 50 per cent. of net rental income.

The Board has considered the Rights Issue and the Acquisition in the context of the outlook for the UK economy, property market and private rented sector, including the uncertain impact of the United Kingdom's exit from the European Union. The Board remains convinced of the long-term growth prospects of the UK private rented sector, the robustness of Grainger's strategic aims and targeted investment strategy and that the Acquisition is well-aligned with those aims and strategy. The Acquisition will provide Grainger with full control over all future PRS investment opportunities in London and the South East, and will provide shareholders 100 per cent. of the returns. Furthermore the Board acknowledges the timeliness of the Acquisition opportunity in relation to GRIP's shareholder liquidity window in January 2019.

The Acquisition:

In 2013, Grainger established a joint venture with APG (the GRIP joint venture) to invest in PRS assets in London and the South East. The GRIP joint venture currently comprises c.1,700 operational PRS assets and two PRS schemes under development, with a gross asset value of £696 million.

Currently APG owns 75.1 per cent. of GRIP with Grainger owning the remaining 24.9 per cent. The Company announced on 14 November 2018 that it had reached agreement with APG to acquire the ordinary shares, shareholder loans and minority interests of GRIP that the Company does not already own from APG for an aggregate purchase price of £396 million, which includes £55 million repayment of shareholder loans due to APG. Following the Acquisition, Grainger will become the 100 per cent. owner of GRIP.

The purchase price for APG's 75.1 per cent. interest in GRIP, APG's shareholder loans and APG's share of the minority interests of GRIP represents a 2.9 per cent. premium to NAV[4] and a 2.1 per cent. premium to the GAV of the GRIP portfolio as at 30 September 2018. From 30 June 2018 to 30 September 2018, the GAV of the GRIP portfolio has increased 1.9 per cent.

Due to Grainger's detailed knowledge and familiarity with the GRIP portfolio, having directly managed it since 2013, the Board believes that the transaction presents lower risk than otherwise would be the case. In addition, Grainger has a clear asset management plan for the GRIP portfolio to add c.£17 million of further value and release funds for reinvestment.

---

[3] Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018); PwC, UK Economic Outlook (July 2015)

[4] Includes NAV plus APG loans plus APG minority interest.

The Acquisition, because of its size in relation to the Company, is a Class 1 transaction under the Listing Rules and is therefore conditional, *inter alia*, upon the approval by Shareholders of the Resolution, details of which are set out on page 322.

A General Meeting is to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG at 11.00 am on 30 November 2018 for the purpose of seeking such approval and a notice convening the General Meeting, at which the Resolution will be proposed, is set out at the end of this Prospectus.

The Rights Issue:

The Rights Issue is expected to commence on 3 December 2018, this being the first Business Day following the General Meeting. The Rights Issue is being made on the basis of seven New Ordinary Shares at 178.0 pence per share for each 15 Existing Ordinary Shares. The Rights Issue Price represents:

- a 30 per cent. discount to the theoretical ex-rights price of an Existing Ordinary Share when calculated by reference to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018 (being the latest Business Day before the announcement of the Rights Issue); and
- a 39 per cent. discount to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018.

The Rights Issue has been fully underwritten by the Banks on, and subject to, the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 12.1(b) of Part XIII ("*Additional Information*") of the enclosed Prospectus. The Rights Issue is conditional upon, amongst other things, Rights Issue Admission becoming effective and the Underwriting Agreement becoming unconditional in all aspects and not having been terminated in accordance with its terms.

The purpose of the Prospectus is to provide Shareholders with details of the Acquisition, the PRS development pipeline and the Rights Issue, to convene the General Meeting, to explain why the Board considers the proposal to be in the best interests of the Company and its Shareholders as a whole to make the Acquisition and to recommend that Shareholders vote in favour of the Resolution.

Background to and reasons for the Rights Issue and the Acquisition:

At the time of the strategic review undertaken in early 2016, the Grainger Board set three key strategic priorities and has made significant progress in respect of each of these as summarised below.

Strategic Priorities	Achievements
Strategic Priority 1: **Grow rental income**	• Increased net rental income by 35 per cent. from 2015 to 2018 • Secured £943 million of PRS investment (plus £45 million secured via GRIP), with a further £382 million of opportunities in the planning/legal stages, post-Acquisition • Improved the Group's property operating costs (gross to net) from 31 per cent. in 2015 to 26 per cent. in 2018
Strategic Priority 2: **Simplify and focus**	• Restructured the business to enhance efficiency and reduce administrative expenses by 23 per cent. from 2015 to 2018 • Successful ongoing disciplined asset recycling programme, targeting £250 million over the period from 2017 to 2020, with £157 million completed in 2018 • Reduced the Group's cost of debt from 4.6 per cent. at year-end 2015 to 3.2 per cent. at year-end 2018 • Extended the Group's weighted average facility maturity (including extension options) to 6.1 years
Strategic Priority 3: **Build on Grainger's experience as the UK's leading listed residential landlord**	• Operates a portfolio of c.8,200 rental homes[5] • Created a pipeline of c.5,300 PRS units (secured and in planning or legals) • Increased scalability through restructuring and investment in technology • Improved customer service delivery and building design

[5] Total managed portfolio, including regulated tenancies, PRS wholly owned and GRIP.

Given this significant progress, the Board is now looking to further increase and accelerate the Group's exposure to the PRS, maximising the opportunities and efficiency of the Grainger platform and further increasing net rental income.

The increased investment into the PRS development pipeline and the proposed Acquisition, provides the Company with an opportunity to build on the achievements to date and to continue to fulfil its strategic priorities.

(a) **Strategic Priority 1—Grow rental income—**GRIP is forecast to generate £32.5 million of gross rental income per annum.[6] With targeted operational improvements and reductions in gross to net leakage, the increase in net rental income for Grainger will result in growth in the dividend for Grainger shareholders in line with the current policy. In addition, the £382 million increased investment in the PRS pipeline will provide the basis for further increases in net rental income as the developments are completed over the coming two to three years. The Company estimates that net rental income for the Group will increase from £43.8 million in FY18 to £128 million once the properties in the pipeline have completed and stabilised.[7]

(b) **Strategic Priority 2—Simplify and focus—**The proposed Acquisition is aligned to Grainger's strategy of reducing JVs and non-core businesses and simplifying Grainger's corporate structure. Grainger may consider the use of joint venture partners in future but the Company has stated that the primary driver for any future joint ventures will be where it provides access to land and development opportunities.

(c) **Strategic Priority 3—Build on Grainger's experience as the UK's leading residential landlord—**The Acquisition and increased investment in Grainger's PRS pipeline will solidify its market leading position in the UK PRS. The Company continues to identify compelling PRS investment opportunities and the increased funding capacity from the Rights Issue will enable the Company to pursue these in a continued disciplined manner in line with its investment strategy in key target locations. In addition, opportunities to acquire large portfolios of high quality PRS stabilised assets such as those owned by GRIP are extremely limited and this Acquisition will materially increase the size of Grainger's wholly-owned portfolio from c.6,500 units to c.8,200 units.

The Grainger Board believes that the key attractions of the Acquisition are as follows:

(a) **Strong portfolio with characteristics that fit with Grainger's objectives:** The Acquisition allows Grainger to increase its exposure to, and benefit from, the entirety of GRIP's current portfolio of PRS assets (including the income produced) in strong attractive rental markets within London and the South East, key target locations identified by the Company with forecast long-term growth prospects for the rental market. The GRIP portfolio includes Argo Apartments in Canning Town, London, the Company's most recently completed PRS asset which was 97 per cent. let in four months. The Acquisition is also in line with Grainger's stated intention to focus on "investable cities" of which London is top ranked across all leading indicators, in terms of having both strong existing tenant demand and strong growth prospects. GRIP's assets are at mid-market rental price points where the demand is highest, with an average rent charge of approximately £379 per week in Greater London and £151 per week in the South East compared to average rents of £412 and £261 per week respectively.

(b) **Benefits of scale:** The Acquisition is anticipated to provide benefits of scale with the potential to align asset management strategies between GRIP and Grainger and to further utilise Grainger's leading operational platform to reduce the gross to net leakage on the GRIP portfolio in line with Grainger's current level of 26 per cent. The Company also anticipates some cost synergies through the simplified corporate structure.

(c) **Net rental income growth**: The substantial increase in net rental income that Grainger will receive on completion of the Acquisition should facilitate an increase in the dividend per share to be paid to Grainger shareholders in FY19 and thereafter. This increase in net rental income may also benefit the optimisation of debt financing procured in the future given the substantial increase in stabilised, income generating assets owned by Grainger.

(d) **Well known portfolio:** Given that Grainger already manages the assets on a day-to-day basis, there is a lower risk profile associated with this transaction than with acquiring a relatively unknown portfolio in the

[6] Forecast FY 19 assuming 3.2 per cent. rental growth and normalised void rates. Forecasted gross rental income is a target only and not a profit forecast. There can be no guarantee of future performance.

[7] Assuming rental growth estimated at c.3 per cent., regulated tenancy vacancy rate at 6.5–7 per cent., gross yields of 5–6 per cent. in London & SE, 6–8 per cent. regionally less gross to net of 25–27.5 per cent. Estimated net rental income is a target only and not a profit forecast. There can be no guarantee of future performance.

market as the Grainger team are best placed to understand both the risks and the opportunities associated with the portfolio.

The Acquisition will result in Grainger acquiring full control of GRIP's secured development pipeline which comprises the following two developments:

(a) a £32 million PRS development in Milton Keynes (Silbury Boulevard) expected to achieve practical completion in late 2019. This approximately 90,000 square foot development scheme of 139 homes was announced by GRIP on 1 August 2017 and is expected to generate a gross yield on cost of approximately 6 per cent. once stabilised; and

(b) a £28 million PRS development in Southampton (East Street) expected to complete in late 2020. This development scheme of 132 homes was announced by GRIP on 9 May 2018 and is expected to generate a gross yield on cost of approximately 6.5 per cent. once stabilised.

In addition, the Rights Issue combined with the Company's asset recycling programme and gearing on the pipeline will provide Grainger with additional funding capacity. This should enable the Company to increase its PRS pipeline further, including schemes that are currently in the planning/legals stage, £251 million of which is located in London and the South East and £131 million is in other target UK cities.

In total, following completion of the Acquisition, Grainger will have a secured pipeline (including the additional £45 million secured via GRIP) of £988 million (FY17: £651 million) and £382 million in planning and legal preparation.

Grainger's future intentions for GRIP

Grainger has managed the GRIP portfolio on a day-to-day basis since GRIP was created in January 2013 and is therefore very familiar with the assets within the portfolio. Grainger has undertaken an in-depth review of the GRIP assets and has developed an asset management plan based on the individual merits of each asset aligned to the Group's existing asset recycling programme. Grainger has identified a number of opportunities to improve assets within the GRIP portfolio, which will then either be retained by the Group or recycled. The Company is targeting £17 million of additional value to be delivered through asset management and recycling and an additional £22 million of potential NAV uplift upon stabilisation from the London & South East pipeline.[8] The asset management plan that Grainger has developed for GRIP is complementary to and aligned with Grainger's overall asset recycling programme and defined asset hierarchy schedule, which have been designed to maximise shareholder returns.

Grainger's current trading, trends and prospects

As announced on 14 November 2018, Grainger has delivered a good performance for the financial year ending 30 September 2018 and believes that the Company is well-positioned in a growth sector of the UK economy to build on its market leading position.

Since 30 September 2018, trading has been in line with management expectations and there has been no significant change in the financial or trading position of Grainger since that date.

GRIP's current trading, trends and prospects

Since 30 June 2018, GRIP's performance has been in line with management expectations and there has been no significant change in the financial position of GRIP since that date.

Financial information

Historical financial information on GRIP is included in Part VII ("*GRIP Historical Financial Information*") of this Prospectus and unaudited pro forma financial information on the Enlarged Group is included in Part VIII ("*Unaudited Pro Forma Financial Information for the Enlarged Group*") of this Prospectus.

A copy of the external valuation of the GRIP portfolio by CBRE Limited as of 30 September 2018 is included in Part X ("*GRIP Valuation Report*") of this Prospectus.

Terms of the Acquisition

Part II ("*Summary of the Principal Terms of the Acquisition*") of this Prospectus contains a description of the principal terms of the Acquisition Agreement.

[8] Represents a target only and is not a profit forecast. There can be no guarantee of future performance.

Grainger will acquire the 14,343,277 ordinary shares in GRIP held by APG, representing 75.1 per cent. of GRIP's issued share capital, the outstanding shareholder loans with an aggregate principal amount of £54.9 million made by APG to GRIP and an amount in respect of APG's minority interest in certain subsidiaries of GRIP for £2.7 million.

The aggregate consideration payable by Atlantic Metropolitan (U.K.) Limited (a wholly owned subsidiary of the Company, the "**Grainger Buyer**") to APG under the Acquisition Agreement will be £396.2 million including repayment of shareholder loans.

The consideration payable by the Grainger Buyer to APG under the Acquisition Agreement is calculated as follows:

(a) £338.6 million in respect of APG's ordinary shares in GRIP;

(b) an amount in respect of APG's shareholder loans equal to their outstanding principal amount plus interest accruing to the date of completion of the Acquisition; and

(c) £2.7 million in respect of the minority interests in GRIP's subsidiaries currently owned by APG.

Grainger will be required to pay stamp duty at a rate of 0.5 per cent. of the aggregate purchase price in respect of stock and marketable securities but not stamp duty land tax. Had the Acquisition been undertaken as an asset purchase of GRIP's underlying assets, stamp duty land tax of c.5 per cent. would have been payable.

Financial impact of the Acquisition and the use of proceeds of the Rights Issue

In order to fund the Company's PRS growth strategy, Grainger proposes to use the net proceeds of the Rights Issue of £331.6 million to finance the cash consideration of £396.2 million for the Acquisition. The remaining cash consideration of £64.6 million not financed by the Rights Issue will be funded by existing capacity under the Company's banking facilities.

Financing the Acquisition through the Rights Issue will allow further funding made available from asset recycling and additional debt (within the target range LTV of 40% to 45%) to be invested in the future pipeline. This pipeline comprises £988 million (including £45 million via GRIP) already secured and committed, together with £382 million on schemes currently within the planning and legal stages.

The Directors have previously stated that their aim is to keep the Group's LTV within a range of 40 to 45 per cent. The Group's pro forma LTV as at 30 September 2018, adjusted for the Rights Issue and the Acquisition, is 37.9 per cent. Once the proceeds of the Rights Issue are fully deployed, the Group's LTV ratio will be consistent with this range.

Adjusted for the Rights Issue and the Acquisition as of 30 September 2018, the pro forma net debt of the Group amounted to £1,100.8 million with a cost of debt of 3.2 per cent. and a weighted average facility maturity (including extension options) of 5.4 years, whilst funds available (excluding cash and undrawn facilities held in joint ventures and associates) amounted to £395.0 million.

Under the terms of the existing GRIP shareholders' agreement with APG, APG has a right to request partial or full liquidity from GRIP in January 2019 and at five-year intervals thereafter. The Grainger Group is obliged to propose a liquidation plan, either through the sale of assets or the sale of APG's shares, and, if approved by APG, to implement such plan within 12 months. In the event that the Acquisition does not complete, the terms of the existing shareholders' agreement will remain in place. Further details in respect of the potential implications of the existing shareholders' agreement remaining in place are set out on page 37 of this Prospectus.

Principal Terms of the Rights Issue

The Company intends to raise total gross proceeds of approximately £347 million (approximately £332 million net of estimated expenses of the Rights Issue and the Acquisition) through the issue of 194,748,913 New Ordinary Shares by way of the Rights Issue.

Pursuant to the Rights Issue, it is proposed that 194,748,913 New Ordinary Shares be issued by way of rights to Qualifying Shareholders (other than, subject to certain exceptions, to Excluded Shareholders) to subscribe for

New Ordinary Shares at a Rights Issue Price of 178.0 pence per New Ordinary Share payable in full on acceptance by no later than 11.00 am on 17 December 2018. The Rights Issue Price represents:

- a 30 per cent. discount to the theoretical ex-rights price of an Existing Ordinary Share when calculated by reference to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018 (being the latest Business Day before the announcement of the Rights Issue); and
- a 39 per cent. discount to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018.

The Rights Issue will be made on the basis of:

7 New Ordinary Shares at 178.0 pence per New Ordinary Share for every 15 Existing Ordinary Shares

held by and registered in the name of each Qualifying Shareholder at 5.00 p.m. on the Record Date, and in proportion to any other number of Existing Ordinary Shares each Qualifying Shareholder then holds.

Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Qualifying Shareholders but will be aggregated and sold in the market for the benefit of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form and holdings under different designations will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

Qualifying Shareholders who take up their pro rata entitlements to New Ordinary Shares in full will suffer no dilution of their shareholdings in the Company as a result of the Rights Issue. However, the proportionate shareholding of a Shareholder who does not participate in the Rights Issue in full will be diluted by up to approximately 31.8 per cent. The New Ordinary Shares, fully paid, will rank for all dividends declared, made or paid after the date of allotment and issue of the New Ordinary Shares and otherwise *pari passu* with the Existing Ordinary Shares.

The Rights Issue has been fully underwritten by the Banks on, and subject to, the terms of the Underwriting Agreement. The principal terms of the Underwriting Agreement are summarised in paragraph 12.1(b) of Part XIII ("*Additional Information*") of this Prospectus.

The Rights Issue will result in 194,748,913 New Ordinary Shares being issued (representing approximately 46.7 per cent. of the existing issued share capital and 31.8 per cent. of the Enlarged Share Capital immediately following completion of the Rights Issue).

The Record Date for entitlements under the Rights Issue for Qualifying Shareholders is 5.00 p.m. on 28 November 2018. Provisional Allotment Letters for Qualifying Non-CREST Shareholders are expected to be posted to Qualifying Non-CREST Shareholders on 30 November 2018 and Nil Paid Rights are expected to be credited to stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Shareholders) in CREST as soon as practicable after 8.00 am on 3 December 2018. The latest time and date for receipt of completed Provisional Allotment Letters and payment in full under the Rights Issue and settlement of relevant CREST instructions (as appropriate) is 11.00 am on 17 December 2018 with dealings in New Ordinary Shares, fully paid, expected to commence at 8.00 am on 18 December 2018.

The Rights Issue is conditional, amongst other things, upon:

- the Underwriting Agreement having become unconditional in all respects save for the condition relating to Rights Issue Admission and not having been terminated in accordance with its terms;
- Rights Issue Admission becoming effective by not later than 8.00 am on 3 December 2018 (or such later time and/or date as the Company and the Banks may agree, not being later than 8.00 am on 17 December 2018); and
- the passing of the Resolution (without material amendment) at the General Meeting and not (without the prior written consent of the Banks), at any adjournment of such meeting.

Details of further terms and conditions of the Rights Issue, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus and, where relevant, for Qualifying Non-CREST Shareholders, will also be set out in the Provisional Allotment Letter.

Risk factors

Shareholders should consider fully and carefully the risk factors associated with the Grainger Group. Your attention is drawn to the section headed "Risk Factors" on pages 29 to 39 (inclusive) of this Prospectus.

Dividends and dividend policy

The Company will continue with its existing dividend policy which is aligned to its strategy to grow rental income, with 50 per cent. of net rental income being distributed.

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends or distributions made, paid or declared after the date of issue of the New Ordinary Shares including the final dividend for the year ended 30 September 2018.

For the year ended 30 September 2018 and, in accordance with its existing dividend policy, the Board has recommended a final dividend of £14.7 million which will be paid over the Existing Ordinary Shares. This equates to 3.52 pence per share.

The record date for the final dividend will be 14 December 2018, with the final dividend to be paid on 11 February 2019. The New Ordinary Shares issued pursuant to the Rights Issue will not receive the final dividend.

Shareholders will be given the opportunity to vote on the Company's recommended final dividend for the year ended 30 September 2018 at the Company's next annual general meeting on 6 February 2019.

Taxation

Information on UK and US taxation with regard to the Rights Issue is set out in Part XII ("*Taxation*") of this Prospectus.

If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the UK or the US, you should consult your own independent professional adviser without delay.

Resolution, authorisations and approvals relating to the Acquisition

At the end of this Prospectus, you will find a notice convening a General Meeting of the Company, which is to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG on 30 November 2018 at 11.00 am and contains the Resolution which Shareholders will be asked to approve the Acquisition. A summary of the action you should take is set out below and in the Form of Proxy that accompanies this Prospectus.

The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution, as set out in full in the notice of General Meeting.

Your attention is drawn to the fact that the Acquisition is conditional and dependent upon Shareholders approving the Resolution.

The Resolution will be proposed as ordinary resolution requiring a simple majority of votes in favour. The Resolution seeks the approval of Shareholders to the Acquisition and to authorise the Directors to take the necessary actions in order to effect the Acquisition.

Action to be taken in respect of the General Meeting

You will find enclosed with this Prospectus a Form of Proxy for use in connection with the General Meeting.

It is important to us that Shareholders have the opportunity to vote, even if they are unable to come to the General Meeting. If you are unable to come to the General Meeting, you can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy).

To appoint a proxy, you need to return the Form of Proxy. You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received by no later than 11.00 am on 28 November 2018 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting), to Link Asset Services, the Company's Registrar, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you hold your Ordinary Shares in uncertificated form (i.e., in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Registrar (under CREST participant ID RA10), in each case by no later than 11.00 am on 28 November 2018 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The Form of Proxy may also be submitted online through the website of the Registrars at www.signalshares.com by following the instructions provided.

Unless the Form of Proxy (or the electronic appointment of a proxy) or CREST Proxy Instruction is received by the relevant date and time specified above, it will be invalid.

The completion and posting of the Form of Proxy (or the electronic appointment of a proxy) or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

Actions to be taken in respect of the Rights Issue

If you are a Qualifying Non-CREST Shareholder, other than, subject to certain exceptions, Excluded Shareholders, you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on or about 30 November 2018. If you are a Qualifying CREST Shareholder, you will not be sent a Provisional Allotment Letter. Instead, Qualifying CREST Shareholders (other than, subject to certain exceptions, Excluded Shareholders) will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights as soon as practicable after 8.00 am on 3 December 2018.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares held (other than ex-rights) in certificated form before 8.00 am on 3 December 2018, please forward this Prospectus and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee, except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the Restricted Territories.

If you sell or have sold or otherwise transferred all or some of your Existing Ordinary Shares (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

If you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus and in the Provisional Allotment Letter.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 am on 17 December 2018, unless otherwise announced by the Company. The procedure for acceptance and payment is set out in Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus and, in respect of Qualifying Non-CREST Shareholders other than, subject to certain exceptions, Excluded Shareholders, in the Provisional Allotment Letter.

For Qualifying Non-CREST Shareholders who take up some or all of their Rights in the Rights Issue, the New Ordinary Shares will be issued in certificated form and will be represented by definitive share certificates, which are expected to be despatched by no later than 3 January 2019 to the registered address of the Qualifying Non-CREST Shareholder.

For Qualifying CREST Shareholders who take up some or all of their Rights in the Rights Issue, the Registrars will instruct CREST to credit the stock accounts of Qualifying CREST Shareholders with their entitlements to New Ordinary Shares. It is expected that this will take place by 8.00 am on 18 December 2018.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this Prospectus and the Rights Issue.

Please refer to paragraph 3 of Part III ("*Terms and Conditions of the Rights Issue*") for further details of the action to be taken in respect of the Rights Issue. If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the United Kingdom, from another appropriately authorised independent financial adviser.

Further information

Your attention is drawn to the further information in Part III ("*Terms and Conditions of the Rights Issue*") and Part XIII ("*Additional Information*") of this Prospectus. In particular, you should consider fully and carefully the risk factors associated with the Enlarged Group and the Acquisition, which are set out in the section entitled "**Risk Factors**" of this Prospectus on pages 29 to 39 (inclusive). You should read all of the information contained in this Prospectus before deciding the action to take in respect of the General Meeting. If you are a Qualifying Shareholder, and, subject to certain exceptions, unless you have a registered address in, or are resident or located in, any of the Excluded Territories.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website (www.graingerplc.co.uk). It is expected that this will be on 30 November 2018.

Directors' Intentions

The Directors hold in aggregate 311,371 Ordinary Shares representing 0.06 per cent. of the issued ordinary share capital of Grainger as of the Latest Practicable Date and intend to take up, or procure that their nominees take up, their rights in full in respect of the New Ordinary Shares to which they are entitled.

Financial advice

The Directors have received financial advice from J.P. Morgan Cazenove in relation to the Acquisition. In providing its advice to the Directors, J.P. Morgan Cazenove has relied upon the Directors' commercial assessment of the Acquisition.

Recommendation

The Board considers the Rights Issue and the Acquisition to be in the best interests of the Shareholders taken as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial holdings, which amount in aggregate to 311,371 Ordinary Shares and represent approximately 0.06 per cent. of the Company's issued ordinary share capital as of the Latest Practicable Date.

Yours faithfully

Mark Clare
Chairman

PART II
SUMMARY OF THE PRINCIPAL TERMS OF THE ACQUISITION

Summarised below are the principal terms and conditions of the Acquisition.

1. Background

The Acquisition Agreement, dated the date of this Prospectus, is for the sale and purchase of APG's majority interest in GRIP.

The parties to the Acquisition Agreement are Atlantic Metropolitan (U.K.) Limited (a wholly owned subsidiary of the Company) (as buyer), the Company and APG (as seller).

2. Consideration

Assuming that the Acquisition completes prior to 31 December 2018, the aggregate consideration payable by Atlantic Metropolitan (U.K.) Limited to APG under the Acquisition Agreement will be £396.2 million.

The consideration payable by Atlantic Metropolitan (U.K.) Limited to APG under the Acquisition Agreement is calculated as follows:

(a) in respect of the 14,343,277 ordinary shares in GRIP owned by APG, an amount equal to £338.6 million;

(b) in respect of APG's shareholder loans, an amount equal to their outstanding principal amount plus interest accruing to the date of completion of the Acquisition; and

(c) in respect of APG's minority interests in various GRIP's subsidiaries, an amount equal to £2.7 million.

Grainger and Atlantic Metropolitan (U.K.) Limited have also agreed that if, before the first anniversary of completion of the Acquisition, they sell or enter any definitive agreement for the sale of all or some of the share capital of GRIP or substantially all of the assets of GRIP to any person who is not a member of the Grainger Group (a "**Subsequent Sale**") at a valuation per share in GRIP's issued share capital (whether in cash or otherwise, and whether or not payable on a deferred basis) (the "**Sale Price**") that exceeds 105 per cent. of the price per share paid under the Acquisition Agreement (the "**Reference Price**"), Atlantic Metropolitan (U.K.) Limited shall pay to APG as additional consideration under the Acquisition Agreement an amount equal to 20 per cent. of the amount by which the Sale Price exceeds the Reference Price, on an aggregate per share basis being sold in the Subsequent Sale (the "**Top Up Amoun**t"). Such Top Up Amount must be paid to APG as soon as reasonably practicable following completion of any Subsequent Sale.

3. Conditions and long-stop date

Completion of the Acquisition is conditional upon:

(a) the Prospectus having been published;

(b) the passing of the Resolution at the General Meeting;

(c) the Underwriting Agreement, having been entered into and not having been terminated by the Banks prior to Admission; and

(d) Admission occurring.

The Acquisition Agreement will terminate and be of no further effect if completion of the Acquisition does not occur before 31 December 2018.

4. GRIP lender consent

Lender consent under the GRIP Group facility agreement (a summary of which is included in paragraph 4 of Part B of Part IV ("*Information on the Company, GRIP and the Enlarged Group*") was obtained prior to the parties entering into the Acquisition Agreement.

5. Warranties

APG has given certain warranties to Atlantic Metropolitan (U.K.) Limited under the Acquisition Agreement, which are typical for transactions of this kind, including warranties in relation to APG's power and authority to enter into the Acquisition Agreement, title to the ordinary shares and shareholder loans being acquired by Atlantic Metropolitan (U.K.) Limited and certain other matters.

Grainger and Atlantic Metropolitan (U.K.) Limited have both given similar warranties to APG under the Acquisition Agreement, including warranties in relation to their power and authority to enter into the Acquisition Agreement and certain other matters

Subject to certain exceptions, the maximum liability of APG under the Acquisition Agreement is limited to an amount equal to the total consideration payable under the Acquisition Agreement.

All warranty claims by Grainger under the Acquisition Agreement must be notified to APG on, or before, 31 December 2020.

6. **Undertakings**

The Company has given certain undertakings to APG under the Acquisition Agreement which are customary for transactions of this nature.

The Company has agreed that:

(a) subject to the approval of the UK Listing Authority, it shall publish the Prospectus promptly following the date of the Acquisition Agreement;

(b) subject at all times to the fiduciary duties of the board of directors of the Company, it shall use its reasonable endeavours to ensure that its shareholders approve the Resolution; and

(c) it shall keep APG fully informed of: (i) the progress in respect of the conditions outlined in paragraph 3 above; and (ii) any events, matters, actions, omissions or circumstances that could reasonably be expected to lead to any of the conditions outlined in paragraph 3 above not being satisfied.

7. **Governing law**

The Acquisition Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of, or in connection with, the Acquisition Agreement or its subject matter or formation, shall be governed by and construed in accordance with the laws of England and Wales.

Each of the parties has also agreed that the courts of England and Wales shall have exclusive non-exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of, or in connection with, the Acquisition Agreement or its subject matter or formation.

PART III
TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Summary of the Rights Issue

The Company proposes to raise approximately £347 million (approximately £332 million net of expenses) by way of a rights issue of 194,748,913 New Ordinary Shares. The Rights Issue Price of 178.0 pence per New Ordinary Share represents:

(a) a 30 per cent. discount to the theoretical ex-rights price of an Existing Ordinary Share when calculated by reference to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018 (being the latest Business Day before the announcement of the Rights Issue); and

(b) a 39 per cent. discount to the Closing Price of 291.0 pence per Existing Ordinary Share on 13 November 2018.

2. Terms and conditions of the Rights Issue

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders who are not, subject to certain exceptions, Excluded Shareholders, the terms and conditions of the Provisional Allotment Letter), the New Ordinary Shares will be offered for subscription by way of a rights issue to Qualifying Shareholders (other than, subject to certain exceptions, Excluded Shareholders) on the following basis:

7 New Ordinary Shares at 178.0 pence per New Ordinary Share for every 15 Existing Ordinary Shares

held and registered in the name of each Qualifying Shareholder at 5.00 pm on the Record Date and so in proportion for any other number of Ordinary Shares then held.

Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractions of New Ordinary Shares will not be allotted to Qualifying Shareholders but will be aggregated and, if possible, sold as soon as practicable after the commencement of dealings in the Nil Paid Rights. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of the Company. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Nil Paid Rights (also described as New Ordinary Shares, nil paid) are entitlements to buy New Ordinary Shares at the Rights Issue Price. The Fully Paid Rights are entitlements to receive New Ordinary Shares for which subscription and payment has already been made.

The attention of all Qualifying Shareholders and any other person (including, without limitation, custodians, nominees and trustees) who has a contractual or legal obligation to forward this Prospectus into a jurisdiction other than the United Kingdom is drawn to paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*") below. New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders on the Register at the Record Date, including Excluded Shareholders. However, subject to certain exceptions, Qualifying Shareholders who have a registered address in any Restricted Territory, or who are otherwise resident or located in any Restricted Territory, have not been, and will not be, sent Provisional Allotment Letters and have not, and will not have, their CREST accounts credited with Nil Paid Rights.

Qualifying Shareholders who do not, or are not able or permitted to, take up their Nil Paid Rights in full will have their proportionate shareholdings in the Company diluted by approximately 31.8 per cent. as a result of the Rights Issue. Those Qualifying Shareholders who take up their Nil Paid Rights in full will, following completion of the Rights Issue, as nearly as practicable have the same proportionate voting rights and entitlement to dividends and distributions as they had on the Record Date.

Applications will be made to the London Stock Exchange for the New Ordinary Shares (nil paid and fully paid) to be admitted to trading on the London Stock Exchange. It is expected that Admission will become effective on the London Stock Exchange 2018 and that dealings in the New Ordinary Shares, nil paid, will commence at 8.00 am on the same day.

The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated and uncertificated form via CREST. The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

The New Ordinary Shares will be issued pursuant to the authority granted under Resolution No. 13 that was passed at the Company's 2018 Annual General Meeting held on 7 February 2018. This resolution granted the Directors the authority, for the purpose of section 551 of the Companies Act 2006, to allot securities up to a maximum nominal amount of £13,890,000 by way of a rights issue.

The ISIN for the New Ordinary Shares will be the same as the ISIN for the Existing Ordinary Shares, being GB00B04V1276 and the SEDOL will be B04V127. The ISIN for the Nil Paid Rights will be GB00BGDM7H07 and the SEDOL will be BGDM7H0. The ISIN for the Fully Paid Rights will be GB00BGDM7J21 and the SEDOL will be BGDM7J2.

None of the New Ordinary Shares are being made available to the public other than pursuant to the Rights Issue on the terms and subject to the conditions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders holding certificated shares, any relevant Provisional Allotment Letter.

The Rights Issue has been fully underwritten by the Banks in accordance with the terms of the Underwriting Agreement and is conditional on, *inter alia*:

(a) the Company complying with its undertakings, covenants and obligations under the Underwriting Agreement and under the terms or conditions of the Rights Issue which fall to be performed or satisfied before Admission;

(b) the Acquisition Agreement remaining in full force and effect;

(c) the publication of a press release relating to the Rights Issue and the Acquisition in the approved terms through a Regulatory Information Service by not later than 7.30 am on the date of the Underwriting Agreement;

(d) the passing of the Resolution (without amendment) at the General Meeting on 30 November 2018 (and not, except with the prior written agreement of the Banks), at any adjournment of such meeting;

(e) no matter arising between the time of publication of the Prospectus and Admission which gives rise to the obligation to publish a supplementary prospectus before Admission;

(f) Admission occurring not later than 8.00 am on 3 December 2018 (or such later date as the Company and the Banks may determine, not being later than 8.00 am on 17 December 2018); and

(g) each condition to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as a participating security in CREST (other than Admission) being satisfied on or before the date of the General Meeting.

The Underwriting Agreement may be terminated by the Banks prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. The Banks may arrange sub-underwriting for some, or none, of the New Ordinary Shares. The Underwriting Agreement is not capable of termination following Admission. A summary of the principal terms of the Underwriting Agreement is set out in paragraph 12.1(b) of Part XIII ("*Additional Information*") of this Prospectus.

The Banks and their respective affiliates may, in accordance with the applicable legal and regulatory provisions, engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letter or the New Ordinary Shares and/or related instruments for its own account for the purpose of hedging its underwriting exposure or otherwise. Except as required by applicable law or regulation, the Banks do not propose to make any public disclosure in relation to such transactions.

In connection with the Rights Issue, the Banks and their respective affiliates, acting as investors for their own account, may take up New Ordinary Shares in the Rights Issue and in that capacity may retain, purchase or sell for their own account such securities and any New Ordinary Shares or related investments and may offer to sell such New Ordinary Shares or other investments otherwise than in connection with a Rights Issue. Accordingly, references in this Prospectus to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to the Banks or any of their respective affiliates acting in such capacity. Neither the Banks nor their respective affiliates intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, the Banks or their respective affiliates may enter into financing arrangements (including swaps or contract for differences) with investors in connection with which the Banks may from time to time acquire, hold or dispose of Ordinary Shares.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm to it that certain conditions are satisfied before Euroclear will admit any security to CREST. As soon as practicable after Admission, the Company will confirm this to Euroclear. It is expected that these conditions will be satisfied on Admission. In addition, the Company reserves the right to decide not to proceed with the Rights Issue if the Underwriting Agreement is terminated at any time prior to Admission and commencement of dealings in the Nil Paid Rights.

Subject, inter alia, to the conditions referred to above being satisfied (other than the condition relating to Admission) and save as provided in paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*") in respect of Overseas Shareholders, it is intended that:

(a) Provisional Allotment Letters (which constitute temporary documents of title) in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Qualifying Shareholders with a registered address in any Restricted Territory, or who are otherwise resident or located in any Restricted Territory, or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) following the General Meeting on 30 November 2018;

(b) Admission of the New Ordinary Shares, nil paid, will become effective at 8.00 am on 3 December 2018;

(c) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Qualifying CREST Shareholders with a registered address in any Restricted Territory or who are otherwise resident or located in any Restricted Territory, or any agent or intermediary of those Qualifying CREST Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) with their entitlements to Nil Paid Rights with effect from 8.00 am on 3 December 2018;

(d) (the Nil Paid Rights and Fully Paid Rights will be enabled for settlement by Euroclear on 3 December 2018, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of the Nil Paid Rights and the Fully Paid Rights to CREST have been satisfied;

(e) the New Ordinary Shares will be credited to the appropriate CREST accounts of the relevant Qualifying CREST Shareholders (or relevant renouncees) who validly take up their Nil Paid Rights as soon as possible after 8.00 am on 18 December 2018; and

(f) share certificates in respect of New Ordinary Shares taken up are expected to be posted to the relevant Qualifying Non-CREST Shareholders (or relevant renouncees) by no later than 3 January 2019.

This Prospectus constitutes the offer of New Ordinary Shares to all Qualifying CREST Shareholders (other than, subject to certain exceptions, Qualifying CREST Shareholders with a registered address in any Restricted Territory or who are otherwise resident or located in any Restricted Territory, or any agent or intermediary of those Qualifying Shareholders, except where the Company and the Banks are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of enablement of the Nil Paid Rights and the Fully Paid Rights (as set out in paragraph (c) above); and to Qualifying Non-CREST Shareholders (other than Qualifying Non-CREST Shareholders with a registered address in any Restricted Territory or who are otherwise resident or located in any Restricted Territory; or any agent or intermediary of those Qualifying Non-CREST Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction) by way of a Provisional Allotment Letter (as set out in paragraph (a) above).

All documents, including Provisional Allotment Letters (which constitute temporary documents of title), cheques and certificates posted to or by or from Qualifying Shareholders and/or their respective transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein and any CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in paragraph 5.1 of this Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus is deemed to have made the representations and warranties set out in paragraph and 7.7 of this Part III ("*Terms and Conditions of the Rights Issue*") of this Prospectus, unless such requirement is waived by the Company and the Banks.

If, for any reason, it becomes necessary to adjust the expected timetable as set out in this Prospectus, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of issue of the New Ordinary Shares. There will be no restrictions on the free transferability of the New Ordinary Shares save as provided in the Articles. The rights attaching to the New Ordinary Shares are governed by the Articles, a summary of which is set out in paragraph 6 of Part XIII ("*Additional Information*") of this Prospectus.

3. **Action to be Taken**

The action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or in uncertificated form (that is, are in CREST).

If you are a Qualifying Non-CREST Shareholder and (subject to certain exceptions, as set out in paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*")) do not have a registered address in, or are not located or resident in, the Restricted Territories, please refer to paragraphs 4 and 6 to 14 (inclusive) of this Part III ("*Terms and Conditions of the Rights Issue*").

If you are a Qualifying CREST Shareholder and (subject to certain exceptions, as set out in paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*")) do not have a registered address in, or are not located or resident in, the Restricted Territories, please refer to paragraphs 5 to 14 (inclusive) of this Part III ("*Terms and Conditions of the Rights Issue*") and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying CREST Shareholder or a Qualifying Non-CREST Shareholder, either: (i) with a registered address in, or otherwise located or resident in, any Restricted Territory; or (ii) holding Shares on behalf of, or for the account or benefit of, any person on a non-discretionary basis who has a registered address in, or is otherwise located or resident in, any Restricted Territory, please refer to paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*") below.

CREST-sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

If you have any questions relating to the Provisional Allotment Letter, please telephone Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4. **Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters**

4.1 **Procedure for acceptance and payment**

(a) **Qualifying Non-CREST Shareholders who wish to accept in full**

The Company expects that the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions as set out in paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*"), Excluded Shareholders) following the General Meeting on 30 November 2018.

Each personalised Provisional Allotment Letter will set out:

(i) the holding at the close of business on the Record Date of Existing Ordinary Shares in certificated form on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

(ii) the aggregate number of New Ordinary Shares which have been provisionally allotted in certificated form to such Qualifying Non-CREST Shareholder with respect to the Existing Ordinary Shares referred to in (a) above;

(iii) the amount payable by a Qualifying Non-CREST shareholder at the Rights Issue Price to take up his or her entitlement in full;

(iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his or her entitlement or to convert all or part of his or her entitlement into uncertificated form;

(v) the procedures to be followed if a Qualifying Non-CREST Shareholder who is eligible to use the Special Dealing Service wishes to sell all of his or her Nil Paid Rights or to effect a Cashless Take-up using the Special Dealing Service; and

(vi) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

If you sell, or have sold, or otherwise transferred, all of your Existing Ordinary Shares (other than ex-rights) in certificated form before the Ex-Rights Date, please send any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that no Provisional Allotment Letter should be distributed, forwarded to, or transmitted in, or into, any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Restricted Territories.

If you sell, or transfer, or have sold or otherwise transferred, only part of your holding of Existing Ordinary Shares (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in paragraph 4.7 of this Part III ("Terms and Conditions of the Rights Issue").

If you do not receive a Provisional Allotment letter or you think that the holding of Existing Ordinary Shares in certificated form on which your entitlement to New Ordinary Shares in the Provisional Allotment Letter has been based does not reflect your holding of Existing Ordinary Shares in certificated form on the Record Date, please telephone the Shareholder Helpline on the number set out on page 5 of this Prospectus.

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 30 November 2018, the expected timetable as set out at the front of this Prospectus will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. References to dates and times in this Prospectus should be read as subject to any such adjustment.

On the basis that Provisional Allotment Letters are posted on 30 November 2018 and that dealings commence at 8.00 am on 3 December 2018, the latest time and date for:

(i) acceptance and payment in full for the New Ordinary Shares will be 11.00 am on 17 December 2018; and

(ii) receipt of instructions under the Special Dealing Service in respect of the sale of all Nil Paid Rights or a Cashless Take-up will be 11.00 am on 11 December 2018.

(b) **Qualifying Non-CREST Shareholders who do not wish to take up their rights at all**

Holders of Provisional Allotment Letters who do not wish to take up their rights at all, do not need to do anything. If Qualifying Non-CREST Shareholders do not return the Provisional Allotment Letter by 11.00 am on 17 December 2018, the Company has made arrangements under which the Banks will try to find investors to take up such rights. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), Qualifying Non-CREST Shareholders so entitled will be sent a cheque for the amount of that aggregate premium above the Rights Issue Price less related expenses (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), so long as the amount in question is at least £5.

(c) **Qualifying Non-CREST Shareholders who wish to accept in part**

Holders of Provisional Allotment Letters who wish to take up some but not all of their rights (other than by effecting a Cashless Take-up using the Special Dealing Service described in paragraph 4.5 below) should refer to paragraph 4.7 of this Part III ("*Terms and Conditions of the Rights Issue*").

(d) **Discretion as to validity of acceptances**

If payment is not received in full by 11.00 am on 17 December 2018, the provisional allotment will (unless the Company has exercised its right to treat as valid an acceptance, as set out below) be deemed to have been declined and will lapse. However, the Company in its discretion after consulting with the Banks may elect, but shall not be obliged, to treat as valid: (a) Provisional Allotment Letters and accompanying remittances that are received through the post not later than 11.00 am on the Business Day after 17 December 2018 (the cover bearing a legible postmark not later than 11.00 am on 17 December 2018); and (b) acceptances in respect of which a remittance is received prior to 11.00 am on 17 December 2018 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Provisional Allotment Letter, duly completed, in due course.

The Company may also (having first consulted with the Banks) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom, or on whose behalf, it is lodged, even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company, having first consulted with the Banks, reserves the right to treat as invalid any acceptance or purported acceptance of the New Ordinary Shares that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of share certificates for New Ordinary Shares in any Restricted Territory, unless the Company and the Banks are satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

The provisions of this paragraph 4.1(d) and any other terms of the Rights Issue relating to Qualifying Non-CREST Shareholders may be waived, varied or modified as regards specific Qualifying Non-CREST Shareholder(s) or on a general basis by the Company with the agreement of the Banks.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 4.1(d) is deemed to request that the New Ordinary Shares to which they will become entitled be issued to them on the terms set out in this Prospectus and subject to the Articles of the Company.

(e) **Payments**

All payments made by Qualifying Non-CREST Shareholders must be made in Pounds Sterling by cheque or banker's draft made payable to "Link Market Services Ltd re: Grainger plc—Rights Issue A/C". Third-party cheques may not be accepted. Cheques or banker's drafts must be drawn on the personal account to which the Qualifying Non-CREST Shareholder (or their nominees) has sole or joint title to the funds. Such payments will be held by the Receiving Agent to the order of the Company. Cheques or banker's drafts must be drawn on an account at a branch (which must be an EU or UK regulated bank or building society) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies. Such cheques and banker's drafts must bear the appropriate sort code number in the top right-hand corner. Neither post-dated cheques nor payments via CHAPS, BACS or electronic transfer will be accepted.

Cheques and banker's drafts will be presented for payment on receipt. It is a term of the Rights Issue that cheques shall be honoured on first presentation, and the Company may elect to treat as invalid any acceptances in respect of which cheques are not so honoured. Return of the Provisional Allotment Letter with a cheque will constitute a warranty that the cheque will be honoured on first presentation. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques or banker's drafts to allow value to be obtained for remittances at the earliest opportunity. No interest will be paid on payments made. All documents, cheques, and banker's drafts sent through the post will be sent at the risk of the sender. If New Ordinary Shares have already been issued to Qualifying Non-CREST Shareholders prior to any payment not being so honoured or such Qualifying Non-CREST Shareholders' acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such New Ordinary Shares on behalf of those Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that they have suffered as a result of the payment not being honoured or the acceptance being treated as invalid and of the expenses of sale, including without limitation any stamp duty or SDRT payable on the transfer of such sale and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part III ("*Terms and Conditions of the Rights Issue*") in respect of the acquisition of such New Ordinary Shares) on behalf of such Qualifying Non-CREST Shareholders. None of the Company, the Banks or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Non-CREST Shareholders as a result.

4.2 **Money Laundering Regulations**

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom, or on whose behalf, the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the Provisional Allotment Letter is submitted by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment and in accordance with the other terms as described above (the "**acceptor**"), accepts, directly or indirectly, the allotment of such number of New Ordinary Shares as referred to therein (the "**relevant shares**") being the provisional allottee or, in the case of renunciation, the person named in such Provisional Allotment Letter, including any person who appears to the Receiving Agent to be acting on behalf of some other person), shall thereby be deemed to agree to provide the Receiving Agent and/or the Company promptly with such information and other evidence as any of them may require to satisfy the verification of identity requirements and agree that the Receiving Agent may undertake electronic searches, including using a credit reference agency, for the purposes of verifying identity where deemed necessary. To do so, the Receiving Agent may verify the details against the applicant's identity, but also may request further proof of identity. A record of the search will be retained.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant acceptor unless, and until, the verification of identity requirements has been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent, the Banks, nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity (and in any event by not later than 11.00 am on 17 December 2018), the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company shall, in its absolute discretion: (i) be entitled to treat the acceptance as invalid, in which event the application money will be returned (at the acceptor's risk) without interest to the account of the bank or the building society on which the relevant cheque or bankers' draft was drawn; or (ii) if the acceptance is not treated as invalid, the Company shall be entitled to confirm the allotment of the relevant shares to the acceptor, but (notwithstanding any other term of the Rights Issue) such shares will not be issued to the acceptor or registered in his or her name until the verification of identity requirements are satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the acceptor, as the Company may in its absolute discretion allow, following which the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the acceptor). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to, and registered in the name of, the purchaser(s) or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the acceptor, subject to the requirements of the Money Laundering Regulations. Neither the Company, the Banks, nor the Receiving Agent will be liable to any person for any loss suffered or incurred as a result of the exercise of any such discretion or as a result of any sale of relevant shares.

Submission of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty to each of the Company, the Receiving Agent and the Banks from the acceptor that the Money Laundering Regulations will not be breached by acceptance of such remittance and an undertaking to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purpose of the Money Laundering Regulations. If the verification of identity requirements apply, failure to provide the necessary evidence of identity may result in your acceptance being treated as invalid, or in delays in the despatch of a receipted fully paid Provisional Allotment Letter, share certificate or other documents relating to the Rights Issue (as applicable).

The verification of identity requirements will not usually apply for UK purposes if:

(a) the acceptor is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC)) as amended;

(b) the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(c) the acceptor is a company whose securities are listed on a regulated market subject to specified disclosure obligations;

(d) the acceptor (not being an acceptor who delivers his/her application in person) makes payment through an account in the name of such acceptor with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or

(e) the aggregate subscription price for the New Ordinary Shares is less than EUR15,000 (or its Pounds Sterling equivalent).

Where the verification of identity requirements apply, please note the following guidance as this will assist in satisfying the verification of identity requirements and may reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above). Satisfaction of these requirements may be facilitated in the following ways:

(a) payment must be made by cheque or banker's draft in Pounds Sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right-hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be payable to "Link Market Services Ltd re: Grainger plc—Rights Issue A/C" in respect of an application by a Qualifying Non-CREST Shareholder. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/ banker's draft to such effect. The account name should be the same as that shown on the Provisional Allotment Letter; or

(b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (a) above, or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the People's Republic of China, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Provisional Allotment Letter written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will, on demand, make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority, or if the agent is not such an organisation, it should contact the Receiving Agent at the address set out on page 51 of this Prospectus; or

(c) if a Provisional Allotment Letter is lodged by hand by the acceptor in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address (for example, a recent bank statement).

Please telephone Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4.3 **Holders of Provisional Allotment Letters**

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom, or on whose behalf, the Provisional Allotment Letter is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the Provisional Allotment Letter is submitted by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment and in accordance with the other terms as described above (the "**acceptor**"), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

The Receiving Agent may therefore undertake electronic searches for the purposes of verifying identity. To do so, the Receiving Agent may verify the details against the applicant's identity, but also may request further proof of identity.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant acceptor unless, and until, the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent, the Banks, nor Grainger will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable time and in any event by not later than 17 December 2018 following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, Grainger may, in its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the acceptor's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn (without prejudice to the right of Grainger to take proceedings to recover the amount by which the net proceeds of sale of the relevant New Ordinary Shares fall short of the amount payable thereon).

Submission of a Provisional Allotment Letter with the appropriate remittance will constitute a warranty to each of Grainger, the Receiving Agent, and the Banks from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply for the UK purposes if:

(a) the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering (no.91/308/EEC)) as amended;

(b) the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

(c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;

(d) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or

(e) the aggregate subscription price for the New Ordinary Shares is less than €15,000 (or its Pounds Sterling equivalent).

In other cases, the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving Agent to require verification of identity as stated above). Satisfaction of these requirements may be facilitated in the following ways:

(a) if payment is made by cheque or banker's draft in Pounds Sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right-hand corner the following applies. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be payable to "Link Market Services Ltd re: Grainger plc—Rights Issue A/C" in respect of an application by a Qualifying Shareholder and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Provisional Allotment Letter; or

(b) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in 6.2(a) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are

Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Provisional Allotment Letter written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority, or if the agent is not such an organisation, it should contact the Receiving Agent at the address set out on page 51 of this Prospectus; or

(c) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and evidence of his or her address.

To confirm the acceptability of any written assurance referred to in (b) above, or in any other case, the acceptor should contact the Receiving Agent, Link Asset Services on +44 (0)371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

4.4 **Dealings in Nil Paid Rights**

Subject to the fulfilment of the conditions set out in paragraph 3 of this Part III ("*Terms and Conditions of the Rights Issue*"), dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 am on 3 December 2018. A transfer of Nil Paid Rights can be made by renunciation of the Provisional Allotment Letter in accordance with the instructions printed on it and delivery of the Provisional Allotment Letter to the transferee or to a stockbroker, bank or other appropriate financial adviser up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letters is expected to be 11.00 am on 17 December 2018. Further details on renunciation of Provisional Allotment Letters are set out in paragraph 4.7 of this Part III ("T*erms and Conditions of the Rights Issue*").

4.5 **Special Dealing Service**

(a) **Qualifying Non-CREST Shareholders who wish to sell all of their entitlement using the Special Dealing Service**

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to sell all of the Nil Paid Rights to which they are entitled may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 am on 11 December 2018, the latest time and date for requesting the sale of Nil Paid Rights through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 1 per cent. of the gross proceeds of sale of all of the Nil Paid Rights to which the Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £15, for effecting such sale through the Special Dealing Service.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Non-CREST Shareholders wishing to use the service to sell all their Nil Paid Rights up to 11.00 am on 11 December 2018 and instruct a broker to sell all such Nil Paid Rights on 13 December 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who have elected to sell all of their Nil Paid Rights under the Special Dealing Service that are received (or are treated as having been received). Such Nil Paid Rights in respect of which an instruction is received may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid Rights through the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to sell all of their Nil Paid

Rights through the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if all of their Nil Paid Rights had been sold in a single transaction or on a single day and such Qualifying Non-CREST Shareholders may receive the proceeds of sale later than if their Nil Paid Rights had been sold by another broker on an individual basis.

A Qualifying Non-CREST Shareholder who is considering giving an instruction to sell all of their Nil Paid Rights under the Special Dealing Service should note that there is no guarantee that the sale of Nil Paid Rights will be effected under the Special Dealing Service in relation to their Nil Paid Rights.

Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders who elect to sell all of their Nil Paid Rights and whose instructions are aggregated for sales purposes will exceed the commissions referred to above. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold but the proceeds obtained for the sale of such Nil Paid Rights are less than the commissions referred to above, such Qualifying Non-CREST Shareholder will not receive any proceeds.

(b) **Qualifying Non-CREST Shareholders who wish to effect a Cashless Take-up using the Special Dealing Service**

Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or in any other jurisdiction in the EEA and who wish to effect a Cashless Take-up may elect to do so using the Special Dealing Service. Such Qualifying Non-CREST Shareholders should complete and return the Provisional Allotment Letter in accordance with the instructions printed thereon, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 11.00 am on 11 December 2018, the latest time and date for requesting a Cashless Take-up through the Special Dealing Service.

A reply-paid envelope will be enclosed with the Provisional Allotment Letter for this purpose. If you post your Provisional Allotment Letter within the United Kingdom by first-class post, it is recommended that you allow at least four days for delivery. Please note that Link Asset Services will charge a commission of 1 per cent. of the gross proceeds of sale of such number of Nil Paid Rights as is required to effect a Cashless Take-up for which a Qualifying Non-CREST Shareholder is entitled, subject to a minimum of £15.

Under the Special Dealing Service, Link Asset Services will collate all the instructions from Qualifying Shareholders wishing to use the service to effect a Cashless Take-up up to 11.00 am on 11 December 2018 and instruct a broker to sell sufficient Nil Paid Rights for Qualifying Non-CREST Shareholders to take up the remainder of their Nil Paid Rights on 13 December 2018.

Link Asset Services will aggregate instructions from all Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service that are received (or are treated as having been received). Such number of Nil Paid Rights which need to be sold to effect a Cashless Take-up for Qualifying Non-CREST Shareholders under the Special Dealing Service may be sold in several transactions and on separate days. Qualifying Non-CREST Shareholders would receive the average price obtained for the sale of all of the Nil Paid Rights aggregated for sale purposes in accordance with the above. This may result in Qualifying Non-CREST Shareholders who elect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price than if their Nil Paid Rights were sold separately. This may also result in Qualifying Non-CREST Shareholders who choose to effect a Cashless Take-up under the Special Dealing Service receiving a higher or lower price for their Nil Paid Rights than if such Nil Paid Rights had been sold in a single transaction or on a single day.

A Qualifying Non-CREST Shareholder who is considering giving an instruction for Cashless Take-up under the Special Dealing Service should note that there is no guarantee that Cashless Take-up will be effected under the Special Dealing Service in relation to his or her Nil Paid Rights. Whether such Qualifying Non-CREST Shareholder's Nil Paid Rights will be sold under the Special Dealing Service will depend on whether it is expected that the proceeds from the sale of the Nil Paid Rights of the majority of the Qualifying Non-CREST Shareholders (the "Majority Shareholders") who elect for a Cashless Take-up under the Special Dealing Service and whose instructions are aggregated for sales purposes will be sufficient, after deducting the commissions referred to above, to take up one New Ordinary Share for each of the Majority Shareholders. If a Qualifying Non-CREST Shareholder's Nil Paid Rights are sold, but the proceeds obtained for the sale of the Nil Paid Rights are not sufficient, after the deduction of the commissions referred to above, to acquire any New Ordinary Shares at the Issue Price, such Qualifying Non-CREST Shareholder will not receive any New Ordinary Shares.

(c) **General**

By giving an instruction under the Special Dealing Service, a Qualifying Non-CREST Shareholder will be deemed to have represented, warranted and undertaken that he or she will not thereafter seek to take any action in respect of his or her Provisional Allotment Letter. By giving instruction under the Special Dealing Service, he or she will be deemed to have renounced his or her Nil Paid Rights, as applicable to his or her instruction.

The Special Dealing Service Terms and Conditions will be posted to Qualifying Non-CREST Shareholders together with the Provisional Allotment Letter. A Qualifying Non-CREST Shareholder who is eligible for and elects to use the Special Dealing Service agrees to the terms and conditions of the Rights Issue set out in this document and the Special Dealing Service Terms and Conditions (including how the price for the sale of their Nil Paid Rights is calculated and the commissions that will be deducted from the proceeds of their sale of such Nil Paid Rights). Qualifying Non-CREST Shareholders using the Special Dealing Service should note that they will be clients of Link Asset Services and not of the Company when using such service. Link Asset Services' liability to such a Qualifying Non-CREST Shareholder and its responsibility for providing the protections afforded by the UK regulatory regime to clients for whom such services are provided is as set out in the Special Dealing Service Terms and Conditions and neither Link Asset Services nor the Company shall have any liability or responsibility to a Qualifying Non-CREST Shareholder using the Special Dealing Service, except as set out in those Special Dealing Service Terms and Conditions. None of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from the terms or timing of any sale, any settlement issues arising from any sale, any exercise of discretion in relation to any sale, or any failure to procure any sale, of Nil Paid Rights pursuant to the Special Dealing Service.

The Company, Link Asset Services and/or their agents shall each have sole discretion to determine the eligibility of Qualifying Non-CREST Shareholders and may each in their sole discretion interpret instructions (including handwritten markings) on the Provisional Allotment Letter, and none of the Company, Link Asset Services or their agents shall be responsible for any loss or damage (whether actual or alleged) arising from any such exercise of discretion. All remittances will be sent by post, at the risk of the Qualifying Non-CREST Shareholder entitled thereto, to the registered address of the relevant Qualifying Non-CREST Shareholder (or, in the case of joint holders, to the address of the joint holder whose name stands first in the register of Shareholders). No interest will be payable on any proceeds received from the sale of Nil Paid Rights under the Special Dealing Service.

The Company, Link Asset Services and/or their agents cannot offer financial, legal, tax or investment advice on the Special Dealing Service. The Special Dealing Service is an "execution only" service and not a recommendation to buy or sell the Nil Paid Rights. The Special Dealing Service Terms and Conditions apply to the Special Dealing Service. The value of Shares and any income from them can fluctuate and, when sold, investors may receive less than the original amount invested. Past performance is not a guide to future returns. The Special Dealing Service is provided by Link Asset Services, a trading name of Link Market Services Limited, which is authorised by the FCA.

4.6 **Dealings in Fully Paid Rights**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus and in the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and lodging of the same, by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 11.00 am on 17 December 2018. To do this, Qualifying Non-CREST Shareholders will need to have their fully paid Provisional Allotment Letter returned to them after their acceptance has been effected by the Receiving Agent. However, fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested by ticking the appropriate box on the Provisional Allotment Letter. Thereafter, the New Ordinary Shares will be registered and transferable in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

4.7 **Renunciation and splitting of Provisional Allotment Letters**

The Provisional Allotment Letters are fully renounceable (save as required by the laws of certain overseas jurisdictions) and may be split prior to 3.00 pm on 13 December 2018 nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the Provisional Allotment Letter (if it is not already marked "*Original Duly Renounced*") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee, provided that a transferee, subject to certain exceptions, must not have a registered address in, or be otherwise resident or located in, any Restricted Territory. The latest time and date for registration of renunciation of Provisional Allotment Letters is 11.00 am on 17 December 2018 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Non-CREST Shareholders should note that fully paid Provisional Allotment Letters will not be returned to Qualifying Non-CREST Shareholders unless their return is requested.

If a holder of a Provisional Allotment Letter wishes to have some, but not all, of the New Ordinary Shares registered in his or her name and to transfer the remainder, or wishes to sell or transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he or she, or his or her agent, may have the Provisional Allotment Letter split, for which purpose he or she must sign and date Form X on page 4 of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 3.00 pm on 13 December 2018, to be cancelled and exchanged for the split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X on page 4 of split Provisional Allotment Letters will be marked "Original Duly Renounced" before issue. The aggregate number of Nil Paid Rights or (as applicable) Fully Paid Rights comprised in the split Provisional Allotment Letter must equal the number of New Ordinary Shares set out in the original Provisional Allotment Letter (less the number of New Ordinary Shares representing rights that the holder wishes to take up if taking up his or her entitlement in part). The split Provisional Allotment Letter(s) representing the New Ordinary Shares the relevant Qualifying Non-CREST Shareholder does not wish to take up will be required in order to sell those rights not being taken up. The holder of the split Provisional Allotment Letters should then follow the instructions in the preceding paragraph in relation to transferring the Nil Paid Rights or (if appropriate) Fully Paid Rights represented by each of the Provisional Allotment Letters.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on page 4 of the original Provisional Allotment Letter and return it by post or by hand (during normal business hours only) to Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, together with a covering letter confirming the number of New Ordinary Shares to be taken up and a cheque or banker's draft in pounds sterling for the appropriate amount made payable to "Link Market Services Ltd re: Grainger plc—Rights Issue A/C" and crossed "A/C payee only" detailing the allotment number (which is on page 1 of the Provisional Allotment Letter) written on the reverse of the cheque or banker's draft to pay for this number of shares. In this case, the Provisional Allotment Letter and the cheque or banker's draft must be received by the Receiving Agent by 11.00 am on 17 December 2018, being the last date and time for acceptance.

The Company reserves the right to refuse to register any renunciation in favour of any person in respect of which the Company believes such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

4.8 Registration in the names of Qualifying Shareholders

A Qualifying Non-CREST Shareholder who wishes to have all his or her entitlement to New Ordinary Shares registered in his or her name must accept and make payment for such allotment prior to the latest time for acceptance and payment in full, which is 11.00 am on 17 December 2018, in accordance with the provisions set out in the Provisional Allotment Letter and this Prospectus, but need take no further action. A share certificate shall be sent to such Shareholder by post not later than 3 January 2019.

4.9 Registration in the names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Non-CREST Shareholders originally entitled, the renouncee or his or her agent(s) must complete Form Y after Form X being signed by the original Qualifying Non-CREST Shareholder on page 4 of the Provisional

Allotment Letter (unless the renouncee is a CREST member who wishes to hold such shares in uncertificated form, in which case Form X (signed by the original Qualifying Non-CREST Shareholder) and the CREST Deposit Form must be completed—as set out in paragraph 5 of this Part III ("*Terms and Conditions of the Rights Issue*") and lodge the entire letter when fully paid by post or by hand (during normal business hours only) with Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than the latest time for registration of renunciation which is 11.00 am on 17 December 2018. Registration cannot be effected unless, and until, the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in two or more Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holder) if Form Y is completed on page 4 of one of the Provisional Allotment Letters (the "**Principal Letter**") and all other relevant Provisional Allotment Letters are delivered in one batch. Details of each relevant Provisional Allotment Letter (including the Principal Letter) the number of New Ordinary Shares represented by each Provisional Allotment Letter, the total number of Provisional Allotment Letters to be consolidated and the total number of New Ordinary Shares represented by all the Provisional Allotment Letters to be consolidated should be listed in an attached letter and the allotment number of the Principal Letter should be entered into the space provided on each of the other Provisional Allotment Letters.

4.10 **Deposit of Nil Paid Rights or Fully Paid Rights into CREST**

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form that is withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter deposited with the CCSS (as such term is defined in the CREST Manual); in addition, the normal CREST stock deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A Consolidation Listing Form (as defined in the CREST Regulations) must not be used.

A holder of Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or, if appropriate, Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 17 December 2018. **In particular, having regard to processing times in CREST and on the part of the Receiving Agent, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form on page 4 of the Provisional Allotment Letter duly completed) with the CCSS (to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 17 December 2018), is 3.00 pm on 12 December 2018.**

When Form X and the CREST Deposit Form (both set out on page 4 of the Provisional Allotment Letter) have been completed, the title to the Nil Paid Rights or the Fully Paid Rights represented by the relevant Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and, for the avoidance of doubt, any entries in Form Y on page 4 of such Provisional Allotment Letter will not be recognised or acted upon by the Receiving Agent. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor, as only their CREST sponsor will be able to take the necessary action to take up their entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of the CREST sponsored member (including CREST members who wish to effect a Cashless Take-up of Nil Paid Rights).

4.11 **Issue of New Ordinary Shares in definitive form**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by no later than 3 January 2019 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renouncees or their agents or, in the case of joint holdings, to the first-named Shareholder at their registered address (unless lodging agent details have been completed on page 4 of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates and the inscription of the member in the Company's register of members, instruments of transfer of the New Ordinary Shares will be certified by the Receiving Agent against the lodgement of fully paid Provisional Allotment Letters and/or, in the case of renunciations, against the Provisional Allotment Letters held by the Receiving Agent.

5. **Action to be taken by Qualifying CREST Shareholders in Relation to Nil Paid Rights in Crest**

Subject as provided in paragraph 7 of this Part III ("*Terms and Conditions of the Rights Issue*") in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his or her CREST stock account of his or her entitlement to Nil Paid Rights as soon as practicable after 8.00 am on 3 December 2018. For such Qualifying CREST Shareholders, the CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares in uncertificated form held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he or she receives a credit of entitlement into his or her stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one (1).

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If, for any reason, it is impracticable to credit the stock accounts of such Qualifying CREST Shareholders or to enable the Nil Paid Rights by 8.00 am on 3 December 2018, Provisional Allotment Letters shall, unless the Company decides otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this Prospectus may be adjusted as appropriate. References to dates and times in this Prospectus should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates, but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of, or otherwise to transfer all or part of, their entitlements in respect of or otherwise to transfer Nil Paid Rights or Fully Paid Rights held by them in CREST (including effecting a Cashless Take-up of Nil Paid Rights), should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise deal with your Nil Paid Rights or Fully Paid Rights.

General

5.1 **Procedure for acceptance and payment**

(a) **MTM instructions**

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM Instruction to Euroclear which, on its settlement, will have the following effect:

(i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

(ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank (as this term is defined in the CREST Manual) of the Receiving Agent in Pounds Sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and

(iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM Instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his or her Nil Paid Rights referred to in sub-paragraph (i) above.

(b) **Contents of MTM instructions**

The MTM Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(i) the number of Nil Paid Rights to which the acceptance relates;

(ii) the participant ID of the accepting CREST member;

(iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;

(iv) (the participant ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 9RA01;

(v) the member account ID of the Receiving Agent, in its capacity as a CREST receiving agent. This is 29905GRA;

(vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM Instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;

(vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM Instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates (referred to in paragraph (i) above);

(viii) the intended settlement date (which must be on or before 11.00 am on 17 December 2018;

(ix) the Nil Paid Rights ISIN. This is GB00BGDM7H07;

(x) the Fully Paid Rights ISIN. This is GB00BGDM7J21;

(xi) the Corporate Action Number (as this term is defined in the CREST Manual) to the Rights Issue. This will be available by viewing the relevant corporate action details in CREST; and

(xii) contact name and telephone numbers in the shared notes field; and

(xiii) a priority of at least 80.

(c) **Valid acceptance**

An MTM Instruction complying with each of the requirements as to authentication and contents set out in paragraph 5.1(b) of this Part III ("*Terms and Conditions of the Rights Issue*") will constitute a valid acceptance where either:

(i) the MTM Instruction settles by not later than 11.00 am on 17 December 2018; or

(ii) at the discretion of the Company: (a) the MTM Instruction is received by Euroclear by not later than 11.00 am on 17 December 2018; (b) the number of Nil Paid Rights inserted in the MTM Instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM Instruction at 11.00 am on 17 December 2018; and (c) the relevant MTM Instruction settles by 2.00 pm on 17 December 2018 (or such later date as the Company and the Banks have determined).

An MTM Instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM Instruction by the Network Provider's Communications Host (as this term is defined in the CREST Manual).

The provisions of this paragraph 5.1(c) of Part III ("*Terms and Conditions of the Rights Issue*") and any other terms of the Rights Issue relating to Qualifying CREST Shareholders may be waived, varied or modified as regards specific Qualifying CREST Shareholder(s) or on a general basis by the Company and the Banks.

(d) **Representations, warranties and undertakings of CREST members**

A CREST member, or CREST-sponsored member who makes a valid acceptance in accordance with this paragraph 5 of Part III ("*Terms and Conditions of the Rights Issue*"), represents, warrants and undertakes to the Company and the Banks that it has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by it or by its CREST sponsor (as appropriate) to ensure that the MTM Instruction concerned is capable of settlement at 11.00 am on 17 December 2018 and remains capable of settlement at all times after that until 2.00 pm on 17 December 2018 (or until such later time and date as the Company and the Banks may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 am on 17 December 2018 and at all times thereafter until 2.00 pm on 17 December 2018 (or until such later time and date as the Company and the Banks may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM Instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap (as defined in the CREST Manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST-sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale, including, without limitation, any stamp duty or SDRT payable on the transfer of such New Ordinary Shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part III ("*Terms and Conditions of the Rights Issue*") in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. None of the Company or the Banks or any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

(e) **CREST procedures and timings**

CREST members and CREST sponsors (on behalf of CREST-sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM Instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if a CREST-sponsored member, to procure that their CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 am on 17 December 2018. In this connection, CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(f) **CREST member's undertaking to pay**

A CREST member or CREST-sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 5 of Part III ("*Terms and Conditions of the Rights Issue*") undertakes to pay to the Receiving Agent, or to procure the payment to the Receiving Agent of, the amount payable in Pounds Sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual), the creation of a RTGS settlement bank (as this term is defined in the CREST Manual) payment obligation in Pounds Sterling in favour of the Receiving Agent's RTGS settlement bank, in accordance with the RTGS payment mechanism, shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST-sponsored member) to pay the amount payable on acceptance); and requests that the Fully Paid Rights and/or New Ordinary Shares to which they will become entitled be issued to it on the terms set out in this Prospectus and subject to the Company's Articles. If the payment obligations of the relevant CREST member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST-sponsored member and hold the proceeds of sale (net of expenses, and all amounts payable by the CREST member or CREST-sponsored member pursuant to the provisions of this Part III ("*Terms and Conditions of the Rights Issue*") in respect of the acquisition of such shares) or an amount equal to the original payment of the CREST member or CREST-sponsored member (whichever is lower) on trust for such CREST member or CREST-sponsored member. In these circumstances, none of the Banks or the Company or any other person shall be responsible for, or have any liability for, any losses, expenses or damages suffered by the CREST member or CREST-sponsored member as a result.

(g) **Discretion as to rejection and validity of acceptances**

The Company may in its absolute discretion (after first consulting with the Banks):

(i) reject any acceptance constituted by an MTM Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this Part III ("*Terms and Conditions of the Rights Issue*"). Where an acceptance is made as described in this paragraph 5.1 which is otherwise valid, and the MTM Instruction concerned fails to settle by 2.00 pm on 17 December 2018 (or by such later time and date as the Company and the Banks may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 5 of Part III ("*Terms and Conditions of the Rights Issue*"), that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5 of Part III ("*Terms and Conditions of the Rights Issue*") unless the Company is aware of any reason outside the control of the CREST member or CREST sponsor (as appropriate) concerned for the failure of the MTM Instruction to settle;

(ii) treat as valid (and binding on the CREST member or CREST-sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5 of Part III ("*Terms and Conditions of the Rights Issue*");

(iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM Instruction and subject to such further terms and conditions as the Company and the Banks may determine;

(iv) treat a properly authenticated dematerialised instruction (the "first instruction") as not constituting a valid acceptance if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(v) accept an alternative instruction or notification from a CREST member or CREST-sponsored member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM Instruction or any alternative instruction or notification, if, for reasons or due to circumstances outside the control of any CREST member or CREST-sponsored member or (where applicable) CREST sponsor, the CREST member or CREST-sponsored member is unable validly to take up all or part of his/her Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by the Receiving Agent in connection with CREST.

5.2 **Money Laundering Regulations**

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, the Receiving Agent is required to take reasonable measures to establish the identity of the person or persons (or the ultimate controller of such persons) on whose behalf you are making the application and any submission of an MTM Instruction constitutes agreement for the Receiving Agent to make a search via a credit reference agency where deemed necessary. A record of search results will be retained. Such Qualifying CREST Shareholders must therefore contact the Receiving Agent before sending any MTM Instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent any information the Receiving Agent may specify as being required for the purposes of the verification of identity requirements in the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM Instruction. If such information or other satisfactory evidence of identity has not been provided within a reasonable time, the Receiving Agent will not permit the MTM Instruction concerned to proceed to settlement; but without prejudice to the right of the Company and the Banks to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

5.3 **Dealings in Nil Paid Rights in CREST**

Subject to the fulfilment of the conditions under the Underwriting Agreement (summarised in paragraph 2 of this Part III ("*Terms and Conditions of the Rights Issue*"), dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 am on 3 December 2018. Dealings in Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 17 December 2018.

5.4 **Dealings in Fully Paid Rights in CREST**

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this Prospectus, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last time for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 am on 17 December 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 17 December 2018.

From 18 December 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable by means of CREST in the usual way.

5.5 **Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST**

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 pm on 11 December 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if applicable, Fully Paid Rights, following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 am on 17 December 2018. You are recommended to refer to the CREST Manual or your CREST-sponsor (as applicable) for details of such procedures.

5.6 **Issue of New Ordinary Shares in CREST**

Fully Paid Rights in CREST are expected to be disabled in CREST after the close of CREST business on 17 December 2018 (the latest date for settlement of transfers of Fully Paid Rights in CREST). New Ordinary Shares (in definitive form) will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. The Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Business Day (expected to be 18 December 2018).

5.7 **Right to allot/issue in certificated form**

Despite any other provision of this Prospectus, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

6. **Procedure in Respect of New Ordinary Shares not taken up**

If an entitlement to New Ordinary Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Banks will use reasonable endeavours to procure, by not later than 4.30 pm on the second Dealing Day after the last date for acceptance of the Rights Issue, subscribers for all (or at the discretion of the Banks as many as possible) of those New Ordinary Shares not taken up at a price per New Ordinary Share which is at least equal to the aggregate of the Rights Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which is not, in the reasonable opinion of the Banks, recoverable).

Notwithstanding the above, the Banks may cease to endeavour to procure any such subscribers if, in the opinion of the Banks, it is unlikely that any such subscribers can be so procured at such a price and by such a time. If, and to the extent that, subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Banks as principal pursuant to the Underwriting Agreement or by the sub-underwriters (if any) procured by the Banks, in each case, at the Rights Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

Any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable) shall be paid (subject as provided in this paragraph 6 of Part III ("*Terms and Conditions of the Rights Issue*")):

(a) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;

(b) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and

(c) to the extent not provided above, where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder,

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Rights Issue Price and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of VAT which are not recoverable), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the entitlements not taken up, save that no payment will be made of amounts of less than £5 per holding, which amounts will be aggregated and ultimately accrue for the benefit of the Company. Cheques for the amounts due (if any) will be sent in Pounds Sterling, by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST-sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

Any transactions undertaken pursuant to this paragraph 6 shall be deemed to have been undertaken at the request of the persons who did not take up their entitlements and none of the Company, the Banks nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscriptions, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. The Banks will be entitled to retain any brokerage, fees, commissions or other benefits received in connection with these arrangements.

It is a term of the Rights Issue that all New Ordinary Shares validly taken up by subscribers under the Rights Issue may be allotted to such subscribers in the event that not all of the New Ordinary Shares offered for subscription under the Rights Issue are taken up.

7. **Overseas Shareholders and selling and transfer restrictions**

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territory. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

7.1 **General**

The allocation of Nil Paid Rights and/or offer of Fully Paid Rights and/or New Ordinary Shares to persons resident in, or who are citizens of, or who have a registered address, in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

This paragraph 7 sets out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the United Kingdom, who are citizens or residents of countries other than the United Kingdom, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this Prospectus to a jurisdiction outside the United Kingdom or who hold Ordinary Shares for the account or benefit of any such person. The restrictions set out in this paragraph 7 will also apply to any investors who acquire New Ordinary Shares in connection with the placement of New Ordinary Shares not subscribed for in the Rights Issue.

New Ordinary Shares will be provisionally allotted (nil paid) to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters have not been, and will not be, sent to, and Nil Paid Rights will not be credited to CREST accounts of, Qualifying Shareholders with a registered address in any Restricted Territory or who are otherwise located or resident in any Restricted Territory, or any agent or intermediary of those Qualifying Shareholders, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Having considered the circumstances, the Directors have formed the view that it is necessary and expedient to restrict the ability of Qualifying Shareholders in the Restricted Territories to take up their rights under the Rights Issue due to the time and costs involved in the filing or registration of this Prospectus and the registration of the Rights Issue and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this Prospectus and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or a Provisional Allotment Letter must be treated as sent for information only (subject to certain exceptions) and should not be copied or redistributed. No person who has received or receives a copy of this Prospectus and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any territory other than the United Kingdom (a) may treat the same as constituting an invitation or offer to him, her or it; or (b) should use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST, in the relevant territory, unless (in the case of (a) or (b)) such an invitation or offer could lawfully be made to him, her or it or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights in CREST could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons who have received a copy of this Prospectus or a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in or into, any Restricted Territory. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any Restricted Territory, or by his, her or its agent or nominee, he, she or it must not seek to take up the rights referred to in the Provisional Allotment Letter or in this Prospectus or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this Prospectus or a Provisional Allotment Letter in or into any Restricted Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Subject to paragraphs 7.2, 7.3, 7.4 and 7.5 of this Part III ("*Terms and Conditions of the Rights Issue*"), any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. The comments set out in this paragraph 7 are intended as a general guide only and any Qualifying Shareholder that is an Overseas Shareholder who is in any doubt as to his, her or its position should consult his, her or its professional advisers without delay.

The Company may treat as invalid any exercise or purported exercise of Nil Paid Rights or any acceptance or purported acceptance of the offer of Fully Paid Rights or New Ordinary Shares which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if, in the case of a Provisional Allotment Letter, it provides for an address for delivery of the share certificates in or, in the case of a credit of New Ordinary Shares in CREST, a CREST member or CREST sponsored member whose registered address is in, any of the Restricted Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit or if the Board believes or its agents believe that the same may violate applicable legal or regulatory requirements. The attention of United States persons and Qualifying Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to paragraph 7.2 of this Part III ("*Terms and Conditions of the Rights Issue*").

Despite any other provision of this Prospectus or the Provisional Allotment Letter, the Company reserves the right to permit any Qualifying Shareholder to take up his, her or its rights if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he, she or it is a Qualifying Non-CREST Shareholder or, if he, she or it is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraph 4.1 and paragraph 5.1 of this Part III ("*Terms and Conditions of the Rights Issue*").

The provisions of this paragraph 7.1 of this Part III ("*Terms and Conditions of the Rights Issue*") will apply to all Overseas Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them. Accordingly, such Overseas Shareholders will be treated as not having taken up their rights to New Ordinary Shares and the Joint Global Coordinators will endeavour to procure, on behalf of such Overseas Shareholders, subscribers for the New Ordinary Shares.

7.2 **Offering and transfer restrictions relating to the United States**

(a) **Offering restrictions in respect of the Rights Issue relating to the United States**

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or the New Ordinary Shares in the United States.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, none of this Prospectus or the Provisional Allotment Letter constitutes, or will constitute, or forms part of, any offer of, or an invitation to apply for or an offer or invitation to acquire or subscribe for, any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. Subject to certain exceptions, neither this Prospectus nor a Provisional Allotment Letter will be sent to any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or postmarked in the United States will be deemed to be invalid and all persons subscribing for New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires or subscribes for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Prospectus and/or the Provisional Allotment Letter, taking up their entitlement or accepting delivery of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares, that they are not, and that at the time of acquiring or subscribing, as applicable, for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States.

A Qualifying Shareholder in the United States will be permitted to take up its entitlements to New Ordinary Shares under the Rights Issue only if it is a QIB and it executes an investor representation letter in the form provided by the Company and delivers it to the Company, with a copy to the Banks. The investor representation letter will require each such QIB to represent and agree that, amongst other things, (i) it is a QIB and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the Securities in transactions exempt from, or not subject to, the registration requirements of the Securities Act and in compliance with applicable state securities laws. The investor representation letter will contain additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the Securities. Any such QIBs who hold Ordinary Shares through a bank, a broker or other financial intermediary should procure that the relevant bank, broker or financial intermediary submits an investor representation letter on their behalf. The Company has the discretion to refuse to accept any Provisional Allotment Letter that is incomplete, unexecuted or not accompanied by an executed investor representation letter or any other required additional documentation.

The Company reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranties set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter does not have a registered address and is not otherwise located in the United States and is not acquiring or subscribing for the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company reserves the right to reject any MTM Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an applicable exemption from registration under the Securities Act. The provisions of paragraph 6 of this Part III ("*Terms and Conditions of the Rights Issue*") will apply to any New Ordinary Shares not taken up. Accordingly, subject to certain exceptions, Shareholders with a registered address in the United States will be treated as un-exercising holders and the Banks will endeavour to procure, on behalf of such un-exercising holders, subscribers for the New Ordinary Shares.

Any person in the United States who obtains a copy of this Prospectus or a Provisional Allotment Letter and who is not a QIB is required to disregard them.

(b) **United States selling and transfer restrictions in respect of New Ordinary Shares not taken up in the Rights Issue**

Any person within the United States that subscribes for any New Ordinary Shares that were not taken up in the Rights Issue must meet certain requirements and will be deemed to have represented, warranted, acknowledged and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and to have further represented, warranted, acknowledged and agreed as follows (terms defined in Rule 144A or Regulation S shall have the same meaning in this section):

(i) It is a QIB.

(ii) It is empowered, authorised and qualified to purchase the New Ordinary Shares and the person making these deemed representations, warranties, acknowledgements and agreements has all necessary power and authority to do so.

(iii) It is acquiring the New Ordinary Shares for its own account, or for the account of other QIBs as to whom it exercises sole investment discretion and on whose behalf it has the power and authority to make, and does make, all of the representations, warranties, acknowledgments and agreements herein, in each case for investment purposes only and not with a view to any distribution of the New Ordinary Shares that would be in violation of the Securities Act or any applicable state securities laws.

(iv) It acknowledges that (i) the New Ordinary Shares have not been and will not be registered under the Securities Act or applicable state securities laws, and are being offered and sold in transactions not involving a "public offering" within the meaning of the Securities Act pursuant to exemptions from the registration requirements of the Securities Act and applicable state securities laws and (ii) the sellers of the New Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

(v) It acknowledges that the Company's corporate disclosure may differ from the disclosure made available by similar companies in the United States, and publicly-available information about issuers of securities admitted to trading on the London Stock Exchange differs from and, in certain respects, is less detailed than the information that is regularly published by or about listed companies in the United States, and regulations governing the London Stock Exchange may not be as extensive in all respects as those governing United States securities markets.

(vi) It (i) has received and read a copy of this Prospectus, (ii) understands and agrees that the Prospectus speaks only as of its date and that the information contained or incorporated by reference herein may not be correct or complete as of any time subsequent to that date and (iii) has held and will hold the Prospectus in confidence, it being understood that the Prospectus received by it is solely for its use and it has not duplicated, distributed, forwarded, transferred or otherwise transmitted, and will not duplicate, distribute, forward, transfer or otherwise transmit, the Prospectus or any other materials concerning the New Ordinary Shares (including electronic copies thereof) to any other persons.

(vii) It acknowledges that the Prospectus has been prepared in accordance with UK format and style, which differ from United States format and style, and the financial information contained or incorporated by reference in the Prospectus has been prepared in accordance with IFRS and thus may not be comparable to financial statements of US companies prepared in accordance with US generally accepted accounting principles.

(viii) It has made its own assessment concerning the relevant tax, legal and other economic considerations relevant to its investment in the New Ordinary Shares, including, without limitation, the particular US federal income tax consequences of the offer of the New Ordinary Shares, and the purchase, ownership and disposition of the New Ordinary Shares in light of its particular situation as well as any consequences arising under the laws of any other applicable taxing jurisdiction. It will base its investment decision solely on this Prospectus, including the information incorporated by reference herein. It acknowledges that none of the Company, any of its affiliates or any other person (including either of Banks or any of their respective affiliates) has made any representations, express or implied, to it with respect to the Company, the Rights Issue, the New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Issue or the New Ordinary Shares, other than (in the case of the Company and its affiliates only) the information contained or incorporated by reference in this document. It acknowledges and agrees that it will not hold the Banks or any of their affiliates or any person acting on their behalf responsible or liable for any misstatements in or omissions from any publicly available information relating to the Company. It acknowledges that it has not relied on any investigation that the Banks or any person acting on their behalf may have conducted, nor any information contained in any research reports prepared by the Banks or any of their respective affiliates, and it has relied solely on its own judgment, examination and due diligence of the Company, and the terms of the Rights Issue, including the merits and risks involved, and not upon any view expressed by or information provided by, or on behalf of, the Banks or any of their affiliates.

(ix) It is not acquiring the New Ordinary Shares as a result of any form of "general solicitation or general advertising" within the meaning of Rule 502(c) under the Securities Act.

(x) It is an institution which (i) invests in or purchases securities similar to the New Ordinary Shares in the normal course of business, (ii) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the New Ordinary Shares, and (iii) is, and any accounts for which it is acting are, able to bear the economic risk, and sustain a complete loss, of such investment in the New Ordinary Shares for an indefinite period of time.

(xi) It is aware that the New Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) will be "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that, for so long as they remain "restricted securities", the New Ordinary Shares may not be deposited, and it will not deposit the New Ordinary Shares, into any unrestricted depositary receipt facility established or maintained by a depositary bank.

(xii) It (i) agrees that it will not reoffer, resell, pledge or otherwise transfer the New Ordinary Shares except (a) pursuant to an effective registration statement under the Securities Act, (b) in an "offshore transaction" within the meaning of, and pursuant to Rule 903 or Rule 904 of, Regulation S under the Securities Act, (c) in a transaction meeting the requirements of Rule 144A (if available) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of another QIB, (d) pursuant to Rule 144 under the Securities Act (if available) or (e) pursuant to another available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States and subject to the delivery to the Company of an opinion of counsel, certifications or other evidence as the Company may reasonably require, (ii) acknowledges that no representation has been or will be made as to the availability of the exemptions provided by Rule 144A or Rule 144 under the Securities Act or any state securities laws for the reoffer, resale, pledge or transfer of the New Ordinary Shares and (iii) accepts the New Ordinary Shares subject to the foregoing restrictions on transfer and agrees to notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the New Ordinary Shares of the foregoing restrictions on transfer.

(xiii) It agrees that, if any New Ordinary Shares are delivered to it in certificated form, the certificate to be delivered and all certificates issued in exchange therefor or in substitution therefor will bear a legend substantially in the form below, for so long as the New Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (II) IN AN "OFFSHORE TRANSACTION" WITHIN THE MEANING OF, AND PURSUANT TO RULE 903 OR RULE 904 OF, REGULATION S UNDER THE SECURITIES ACT, (III) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A (IF AVAILABLE) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (A "QIB") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, (IV) PURSUANT TO RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (V) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND SUBJECT TO THE DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER EVIDENCE AS THE COMPANY MAY REASONABLY REQUIRE. NO REPRESENTATION HAS BEEN OR WILL BE MADE AS TO THE AVAILABILITY OF THE EXEMPTIONS PROVIDED BY RULE 144A OR RULE 144 UNDER THE SECURITIES ACT OR ANY STATE SECURITIES LAWS FOR THEREOFFER, RESALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED HEREBY.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY FACILITY MAINTAINED BY ANY DEPOSITARY BANK UNLESS AND UNTIL SUCH TIME AS THIS SECURITY IS NO LONGER A "RESTRICTED SECURITY" WITHIN THE MEANING OF RULE 144(A)(3) UNDER THE SECURITIES ACT. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SECURITIES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

(xiv) It acknowledges that the Company and the registrar and transfer agent for the New Ordinary Shares will not be required to accept the registration of transfer of any New Ordinary Shares acquired by it, except upon presentation of evidence satisfactory to the Company that the restrictions on transfer set forth and described herein have been complied with.

(xv) It acknowledges and agrees that the Company may make a notation on its records or give instructions to the registrar and any transfer agent for the New Ordinary Shares in order to implement the restrictions on transfer set forth and described herein.

(xvi) It satisfies any and all standards for investors in the New Ordinary Shares imposed by the jurisdiction of its residence or otherwise.

(xvii) It acknowledges that the foregoing representations, warranties, acknowledgements and agreements are required in connection with the laws of the United States and the states thereof, and the Company, the Banks and their respective affiliates will rely, and are entitled to rely, upon the truth and accuracy of the representations, warranties, acknowledgements and agreements set forth herein, and it agrees to notify the Company and the Banks promptly in writing if any of the representations, warranties or acknowledgments set forth herein ceases to be accurate and complete, or if it fails to comply with any of the agreements contained herein.

Prospective purchasers are hereby notified that sellers of the New Ordinary Shares may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

7.3 Offering and transfer restrictions relating to Australia

The provision of, and information in, this Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any person to whom such offer or invitation would be unlawful. Any such offer or invitation will only be extended to a person in Australia if that person is a "sophisticated investor" (within the meaning of section 708(8) of the Corporations Act) or a "professional investor" (within the meaning of section 708(11) of the Corporations Act), or any other person who may be offered or issued Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters without requiring a disclosure document.

This Prospectus is not a disclosure document under the Corporations Act. It is not required to, and may not, contain all the information which would be required in a disclosure document or a product disclosure document prepared in accordance with the Corporations Act, and it has not been lodged with the Australian Securities and Investments Commission.

7.4 Offering and transfer restrictions relating to Canada

The offer and sale under the Rights Issue in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepare and file a prospectus under applicable Canadian securities laws. Any resale of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares acquired by a Qualifying Shareholder in Canada under this Rights Issue must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares outside of Canada.

7.5 Offering and transfer restrictions relating to Japan

The provision of, and information in, this Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any person to whom such offer or invitation would be unlawful. Provisional Allotment Letters will not be sent to Shareholders in Japan except with prior agreement with the Company.

7.6 Offering and transfer restrictions relating to the Republic of South Africa

The provision of, and information in, this Prospectus does not constitute an offer of Nil Paid Rights, Fully Paid Rights, New Ordinary Shares or Provisional Allotment Letters to any person to whom such offer or invitation would be unlawful. Provisional Allotment Letters will not be sent to Shareholders in the Republic of South Africa except with prior agreement with the Company.

7.7 Representations and warranties relating to Overseas Shareholders

(a) Qualifying Non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction: (i)(a) such person is not in the United States and is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, in the United States; or (b) if such person is located within the United States, it is a QIB and it (or its custodian or nominee on its behalf) has delivered an executed investor representation letter to the Company and/or one of its designees; (ii) such person is not in any of the other Restricted Territories or in any other jurisdiction in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within any of the Restricted Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States; and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction; and either (y) has investment discretion over such account; or (z) is an investment company that is subscribing for the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (iv) such person is not subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any territory referred to in (ii) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it: (a) appears to the Company to have been executed in, or despatched from, any of the Restricted Territories or any jurisdiction in which it is otherwise unlawful to make or accept an offer to acquire the Fully Paid Rights or subscribe for New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in any of the Restricted Territories for delivery of definitive share certificates for New Ordinary Shares or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates; or (c) purports to exclude the warranty required by this paragraph 7.7.

(b) **Qualifying CREST Shareholders**

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part III ("*Terms and Conditions of the Rights Issue*") represents and warrants to the Company and the Banks that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction: (i)(a) such person is not in the United States and is not accepting, or requesting registration of the relevant New Ordinary Shares, in the United States; or (b) if such person is located within the United States, it is a QIB and it (or its custodian or nominee on its behalf) has delivered an executed investor representation letter to the Company and/or one of its designees; (ii) such person is not in any of the other Restricted Territories or in any other jurisdiction in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares; (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within any of the Restricted Territories, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States; and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction; and either (y) has investment discretion over such account; or (z) is an investment company that is subscribing for the New Ordinary Shares in an "offshore transaction" within the meaning of Regulation S; and (iv) such person is not subscribing for New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any territory referred to in (ii) above.

The Company may treat as invalid any MTM Instruction which appears to the Company to have been despatched from any of the Restricted Territories or any jurisdiction in which it is otherwise unlawful to make or accept an offer to acquire the Fully Paid Rights or subscribe for New Ordinary Shares, or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it or its agents believe the same may violate any applicable legal or regulatory requirement or purports to exclude the warranty required by this paragraph 7.7.

7.8 **Waiver**

The provisions of this paragraph 7 of Part III ("*Terms and Conditions of the Rights Issue*") and of any other terms of the Rights Issue relating to all Qualifying Shareholders with registered addresses or, who are located or resident in any of the Restricted Territories may be waived, varied or modified as regards specific Qualifying Shareholders or on a general basis by the Company in its absolute discretion after consulting the Banks. Subject to this, the provisions of this paragraph 7 of Part III ("*Terms and Conditions of the Rights Issue*") supersede any terms of the Rights Issue inconsistent herewith. References in this paragraph 7 of Part III

("*Terms and Conditions of the Rights Issue*") to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 7 of Part III ("*Terms and Conditions of the Rights Issue*") shall apply to them jointly and to each of them.

7.9 **Payment**

All payments must be made in the manner set out in paragraphs 4.1 and 5.1 of this Part III ("*Terms and Conditions of the Rights Issue*") (as applicable).

8. **Withdrawal rights**

Persons who have the right to withdraw their acceptances under Section 87Q(4) of the FSMA after a supplementary prospectus (if any) supplementing this Prospectus has been published and who wish to exercise such right of withdrawal, must do so by lodging a written notice of withdrawal (which shall not include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member, with the Company's Receiving Agent, Link Asset Services, or by email to withdraw@linkgroup.co.uk so as to be received no later than two (2) Business Days after the date on which the supplementary prospectus was published, with any withdrawal being effective upon receipt of the written notice of withdrawal. Notice of withdrawal given by any other means or which is deposited with, or received by, the Receiving Agent after the expiry of such period, will not constitute a valid withdrawal. The Company shall treat as valid any notice of withdrawal received through the post which bears a legible postmark on its envelope dated not later than the date falling two (2) Business Days after the date on which such supplementary prospectus was published. Furthermore, the Company will not permit the exercise of withdrawal rights after payment by the relevant person for New Ordinary Shares of its subscription amount in full and the allotment of the New Ordinary Shares to such Shareholder becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying Shareholders at their own risk and without interest to the address set out in the Provisional Allotment Letter and/or the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 8 are without prejudice to the statutory rights of Qualifying Shareholders. In such event, Shareholders are advised to seek independent legal advice. Such entitlements to New Ordinary Shares will be subject to the provisions of paragraph 6 of this Part of Part III ("*Terms and Conditions of the Rights Issue*") above as if the entitlement had not been validly taken up.

9. **Times and dates**

The Company shall, at its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence, and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this Prospectus and in such circumstances shall announce any such amendments, via a Regulatory Information Service. Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two (2) or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Rights Issue specified in this Prospectus (or such later date as may be agreed between the Company and the Banks), the latest date for acceptance under the Rights Issue shall be extended to a date that is not less than three (3) Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. **Taxation**

The information contained in Part XII ("*Taxation*") is intended as a general guide only to the current tax position in the United Kingdom and the United States and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances.

Certain statements regarding UK and US taxation in respect of the Rights Issue are set out in Part XII ("*Taxation*") of this Prospectus. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Rights Issue, or who are subject to tax in any jurisdiction other than the United Kingdom and/or the United States, should immediately consult a suitable professional adviser.

11. **Dilution**

If a Qualifying Shareholder does not take up the offer of New Ordinary Shares in whole or in part, such Qualifying Shareholder's holding will be diluted by approximately 31.8. per cent.

12. **Governing law and jurisdiction**

This Prospectus, the Provisional Allotment Letters and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The New Ordinary Shares will be created and issued pursuant to the Company's Articles and under the Companies Act. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Rights Issue, this Prospectus or the Provisional Allotment Letter including, without limitation, disputes relating to any non-contractual obligations arising out of, or in connection with, the Rights Issue, this Prospectus or the Provisional Allotment Letter. By taking up Rights under the Rights Issue in accordance with the instructions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

13. **The Grainger Group Share Plans**

The Company may adjust the outstanding options and awards under the Grainger Group Share Plans (other than the SIP) to take account of the Rights Issue, subject to any necessary approvals from HMRC. Any participant in the SIP may direct the SIP Trustee in respect of any Ordinary Shares which the SIP Trustee holds on behalf of such participant, as to how to exercise the rights relating to such Ordinary Shares in connection with the Rights Issue. In respect of outstanding options and awards that are subject to performance conditions, such performance conditions may be amended in accordance with the rules of the relevant Grainger Group Share Plan to take account of the Rights Issue, where this is deemed appropriate by the Remuneration Committee. Participants in the Grainger Group Share Plans will be contacted separately with further information on how their options and awards will be affected by the Rights Issue.

14. **Further information**

Your attention is drawn to the further information set out in this Prospectus and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Provisional Allotment Letters, to the terms, conditions and other information printed on the accompanying Provisional Allotment Letters.

PART IV
INFORMATION ON THE COMPANY, GRIP AND THE ENLARGED GROUP

PART A: INFORMATION ON GRAINGER

1. Overview

Grainger is a FTSE 250 property business which is the United Kingdom's largest listed residential landlord based on number of properties and which the Directors believe is the United Kingdom's leading private rental housing business. The Grainger Group invests in, develops, operates and trades residential homes for rent across the United Kingdom and, as of 30 September 2018, had total assets under management of approximately 8,200 units worth £2.8 billion (£2.1 billion worth of wholly-owned assets (6,530 units), £173 million worth of co-investments (425 units) and £523 million worth of third-party share assets under management (1,282 units)). The Grainger Group's portfolio of residential properties is comprised primarily of properties in the private rental sector ("**PRS Portfolio**") and properties subject to a tenancy regulated under the Rent Act, known as regulated tenancies ("**Regulated Tenancies Portfolio**").

The Company was incorporated under the laws of England and Wales on 27 November 1912 as Grainger Trust Limited, and changed its name to Grainger plc in 2007. It was originally established in Newcastle to acquire and manage tenanted residential properties.

A key milestone was reached in the history of the Grainger Group in 2016. At that time, the Directors decided to pursue a simplified and more focused strategy to transform from a business which relied heavily upon trading income and capital value growth, to one more balanced with a greater focus on recurring net rental income. Whilst the Regulated Tenancies Portfolio continued to provide considerable and stable revenues, the Grainger Group decided to focus on the expansion of its PRS business. This change in emphasis seeks to benefit from the significant demand in the United Kingdom for PRS accommodation.

The Grainger Group now has three strategic priorities: first, to grow rental income and thereby significantly drive growth in the dividend for Shareholders; second, to simplify and focus the business on the PRS, creating significant efficiencies; and, third, to build on the Grainger Group's experience as a landlord to improve further the service provided to customers, particularly through technology. The Grainger Group believes it has a particular competitive advantage though its participation in all stages of PRS developments, given its ability to originate, invest in, and operate PRS assets.

In addition, in 2017, the Grainger Group set out its plans for further accelerating growth, including an asset hierarchy review, which identified opportunities for asset recycling to fund further investment in PRS and which has been implemented during the 2018 financial year. As of the end of the 2018 financial year, £157 million of assets had been sold pursuant to this asset recycling plan.

Further to these priorities, the Grainger Group disposed of £450 million of non-core business assets between 2016 and 2018, including its German and Retirement Solutions business in 2016 and its 50 per cent. interest in the Walworth Investment Properties joint venture in 2018. The Grainger Group has used the proceeds of these disposals to help make important investments in the PRS market.

The Grainger Group continues to invest in technology in order to increase its scalability, manage costs and improve its customer experience in order to underpin future returns and growth and to focus on improving customer service and efficiencies, in order to enable the Grainger Group to maintain its market leading position and grow its market share.

The Grainger Group has also focussed on its costs of capital. During 2018, the Grainger Group refinanced its existing corporate bond which had a 5.0 per cent. coupon with a new, 10-year £350 million corporate bond with a coupon of 3.375 per cent. As a result of this and other refinancing activities, the Grainger Group has lowered its cost of debt from 5.4 per cent at the end of the 2014 financial year to 3.2 per cent. at the end of the 2018 financial year.

2. Business operations

The Grainger Group's business model has three elements: (i) originating, planning and developing high-quality assets; (ii) investing in well-located and attractive properties; and (iii) operating and managing the properties for customers. This three-part operating model is designed to help ensure the Grainger Group is investing in the best possible assets, providing great service and improving returns for Shareholders.

The Grainger Group's operations are organised into the following business areas.

2.1 **Residential business**

The residential business owns, acquires, operates and trades the properties within its regulated tenancy, PRS and CHARM Portfolios (together, the "**Residential Portfolio**"). The two principal revenue streams of the residential business are rental income derived approximately equally from the PRS Portfolio and the Regulated Tenancies Portfolio and proceeds on the sale of Trading Properties.

As of 30 September 2018, the Residential Portfolio (including co-investments) consists of approximately 8,200 homes with a Market Value of £2.8 billion, which comprise two main types of privately rented assets located across the United Kingdom: regulated tenancies and PRS homes. The rental rates of the properties in the Regulated Tenancies Portfolio are set in accordance with the Rent Act. The remaining properties in the Residential Portfolio are not subject to regulated tenancies and include ex-regulated assured and periodic tenancies and assured shorthold tenancies, all of which are subject to market rents, vacant units, properties held agricultural tenancies and other property interests.

As of 30 September 2018, the PRS Portfolio represented 48 per cent. of the total number of properties in the Residential Portfolio and 35 per cent of the Market Value of the Residential Portfolio, compared to 31 per cent. and 24 per cent., respectively, as of 30 September 2015. Including properties owned by the GRIP Group, the PRS Portfolio would have represented 52 per cent of the Market Value of the Enlarged Group's Residential Portfolio as of 30 September 2018, and, once the development of the properties in the Enlarged Group's pipeline have completed and stabilised, the PRS Portfolio is expected to represent 68 per cent of the Market Value of the Enlarged Group's Residential Portfolio.

The properties in the Regulated Tenancies Portfolio are typically bought at a discount to the Vacant Possession Value, which is the value that could be realised if such property became vacant and were sold as of that date. The resulting difference between a property's Market Value whilst it is tenanted and its Vacant Possession Value, known as the Reversionary Surplus, crystallises upon vacancy of the regulated property.

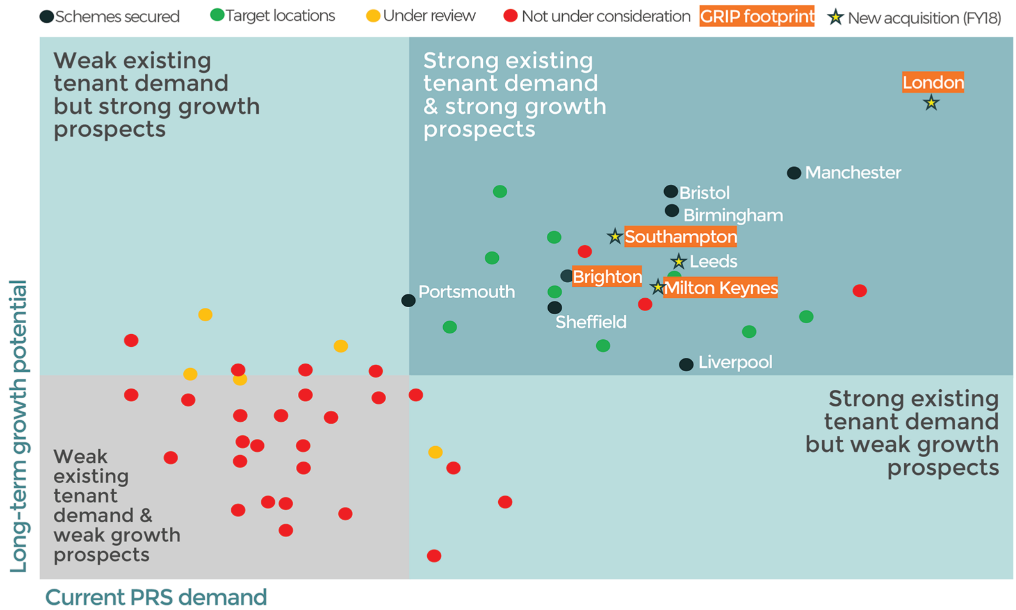
Due to the relatively low value of most of its regulated properties and sales margins which historically have been high due to acquisition prices being at a discount to Vacant Possession Value and/or the residential business having held the property for a number of years, the Grainger Group has a degree of flexibility with respect to pricing upon the disposal of the properties in its Residential Portfolio and thus has generally been less impacted in periods where adverse market conditions contribute to low property prices and reduced demand. Furthermore, the properties in the Residential Portfolio have not been as severely affected by declining prices and have out-performed the Nationwide and Halifax house price indices in the four-year period ended 30 September 2018 when the Vacant Possession Value of the properties in the Residential Portfolio increased by 3.9 per cent. compared to an increase of 3.8 per cent. in the combined Nationwide and Halifax house price indices over the same period.

(a) **PRS assets**

The PRS Portfolio is the focus of the Grainger Group's recent strategic transformation and constitutes an expanding source of revenue and growth. As of 30 September 2018, Grainger was the largest FTSE-listed provider of PRS accommodation in the United Kingdom, with a total of 4,548 PRS homes (including co-investments). The Grainger Group has a national operational platform, being recognised in 2018 as "Asset Manager of the Year" at the RESI Awards and in 2017 as "Property Company of the Year" at the Property Awards, "Landlord of the Year" and "Asset Manager of the Year" at the RESI Awards and "Developer of the Year (Privately Owned)" at the Rent Awards.

There is considerable opportunity in the PRS market. Currently, 98 per cent. of the market is supplied by small landlords (*Source: House of Commons Library (Alex Bate), Building the new private rented sector: issues and prospects (England), 19 June 2017; Shelter/YouGov Survey of Private Landlords, February 2016*). It is estimated that the PRS will grow from 4.7 million households as of 2016/2017 to 7.2 million by 2025 (*Source: MHCLG, English Housing Survey, Headline Report, 2016–17 (published January 2018); PwC, UK Economic Outlook (July 2015)*). As of the third quarter of 2018, there were 131,855 Build to Rent units in the United Kingdom, of which 106,190 were in the planning or construction phases (S*ource: British Property Federation, Build to Rent Map of the UK, Q3 2018*). See the "*Market Overview*" section in this Prospectus for more information on the PRS market. With an occupancy rate of 97 per cent., an average length of customer stay of 27 months and a 3.0 per cent. like-for-like rental growth (each as of 30 September 2018), the Directors believe the Grainger Group's PRS business is well-positioned to benefit from this significant growth in demand for PRS accommodation.

The Grainger Group's strategy is to continue to invest in strong rental growth markets, including London, Manchester, Bristol, Leeds and Birmingham. The following graphic depicts the Senior Management's ranking of UK cities based on Senior Management's assessment of their long-term growth potential and existing PRS demand.



Supporting this investment strategy is the Grainger Group's accelerated asset recycling program, which recycled £157 million of capital from the sale of Regulated Tenancy properties into PRS assets in the 2018 financial year. As of the date of this Prospectus, the Grainger Group's secured PRS investment pipeline stood at £943 million (plus an additional £45 million secured via GRIP), well ahead of the Grainger Group's initial objective, announced in January 2016, of investing £850 million in PRS assets by 2020. As of 30 September 2018, a further £382 million of investment was undergoing planning and legal preparations. These figures are investment amounts and do not reflect the future Market Value of the assets upon completion. As an indicator, the Grainger Group has secured these investments at gross yields on cost that are typically between 5 and 8 per cent. (compared to 4 to 6 per cent for the PRS Portfolio overall); upon completion and stabilisation, these assets are subject to yield compression on revaluations.

The Company believes the successful execution of this investment pipeline should see the Grainger Group's recurring net rental income grow significantly with the potential to reach £128 million (compared to £32 million in the financial year ended 30 September 2015), once the properties in the pipeline have been completed and stabilised, the majority of which is expected to occur over the next three years assuming that property operating costs and market conditions remain stable. The projected net rental income is a target only and is not a profit forecast. Given the matters discussed in relation to the PRS pipeline above, while the Company believes that projected net rental income is a helpful indicator for investors, there can be no assurance that the projections will be achieved at the levels indicated.

The Grainger Group pursues three routes for investment in PRS assets: (i) forward funding the development of housing units; (ii) directly developing units; and (iii) acquiring existing stabilised tenanted units and acquisitions through its joint ventures business (for more information on which, please see "*—Funds and Third-Party Management*"). By investing in this variety of ways, the Grainger Group is able to diversify risk even within the PRS Portfolio.

(1) Forward funding development projects allows the Grainger Group to partner with local developers and to provide design input for the development. The Directors believe this strategy accelerates the supply of Build to Rent units whilst also minimising the Grainger Group's exposure to development risk. Typically, the Grainger Group forward funds developments of between 150 and 600 Build to Rent units, investing between £30 million and £100 million. Forward-funded developments typically provide gross annual yields of approximately 7 to 8 per cent. outside of London and approximately 5 to 6 per cent. inside London and South East England.

    In the year ended 30 September 2018, the Grainger Group completed the forward-funded acquisitions of 375 PRS homes on Gore Street, Manchester for £80 million, a PRS development at Gilder's Yard, Birmingham comprised of 156 homes with an investment value of £28 million, as well as a Build to Rent development comprising 237 purpose-built PRS homes in Eccy Village, Sheffield. On 15 May 2018, the Grainger Group conditionally agreed to forward fund and acquire a Build to Rent development in Milton Keynes, comprising 261 PRS homes for £63.0 million with a targeted gross yield of 6.25 per cent. The transaction is conditional on the completion of a new adjacent YMCA as part of the first phase of the wider development which is expected in the third quarter of 2019 prior to construction starting on site. As of the date of this Prospectus, the investment value of Grainger Group's forward-funding pipeline amounted to £786 million, of which £514 million was secured and £272 million was undergoing planning and legal preparations.

A recent example that demonstrates successful forward-funding of development is Argo Apartments, which is held within GRIP. This 134-home complex in Canning Town, London, opened in mid-January 2018 and reached an occupancy rate of 97 per cent within four months, around two months ahead of plan. Approximately 42 per cent. of customers have entered into leases with a term of three years. Rents achieved were also ahead of estimates, and the scheme is expected to generate a gross yield of approximately 8 per cent. Compared to the initial purchase price, the Market Value of Argo Apartments represents a valuation uplift of approximately 64 per cent. as of 30 September 2018.

Additional forward-funding projects for which the Grainger Group is undergoing planning and legal preparations include two schemes in London and the South East with 375 units valued at over £140 million, as well as an additional three schemes in other regions with 714 units valued at over £125 million.

(2) Direct development provides the Grainger Group with greater control over the development's design and delivery. The Directors believe it provides an opportunity to enhance returns. The Grainger Group looks to manage the risk on direct development to an appropriate level by entering into fixed price contracts prior to the commencement of construction and through a robust assessment of the capabilities and financial strength of key counterparties. Investments in direct development projects are typically between £20 million and £80 million, and consist of between 100 and 200 units. Typically, the gross annual yield is between 6.5 and 7.5 per cent.

For example, the Grainger Group has invested £17 million in the Berewood development in Waterlooville, Hampshire. This suburban style, family-friendly rental housing scheme consists of 104 PRS homes. The expected gross yield from the Berewood development is approximately 8 per cent. As of the date of this Prospectus, the investment value of Grainger Group's direct development pipeline amounted to £401 million, of which £291 million was secured and £110 million was undergoing planning and legal preparations.

(3) Acquisitions of stabilised, existing tenanted PRS assets provides an immediate source of income. These acquisitions also provide scope for the Grainger Group to provide asset management services directly to customers. Stabilised PRS acquisitions typically involve an investment of between £5 million and £25 million and consist of between 60 and 250 units. Stabilised PRS assets typically produce annual rental yields of approximately 4 to 5 per cent. inside London and 5.5 to 6.5 per cent. outside of London.

In June 2017, the Grainger Group acquired The Rock in Bury, Manchester. The Rock consists of 233 PRS flats with a gross yield of approximately 7.5 per cent. The Rock was already tenanted and provided an immediate source of income. The Rock is an example of the Grainger Group's acquisition of stabilised, tenanted assets. This was supplemented by the acquisition in November 2017 of the tenanted Tribe portfolio comprising 192 PRS homes on three blocks in Manchester for £26 million.

The following table provides information on the location, size, gross yield target and expected completion dates of the properties in the Grainger Group's secured pipeline as of the date of this Prospectus.

Name	Status	No. of units	Estimated investment (£ million)	Targeted gross yield (in per cent.)	Expected completion/ first lets
Forward funding					
Clippers Quay, Salford	Phased completion	614	99	c. 8	Early FY 2019
Gore Street, Manchester	On site	375	80	c. 7	Early FY 2020
YMCA, Milton Keynes	Exchanged	261	63	c. 6.25	Early FY 2022
Finzels Reach, Bristol	On site	194	46	c. 7	Mid FY 2019
Yorkshire Post, Leeds	On site	242	42	c. 7	Early FY 2021
Eccy Village, Sheffield	On site	237	32	c. 7	Late FY 2019

Name	Status	No. of units	Estimated investment (£ million)	Targeted gross yield (in per cent.)	Expected completion/ first lets
Gilders Yard, Birmingham	On site	156	28	c. 7	Early FY 2020
Affordable homes acquisitions (including Pontoon Dock)	Phased completions	156	21	c. 5–6 plus sales profit	Mid FY 2020
Leeds, Yorkshire	Exchanged	200+	34	c. 6.5	Mid FY 2021
Hale Wharf, Tottenham Hale, London	Exchanged	108	41	c. 5.5–6	Mid FY 2021
Pontoon Dock, London (20 per cent.)	On site	154	13	c. 6 plus fees	Mid FY 2020
Silbury Boulevard, Milton Keynes (24.9 per cent.)	On site	139	8	c. 6	Early FY 2020
East Street (24.9 per cent.)	On site	132	7	c. 6.5	Early FY 2021
Total Grainger forward funding	**—**	**2,968**	**514**	**—**	**—**
Silbury Boulevard, Milton Keynes (75.1 per cent.)	On site	—	24	c. 6	Early FY 2020
East Street, Southampton (75.1 per cent.)	On site	—	21	c. 6.5	Early FY 2021
Total GRIP under construction	**—**	**—**	**45**	**—**	**—**
Total forward funding including GRIP under construction	**—**	**2,968**	**559**	**—**	**—**
Direct development					
Apex House, London	On site	163	60	c. 6.5	Mid FY 2020
Gun Hill, Wellesley	On site	107	22	c. 6.5	Early FY 2019
Berewood, Hampshire	Phased completions	104	17	c. 7.5	Late FY 2017
Seven Sisters, London	Consent granted, land assembly underway	196	80	c. 7	Land assembly timing TBC
Market Street, Newbury	Onsite in early 2019	232	61	c. 6.25	Late FY 2021
Besson St. Lewisham, London (50 per cent.)	Design phase	300	51	c. 6.25	Late FY 2022
Subtotal secured direct development	**—**	**1,102**	**291**	**—**	**—**
Tenanted acquisitions					
Tribe Portfolio, Manchester	Acquired	192	26	c. 7	FY 2018
The Rock, Bury, Manchester	Acquired	233	22	c. 7.5	FY 2017
The Wirral Portfolio, Liverpool	Acquired	159	12	c. 7	FY 2017
Indigo Blu, Leeds	Acquired	46	8	c. 7	FY 2017
Kings Dock Mill, Liverpool	Acquired	120	15	c. 7	FY 2016
Other tenanted acquisitions	Acquired	327	28	c. 6.5–7	From FY 2016
GRIP tenanted acquisitions (24.9 per cent.)	Acquired	375	27	c. 4.5–7.5	From FY 2016
Subtotal secured tenanted acquisitions	**—**	**1,452**	**138**	**—**	**—**
Total Grainger secured	**—**	**5,522**	**943**	**—**	**—**
GRIP under construction	—	—	45	—	—
Total pipeline including GRIP under construction	**—**	**5,522**	**988**	**—**	**—**

The PRS pipeline included in the planning and legal category is classified by the Grainger Group as those investments which, in the case of an acquisition opportunity, have reached heads of terms being signed and where parties are progressing with full legal preparation and due diligence, and in the case of a direct development opportunity, are advanced in the process of seeking planning consent from the relevant planning authority. There is still some risk that these opportunities may not materialise, although once a project has reached this phase, that risk has significantly decreased. There is a higher risk at the under consideration phase that a project will not materialise as these projects have not had heads of terms signed and are in an early stage of appraisal and research. Accordingly, there can be no assurance that the Grainger Group will be able to invest amounts in PRS at the levels indicated.

(b) **Regulated tenancies**

The Regulated Tenancies Portfolio has historically been a key component of the Residential Portfolio and continues to represent a steady source of revenue for the Grainger Group. As of 30 September 2018, the Regulated Tenancies Portfolio consisted of 3,109 wholly-owned properties in the United Kingdom, with a Market Value of £1,107 million, with rental rates set in accordance with the Rent Act.

Regulated tenancy assets are privately rented and subject to historic lease arrangements whereby the tenant has the right to remain in the property for as long as they wish (within the terms of the lease). The protections which apply to a regulated tenancy are attached to the rights of the specific tenancy agreement, and are not attached to the property. That is to say that upon vacancy, the property is no longer subject to the constraints set out by the Rent Act. The Grainger Group typically receives a sub-market rent. This is reassessed by a third-party, government-employed rent officer every two years and is capped at the percentage change in RPI since the rent was last registered plus a percentage for the past two years prescribed by law (currently 5 per cent.). Legislative changes ended the creation of new regulated tenancies from 1989, meaning that as these properties are vacated, the total number in the market is in decline. A description of the regulatory treatment of the regulated and non-regulated tenancies in the Residential Portfolio is set out in the "*Regulation*" section in this Prospectus.

Regulated tenancy assets generate three sources of returns: (i) rental income; (ii) the realisation of Reversionary Surplus; and (iii) capital growth;. Overall, the Regulated Tenancies business has been historically resilient through economic cycles, generating more than £100 million of gross cash per year over the last 10 years, including during the period following the global financial crisis.

The Directors believe the Regulated Tenancies Portfolio provides the Grainger Group with regular and resilient rental income. Rents arrears in the Regulated Tenancies Portfolio are low and, as of 30 September 2018, the average level was 2 per cent. Furthermore, where tenants do default on rental payments and are evicted, this generally permits the Grainger Group to sell the properties. As of 30 September 2018, the Regulated Tenancies Portfolio had a vacancy rate of 7 per cent. Vacancies sometimes occur on a voluntary basis, but the death or move into long-term care of the tenant is the principal contributing factor. No new regulated tenancies have been capable of being created since 1989, so the tenants in regulated properties are, on average, getting older. The Directors believe the average age of tenants is approximately 76 years old as of 30 September 2018 and expect that the sale of properties on vacancy will continue at a rate of between 6 and 7 per cent.

The regulated properties in the Residential Portfolio are typically bought at a discount to their Vacant Possession Value and therefore have an inherent Reversionary Surplus equal to the difference between the current Market Value and the Vacant Possession Value. The Reversionary Surplus that crystallises upon vacancy of the regulated properties in the Residential Portfolio was £210 million as of 30 September 2018, representing a 19 per cent. valuation uplift on vacancy as of 30 September 2018. The residential business generally seeks to sell regulated properties on vacancy to realise the Reversionary Surplus. Regulated properties are not generally re-let following vacancy, and remain vacant until completion of the sale, typically for just over 100 days, during which time no rent is earned on the property.

In addition to sales upon vacancy, properties subject to regulated tenancies can be sold by way of Investment Sales (with tenants in place). As a result, regulated properties provide a portfolio from which to generate additional revenue as required, which contributes to the Grainger Group's flexibility in adapting to difficult market conditions.

Un-modernised properties are generally sold as they are. However, the Grainger Group may undertake some capital expenditure on the property in order to ensure that the buyer will get a mortgage, to protect value in areas of high concentration or where Senior Management expects a strong return on its investment. Sales of the Grainger Group's regulated properties have generally been sold without significant pricing discounts, with average sales values upon vacancy being 0.9 per cent. above the prior year-end Vacant Possession Value in the financial year ended 30 September 2018, compared to 2.6 per cent. above in the financial year ended 30 September 2017 and 8.9 per cent. above in the financial year ended 30 September 2016.

(c) **Properties not subject to regulated tenancies**

The remaining properties in the residential business are not subject to regulated tenancies and include ex-regulated assured and periodic tenancies and assured shorthold tenancies, all of which are subject to market rents, vacant units, properties held agricultural tenancies and other property interests.

Assured and assured periodic tenancies are usually former regulated tenancies which have passed by way of statutory succession rights to a relative of the previous tenant, following the expiry of the regulated tenancy upon the vacancy of the property. Assured and assured periodic tenancies offer security of tenure but are subject to market rental rates. Assured shorthold tenancies do not offer security of tenure (the landlord may take possession for any reason after the later of: (i) six months after the beginning of the tenancy; or (ii) the end of the fixed term, upon two months' notice) and are also subject to market rental rates. As the rental rates on the Grainger Group's assured, assured periodic and assured shorthold tenancies are driven by market rates, the rental rates tend to be more volatile in nature, although due to increased demand for rented property, market rents have increased over the last two years and this has been advantageous to the Grainger Group. However, as the assured, assured periodic and assured shorthold properties constituted only 6 per cent. of the Residential Portfolio by Market Value as of 30 September 2018, the impact of this volatility on the residential business' total rental income is limited.

(d) **CHARM Portfolio**

The Grainger Group acquired an interest in the CHARM Portfolio from the Church Commissioners in early 2007 for £134.5 million. The Grainger Group's financial interest in the CHARM Portfolio entitles the Grainger Group to receive an amount payable by the Church Commissioners which is equal to the interest paid by the mortgagor to the Church of England Pensions Board in accordance with the terms of the relevant CHARM Portfolio mortgage. Additionally, the Grainger Group is entitled to receive from the Church Commissioners the agreed proportion of the gross sale proceeds of the property received by the Church of England Pensions Board in accordance with the terms of the relevant CHARM Portfolio mortgage, such proportion being based on the original loan and further advances.

Mortgages issued prior to 1993 were subject to an initial interest rate of 3.0 per cent. and the Church of England Pensions Board could vary the interest payable at its discretion. Mortgages issued after 1993 and related conditions were subject to an initial interest rate of 4.0 per cent., with the interest payable being increased in accordance with the Church pension index, which in part reflects RPI and the state pension.

The Grainger Group is entitled to payments of interest and the agreed proportion of sales proceeds from the Church Commissioners only to the extent that the Church of England Pensions Board has received the corresponding payments from the mortgagor. However, there are a number of mechanisms that can be triggered if the CHARM Portfolio mortgages or their administrators do not meet certain standards, resulting in a payment by the Church Commissioners to the Grainger Group of the amount (by agreement between the parties or upon determination by a third party) that would have been received had the relevant standard been met. In essence, the Grainger Group is broadly in the position that a mortgagee would be in, in that borrowers may not pay on time or at all and, in addition, the Grainger Group is reliant on the Church of England Pensions Board to administer and, if necessary, enforce the mortgages.

2.2 **Funds and Third-Party Management**

The Funds and Third-Party Management business comprises investments in joint ventures and associates, as well as the management of the property portfolios held within the joint ventures and associates.

Historically, these management arrangements have generated fee income as well as a share of the profit from the entities. A significant proportion of the fees generated by the Funds and Third-Party Management business relates to GRIP, a fund which invests in market-let residential properties in the United Kingdom and which is the subject of the Acquisition as set out within this Prospectus. Following completion of the Acquisition, the Enlarged Group will perform these property and asset management activities in-house and will cease to generate fees from GRIP. As a result the significance of the Funds and Third-Party Management business following the Acquisition will materially diminish in line with the Grainger Group's updated strategy.

As of 30 September 2018, the Funds and Third-Party Management business owned a 24.9 per cent. share in GRIP. The Grainger Group provides property and asset management services with respect to the 1,707 residential and commercial units owned by GRIP as of 30 September 2018, with a Market Value of £673 million along with £23 million of PRS assets in the course of construction as of 30 September 2018. For more information see Part B of this Part IV ("*Information on the Company, GRIP and the Enlarged Group*").

The Grainger Group's remaining joint venture interests consist of non-material, legacy assets, most of which are in the process of being disposed or wound down.

2.3 Development activity

The development business focuses on developing rental homes for the Grainger Group's own forward-funded schemes as well as for external customers. The development team works alongside the acquisitions team to secure PRS acquisitions and to manage the development process through to completion. The business model is to gain control of land at a low entry price, and create a step change in value prior to exit. Key drivers of this value creation include obtaining or enhancing planning consent, installing infrastructure and sale of serviced sites to house builders, and the building out of the scheme to create completed units for sale or rent. The division also generates revenue through the provision of development management services.

As well as management of the Grainger Group's PRS developments, the development business derives profits from sales of strategic land sites, development sites to housebuilders and from a construction contract in partnership with the Royal Borough of Kensington and Chelsea. As of 30 September 2018, this activity represented 11 per cent. of the Grainger Group's total assets under management by Market Value.

As of the date of this Prospectus, the construction project with the Royal Borough of Kensington and Chelsea is nearing completion, and as a result the significance of the development business is expected to reduce over the near to medium term.

2.4 Property and asset management

As well as being an owner and investor, the Grainger Group has a national in-house property and asset management platform (the operational platform), from which it services its customers and assets, as well as key joint ventures and associates.

The Grainger Group seeks to provide an honest and reliable service to its external and internal clients, and has dedicated in-house management teams. The property and asset management services provided by the Grainger Group include:

- strategic asset management services focused on driving asset performance, including setting and delivering portfolio strategy;
- all elements of the day-to-day operational management of multi-tenure properties including directly undertaking or managing lettings, reactive and routine cyclical repairs, proactive maintenance and budgeting of capital works and refurbishment. The Grainger Group focuses on increasing rental income and asset value for all its internal and external clients;
- regular interaction, communication and engagement with the Grainger Group's tenant base;
- block management of common parts, ground rent, service charge, caretaker, health and safety management; and
- managing large scale acquisition and disposal transactions.

In total, services were provided to 8,237 units with a Market Value of £2,774 million as of 30 September 2018. The Grainger Group's in-house capability is a distinguishing feature of its residential business. The "owner manager" mentality enables the Grainger Group to drive asset value and facilitate outperformance. The Grainger Group focuses particularly on reducing the number of empty properties and increasing rental income.

Providing a solid and dependable customer service is a core aspect of the Grainger Group's strategy. This is made possible by, and contributes to the success of, the significant development in PRS assets. In the PRS Portfolio, the Grainger Group is able to provide services directly to customers living in sites it has developed or acquired, in order to provide healthy and safe homes. It provides a 24/7 repairs and services team, alongside its professional management. Tenants benefit from transparent rents without hidden fees. The Grainger Group is actively pursuing technological developments to assist customers when searching for, purchasing and living in the Grainger Group's PRS accommodation. This approach has led to a 50 per cent. improvement in the average length of tenancy in its PRS Portfolio from 18 months as of 30 September 2015 to 27 months as of 30 September 2018.

In May 2013, the Grainger Group entered into a 10-year strategic partnering agreement with Kier Services Limited. This agreement relates to Kier Services Limited rendering services to the Grainger Group to carry out repairs and maintenance work across the Residential Portfolio.

3. Valuations

Allsop LLP ("**Allsop**") and CBRE Limited ("**CBRE**" and, together with Allsop, the "**Valuers**") are the Grainger Group's independent property valuers for certain UK assets of the Grainger Group. For the properties valued by Allsop, at the end of each financial year, a valuation process is undertaken for the Grainger Group's entire Residential Portfolio on a Vacant Possession Value basis (excluding Abbeville, Berewood PRS and GRIP properties). Allsop externally inspect property and provide a valuation for approximately 70 per cent. of the properties in the portfolio. The Grainger Group also values approximately 70 per cent. of properties held within the portfolio. Where both the Grainger Group and Allsop value the same properties, the results are compared. Where such results show a difference in value of 5 per cent. or more, the Grainger Group and Allsop discuss the reasons for the difference and agree the appropriate valuation that should be adopted by the Directors. The Directors consider this to be a robust valuation process, which is regularly tested and proven by the Grainger Group's track record of selling properties at values above their Vacant Possession Values. Between 2008 and 2018 the Group sold an average of 5.4 per cent. of properties in its Regulated Tenancies Portfolio ahead of appraised vacant value.

For the remainder of the Residential Portfolio (Abbeville, Berewood PRS and GRIP properties) CBRE externally or internally inspect on a rolling sample basis and provide a net income based valuation for these properties.

3.1 Valuation methodology for the Residential Portfolio

The Residential Portfolio is valued twice yearly as of 31 March and 30 September on a Vacant Possession Value basis. All of the properties which: (i) form part of the HI Tricomm portfolio; or (ii) are owned by Grainger Invest No1 LLP, Grainger Invest No2 LLP, Grainger Bradley Ltd, Grainger Southwark Ltd and PHA Ltd, are valued externally by Allsop on a semi-annual basis. A sample of properties forming the Development Portfolio, PRS Portfolio and properties owned by the GRIP joint venture (see "Information on Grainger—Business Overview—Funds and Third-Party Management") is valued by CBRE on a fair value basis as defined by the RICS Professional Valuation Standards. For all other properties in the Residential Portfolio, for the semi-annual valuation as of 31 March, Allsop carries out external inspections and provides Vacant Possession Values for not less than 10 per cent. of the properties. The Grainger Group values the same properties and compares its results with those provided by Allsop. Where such results show a difference in value of 5 per cent. or more, the Grainger Group and Allsop discuss the reasons for the difference and agree the appropriate valuation that should be adopted by the Directors. The movement in value applied to the remaining 90 per cent. of the portfolio is derived, on an equally weighted basis, from the combination of: (i) the movement in value determined by Allsop and the Grainger Group for the 10 per cent. sample; and (ii) the movement in value calculated by the application on an equal basis of the movement of the Nationwide, Halifax and Acadata indices.

At the end of each financial year, the Grainger Group values its entire residential property portfolio on a Vacant Possession Value basis. In addition, Allsop externally inspects not less than 67 per cent. of the properties in the Residential Portfolio. As mentioned above, where the results obtained by the Grainger Group and Allsop differ significantly, the parties discuss the reasons for the differences and agree on the most appropriate valuation approach.

Accordingly, more than 70 per cent. of the combined Residential Portfolio is independently externally inspected and valued in each 12-month period.

The above valuations provide the Grainger Group with Vacant Possession Values. Market Values are derived by applying a discount recommended by Allsop for each tenancy to the respective Vacant Possession Value. The applicable discount is based on auction evidence and other relevant market transactions.

For the valuations of the Residential Portfolio undertaken by CBRE (Abbeville, Berewood PRS and GRIP), the principal method of valuation is an income capitalisation approach comprising of the assessment of net income and appropriate net yield with allowances for operational costs. These valuations are crossed referenced against a number of benchmarks such as underlying Vacant Possession Values and an internal rate of return, typically over a 10 year period. For a number of GRIP properties, these are valued by reference to a discount to Vacant Possession Values.

CBRE value the PRS Build to Rent properties that are currently under construction by third parties under forward funding agreements. These are valued having regard to the value upon completion (on an income basis) less all outstanding costs including an allowance for profit to reflect outstanding project risks.

CBRE value certain properties held for development. These have been valued adopting a residual appraisal basis or by reference to comparable land sales. This is the commonly practised method of valuing development property, whereby the estimated total costs of realising the proposed development (including construction costs, fees and other on-costs, contingencies, costs of finance and developer's profit) are deducted from the gross development value of the completed project to determine the residual land value.

3.2 Valuation methodology for the CHARM Portfolio

Allsop determines the current Vacant Possession Value of each property in the CHARM Portfolio. The Grainger Group uses discounted cash flow techniques to calculate the present value of the expected future interest payments and the Grainger Group's share of the anticipated sale proceeds of the relevant property on ultimate vacancy. As of 30 September 2018, the evaluated present value of the Grainger Group's total entitlements in respect of its interest in the remaining CHARM Portfolio was £82.2 million.

4. Property portfolio

4.1 Residential Portfolio

The Residential Portfolio is geographically widespread, but with a concentration in London and South East England (76 per cent. by Market Value of the total assets under management (excluding the Development Portfolio) as of 30 September 2018, with this figure being lower if taken as the Grainger Group's share rather than total assets under management). The pipeline of acquisitions for the PRS Portfolio is well distributed across the United Kingdom, although targeted at locations where Senior Management believes there are prospects for future growth.

The table below provides a regional breakdown of the Residential Portfolio by number of units and Market Value as of 30 September 2016, 2017 and 2018.

	As of 30 September 2016		As of 30 September 2017		As of 30 September 2018	
	No. of Units	Market Value (£ million)	No. of Units	Market Value (£ million)	No. of Units	Market Value (£ million)
Central and Inner London	3,378	1,650	3,415	1,627	2,778	1,409
Outer London	542	183	511	229	611	226
South East	665	159	838	191	940	213
South West	914	250	855	243	671	179
East and Midlands	1200	176	1,071	166	953	155
North West	1,263	137	1,583	171	1,683	199
Other regions	647	69	658	77	601	73
Total	**8,609**	**2,624**	**8,931**	**2,703**	**8,237**	**2,453**

The table below provides the regional breakdown of total assets under management, by number of units, Market Value and Vacant Possession Value as of 30 September 2018.

	As of 30 September 2018			
	No. of Units	Market Value (£ million)	Grainger's share of Market Value (£ million)	Average Vacant Possession Value per unit (£ thousands)
Central and Inner London	2,778	1,409	977	579
Outer London	611	226	179	420
South East	940	213	191	277
South West	671	179	179	283
East and Midlands	953	155	151	186
North West	1,683	199	199	125
Other regions	601	72	72	128
Total	**8,237**(1)	**2,453**(2)	**1,948**(3)	**338**(4)

Notes:

(1) Total number of reversionary assets under management: 3,689. Total number of PRS (wholly-owned and co-investment units) units under management: 4,548.

(2) Total Market Value of reversionary assets under management: £1,189 million. Total Market Value of PRS (wholly-owned and co-investment units) units under management: £1,264 million (excluding forward-funded PRS work in progress and development work in progress).

(3) Total Market Value of reversionary assets under management: £1,189 million. The Grainger Group's total share of Market Value for PRS (wholly-owned and co-investments) under management: £759 million.

(4) Average Vacant Possession Value per unit of reversionary assets under management: £379,000. Average Vacant Possession Value per unit of PRS assets under management: £304,000.

The table below provides a regional breakdown of the Regulated Tenancies Portfolio and mortgages (CHARM) by number of units under management, Market Value and Vacant Possession Value as of 30 September 2018.

	As of 30 September 2018		
	No. of Units	**Market Value (£ million)**	**Average Vacant Possession Value per unit (£ thousands)**
Central and Inner London	1,021	653	765
Outer London	348	132	451
South East	409	113	325
South West	354	58	183
East and Midlands	828	145	199
North West	407	50	140
Other regions	322	38	130
Total	**3,689**	**1,189**	**379**

The table below provides the regional breakdown of PRS assets under management, by number of units, Market Value and Vacant Possession Value as of 30 September 2018.

	As of 30 September 2018			
	No. of Units	**Market Value (£ million)**	**Grainger's share of Market Value (£ million)**	**Average Vacant Possession Value per unit (£ thousands)**
Central and Inner London	1,757	755	324	471
Outer London	263	94	46	379
South East	531	100	79	240
South West	317	121	121	394
East and Midlands	125	11	6	100
North West	1,276	149	149	120
Other regions	279	34	34	127
Total	**4,548**	**1,264**(1)	**759**	**304**

Notes:

(1) Excluding forward-funded PRS work in progress and development work in progress).

For an analysis of the Grainger Group's portfolio on a segmental basis, please see Part V ("*Grainger Operating and Financial Review*").

4.2 **HI Tricomm Portfolio**

As of 30 September 2018, the HI Tricomm portfolio comprised 317 freehold houses in five locations in Bristol, Trowbridge and Fareham, built between 2001 and 2003 by Barratt Homes. The properties are occupied under an agreement between the Secretary of State for Defence and HI Tricomm. The agreement is under the Government's private finance initiative and has approximately 10 years remaining until reversion in 2028, at which point the UK Ministry of Defence can choose to acquire the dwellings at Market Value, re-tender the contract with a new contractor paying the Market Value of the properties to HI Tricomm, or allow HI Tricomm to retain the properties.

Allsop values the Grainger Group's interest by way of a discounted cash flow model which places a net present value on HI Tricomm's ultimate interest in the properties and the income streams generated by the private finance initiative arrangement. As of 30 September 2018, the valuation of £121 million was 5 per cent. of the Market Value of the wholly-owned residential assets.

5. Corporate responsibility

The Grainger Group has focused on continually evolving and strengthening its approach to sustainability, and management views the Grainger Group's leading position in this field as a significant source of opportunity and strength. For the seventh consecutive year, the Grainger Group is a member of the FTSE4Good Index.

5.1 Sustainability strategy

The Grainger Group's sustainability strategy is focused on three core aims:

(1) treating people positively to build strong, loyal customer relationships, support customer and employee wellbeing and nurture the best possible talent;

(2) creating desirable, healthy and safe homes, which are high-quality and affordable to a broad range of people and incomes; and

(3) securing the Grainger Group's future by minimising the Grainger Group's impact on the environment.

The Grainger Group's Sustainability and Corporate Social Responsibility ("**CSR**") committee includes senior representatives from each aspect of the business and oversees the implementation of the Grainger Group's sustainability strategy, providing regular updates to the executive committee and Board of Directors.

5.2 Opportunities and risks

The Grainger Group's approach to sustainability is based on an assessment of risks and opportunities for the business. A robust materiality review identified key risk areas, and the Grainger Group's CSR committee is responsible for managing these risks and taking advantage of opportunities as they are identified. The active monitoring and managing of these risks has enabled the Grainger Group to future proof its assets and secure a long-term income stream in-line with its long-term investment strategy. Climate change risks are reported annually in the Grainger Group's submission to the CDP (formerly Carbon Disclosure Project) climate change programme.

5.3 Environmental matters

The Grainger Group ensures compliance with all environmental legislation, including Minimum Energy Efficiency Regulations, environmental protection, and health and safety laws. The Grainger Group works with its suppliers and contractors to monitor and reduce the environmental impact of its supply chain and reports on the environmental performance of operations and the Grainger Group's property portfolios in alignment with EPRA's Sustainability Best Practice Recommendations. The Grainger Group has adopted an environmental policy which sets out commitments to energy and resource management and is supported by an environmental management system. An analysis of environmental risk factors is included in the Grainger Group's acquisitions process.

6. Competition

The Grainger Group competes with other companies, funds and individuals who invest in property in the United Kingdom. The Directors are not aware of any UK-listed property company with the same size, overall strategy, and operational strategy as the Company and, although the Grainger Group may compete with a number of individuals and/or property companies or funds on the acquisition of any one property, the investors competing vary from one acquisition to another. Entry barriers for individuals or companies acquiring residential properties in the United Kingdom to let are generally low, however barriers to entry in respect of a PRS business at scale and Build to Rent are in contrast significantly higher, principally due to capital requirements and development, as well as investment and operational capabilities required to develop, acquire and manage a large scale PRS portfolio. In addition, the Grainger Group competes for tenants with other property owners in its local markets in the United Kingdom.

PART B: INFORMATION ON GRIP

1. Introduction

GRIP invests in market-let residential properties in the United Kingdom. GRIP is a joint venture between Grainger and APG and is currently owned 75.1 per cent. by APG and 24.9 per cent by Grainger.

GRIP is equity and shareholder-debt financed by APG and Grainger and has a debt facility with a consortium of banks described further below.

The GRIP Group currently receives asset and property management services from Grainger on an arm's length basis, with Grainger acting as the GRIP Group's fund advisor and property manager. The GRIP Group has no employees of its own.

Upon completion of the Acquisition, GRIP will become a wholly-owned subsidiary of Grainger and will be consolidated with the Group for accounting purposes.

2. History

GRIP was first created as a unit trust by Grainger and APG in January 2013 to acquire a residential property portfolio owned by G:Res, a Jersey closed-end fund which has now been wound down, for £348.9 million.

In August 2013, GRIP acquired Grainger's Tilt portfolio which comprised over 300 residential units in London and which was sold to GRIP for £58.4 million.

GRIP REIT Limited was initially incorporated in the United Kingdom on 10 May 2016. On 30 June 2016 the company acquired GRIP Unit Trust and became the top company for the group of entities previously consolidated under GRIP Unit Trust. GRIP Unit Trust remains part of the GRIP Group. Its trustee is Crestbridge Corporate Trustees Limited, a Jersey company.

On 4 July 2016 GRIP REIT Limited re-registered, by special resolution, from a private company to a public company by the name of GRIP REIT plc and on 13 July 2016, its ordinary shares were admitted to the Official List of the ISE (formally known as the Channel Islands Securities Exchange).

The current directors of GRIP are Vanessa Simms, the Chief Finance Officer of Grainger, Martijn Vos of APG and Sarah Slater, an independent director.

GRIP elected for UK Real Estate Investment Trust ("**REIT**") status effective 13 July 2016. A UK REIT is a group that carries on a property rental business and meets HM Revenue & Customs requirements for UK REIT status. These requirements are imposed on both GRIP and the GRIP Group's property rental business. As a UK REIT, the GRIP Group is exempt from corporation tax on qualifying property income gains, provided a number of conditions in relation to the group's activities are met. These conditions include the distribution of at least 90 per cent. of the group's tax-exempt property income to shareholders as a property income distribution which is taxable on the shareholder as property income.

3. Business Overview

The principal activity of GRIP and the GRIP Group is property investment in the United Kingdom. The GRIP Group's aim is to grow by investing in predominantly stabilised, market-let blocks and portfolios focused on London and South East England. GRIP can also invest in Build to Rent development opportunities.

As of 30 September 2018, the GRIP Group held 35 assets with 1,707 units and a total Market Value of £673 million and with a total Vacant Possession Value of £741 million, giving rise to a Reversionary Surplus of £68 million. In addition, GRIP holds £23 million of PRS assets in the course of construction. As of the same date, approximately 70 per cent. of its portfolio were purpose built, with the remainder of the portfolio having been converted to its present use.

A significant majority of the GRIP Group's portfolio is located in London (£638 million, or 92 per cent. of the properties by Market Value as of 30 September 2018) with the remainder of the portfolio located in the South East of England. Approximately 81 per cent. of the GRIP Group's properties are situated within 30 minutes of a city centre and 70 per cent. are within 20 minutes of a major National Rail station, whilst approximately 94 per cent. of the GRIP Group's London assets are within a 10-minute walk of a tube or train station.

The GRIP Group targets the mid-market price range, with an average rent per week of £379 in London and £151 in the South East, compared to an average market rent per week of £412 in London and £261 in the South East. Compared to the MSCI UK residential universe (excluding the student accommodation and unattributed residential sectors), the GRIP Group portfolio has outperformed the market benchmark by 4.2 per cent. over the last three years.

The GRIP Group's business plan is to hold the majority of units over the life of the fund and add value through improved management and a refurbishment programme. The plan also includes limited sales of underperforming assets with proceeds being used for reinvestment and capital improvements.

The portfolio is managed in order to:

- maximise net rental income through growing rents and efficient property management;
- achieve capital appreciation from maximising added value opportunities such as refurbishment, redevelopment and planning opportunities;
- dispose of non-core units at the optimum point in their cycle and re-invest the capital; and
- enhance returns through accretive stabilised asset acquisitions and Build to Rent opportunities.

The directors of GRIP monitor the GRIP Group's KPIs as part of the business review. These KPIs include operational performance, investment property valuation, net rental income and net asset value per share (the shareholders' equity divided by the number of shares in issue).

The KPIs for the financial year of GRIP ended on 31 December 2017 and the six months ended on 30 June 2018 were as follows:

	Year ended 31 December 2017	Six months ended 30 June 2018
	Unaudited	Unaudited
Operational Performance		
YTD gross to net (including property management fees)	32.6%	34.4%
YTD void rate (due to letting, sales and refurbishment)	8.4%	11.4%
YTD rental increase (new lets and renewals)	3.1%	3.1%
Arrears position	2.0%	2.3%
	Audited	Unaudited
Investment Performance		
Investment property valuation (in £ million as at period end date)	675.9	679.5
Net rental income (in £ million)	20.2	9.4
Net asset value per share (in £ as at period end date)	21.73	22.25

GRIP's directors also monitor the GRIP Group's compliance with the conditions required to maintain REIT status.

GRIP Financial Information

In the financial year ended 31 December 2017, GRIP reported a net profit after tax for the year of £11.9 million, compared to £26.4 million for the financial year ended 31 December 2016, and an operating profit before net valuation gains on investment property of £15.1 million, compared to £12.5 million for the financial year ended 31 December 2016. As of 31 December 2017, the net asset value per share was £21.73 (£21.40 adjusted for minority interest), compared to £21.16 (£20.91 adjusted for minority interest) at 31 December 2016.

Unaudited GRIP Interim Financial Information

In the six months ended 30 June 2018, GRIP reported a net profit after tax for the period of £10.1 million, compared to £6.7 million for the six months ended 30 June 2017, and an operating profit before net valuation gains on investment property of £8.6 million, compared to £9.4 million for the six months ended 30 June 2017. As of 30 June 2018, the net asset value per share was £22.25 (£21.91 adjusted for minority interest), compared to £21.73 (£21.40 adjusted for minority interest) as of 31 December 2017.

As of 30 June 2018, the GRIP Group had current capital commitments of £22 million (£24 million including furnishing and fit-out costs) relating to the East Street development project and £18 million (£20 million including furnishing and fit-out costs) relating to the Silbury Boulevard development project.

4. **The GRIP Group facility agreement**

The GRIP Group has a debt facility consisting, as at 30 September 2018 of the following

- a term loan of £191.6 million (fully drawn and repayable in June 2020);
- a term loan of £25.2 million (fully drawn and repayable in June 2020);
- a revolving credit facility of £33.3 million (£0.1 million drawn, repayable in June 2020);

The facility is secured against GRIP's property portfolio.

The interest rate margin for the facility is 150 to 190 basis points above LIBOR.

The facility contains covenants, events of default, warranties and representations in similar terms and customary for facilities of their nature. These include limitations on the purchase and sale of assets by the GRIP Group and a mandatory prepayment provision if, following a change of control of GRIP, alternative terms for continuing the facilities cannot be agreed with the lenders.

Lender consent under the GRIP Group facility agreement was obtained prior to the Acquisition Agreement being signed. As such, the redemption provisions on a change of control will not apply to the Acquisition.

PART V
GRAINGER OPERATING AND FINANCIAL REVIEW

Investors should read the following discussion and analysis of the Grainger Group's financial condition and results of operations at 30 September 2018, 2017 and 2016 and for the years then ended in conjunction with the 2018 Grainger Financial Information, the 2017 Grainger Financial Information, and the 2016 Grainger Financial Information incorporated by reference into this document (together, the "**Grainger Financial Information**"). The Grainger Financial Information has been audited and prepared in accordance with IFRS, IFRIC interpretations and those parts of the Companies Act applicable to companies reporting under IFRS.

This operating and financial review of the Grainger Group discusses the Grainger Group's results of operations, cash flows, debt profile, and capitalisation and indebtedness as well as key performance indicators ("**KPIs**") and certain other financial measures of performance.

Investors should read the Grainger Financial Information in its entirety and not merely rely on the information contained in this Part V ("*Grainger Operating and Financial Review*"). Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. See "*Important Information—Forward-Looking Statements"* and "*Risk Factors"* for a discussion of important factors which could cause actual results to differ materially from the figures described in the forward-looking statements contained in this document.

1. **Overview**

Grainger is a FTSE 250 property business which is the United Kingdom's largest listed residential landlord based on number of properties and which the Directors believe is the United Kingdom's leading private rental housing business. The Grainger Group invests in, develops, operates and trades residential homes for rent across the United Kingdom and, as of 30 September 2018, had total assets under management of approximately 8,200 units worth £2.8 billion (£2.1 billion worth of wholly-owned assets (6,530 units), £173 million worth of co-investments (425 units) and £523 million worth of third-party share assets under management (1,282 units)).

A key milestone was reached in the history of the Grainger Group in 2016. At that time, the Directors decided to pursue a simplified and more focused strategy to transform from a business which relied heavily upon trading income and capital value growth, to one more balanced with a greater focus on recurring net rental income. Whilst the Regulated Tenancies Portfolio continued to provide considerable and stable revenues, the Grainger Group decided to focus on the expansion of its PRS business. This change in emphasis seeks to benefit from the significant demand in the United Kingdom for PRS accommodation.

The Grainger Group now has three strategic priorities: first, to grow rental income and thereby significantly drive growth in the dividend for Shareholders; second, to simplify and focus the business on the PRS, creating significant efficiencies; and, third, to build on the Grainger Group's experience as a landlord to improve further the service provided to customers, particularly through technology. The Grainger Group believes it has a particular competitive advantage though its participation in all stages of PRS developments, given its ability to originate, invest in, and operate PRS assets.

In addition, in 2017, the Grainger Group set out its plans for further accelerating growth, including an asset hierarchy review, which identified opportunities for asset recycling to fund further investment in PRS and which has been implemented during the 2018 financial year. As of the end of the 2018 financial year, £157 million of assets had been sold pursuant to this asset recycling plan.

Further to these priorities, the Grainger Group disposed of £450 million of non-core business assets between 2016 and 2018, including its German and Retirement Solutions business in 2016 and its 50 per cent. interest in the Walworth Investment Properties joint venture in 2018. The Grainger Group has used the proceeds of these disposals to help make important investments in the PRS market.

The Grainger Group continues to invest in technology in order to increase its scalability, manage costs and improve its customer experience in order to underpin future returns and growth and to focus on improving customer service and efficiencies, in order to enable the Grainger Group to maintain its market leading position and grow its market share.

The Grainger Group has also focussed on its costs of capital. During 2018, the Grainger Group refinanced its existing corporate bond which had a 5.0 per cent. coupon with a new, 10-year £350 million corporate bond with a coupon of 3.375 per cent. As a result of this and other refinancing activities, the Grainger Group has lowered its cost of debt from 5.4 per cent at the end of the 2014 financial year to 3.2 per cent. at the end of the 2018 financial year.

2. Market drivers

The Company believes that its strategy reflects, and is designed to take advantage of, the following market drivers in the UK residential property market.

First, the UK has a growing population which is becoming more urbanised. This is increasing the demand for housing in urban areas, with renting being a popular choice in cities and surrounding areas.

Second, house prices are forecast to continue to grow, over the long-term, in the United Kingdom both increasing the value of the Group's housing stock and underpinning the demand for renting.

Third, there is a continued undersupply of new homes in the United Kingdom, which supports underlying price growth in the housing market and, subsequently, high levels of demand in the rental market.

Fourth, renting in the United Kingdom is increasingly a matter of choice and not just affordability, increasing the demand for quality rental opportunities.

Fifth, the UK residential rental market is becoming increasingly professionalised, with professional landlords being able to provide greater levels of service than private buy-to-let investors.

Sixth, the UK political and policy climate generally favours the growth of the PRS and Build to Rent sector as a means of addressing the United Kingdom's housing shortage, as demonstrated by the UK Government's 2017 Housing White Paper and changes to the National Planning Policy Framework.

3. Recent developments

As of the date of this Prospectus, the Grainger Group has secured £943 million of new investment in the UK PRS, plus an additional £45 million secured via GRIP.

This has included the acquisition of Build to Rent units in Salford Quays (Manchester), Liverpool, Bury (Manchester) and Gilder's Yard (Birmingham). In addition, projects have been secured in Bristol, Milton Keynes, Sheffield and, through GRIP, Southampton and a further site in Milton Keynes. The Grainger Group has also been selected by Lewisham Borough Council as preferred partner on its Besson Street Build to Rent development opportunity to deliver around 300 PRS homes on local authority owned land.

In addition, assets in the Grainger Group's PRS development pipeline are becoming operational, including Argo Apartments which is owned by GRIP, and Berewood, Hampshire, a suburban style rental housing scheme.

As of the date of this Prospectus, the Grainger Group has good visibility over a further £382 million of PRS investment opportunities undergoing planning and legal preparations. Once the full proceeds of the Rights Issue have been invested, this provides capacity to increase the pipeline to £1,370 million.

4. Principal factors affecting the Grainger Group's results of operations

The primary sources of revenue for the Grainger Group are rental income from its tenanted properties and capital returns generated by sales from the Regulated Tenancies Portfolio and development activities.

In recent years, the Grainger Group has focussed on increasing its revenues from recurring net rental income and relying less on trading income and capital value growth. The Grainger Group has used the proceeds of property disposals to fund increased investment in PRS assets, in order to achieve this objective.

In addition, the Grainger Group's results are significantly affected by its operating expenses and its cost of capital. The Grainger Group has focussed on managing its expenses and reducing its cost of capital in order to complement its increase in revenues.

5. Key Performance Indicators

The Grainger Group's financial KPIs are aligned to the Grainger Group's business strategy and are aimed at driving income returns and building capital returns. The KPIs are used by the Directors and Senior Management actively to monitor business performance.

5.1 **Income returns**

The following KPIs focus on increasing overall income returns and improving the resilience and efficiency of the business.

	For the year ended 30 September		
	2016	**2017**	**2018**
Net rental income (in £ million)	37.4	40.4	43.8
Property operating costs (gross to net) (in per cent.)	27.9	26.0	26.0
Like-for-like PRS rental growth (in per cent.)	3.6	3.3	3.0
Adjusted earnings (in £ million)	53.1	74.4	94.0
Profit before tax (in £ million)	84.2	86.3	100.7

Net rental income is gross rental income after directly attributable property repair and maintenance costs. It helps measure both the growth in rental income and the impact of operating expenses. Net rental income grew in 2018 and 2017 as a result of acquisitions and rental growth, as well as an increasing focus on costs.

Property operating cost (gross to net) shows property operating expenses as a percentage of gross rental income. Property operating cost are consistent across 2017 and 2018 as a result of operational efficiency improvements resulting from the implementation of its new strategy.

PRS rental growth shows the like-for-like average growth of rents across the PRS Portfolio and is a guide to the success of the Grainger Group's PRS strategy. It can also be measured against the market average. Although PRS rental growth slowed in 2017 and 2018, it outperformed the market average of 1.4 per cent., due to the Group's strong customer proposition relative to other market participants.

Adjusted earnings helps measure the underlying growth in the Grainger Group's profits. Adjusted earnings grew in 2018 and 2017 as a result of lower finance and operating costs, increased sales profits and rental growth. A reconciliation of IFRS earnings to adjusted earnings is provided in paragraph 10 of this Part V ("*GRIP Operating and Financial Review*").

Profit before tax includes valuation movements and other adjustments, as well as finance and operating costs. It helps measure the impact of valuation gains and losses and non-recurring items on profits. Profit before tax grew in 2018 and 2017 as a result of earnings growth, offset by non-recurring items.

5.2 **Capital returns**

The following KPIs focus on maximising total returns and capital growth from residential investments.

	For the year ended 30 September		
	2016	**2017**	**2018**
EPRA NAV per share (in pence)	330	343	348
EPRA NNNAV per share (in pence)	287	303	316
Total return (ROSE) (in per cent.)	10.6	7.3	6.1
LTV (in per cent.)	35.9	37.7	37.1
Cost of debt (at period end) (in per cent.)	3.9	3.4	3.2

EPRA NAV per share is 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, divided by the number of ordinary shares in issue. EPRA NAV per share grew in 2018 and 2017 as a result of strong trading and robust valuation performance, notwithstanding difficult market conditions.

EPRA NNNAV per share is EPRA 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, divided by the number of ordinary shares in issue. EPRA NNNAV per share grew in 2018 and 2017 as a result of strong trading and robust valuation performance, notwithstanding difficult market conditions.

Both EPRA NAV and EPRA NNNAV are included in the performance measures for property companies issued by the EPRA which are deemed to be of key importance to investors and which aim to encourage more consistent and widespread disclosure.

In the medium term, the potential EPRA NNNAV uplifts from asset management initiatives on the GRIP portfolio as well as future development profits from the expanded pipeline is expected to more than offset any immediate dilution from the Rights Issue and the Acquisition. Excluding other potential uplifts in EPRA NNNAV, for example valuation and rental growth as well as sale profits from reversionary assets, management target the EPRA NNNAV to increase to 291 pence per share. Please note this target does not represent a profit forecast or a guarantee of future performance.

Total Return, or **ROSE**, is the combination of the growth in EPRA NNNAV per share with the total dividend for the relevant year as a percentage of the opening EPRA NNNAV for the relevant year and shows the aggregate capital growth and income return to shareholders. Growth in Total Return slowed in 2018 and 2017 relative to the significant growth in prior years as a result of more market asset valuation growth. Over the medium term and assuming completion of the Acquisition, the Directors target a total return above 8 per cent. Targeted total return is a target only and not a profit forecast. There can be no guarantee of future performance.

LTV is the ratio of the Grainger Group's net debt to the Market Value of its properties plus the value of the Group's investments in joint ventures, associates and shares held in treasury on a consolidated basis. In line with its strategy announced in January 2016, the Grainger Group lowered its LTV from 45.5 per cent in financial year 2015 to 35.9 per cent. in financial year 2016. The LTV increased from 2016 as a result of increased borrowing to fund increased investment in property assets.

Cost of debt shows the weighted average cost of borrowings, comprising interest, amortisation of debt costs and excluding commitment fees, as a percentage of the total of current and non-current interest bearing borrowings at the period end. Cost of debt fell in 2018 and 2017 as a result of refinancing activities.

6. Critical accounting policies

See Note 2 to the 2018 Grainger Financial Information incorporated by reference into this Prospectus for a discussion of the critical accounting judgements and key sources of estimation uncertainty.

The Grainger Group's reported financial condition and results of operations, prepared in accordance with IFRS, are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The Grainger Group bases its estimates on historical experience and on various other assumptions and the Directors believe that the judgements, estimates and associated assumptions used in the preparation of the Grainger Financial Information are reasonable. However, actual results may differ from these estimates. The selection of critical accounting policies and associated judgements and estimates and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Grainger Financial Information. The Directors believe that the Grainger Group's critical accounting policies that involve the most significant judgements and estimates used in the preparation of the Grainger Financial Information are accurately described in Note 2 to the 2018 Grainger Financial Information, and critical judgements are disclosed within the relevant section of the Grainger Financial Information to which such judgements have been applied.

6.1 Classification and Accounting Treatment of Trading Properties and Investment Properties

Where the Grainger Group's initial intention on the acquisition of a property was either to trade the property or to hold it for immediate sale upon obtaining vacant possession, the property is classified as a "Trading Property" and held within "Inventories—trading property" in the Grainger Group's financial statements. Where the Grainger Group's initial intention on the acquisition of a property was either to hold the property for long-term rental yields or for capital appreciation or both and the property is not occupied by the Grainger Group, the property is classified as an "Investment Property" and held within "Investment property" in the Grainger Group's financial statements.

A significant part of Grainger's business model in the United Kingdom was to purchase regulated tenancy properties with a view to realising their Reversionary Surplus. As a consequence, the majority of the properties held by the regulated tenancies and mortgages parts of the residential business are held as Trading Properties. In addition, all of the properties held by the development business are held as Trading Properties. The majority of the properties held by the Grainger Group's joint ventures and associates are held as Investment Properties.

If the Grainger Group's initial intention changes and the Grainger Group decide to retain properties originally intended for trading, under IFRS policy, the Grainger Group is unable to reclassify properties between Trading Properties and Investment Properties. As a result, Trading Properties now includes certain properties where the Grainger Group's intention is to hold for long-term rental yield and/or capital appreciation.

6.2 **Valuation**

For the purposes of the Grainger Group's financial statements, the valuation of its properties is undertaken internally by the Grainger Group and externally by independent third-party professional valuers. Valuations are inherently subjective due to the individual nature of each property. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate, particularly in periods characterised by asset value volatility or lower transaction volumes in the residential real estate markets. As a result, valuations are subject to a degree of uncertainty and accordingly are an area of significant judgment in respect of the Grainger Group's financial statements.

The Grainger Group's wholly-owned property portfolio and the properties held through associates or joint ventures in which the Grainger Group has an interest are valued for the purposes of the Grainger Group's financial statements on the basis set out above under "Classification and Accounting Treatment of Trading Properties and Investment Properties".

In determining the Market Value of any property, the valuers are required to make certain assumptions. These assumptions include but are not limited to matters such as the existence of willing buyers and willing sellers in uncertain market conditions, future house price inflation, future rental levels, title, condition of structure and services, deleterious materials, goodwill, environmental matters, property locations, statutory requirements and planning, leasing and other information. In undertaking the valuation, where relevant, the valuers adopt a default position that a property is in an unimproved position and will require full modernisation.

Incorrect assumptions or flawed assessments underlying the valuation reports could have a material adverse effect on the Grainger Group's business, results of operations, financial condition and prospects and could potentially inhibit the Grainger Group's ability to realise a sale price that reflects the stated valuation or to raise financing using the Grainger Group's properties as security. There is a risk that the valuations of the Grainger Group's properties will not be reflected in any actual transaction prices, even where any such transactions occur shortly after the relevant valuation date. The Grainger Group's historical performance in this regard has shown that it has typically been able to sell properties above the applicable valuation level.

At the end of each financial year, a valuation process is undertaken for the Grainger Group's entire Residential Portfolio on a Vacant Possession Value basis. The external valuers externally inspect property and provide a valuation for approximately 70 per cent. of the properties in the portfolio. Grainger also values approximately 70 per cent. of properties held within the portfolio. Where both the external valuers and Grainger value the same properties, the results are compared. Where such results show a difference in value of 5 per cent. or more, Grainger and the external valuers discuss the reasons for the difference and agree the appropriate valuation that should be adopted by the Directors. The Directors consider this to be a robust valuation process, which is regularly tested and proven by Grainger's track record of selling properties at values above their Vacant Possession Values.

Throughout this Prospectus, references are included to the Market Value or net asset value of properties within the Grainger and GRIP portfolios. This represents the Market Value placed on the portfolios for use in the audited financial statements of Grainger plc and GRIP REIT plc, and the basis of these valuations are set out in the financial statements of the respective entities. In certain circumstances, these may differ from the Market Value included in the RICS Red Book Valuations included in the Valuation Reports included in Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*") of this Prospectus. A full reconciliation is included in paragraph 9.5 of Part V ("*Grainger Operating and Financial Review*") of this Prospectus explaining the differences.

6.3 **Valuation of Trading Properties**

Trading Properties are required to be recorded in the Grainger Group's statutory balance sheet at the lower of cost and net realisable value. Where the Grainger Group's intention remains to sell a Trading Property on vacancy, the Grainger Group calculates net realisable value as the Vacant Possession Value. In applying this treatment, the Grainger Group ignores the number of years it expects to have to hold a Trading Property before it becomes vacant and any future house price inflation. It should also be noted that although this is how the Grainger Group calculates the net realisable value of its Trading Properties, the Market Value of Trading Properties is determined as their value subject to any existing tenancy. The Trading Properties held by the residential businesses are predominantly held at cost rather than net realisable value because they have been held for a number of years against rising property prices. Accordingly, when the estimated Market Value of these properties rises, their stated value in the statutory balance sheet does not rise nor is any gain recognised in the income statement. Similarly, when the Market Value of these properties falls, this will not change their stated value in the statutory balance sheet or give rise to a deficit in the income statement, unless the net realisable value of any property has fallen below its cost, which is unusual because such properties are generally purchased at a discount to their Vacant Possession Value. In summary, the Grainger Group's statutory balance sheet does not take into account the estimated Market Value of the properties held by the residential businesses, where the Market Value exceeds cost.

All properties in the development business are Trading Properties and are therefore held at the lower of cost and net realisable value. The net realisable value of a development property depends on whether the Grainger Group intends to complete the development or to sell the property undeveloped. Where development is intended and a profit is expected, the net realisable value is the costs incurred to date plus the expected profit arising from the development and, in this case, the development property will be carried at cost. Where development is intended and a loss is expected, the net realisable value will be the costs incurred to date less the expected loss and, in this case, the development will be carried at this net realisable value. Where sale is intended, the net realisable value is the estimated Market Value of the property to be sold net of associated selling costs. The net realisable value of a development property is generally lower than cost where the Grainger Group intends to develop a property and expects to make a loss or where the Grainger Group expects to sell the property without development, and the expected proceeds less sales expenses are lower than the cost of the property. The Grainger Group's statutory balance sheet therefore does not take into account the estimated Market Value of the properties held by the development business for any property where Market Value exceeds cost.

6.4 Valuation of Investment Properties

Investment Properties are measured initially at cost, including related transaction costs.

After initial recognition, Investment Properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the Grainger Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Subsequent expenditure is included in the carrying amount of the property when it is probable that future economic benefits associated with the item will flow to the Grainger Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

In the majority of instances, fair value will be equal to Market Value. On the basis that the Grainger Group generally disposes of Investment Properties on an individual basis rather than as blocks or portfolios, Market Value is subject to the assumption that dwellings are sold individually, in their existing condition and subject to any existing leases or tenancies.

Gains or losses arising from changes in the fair value of the Grainger Group's Investment Properties are included in the income statement for the period in which they arise.

7. Key IFRS Line Items

The following explains the key line items of the Group's IFRS consolidated income statement.

7.1 Gross revenue

Gross revenue is comprised of gross rental income, gross proceeds from disposal of trading property and fees and other income. Gross revenue is measured at the fair value of the consideration received or receivable and is stated net of sales taxes and value added taxes.

7.2 Net rental income

Net rental income is the Grainger Group's gross rental income for the period less directly attributable property repair and maintenance costs. Gross rental income is recognised on a straight-line basis over the lease term on an accruals basis. The costs deducted from gross rental income do not include general and administrative expenses associated with the Grainger Group's operation.

The Grainger Group's net rental income is broadly equally split between regulated tenancies and PRS.

7.3 Profit on disposal of trading property

Profit on disposal of trading property is the profit earned in the period on the sale of the Grainger Group's Trading Properties. As described further above under "*Critical Accounting Policies*", Trading Properties are tenanted residential properties held for sale in the normal course of business and are shown in the financial statements as a current asset at the lower of cost and net realisable value. Profits and losses are calculated by reference to the carrying value of the property sold. For development properties, this is assessed through the use of a gross margin for the site as a whole or another basis which appropriately allocates the costs of the development.

7.4 **Profit on disposal of investment property**

Profit on disposal of investment property is the profit earned in the period on the sale of the Grainger Group's Investment Properties. As described further above under "*Critical Accounting Policies*", Investment Properties are properties held for long-term rental yields, capital appreciation or both and are shown in the financial statements as non-current assets at fair value. Profits and losses are calculated by reference to the carrying value of the property sold.

7.5 **Income from financial interest in property assets**

Income from financial interest in property assets represents income received from the CHARM Portfolio, which is a financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee.

7.6 **Fees and other income**

Fees and other income represent management fees and performance fees received in respect of the Grainger Group's asset management activities, including in respect of GRIP.

7.7 **Administrative expenses and other expenses**

Administrative expenses include overheads and Group-wide costs, staff remuneration and other administrative expenses. Staff costs consist mainly of salaries and bonuses paid to employees of the Grainger Group and associated costs, including benefits, pension arrangements and employer's national insurance.

Other expenses primarily include pre-contract costs incurred when assessing new investment opportunities.

7.8 **Impairments**

Impairments include revisions to the value of Trading Properties held as inventory as a result of a decline in net realisable value, being the expected sale proceeds that the Grainger Group expects on a sale of a property or current net market value net of selling costs.

7.9 **Net valuation gains on investment property**

Net valuation gains on investment property includes the gains or losses arising from changes in Market Value of the Grainger Group's Investment Properties during the period. Net valuation gains on investment property also include gains or losses arising from the reclassification of investment properties to assets classified as held-for sale.

7.10 **Finance costs and finance income**

The Grainger Group's finance income includes interest receivable from associates and joint ventures as well as interest on bank deposits.

The Grainger Group's finance costs mainly reflect interest on bank loans, non-bank loans, the corporate bond and other finance costs.

7.11 **Corporate bond redemption**

The corporate bond redemption reflects the cost of refinancing the Grainger Group's corporate bond, including the gross prepayment costs and expensing unamortised costs.

7.12 **Share of profits of associates and joint ventures after tax**

Share of profits of associates and joint ventures after tax represent the Grainger Group's share of profits of its investments in its associates and joint ventures on an after-tax basis. This includes GRIP.

7.13 **Tax charges**

The taxation charge represents tax currently payable and deferred tax.

Current tax is the tax payable on the taxable income for the period and any adjustment in respect of prior periods.

Deferred tax is recognised using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying value in the consolidated financial statements.

8. Results of operations

8.1 Income statement

The following table is extracted from the audited Grainger Financial Information that has been incorporated by reference into this Prospectus:

	For the year ended 30 September		
	2016	**2017**	**2018**
	£ million	**£ million**	**£ million**
Grainger Group revenue	**219.9**	**264.7**	**270.7**
Net rental income	37.4	40.4	43.8
Profit on disposal of trading properties	69.9	73.7	81.2
Profit on disposal of investment properties	1.6	2.2	1.4
Income from financial interest in property assets	5.8	5.3	6.5
Fees and other income	7.3	5.1	7.1
Administrative expenses	(31.8)	(27.2)	(27.9)
Other expenses	(6.0)	(3.9)	(1.1)
Profit on disposal of joint venture	—	—	7.0
Impairment of inventories to net realisable value	(2.7)	(5.4)	(0.5)
Reversal/(impairment) of joint venture	14.1	(3.6)	5.5
Operating profit before net valuation gains on investment property	**95.6**	**86.6**	**123.0**
Net valuation gains on investment property	20.3	18.0	22.6
Operating profit after net valuation gains on investment property	**115.9**	**104.6**	**145.6**
Change in fair value of derivatives	(9.9)	0.2	(0.2)
Finance costs	(39.2)	(29.1)	(27.2)
Finance income	2.5	2.1	2.1
Corporate bond redemption	—	—	(27.4)
Share of profits of associates after tax	9.8	4.3	7.2
Share of profits of joint ventures after tax	5.1	4.2	0.6
Profit before tax—continuing operations	**84.2**	**86.3**	**100.7**
Tax charge for the year—continuing operations	(9.7)	(12.8)	(13.3)
Profit after tax—continuing operations	**74.5**	**73.5**	**87.4**

8.2 Comparison of the years ended 30 September 2018 and 30 September 2017

Net rental income

Net rental income grew to £43.8 million for the year ended 30 September 2018 compared to £40.4 million for the year ended 30 September 2017, an increase of 8 per cent. This was due to acquisitions and rental growth from the existing Grainger portfolio whilst maintaining the level of property operating costs (gross to net) resulting from the implementation of its new strategy. This more than offset the reduction in net rental income relating to assets disposed of during the period.

Profit on disposal of trading property

Profit on disposal of trading property grew to £81.2 million for the year ended 30 September 2018 compared to £73.7 million for the year ended 30 September 2017, an increase of 10 per cent. The increase was due largely to asset management initiatives and achieving sales in excess of Vacant Possession Values.

Profit on disposal of investment property

Profit on disposal of investment property fell to £1.4 million for the year ended 30 September 2018 compared to £2.2 million for the year ended 30 September 2017, a decrease of 36 per cent. The decrease was due largely to a reduction in the number of investment properties sold.

Income from financial interest in property assets

Income from financial interest in property assets grew to £6.5 million for the year ended 30 September 2018 compared to £5.3 million for the year ended 30 September 2017, an increase of 23 per cent. This was due to valuation gains on the CHARM Portfolio over the period.

Fees and other income

Fees and other income grew to £7.1 million for the year ended 30 September 2018 compared to £5.1 million for the year ended 30 September 2017, an increase of 40 per cent. This was largely due to a £1.3 million one-off management fee on a construction contract.

Administrative expenses

Administrative expenses remained broadly stable at £27.9 million for the year ended 30 September 2018 compared to £27.2 million for the year ended 30 September 2017, an increase of 3 per cent. This continues the cost management focus following restructuring activity and process improvements in line with the Grainger Group's new strategy.

Other expenses

Other expenses fell to £1.1 million for the year ended 30 September 2018 compared to £3.9 million for the year ended 30 September 2017. Exceptional costs in relation to restructuring and disposal of non-core businesses were incurred in the year ended 30 September 2017. After adjusting for exceptional costs, other expenses remained flat at £1.1 million and primarily represent pre-contract costs incurred when assessing investment opportunities.

Profit on disposal of joint venture

Profit on disposal of joint venture of £7.0 million for the year ended 30 September 2018 related to the disposal of Grainger Group's investment in WIP.

Impairments

Impairments of inventories to net realisable value fell to £0.5 million for the year ended 30 September 2018 compared to £5.4 million for the year ended 30 September 2017, due to re-valuations of certain of the Grainger Group's properties. Reversal of impairments of joint ventures was £5.5 million for the year ended 30 September 2018 compared to an impairment of £3.6 million for the year ended 30 September 2017, due to re-valuations of certain of the joint venture properties.

Net valuation gains on investment property

Net valuation gains on investment property grew to £22.6 million for the year ended 30 September 2018 compared to £18.0 million for the year ended 30 September 2017, due to the progress made on developments which reduces stabilisation and construction risk as well as rental yield reductions.

Finance costs and finance income

Finance costs fell to £27.2 million for the year ended 30 September 2018 compared to £29.1 million for the year ended 30 September 2017, a decrease of 7 per cent. which was due to refinancing of certain of the Grainger Group's indebtedness. Finance income was consistent at £2.1 million for the years ended 30 September 2018 and 30 September 2017.

Corporate bond redemption

The corporate bond redemption cost of £27.4 million for the year ended 30 September 2018 was due to refinancing the corporate bond, with one-off costs including £25.8 million gross prepayment costs and £1.6 million unamortised costs expensed.

Share of profits of associates and joint ventures after tax

Share of profits of associates after tax grew to £7.2 million for the year ended 30 September 2018 compared to £4.3 million for the year ended 30 September 2017, an increase of 67 per cent. This was due to re-valuation movements during the year. Share of profits of joint ventures after tax fell to £0.6 million for the year ended 30 September 2018 compared to £4.2 million for the year ended 30 September 2017. This was due to the disposal of WIP.

Tax charges

Tax charges for continuing operations were £13.3 million for the year ended 30 September 2018 compared to £12.8 million for the year ended 30 September 2017, an increase of 4 per cent. The increase was primarily due to an increase in the Grainger Group's profits.

8.3 **Comparison of the years ended 30 September 2017 and 30 September 2016**

Net rental income

Net rental income grew to £40.4 million for the year ended 30 September 2017 compared to £37.4 million for the year ended 30 September 2016, an increase of 8 per cent. This was due to an increase in the number of the Grainger Group's rental properties, rental growth from the existing portfolio and reduced property operating costs (gross to net) resulting from the implementation of its new strategy. Each of these more than offset the reduction in net rental income relating to assets disposed of during the period.

Profit on disposal of trading property

Profit on disposal of trading property grew to £73.7 million for the year ended 30 September 2017 compared to £69.9 million for the year ended 30 September 2016, an increase of 5 per cent. Residential sales remained broadly consistent in the year. The increase was due largely to an increase in profit from development activity which includes land sales from the Berewood site and the partnership with the Royal Borough of Kensington and Chelsea.

Profit on disposal of investment property

Profit on disposal of investment property grew to £2.2 million for the year ended 30 September 2017 compared to £1.6 million for the year ended 30 September 2016, an increase of 38 per cent. The increase was due largely to an increase in the per value unit of properties sold.

Income from financial interest in property assets

Income from financial interest in property assets fell to £5.3 million for the year ended 30 September 2017 compared to £5.8 million for the year ended 30 September 2016, a decrease of 9 per cent. This was due to a reduction in the size of the CHARM Portfolio over the period, resulting in a decrease in the income that it generated.

Fees and other income

Fees and other income fell to £5.1 million for the year ended 30 September 2017 compared to £7.3 million for the year ended 30 September 2016, a decrease of 30 per cent. This was due to one-off sundry income receipts in 2016, including £0.8 million from a claim against a contractor and a £0.8 million performance fee.

Administrative expenses

Administrative expenses fell to £27.2 million for the year ended 30 September 2017 compared to £31.8 million for the year ended 30 September 2016, a decrease of 14 per cent. This was primarily due to the increased focus on costs management following restructuring activity and process improvements in line with the Grainger Group's new strategy.

Other expenses

Other expenses fell to £3.9 million for the year ended 30 September 2017 compared to £6.0 million for the year ended 30 September 2016, a decrease of 35 per cent. This included a number of exceptional costs incurred in relation to restructuring and disposal of non-core businesses. After adjusting for these costs, other expenses remained flat at £1.1 million and primarily represent pre-contract costs incurred when assessing investment opportunities.

Impairments

Impairments of inventories to net realisable value doubled to £5.4 million for the year ended 30 September 2017 compared to £2.7 million for the year ended 30 September 2016, due to re-valuations of certain of the Grainger Group's properties. Impairments of joint ventures was £3.6 million for the year ended 30 September 2017 compared to a reversal of £14.1 million for the year ended 30 September 2016, due to re-valuations of certain of the joint venture properties.

Net valuation gains on investment property

Net valuation gains on investment property fell to £18.0 million for the year ended 30 September 2017 compared to £20.3 million for the year ended 30 September 2016, due to the stages of progress of developments and newly stabilised PRS units.

Finance costs and finance income

Finance costs fell to £29.1 million for the year ended 30 September 2017 compared to £39.2 million for the year ended 30 September 2016, a decrease of 26 per cent. due to refinancing of certain of the Grainger Group's indebtedness combined with the reduction in net debt following the disposal of the Germany and Retirement Solutions businesses. Finance income fell to £2.1 million for the year ended 30 September 2017 compared to £2.5 million for the year ended 30 September 2016.

Share of profits of associates and joint ventures after tax

Share of profits of associates after tax fell to £4.3 million for the year ended 30 September 2017 compared to £9.8 million for the year ended 30 September 2016, a decrease of 56 per cent. Share of profits of joint ventures after tax fell to £4.2 million for the year ended 30 September 2017 compared to £5.1 million for the year ended 30 September 2016, a decrease of 18 per cent. This was due to variations in valuation movements during the year.

Tax charges

Tax charges for continuing operations were £12.8 million for the year ended 30 September 2017 compared to £9.7 million for the year ended 30 September 2016, an increase of 32 per cent. The increase was primarily due to an increase in the Grainger Group's profits.

9. **Segmental analysis**

IFRS 8 Operating Segments requires that operating segments are identified based on the Group's internal reporting to its chief operating decision maker ("**CODM**") so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The three significant segments for the Grainger Group's continuing operations are Residential, Development and Funds. The key operating performance measures of operating profit or loss used by the CODM is adjusted earnings. The CODM reviews two measures of net asset value by segment: EPRA NAV and EPRA NNNAV. A reconciliation of net assets to EPRA NAV and EPRA NNNAV is provided in paragraph 10 of this Part V ("*Grainger Operating and Financial Review*").

2018 Income statement

£ million	Residential	Development	Funds	Other	Total
Segment revenue—external	**201.4**	**64.2**	**4.6**	**0.5**	**270.7**
Net rental income	43.5	0.3	—	—	43.8
Profit on disposal of trading property	68.7	11.7	—	—	80.4
Profit on disposal of investment property	1.4	—	—	—	1.4
Income from financial interest in property assets	—	—	—	5.8	5.8
Fees and other income	0.2	1.8	4.6	0.5	7.1
Administrative expenses	(7.0)	(1.7)	(0.6)	(18.6)	(27.9)
Other expenses	(0.1)	(1.0)	—	—	(1.1)
Profit on disposal of joint venture	—	—	7.0	—	7.0
Net finance costs	(27.3)	3.6	(1.4)	—	(25.1)
Share of trading profit of joint ventures and associates after tax	—	(0.1)	2.7	—	2.6
Adjusted earnings	**79.4**	**14.6**	**12.3**	**(12.3)**	**94.0**
Valuation movements					34.1
Other adjustments[(1)]					(27.4)
Profit before tax					**100.7**

(1) Other adjustments in 2018 comprised costs in relation to the corporate bond redemption of £27.4 million, consisting of a £25.8 million gross prepayment cost and £1.6 million write-off of unamortised costs.

30 September 2018 Segment net assets (unaudited)

£ million	Residential	Development	Funds	Other	Total	Pence per share
Total segment net assets (statutory)	485.5	136.0	86.9	107.2	815.6	—
Total segment net assets (EPRA NAV)	1,115.8	139.4	87.3	114.6	1,457.1	348
Total segment net assets (EPRA NNNAV)	986.1	139.3	86.9	111.4	1,323.7	316

9.1 **Residential**

The strategy of the residential business is to grow recurring net rental income by investing in high-quality PRS assets, supplemented by strong returns on a liquid portfolio of regulated tenancy properties.

Trading summary

	Financial year ended 30 September		
	2016	2017	2018
	£ million	£ million	£ million
Revenue	165.3	179.2	201.4
Net rental income	37.2	40.3	43.5
Profit on disposal of trading property	58.1	58.2	68.7
Profit on disposal of investment property	1.6	2.2	1.4
Fees and other income	1.0	0.3	0.2
Adjusted earnings	53.0	67.7	79.4

The residential business derives its revenue principally from a combination of rental income derived approximately equally from the PRS Portfolio and the Regulated Tenancies Portfolio and from the proceeds on the sale of Trading Properties.

In the financial year ended 30 September 2018, the residential business recorded revenue of £201.4 million (compared to £179.2 million in the financial year ended 30 September 2017 and £165.3 million in the financial year ended 30 September 2016).

Net rental income has grown rapidly in recent years; on a like-for-like basis, total rental growth in the year ended 30 September 2018 was 4 per cent. and net rental income increased by 8 per cent. compared to a year earlier. In the financial year ended 30 September 2018, the residential business' net rental income was £43.5 million (compared to £40.3 million in the financial year ended 30 September 2017 and £37.2 million in the financial year ended 30 September 2016).

In the financial year ended 30 September 2018, the Grainger Group sold 447 UK residential properties generating revenue of £147.5 million compared to 516 properties generating revenue of £130.8 million in the financial year ended 30 September 2017 and 366 properties generating revenue of £115.6 million in the financial year ended 30 September 2016.

In the financial year ended 30 September 2018, the Grainger Group's profit on the sale of UK residential properties was £70.1 million (compared to £60.4 million in the financial year ended 30 September 2017 and £59.7 million in the financial year ended 30 September 2016).

The average sales price achieved by the residential business on vacant possession sales in the financial year ended 30 September 2018 was £410,000 (compared to £402,000 in the financial year ended 30 September 2017 and £336,000 in the financial year ended 30 September 2016). The margins on vacant possession sales by the residential business were 46 per cent. in the financial year ended 30 September 2018 (compared to 46 per cent. in the financial year ended 30 September 2017 and 50 per cent. in the financial year ended 30 September 2016).

As of 30 September 2018, the Grainger Group owned 2,841 PRS assets (compared with 2,513 in 2017). These assets had a Market Value of £591 million (compared to £526 million as of 30 September 2017) and a Vacant Possession Value of £641 million (compared to £573 million as of 30 September 2017). The Reversionary Surplus in the PRS Portfolio as of 30 September 2018 was £50 million (compared to £47 million in 2017).

As of 30 September 2018, the Regulated Tenancies Portfolio consisted of 3,109 wholly-owned properties in the United Kingdom, with a Market Value of £1,107 million, with rental rates set in accordance with the Rent Act. The remaining properties in the Residential Portfolio are not subject to regulated tenancies and include ex-regulated assured and periodic tenancies and assured shorthold tenancies, all of which are subject to market rents, vacant units, properties held agricultural tenancies and other property interests. The regulated properties in the Residential Portfolio are typically bought at a discount to their Vacant Possession Value and therefore have an inherent Reversionary Surplus. The Reversionary Surplus that crystallises upon vacancy of the regulated properties in the Residential Portfolio was £210 million as of 30 September 2018.

The gross rental income generated by the regulated properties in the Residential Portfolio was £28 million in the financial year ended 30 September 2018 (compared to £29 million in the financial year ended 30 September 2017 and £29 million in the financial year ended 30 September 2016). The residential business generally seeks to sell regulated properties on vacancy to realise the Reversionary Surplus. Regulated properties are not generally re-let following vacancy, and remain vacant until completion of the sale, during which time no rent is payable on the property. The total sales proceeds from vacant regulated properties was £107.4 million in the financial year ended 30 September 2018 (compared to £110.1 million in the financial year ended 30 September 2017 and £103.1 million in the financial year ended 30 September 2016).

In addition to sales upon vacancy, properties subject to regulated tenancies can be sold by way of Investment Sales (with tenants in place). As a result, regulated properties provide a portfolio from which to generate additional revenue as required, which contributes to the Grainger Group's flexibility in adapting to difficult market conditions. In the financial year ended 30 September 2018, the residential business generated gross proceeds from Investment Sales from the Residential Portfolio of £40.1 million compared to £20.7 million in the financial year ended 30 September 2017 and £12.5 million in the financial year ended 30 September 2016.

The Grainger Group expects to hold assets in its Regulated Tenancies Portfolio in order to capture the full extent of the Reversionary Surplus.

The Grainger Group's mature portfolio of properties is attractive to first-time buyers and amateur developers. However, while un-modernised properties are generally sold as they are, Grainger may undertake some capital expenditure on the property in order to ensure that the buyer will get a mortgage, to protect value in areas of high concentration or where Grainger is expecting a strong return on its investment. Sales of the Grainger Group's regulated properties have maintained high demand from purchasers without significant pricing discounts, with average sales values upon vacancy being 0.9 per cent. above the prior year end Vacant Possession Value in the financial year ended 30 September 2018 compared to 2.6 per cent. above in the financial year ended 30 September 2017 and 8.9 per cent. above in the financial year ended 30 September 2016.

As of 30 September 2018, the Regulated Tenancies Portfolio also included 316 ex-regulated assured and assured periodic tenancies and a further 430 units not subject to regulated tenancies, including assured shorthold tenancies, vacant units, agricultural tenancies, and, in addition, numerous other property interests such as garages and ground rents. As of 30 September 2018, the Regulated Tenancies Portfolio's 316 ex-regulated assured and assured periodic tenancies had a Market Value of £101 million (6 per cent. of the Market Value of the Residential Portfolio). The remaining 430 non-regulated properties in the Regulated Tenancies Portfolio had a Market Value of £175 million (10 per cent. of the Market Value of the Residential Portfolio).

Assured and assured periodic tenancies are usually former regulated tenancies which have passed by way of statutory succession rights to a relative of the previous tenant, following the expiry of the regulated tenancy upon the vacancy of the property. Assured and assured periodic tenancies offer security of tenure but are subject to market rental rates. Assured shorthold tenancies do not offer security of tenure (the landlord may take possession for any reason after the later of (i) six months after the beginning of the tenancy or (ii) the end of the fixed term, upon two months' notice) and are also subject to market rental rates. As the rental rates on the Grainger Group's assured, assured periodic and assured shorthold tenancies are driven by market rates, the rental rates tend to be more volatile in nature, although due to increased demand for rented property, market rents have increased over the last two years and this has been advantageous to the Grainger Group. However, as the assured, assured periodic and assured shorthold properties constituted only 6 per cent. of the Residential Portfolio by Market Value as of 30 September 2018, the impact of this volatility on the residential business' total rental income is limited. The non-regulated properties in the Regulated Tenancies Portfolio generated £7.6 million in gross rental income in the financial year ended 30 September 2018 (compared to £7.6 million in the financial year ended 30 September 2017 and £7.2 million in the financial year ended 30 September 2016).

9.2 **Development**

The development business focuses on developing rental homes specifically with the customer in mind. The development team works alongside the acquisitions team to secure PRS acquisitions and to manage the development process through to completion. The business model is to gain control of land at a low entry price, and create a step change in value prior to exit. Key drivers of this value creation include obtaining or enhancing planning consent, installing infrastructure and sale of serviced sites to house builders, and the building out of the scheme to create completed units for sale or rent. The division also generates revenue through the provision of development management services.

Trading summary

	Financial year ended 30 September		
	2016	2017	2018
	£ million	£ million	£ million
Revenue	49.7	81.3	64.2
Net rental income	0.2	0.1	0.3
Profit on disposal of trading property	11.8	14.7	11.7
Fees and other income	0.3	0.7	1.8
Share of trading profit of joint ventures and associates after tax	0.1	0.1	(0.1)
Adjusted earnings	10.3	14.9	14.6

Revenues from the Development Portfolio were £64.2 million in the financial year ended 30 September 2018, £81.3 million in the financial year ended 30 September 2017 and £49.7 million in the financial year ended 30 September 2016 and there were profits on the disposal of trading properties of £11.7 million, £14.7 million and £11.8 million in the years ended 30 September 2018, 2017 and 2016 respectively.

9.3 **Funds and Third-Party Management**

The Funds and Third-Party Management business provides property and asset management services to the Grainger Group's joint ventures and associates and aims to capitalise on the Grainger Group's expertise in the area of property and asset management, giving the Grainger Group the ability to generate revenue by way of management fees under such arrangements.

	Financial year ended 30 September		
	2016	2017	2018
	£ million	£ million	£ million
Revenue	4.8	4.1	4.6
Fees and other income	4.8	4.1	4.6
Profit on disposal of joint venture	—	—	7.0
Share of trading profit of joint ventures and associates after tax	1.4	2.8	2.7
Adjusted earnings	1.3	4.6	12.3

In the financial year ended 30 September 2018 the Funds and Third-Party Management business recorded gross external management fee income of £4.6 million (compared to £4.1 million in the financial year ended 30 September 2017 and £4.8 million in the financial year ended 30 September 2016).

The joint ventures and associates business currently owns a 24.9 per cent. share in GRIP and provides property and asset management services to the properties owned by GRIP. In the 2018 financial year, the Grainger Group generated fee income from GRIP of £3.8 million. The Grainger Group will cease to provide property and asset management services to GRIP on a third-party basis when the Acquisition completes. As a result the significance of the Funds and Third-Party Management business following the Acquisition will materially diminish in line with Grainger Group's updated strategy.

Until May 2018, the joint ventures and associates business owned a 50 per cent. share in WIP, a joint venture with Dorrington formed in May 2013 to acquire the Walworth estate from the Grainger Group. The Grainger Group disposed of its 50 per cent. interest in WIP in May 2018, generating proceeds of £67 million. In the 2018 financial year, the Grainger Group also concluded its joint venture with the Royal Borough of Kensington and Chelsea with the sale of the Grainger Group's interest in 31 homes to the borough to house those needing accommodation following the tragedy of the fire at Grenfell Tower.

The Grainger Group's remaining joint venture interests consist of non-material, legacy assets, most of which are in the process of being disposed or wound down.

9.4 **Market Value, Vacant Possession Value and Reversionary Surplus**

The Grainger Group uses the following measures of the value of its property portfolio:

The Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The Reversionary Surplus is the difference between a property's Market Value and its Vacant Possession Value.

The Vacant Possession Value is the difference between a property's Market Value whilst it is tenanted and the value that could be realised if such property became vacant and were sold as of that date.

Residential Portfolio

The table below summarises the Residential Portfolio by units owned and shows both the Market Value and the Vacant Possession Value.

		As of 30 September 2018		
	No. of units.	**Market value**	**Vacant possession value**	**Reversionary surplus**
	£ million	**£ million**	**£ million**	**£ million**
Residential—PRS	2,841	591	641	50
Residential—regulated tenancies	3,109	1,107	1,317	210
Residential—mortgages (CHARM)	580	82	81	(1)
Total	**6,530**	**1,780**	**2,039**	**259**

Development Portfolio

The Market Value of the Development Portfolio as of 30 September 2018 was £298 million, which corresponded to 11 per cent. of the Market Value of the Grainger Group's total property assets (compared to £138 million, corresponding to 5 per cent. of the Market Value of the Grainger Group's total property assets as of 30 September 2017). The Grainger Group envisages that over the long-term the Market Value of the Development Portfolio will continue to represent less than 10 per cent. of the Enlarged Group's asset base by value.

Funds and Third-Party Management

The Market Value of the Funds and Third-Party Management business' interest in, GRIP as of 30 September 2018 are summarised in paragraph 2.2 of Part A of Part IV ("*Information on the Company, GRIP and the Enlarged Group*") of this Prospectus.

9.5 Differences between Grainger Financial Information and valuation reports

The following table provides a reconciliation of the differences between the Market Value in the Annual Report and Accounts and Market Value in the valuation reports included in Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*") of this Prospectus.

	Trading Property	Investment Property	Trading Property	Investment Property	CHARM	Total Property Portfolio			
	Book Value	Book Value	Market Value	Market Value	Book Value/ Market Value	Market Value	Valuation Differences	Valuation: Allsop	Valuation: CBRE
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Grainger Portfolio									
Core Portfolio	464.7	25.3	893.7	25.3	—	**919.0**	(45.8)[1]	873.2	—
PRS Portfolio	52.7	127.9	58.9	127.9	—	**186.8**	(0.2)[2]	186.6	—
CHARM Portfolio	—	—	—	—	82.2	**82.2**	(0.7)[3]	81.5	—
GInvest Portfolio	197.9	—	369.5	—	—	**369.5**	—	369.5	—
Grainger Trust Portfolio	—	50.8	—	50.8	—	**50.8**	(9.7)[4]	41.1	—
Tricomm Portfolio	—	121.4	—	121.4	—	**121.4**	—	121.4	—
PRS build to rent	—	50.4	—	50.4	—	**50.4**	—	—	50.4
Grainger Residential Portfolio	**715.3**	**375.8**	**1,322.1**	**375.8**	**82.2**	**1,780.1**	**(56.4)**	**1,673.3**	**50.4**
PRS build to rent	21.0	213.9	24.0	213.9	—	**237.9**	(3.7)[5]	—	234.2
Developments	63.0	—	60.3	—	—	**60.3**	2.2[6]	—	62.5
Grainger Development Portfolio	**84.0**	**213.9**	**84.3**	**213.9**	**—**	**298.2**	**(1.5)**	**—**	**296.7**
Total Grainger Portfolio	**799.3**	**589.7**	**1,406.4**	**589.7**	**82.2**	**2,078.3**	**(57.9)**	**1,673.3**	**347.1**
GRIP Portfolio									
Properties held for investment (Residential Portfolio)	—	672.8	—	672.8	—	**672.8**	(2.3)[7]	—	670.5
Properties under construction (Development Portfolio)	—	23.0	—	23.0	—	**23.0**	—	—	23.0
Total GRIP Portfolio	**—**	**695.8**	**—**	**695.8**	**—**	**695.8**	**(2.3)**	**—**	**693.5**
Total Portfolio of Enlarged Group	**799.3**	**1,285.5**	**1,406.4**	**1,285.5**	**82.2**	**2,774.1**	**(60.2)**	**1,673.3**	**1,040.6**

	£m	£m	£m	£m	£m		£m	£m	£m
Grainger Residential Portfolio	715.3	375.8	1,322.1	375.8	82.2	**1,780.1**	(56.4)	1,673.3	50.4
GRIP Residential Portfolio	—	672.8	—	672.8	—	672.8	(2.3)	—	670.5
Total Residential Portfolio of Enlarged Group	**715.3**	**1,048.6**	**1,322.1**	**1,048.6**	**82.2**	**2,452.9**	**(58.7)**	**1,673.3**	**720.9**
Grainger Development Portfolio	84.0	213.9	84.3	213.9	—	298.2	(1.5)	—	296.7
GRIP Development Portfolio	—	23.0	—	23.0	—	23.0	—	—	23.0
Total Development Portfolio of Enlarged Group	**84.0**	**236.9**	**84.3**	**236.9**	**—**	**321.2**	**(1.5)**	**—**	**319.7**
Total Portfolio of Enlarged Group	**799.3**	**1,285.5**	**1,406.4**	**1,285.5**	**82.2**	**2,774.1**	**(60.2)**	**1,673.3**	**1,040.6**

Notes

(1) The difference between Market Value balance sheet and Allsop valuation report is £45.8 million.

The Grainger Group assesses the value of the properties within the Residential Portfolio for the purposes of its 2016 Annual Report and Accounts and the 2017 Annual Report and Accounts based on the Directors' estimate of the value of these properties. Those estimates were supported by a statement of confidence by Allsop but not based on an Allsop property valuation report. In order to maintain consistency with its previous annual reports, the Grainger Group has assessed the value of the properties in this portfolio for the purposes of its 2018 Annual Report and Accounts based on the Directors' estimates of the value of those properties rather than the Allsop valuation report. There were differences in the valuation of specific properties between the Directors and Allsop, and therefore there are differences between the valuation of the Residential Portfolio in the Grainger Financial Information and the Allsop valuation report as a result of the Directors having valued each property separately based on a recent inspection, whereas Allsop only having inspected a sample of the Grainger Group's properties, and having based its valuation of those properties on market data. The difference between these valuations is £0.2 million.

In addition, there are a number of assets not valued by Allsop comprising:

Ground Rents	£41.3 million
Garages/parking	£2.4 million
Commercial units	£1.9 million

The value of these are a Directors' valuation, based on external market evidence for which Allsop provide a statement of confidence, but do not provide a formal valuation.

(2) The difference between Market Value balance sheet and Allsop valuation of £0.2 million relates to a difference in valuation methodology

(3) CHARM—The difference between Market Value balance sheet and Allsop valuation of £0.7 million relates to a difference in valuation methodology

(4) Affordable housing—The difference between Market Value balance sheet and Allsop valuation is £9.7 million. The Allsop valuation includes only completed assets held in the portfolio of affordable housing. The £9.7 million difference relates to assets under the course of construction and is held at cost.

(5) PRS build to rent—The difference between Market Value balance sheet and CBRE valuation report is £3.7 million. The difference represents the value of an initial payment made for a forward acquisition project. The scheme is now under construction and Grainger will complete the acquisition on completion of the construction.

(6) The difference between Market Value balance sheet and CBRE valuation report is £2.2 million.

The valuation report provided by CBRE for development trading property differs from the value included in the 2018 Annual Report and Accounts for the following reasons:

Deferred payments	(£14.6 million)	Included in CBRE report but classified in receivables in the 2018 Annual Report and Accounts
Assets not valued	£9.1 million	Specific assets not valued by CBRE and held at cost in the 2018 Annual Report and Accounts
Disposals	£5.2 million	Assets pending disposal held at cost
Other differences	(£1.9m)	Difference in valuation assumptions

(7) GRIP—The difference between Market Value balance sheet and CBRE valuation report is £2.3 million. The Valuation Report provided by CBRE is provided on a block basis. The valuation used within GRIP's financial reporting adopts a special assumption such that certain specific assets are valued on a break-up basis rather than on complete blocks. This reflects the current and future strategy for the portfolio in that assets will be disposed of on a piecemeal basis as they become vacant. The Directors are of the opinion the special assumption adopted is an appropriate valuation method for these assets.

10. Adjusted Financial Measures

As described above, the Group's KPIs include adjusted earnings, like-for-like rental growth, EPRA NAV, EPRA NNNAV, total return, cost of debt and LTV. These KPIs are not recognised as IFRS measures and should not be considered as substitutes for figures on profit before tax, net rental income, net assets, cash flow from operating activities or other data from the Grainger Financial Information.

10.1 Adjusted earnings

Adjusted earnings is defined as profit before tax and after finance and operating costs, but before valuation movements on investment assets, derivatives and other adjustments that are considered to not form part of the normal ongoing revenue or costs of the business. Adjusted earnings is used as a measure to aid understanding of the performance of the Grainger Group's continuing business and as an indicator of the underlying growth in the Grainger Group's profits.

The following table provides a reconciliation of profit before tax to adjusted earnings for the years ended 30 September 2016, 2017 and 2018:

	For the year ended 30 September		
	2016	2017	2018
	£ million unless otherwise indicated		
Profit before tax	84.2	86.3	100.7
Valuation movements	(23.7)	(14.7)	(34.1)
Other adjustments[(1)]	(7.4)	2.8	27.4
Adjusted earnings	**53.1**	**74.4**	**94.0**

(1) Other adjustments in 2018 comprised costs in relation to the existing corporate bond redemption of £27.4 million, consisting of a £25.8 million gross prepayment cost and £1.6 million expense of unamortised costs and outstanding premium. In 2017, other adjustments comprised a provision for historical non-core businesses of £1.6 million and costs relating to the implementation of a strategic change in operations of £1.2 million. In 2016, other adjustments comprised a £10.7 million profit from an investment in Prague, restructuring costs of £2.6 million, an additional provision of £1.3 million relating to the provision of a pension and BUPA medical cover to former employees of the Group and BPT Limited, and income of £0.8 million from a claim against a contractor.

10.2 Property Operating Costs

Property operating costs (gross to net) is calculated as property operating expenses as a percentage of gross rental income.

The following table provides a calculation of property operating costs (gross to net) for the years ended 30 September 2016, 2017 and 2018:

	For the year ended 30 September		
	2016	2017	2018
Property operating expenses[(1)] (in £ million)	14.5	14.2	15.4
Gross rental income (in £ million)	51.9	54.6	59.2
Property operating costs (gross to net) (in per cent.)	**27.9**	**26.0**	**26.0**

(1) Appears as property repair and maintenance costs in the 2016 Grainger Financial Information and the 2017 Grainger Financial Information.

10.3 EPRA NAV and EPRA NNNAV

EPRA NAV is 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. EPRA NNNAV is EPRA 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.

The following table provides a reconciliation of net assets to EPRA NAV and EPRA NNNAV for the years ended 30 September 2016, 2017 and 2018:

	For the year ended 30 September		
	2016	2017	2018
	£ million unless otherwise indicated		
Net assets	675.2	745.3	815.6
Adjustments to Market Value, deferred tax and derivatives[(1)]	704.3	689.2	641.5
EPRA NAV	**1,379.5**	**1,434.5**	**1,457.1**
Deferred and contingent tax	(145.7)	(143.8)	(131.1)
Fair value of fixed rate debt and derivatives	(34.3)	(22.5)	(2.3)
EPRA NNNAV	**1,199.5**	**1,268.2**	**1,323.7**
EPRA NAV per share (in pence)[(2)]	330	343	348
EPRA NNNAV per share (in pence)[(2)]	287	303	316

(1) Consists of stock revaluations of £607.1 million in 2018 (2017: £645.8 million; 2016: £649.4 million), deferred tax liabilities on property revaluations of £27.9 million in 2018 (2017: £26.4 million; 2016: £28.5 million) and fair value of derivative financial instruments of £6.5 million in 2018 (2017: £17.0 million; 2016: £26.4 million).

(2) Calculated based on a total of 418,374,535, 418,611,685 and 418,825,400 ordinary shares outstanding as of 30 September 2016, 2017 and 2018, respectively.

10.4 Total Return

Total return is calculated as the sum of (a) the difference between EPRA NNNAV per share at the beginning and end of the period and (b) the dividend per share relating to each respective year as a percentage of (c) EPRA NNNAV per share at the beginning of the period (i.e., total return equals (a + b) ÷ c). The Grainger Group uses total return as an indicator of the aggregate capital growth and income return to shareholders.

The following table provides a calculation of total return for the years ended 30 September 2016, 2017 and 2018:

	For the year ended 30 September		
	2016	2017	2018
EPRA NNNAV (in £ million)	1,199.5	1,268.2	1,323.7
EPRA NNNAV per share (in pence)[(1)]	287	303	316
Dividend per share (in pence)	4.50	4.86	5.26
Total return (in per cent.)	**10.6**[(2)]	**7.3**	**6.1**

(1) Calculated based on a total of 418,374,535, 418,611,685 and 418,825,400 ordinary shares outstanding as of 30 September 2016, 2017 and 2018, respectively.

(2) Calculated based on EPRA NNNAV per share of 263 pence at the beginning of the period.

10.5 **Cost of Debt**

Cost of debt is calculated as the weighted average cost of borrowings, comprising interest, amortisation of debt costs and excluding commitment fees, as a percentage of the total of current and non-current interest bearing borrowings at the period end.

The following table provides a calculation of cost of debt as of 30 September 2016, 2017 and 2018:

	As of 30 September		
	2016	**2017**	**2018**
Cost of borrowings(1) (in £ million)	32.9	32.1	31.3
Total borrowings(2) (in £ million)	852.1	934.9	973.5
Cost of debt (in per cent.)	**3.9**	**3.4**	**3.2**

(1) Represents the weighted average cost of borrowings, comprising interest, amortisation of debt costs and excluding commitment fees.

(2) Consists of the sum of current and non-current interest bearing borrowings gross of unamortised costs and capitalised premiums/discounts.

10.6 **LTV**

LTV is the ratio of the Grainger Group's net debt to the Market Value of its properties plus the value of the Group's investments in joint ventures, associates and shares held in treasury on a consolidated basis.

The following table provides a calculation of LTV as of 30 September 2016, 2017 and 2018:

	As of 30 September		
	2016	**2017**	**2018**
Net debt(1) (in £ million)	763.7	848.1	866.3
Total Market Value of properties and property-related assets (in £ million)(2)	2,129.4	2,250.5	2,332.3
LTV (in per cent.)	**35.9**	**37.7**	**37.1**

(1) Calculated as total cash and cash equivalents less client cash less total current and non-current interest-bearing borrowings net of unamortised costs and capitalised premiums/discounts.

(2) Consists of the Market Value of properties, the value of investments in joint ventures, associates and treasury shares.

11. Liquidity and capital resources

The Grainger Group finances its net capital and working capital requirements through a combination of cash flows from operating activities and capital funding (both long-term debt financing and equity financing). The Grainger Group's borrowings consist of a combination of debt securities and committed bank facilities.

11.1 **Cash flow**

The following table shows the Group's cash flow as presented in the audited Grainger Financial Information.

	For the year ended 30 September		
	2016	**2017**	**2018**
	£ million	**£ million**	**£ million**
Net cash inflow from operating activities	54.0	45.5	126.3
Net cash inflow/(outflow) from investing activities	172.9	(107.5)	(95.0)
Net cash (outflow)/inflow from financing activities	(226.8)	60.0	(10.9)
Net increase/(decrease) in cash and cash equivalents	0.1	(2.0)	20.4
Cash and cash equivalents at the beginning of the year	**88.8**	**90.7**	**88.9**
Net exchange movements on cash and cash equivalents	1.8	0.2	—
Cash and cash equivalents at the end of the year	**90.7**	**88.9**	**109.3**

Net cash flow from operating activities

Net cash inflow from operating activities was £126.3 million in 2018, compared to £45.5 million for 2017 mainly due to income growth and recoverable amounts on contracts received in line with contractual terms.

Net cash inflow from operating activities was £45.5 million in 2017, compared to £54.0 million for 2016 mainly due to progress of construction contracts.

Net cash flow from investing activities

Net cash outflow from investing activities was £95.0 million in 2018, compared to an outflow of £107.5 million for 2017, mainly due to an increase in PRS investment in 2018 offset by proceeds following the disposal of Grainger Group's interest in WIP.

Net cash outflow from investing activities was £107.5 million in 2017, compared to an inflow of £172.9 million for 2016, mainly due to an increase in PRS investment in 2017 and receipt of the proceeds of the disposal of the Grainger Group's retirement solutions and German businesses in 2016.

Net cash flow from financing activities

Net cash outflow from financing activities was £10.9 million in 2018, compared to an inflow of £60.0 million for 2017, mainly due to a lower net increase in borrowings offset by costs associated with refinancing the corporate bond.

Net cash inflow from financing activities was £60.0 million in 2017, compared to an outflow of £226.8 million for 2016, mainly due to a net increase in borrowings in 2017 compared to a net repayment of borrowings in 2016 following the disposal of the Grainger Group's retirement solutions and German businesses in 2016.

12. The Grainger Group's Debt

The Grainger Group's borrowings (excluding the Grainger Group's share of joint venture and associate (non-recourse) borrowings) at 30 September 2018, 2017 and 2016 are summarised in the tables below.

	For the year ended 30 September		
Maturity profile of borrowings	**2016**	**2017**	**2018**
		(in £ millions)	
In one year or less	99.0	1.1	1.1
In more than one year but less than two	5.4	1.1	1.1
In more than two years but less than five	726.2	920.2	537.6
In more than five years but less than ten	13.1	3.3	421.4
Total in more than one year	**744.7**	**924.6**	**960.1**
Total borrowings	**843.7**	**925.7**	**961.2**
Cash and cash equivalents(1)	(80.0)	(77.6)	(94.9)
Net borrowings	**763.7**	**848.1**	**866.3**

(1) Figures are exclusive of client cash.

	For the year ended 30 September		
Maturity profile of undrawn borrowing facilities	**2016**	**2017**	**2018**
		(in £ millions)	
In one year or less	—	—	—
In more than one year but less than two	—	—	—
In more than two years but less than five	277.9	218.8	329.1
Total available undrawn borrowing facilities	**277.9**	**218.8**	**329.1**

	For the year ended 30 September		
Net borrowings by type	**2016**	**2017**	**2018**
		(in £ millions)	
Secured borrowings(1)	173.7	157.7	230.2
Core Debt Facilities	397.5	494.9	385.0
2028 Notes	—	—	346.0
2020 Notes	272.5	273.1	—
Total secured borrowings	843.7	925.7	961.2
Unsecured borrowings	—	—	—
Total borrowings	**843.7**	**925.7**	**961.2**
Cash and cash equivalents(2)	80.0	77.6	94.9
Net borrowings	**763.7**	**848.1**	**866.3**

(1) Consists of GInvest Facilities, Grainger Pearl Note Facility and the Homes England Facility.

(2) Figures are exclusive of client cash.

The Grainger Group's key financial metrics for its borrowings as of 30 September 2018 were as follows:

Net debt	£866.3 million
LTV	37.1 per cent.
Cost of debt	3.2 per cent.
Incremental cost of debt	<2 per cent.
Funds available (excluding cash and undrawn facilities held in joint ventures and associates)	£388.6 million
Weighted average facility maturity (including extension options)	6.1 years
Hedging	91 per cent.

Funds available (excluding cash and undrawn facilities held in joint ventures and associates) at 30 September 2018 totalled £388.6 million, comprising £59.5 million of cash and short-term investments and £329.1 million of undrawn bank facilities under the Core Debt Facilities.

The Market Value of the gross borrowings of the Grainger Group (excluding debt funding arrangements of joint ventures and associates) as of 30 September 2018 was £964.6 million, compared to a balance sheet carrying value of £961.2 million.

12.1 **Principal banking facilities**

At the date of this Prospectus, the Grainger Group had the following principal banking facilities in place for its general corporate purposes:

Core Debt Facilities

The Grainger Group's Core Debt Facilities consist of the following six separate tranches:

(a) a term loan of £130 million (fully drawn and repayable in August 2020);

(b) a term loan of £120 million (fully drawn and repayable in August 2023) (with a further one-year extension option available);

(c) a revolving credit facility of £330 million (£1 million drawn, repayable in August 2023) (with a further one-year extension option available);

(d) a bilateral term loan of £50 million with HSBC (fully drawn and repayable in November 2022) (with a further one-year extension option available);

(e) a bilateral term loan of £50 million with NatWest (fully drawn and with final maturity in November 2022); and

(f) a bilateral term loan of £40 million with Handelsbanken (fully drawn and repayable in June 2023).

Debt under the Core Debt Facilities is secured against the property portfolio.

As of 30 September 2018, the interest rate margin for each tranche was 160 to 180 basis points above LIBOR with certain additional margin ratchets, depending upon the Group's loan-to-value ratio, as described further below. Certain key covenants under the Core Debt Facilities are described below in Section 12.3.

GInvest Facilities

In October 2015, HSBC Bank and Abbey National Treasury Services plc (now Santander UK plc) granted a £150 million term loan (the "**GInvest Facilities**") to Grainger Invest No 1 LLP and Grainger Invest No 2 LLP, both wholly-owned subsidiaries of the Grainger Group.

The loan is secured by fixed charges on certain properties owned by Grainger Invest No 1 LLP, Grainger Invest No 2 LLP, Grainger Bradley Ltd, Grainger Southwark Ltd and PHA Ltd. The value of properties secured against the loan stood at £338.1 million as of 30 September 2018.

The GInvest Facilities contain financial and other covenants, events of default, warranties and representations customary for such facilities.

Grainger Pearl Term Loan

In October 2017, Grainger Pearl Ltd, a wholly-owned subsidiary of the Grainger Group, issued £75 million 10-year fixed rate secured notes to Rothesay Life (the "**Grainger Pearl Note Facility**"). The loan is secured by fixed charges on properties owned by Grainger Pearl Ltd and Grainger Pearl (Salford) Limited. The value of properties secured against the loan stood at £159.2 million as of 30 September 2018.

The Grainger Pearl Note Facility contains financial and other covenants, events of default, warranties and representations customary for such facilities.

12.2 **Notes**

In April 2018, the Company issued £350 million 3.375 per cent. guaranteed secured notes due 2028 (the "**Notes**"), pursuant to a trust deed dated 24 April 2018 (the "**Trust Deed**") between the Company, as issuer, certain subsidiaries of the Company, as guarantors, and HSBC Corporate Trustee Company (UK) Limited, as trustee.

The key terms of the Notes and the Trust Deed are set out below.

(1) *Purpose*

The net proceeds from the issue of the Notes were used to redeem the secured corporate bonds due 2020 (the "**2020 Notes**") that were first issued by Grainger in November 2013, the payment of fees and expenses in relation to this redemption, and for general corporate purposes.

(2) *Repayment*

The Notes will mature on 24 April 2028 (the "**Maturity Date**").

Subject to certain conditions, the Notes are subject to a change of control prepayment requirement whereby each holder of the Notes shall have the option to require the Company to redeem or purchase the Notes of such holder at a cash redemption or purchase price equal to the principal amount thereof, together with interest accrued to, but excluding the date of, redemption or purchase, as the case may be. The change of control prepayment requirement is triggered if a change of control occurs and the Notes do not have an investment grade rating from at least one rating agency at the time of the change of control event or if, as a result of the change of control, the Notes are downgraded to a rating below investment grade.

(3) *Interest*

The Notes accrue interest at a rate equal to 3.375 per cent. per annum.

(4) *Redemption*

At any time which is more than 90 days prior to the Maturity Date, the Company may redeem any Notes, in whole or in part, at a redemption or purchase price per Note equal to the higher of the principal amount of the Note and an amount calculated by reference to the then yield of the 6.00 per cent. UK Treasury Stock due 2028 plus a margin of 0.30 per cent., together with accrued interest.

The Company may, at any time during the period commencing on (and including) the day that is 90 days prior to 24 April 2028 to (and excluding) the 24 April 2028, redeem the Notes, in whole or in part, at their principal amount, together with accrued interest.

(5) *Guarantee*

The payment of principal and interest in respect of the Notes and the other obligations of the Company has been fully, irrevocably and unconditionally jointly and severally guaranteed by certain guarantors within the Grainger Group.

(6) *Covenants*

The terms and conditions of the Notes included in the Trust Deed contain certain covenants, including:

- maintenance of a core loan-to-value ratio;
- limitations on the purchase of assets; and
- limitations on mergers, consolidation and the sale of substantially all of the Grainger Group's assets.

Each of these covenants is subject to certain exceptions and qualifications.

(7) *Intercreditor arrangements*

The Grainger Group's intercreditor deed includes terms that establish, *inter alia*, the ranking and priority of the Notes (the "**Intercreditor Deed**"). The Intercreditor Deed is governed by English law. The Intercreditor Deed includes terms that establish:

- the ranking and priority of the liabilities owed to the lenders under the Core Debt Facilities, to the trustee on behalf of the holders of the Notes (the "**Notes Trustee**"), to certain hedging creditors and to certain intra-group lenders;
- the basis on which the Notes Trustee is appointed to hold the collateral created in respect of the issuance of the Notes (the "**Transaction Security Documents**");
- under what circumstances the Transaction Security Documents may be enforced;
- the application of proceeds from an enforcement of the collateral in respect of the issuance of the Notes; and
- under which circumstances such collateral may be shared on a *pari passu basis* with additional third-party creditors.

Each holder of the Notes, by subscribing to, purchasing or otherwise acquiring a Note is deemed to have agreed to be bound by the provisions of the Intercreditor Deed and to have irrevocably appointed the Notes Trustee to act on its behalf to accede to, and comply with, the provisions of the Intercreditor Deed.

(8) *Events of default*

The Trust Deed contains customary events of default, including payment defaults, covenant defaults, cross-defaults and certain events of insolvency.

12.3 **Covenants and gearing**

Under the Core Debt Facilities, the Grainger Group must ensure that:

- its loan-to-value ratio as determined for the purposes of the Core Debt Facilities, which is a modified ratio of total debt net of cash to the combined market value of the properties and investment assets of certain defined entities in the Grainger Group (the "**Core LTV**"), does not exceed 70 per cent.; and
- its interest cover ratio as determined for the purposes of the Core Debt Facilities, being the ratio of consolidated cash flow to consolidated net interest payable (the "**ICR**") is not less than 1.35 to 1.

The Core LTV covenant and the ICR covenant under the Core Debt Facilities are both tested quarterly. Breach of either of these financial covenants would constitute an event of default which could result, amongst other things, in an acceleration of the Grainger Group's obligations to repay the Core Debt Facilities.

If the Core LTV is greater than or equal to 62.5 per cent. but less than 70 per cent., the Grainger Group is subject to certain obligations under the Core Debt Facilities:

- not to make investments or acquisitions, other than acquisitions of property not exceeding £2 million per month or such purchases or transfers are made in accordance with contracts entered into prior to the date that Core LTV is at 62.5 per cent. or above; and
- not to incur additional indebtedness that is secured on the same assets as, and on a pari passu basis with, the Core Debt Facilities.

As of 30 September 2018, the Core LTV was 32.0 per cent. and the ICR was 5.9 times.

The Notes also contain a loan-to-value covenant, which requires that the Grainger Group's core loan-to-value ratio does not exceed 75 per cent. on any of Grainger's half year and full year end dates. If on any such date the core loan-to-value ratio exceeds 67.5 per cent. the Grainger Group is subject to additional limitations on the purchase of assets.

Both the Core Debt Facilities and the Notes contain covenants, limitations on the purchase and sale of assets, events of default, warranties and representations in similar terms and customary for facilities and notes of their nature. Upon the occurrence of certain change of control events, the lenders under the Core Debt Facility may, if alternative terms for continuing the Core Debt Facilities cannot be agreed, require Grainger to repay the Core Debt Facilities. Subject to certain conditions, the Notes are subject to a change of control prepayment requirement whereby each holder of the Notes shall have the option to require the Company to redeem or purchase the Notes of such holder at a cash redemption or purchase price equal to the principal amount thereof, together with interest accrued to, but excluding the date of, redemption or purchase, as the case may be. The change of control prepayment requirement is triggered if a change of control occurs and the Notes do not have an investment grade rating from at least one rating agency at the time of the change of control event or if, as a result of the change of control, the Notes are downgraded to a rating below investment grade.

13. **Capital expenditure and capital commitments**

The Grainger Group's capital expenditures and capital commitments principally relate to property development investments and acquisitions of land for future development.

The following table sets forth a summary of the Grainger Group's contractual obligations and commercial commitments at 30 September 2018.

	Payments to be made by period				
	Less than one year	From one to three years	From three to five years	Five years or more	Total
			in £ millions		
Property development commitments (Group)	193.9	167.6	11.4	—	372.8
Property development commitments (joint ventures and associates)	6.1	2.4	—	—	8.5
Other commitments	57.6	99.3	69.3	—	226.2
Total	**257.6**	**269.3**	**80.7**	**—**	**607.5**

14. **Contingent liabilities**

Grainger has guaranteed loans and bank overdrafts of subsidiary undertakings and has indicated its intention to provide the necessary support required by its subsidiaries.

The Grainger Group has provided certain guarantees, representations and warranties in relation to developments and disposals which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory and tax matters.

15. **Off balance sheet arrangements**

The Grainger Group has no material off balance sheet arrangements as determined under IFRS.

GRIP has a debt facility that is non-recourse to the Grainger Group, as further described in paragraph 4 of Part B of Part IV ("*Information on the Company, GRIP and the Enlarged Group*") of this document.

16. **Quantitative and qualitative disclosures about market risk**

16.1 **Credit risk**

Credit risk is the risk of financial loss due to a counterparty's failure to honour its obligations. The Grainger Group's principal financial assets include its financial interest in property assets, bank balances and cash, trade and other receivables. The carrying amount of financial assets recorded in the financial statements represents the Grainger Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Grainger Group's financial interest in property assets (CHARM Portfolio) relates to a financial interest in equity mortgages held by the Church of England Pensions Board. The Grainger Group's cash receipts are payable by the Church Commissioners, a counterparty considered to be low risk as they have no history of past due or impaired amounts and there are no past due amounts outstanding at the year end.

The Grainger Group sometimes enters into land sales contracts within the Development division under which a proportion of the consideration is deferred and recognised within other receivables. Each purchaser is subject to financial due diligence prior to sale.

The Grainger Group also has credit risk relating to trade receivables. Where it is identified that recovery is doubtful, a provision for impairment is made. For all assured shorthold tenancies, credit checks are performed prior to acceptance of the tenant. Regulated tenants are incentivised through the benefit of their tenancy agreement to avoid default on their rent. Rent deposits and personal guarantees are held in respect of some leases. Taking these factors into account, the risk to the Grainger Group of individual tenant default and the credit risk of trade receivables are considered low, as is borne out by the low level of trade receivables written off both in this year and in prior years. Tenant deposits are held that provide some security against rental arrears and property dilapidations caused by the tenant. The Grainger Group does not hold any other collateral as security.

The credit risk on liquid funds and derivative financial instruments is managed through the Grainger Group's policies of monitoring counterparty exposure, monitoring the concentration of credit risk through the use of multiple counterparties and the use of counterparties of good financial standing.

16.2 **Liquidity risk**

The Grainger Group ensures that it maintains continuity and flexibility through a spread of maturities.

Although the Grainger Group's Core Debt Facilities are subject to covenants requiring certain levels of loan to value with respect to the entities in the Grainger Group of obligors, and to maintaining a certain level of interest cover at the Grainger Group level, the loan is not secured directly against any property allowing operational flexibility. The Grainger Group has operated within its covenants during 2018 and as of 30 September 2018.

The Grainger Group ensures that it maintains sufficient cash for operational requirements at all times. The Grainger Group also ensures that it has sufficient undrawn committed borrowing facilities from a diverse range of banks and other sources to allow for operational flexibility and to meet committed expenditure. The business is highly cash generative from its sales of vacant properties, gross rents and management fees. In adverse trading conditions, tenanted sales can be increased and new acquisitions can be stopped.

Consequently, the Grainger Group is able to reduce gearing levels and improve liquidity quickly.

16.3 **Market risk exposures**

The Grainger Group is exposed to market risk through interest rates, the availability of credit and house price movements relating to the Tricomm Housing Portfolio and the CHARM Portfolio.

The Grainger Group is not significantly exposed to equity price risk or to commodity price risk.

16.4 **Interest rate risk**

The Grainger Group's interest rate risk arises from the risk of fluctuations in interest charges on floating rate borrowings. The Grainger Group mitigates this risk through the use of variable to fixed interest rate swaps and caps. This subjects the Group to fair value risk as the value of the financial derivatives fluctuates in line with variations in interest rates. However, the Grainger Group seeks to cash flow hedge account where applicable. The Grainger Group is, however, driven by commercial considerations when hedging its interest rate risk and is not driven by the strict requirements of the hedge accounting rules under IAS 39 if this is to the detriment of achieving the best commercial arrangement.

Hedging activities are carried out under the terms of the Grainger Group's hedging policies and are regularly reviewed by the Board to ensure compliance with this policy. The Company reviews its policy on interest rate exposure regularly with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

The current Grainger Group treasury policy is to maintain floating rate exposure of no greater than 30 per cent. of expected borrowing. As of 30 September 2018, 91 per cent. (2017: 79 per cent.) of the Grainger Group's net borrowings were economically hedged to fixed or capped rates.

Based on the Grainger Group's interest rate profile as of 30 September 2018, a 1 per cent. increase in interest rates would decrease annual profits by £1.5 million (2017: £2 million). Similarly, a 1 per cent. decrease would increase annual profits by £1.5 million (2017: £2 million).

Based on the Grainger Group's interest rate profile at the statement of financial position date, a 1 per cent. increase in interest rates would increase the Grainger Group's equity by £16.5 million (2017: £9.9 million). Similarly, a 1 per cent. decrease would decrease the Grainger Group's equity by £16.5 million (2017: £9.9 million).

Upward movements in medium and long-term interest rates, associated with higher interest rate expectation, increase the value of the Grainger Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the interest yield curve. Where the Grainger Group's swaps qualify as effective hedges under IAS 39, these movements in fair value are recognised directly in other comprehensive income rather than the income statement. No amount is recognised within the income statement for ineffectiveness of cash flow hedges.

16.5 **Credit availability risk**

Credit availability risk relates to the Grainger Group's ability to refinance its borrowings at the end of their terms or to secure additional financing where necessary. The Grainger Group maintains relationships with a range of lenders and maintains sufficient headroom through cash and committed borrowings. On 30 September 2018, the Grainger Group had available headroom of £388.6 million.

16.6 **House price risk**

The cash flows arising from the Grainger Group's financial interest in property assets (CHARM Portfolio) and the Tricomm Housing Portfolio are related to the movement in value of the underlying property assets and, therefore, are subject to movements in house prices.

Consistent with the Grainger Group's approach to house price risk across its portfolio of trading and investment properties, the Grainger Group does not seek to eliminate this risk as it is a fundamental part of the Grainger Group's business model.

16.7 **Capital risk management**

The Board manages the Grainger Group's capital through the regular review of: cash flow projections; the ability of the Grainger Group to meet contractual commitments; covenant tests; dividend cover; and gearing. The current capital structure of the Grainger Group comprises a mix of debt and equity. Debt is both current and non-current interest-bearing loans and borrowings. Equity comprises issued share capital, reserves and retained earnings.

The Grainger Group's loans and borrowings have associated covenant requirements with respect to loan-to-value and interest cover ratios. The Company regularly reviews all current and projected future levels to monitor anticipated compliance and available headroom against key thresholds. Loan to value is reviewed in the context of the Company's view of markets, the prospects of, and risks relating to, the portfolio and the recurring cash flows of the business.

As of 30 September 2018, the Grainger Group's LTV was 37.1 per cent. Overall, the Grainger Group aims to operate within a range of LTV of approximately 40 to 45 per cent., as it considers to be appropriate over the medium term.

The Grainger Group monitors its cost of debt and weighted average cost of capital ("**WACC**") on a regular basis. Investment and development opportunities are evaluated using a risk adjusted WACC in order to ensure long-term shareholder value is created.

17. **The Grainger Group's capitalisation and indebtedness**

The table below shows the Grainger Group's capitalisation and indebtedness at 30 September 2018.

	£ million
Shareholders' equity	
Issued share capital	20.9
Share premium account	111.4
Merger reserve	20.1
Capital redemption reserve	0.3
Other reserves	6.5
Retained earnings	656.4
Total shareholders' equity	**815.6**
Indebtedness	
Current debt	
Secured	1.1
Guaranteed	—
Unsecured/unguaranteed	—
Total current debt	**1.1**
Non-current debt	
Secured	960.1
Guaranteed	—
Unsecured/unguaranteed	—
Total non-current debt	**960.1**
Total indebtedness	**960.1**

The table below shows the Grainger Group's net financial indebtedness at 30 September 2018.

	£ million
Cash and cash equivalents	(94.9)
Total liquidity	**(94.9)**
Current financial debt	
Current bank debt	—
Current bond debt	—
Other current debt	1.1
Total current financial debt	**1.1**
Net current financial indebtedness	**(93.8)**
Non-current financial debt	
Non-current bank debt	534.3
Notes issued	346.0
Other non-current financial debt	79.8
Total non-current financial debt	**960.1**
Net financial indebtedness	**866.3**

The Grainger Group had no indirect or contingent indebtedness as at 30 September 2018.

PART VI
GRAINGER HISTORICAL FINANCIAL INFORMATION

Overview

The audited consolidated financial statements of Grainger included:

(i) in the 2016 Annual Report and Accounts as of, and for, the financial year ended 30 September 2016;

(ii) in the 2017 Annual Report and Accounts as of, and for, the financial year ended 30 September 2017; and

(iii) in the 2018 Annual Report and Accounts as of, and for, the financial year ended 30 September 2018,

together with the independent auditor's reports to the members of Grainger thereon, are incorporated by reference into this Prospectus.

The independent auditor's reports to the members of Grainger for the financial year ended 30 September 2016 is set out on pages 90 to 93 of the 2016 Annual Report and Accounts.

The independent auditor's reports to the members of Grainger for the financial year ended 30 September 2017 is set out on pages 82 to 87 of the 2017 Annual Report and Accounts.

The independent auditor's reports to the members of Grainger for the financial year ended 30 September 2018 is set out on pages 81 to 86 of the 2018 Annual Report and Accounts.

The Grainger Financial Information incorporated by reference in this Prospectus has been audited by KPMG LLP of 15 Canada Square, Canary Wharf, London E14 5GL, member of the Institute of Chartered Accountants in England and Wales, independent auditor and reporting accountant, as stated in their reports incorporated by reference.

Basis of financial information

Other than where stated, Grainger financial information has been extracted without adjustment from the 2016 Annual Report and Accounts, 2017 Annual Report and Accounts and the 2018 Annual Report and Accounts (as applicable), each of which are incorporated by reference into this Prospectus.

PART VII
GRIP HISTORICAL FINANCIAL INFORMATION

PART A

GRIP Historical Financial Information

Overview

The audited consolidated financial statements of GRIP include:

Consolidated income statement

	Notes	For the financial year ended 31 December 2015	2016	2017
			(in £000)	
Group Revenue	4	**23,152.9**	**25,833.8**	**27,454.2**
Net rental income	5	17,221.8	18,963.8	20,153.9
Profit on disposal of investment property	6	1,513.2	976.9	661.4
Fees and other income		85.2	109.9	77.4
Administrative expenses	7	(3,786.5)	(7,523.8)	(5,750.9)
Operating profit before net valuation gains on investment property		**15,033.8**	**12,526.8**	**15,141.8**
Net valuation gains on investment property	14	41,694.5	26,206.3	4,336.0
Operating profit after net valuation gains on investment property		**56,728.2**	**38,733.1**	**19,477.8**
Change in fair value of derivatives	19	(841.3)	(490.2)	593.5
Finance costs	9	(12,073.8)	(8,687.2)	(8,162.2)
Finance income	10	5.8	6.3	2.8
Profit before tax		**43,818.9**	**29,562.0**	**11,911.9**
Tax credit/(charge)	8	189.2	(3,118.1)	(17.4)
Profit after tax		**44,008.1**	**26,443.9**	**11,894.5**
Profit for the period attributable to:				
Shareholders		43,177.0	25,782.8	11,537.9
Non-controlling interest		831.1	661.1	356.6
		44,008.1	**26,443.9**	**11,894.5**
Basic earnings per share attributable to ordinary shareholders	13	334.2p	159.8p	65.8p
Diluted earnings per share attributable to ordinary shareholders	13	334.2p	159.8p	65.8p

Consolidated statement of comprehensive income

	Notes	For the financial year ended 31 December 2015	2016	2017
			(in £000)	
Profit for the year		**44,008.1**	**26,443.9**	**11,894.5**
Items that may be or are reclassified to the consolidated income statement:				
Changes in fair value of cash flow hedges	19	(472.7)	(2,438.8)	690.0
Total comprehensive income for the year		**43,535.4**	**24,005.1**	**12,584.5**
Total comprehensive income for the year attributable to:				
Shareholders		42,709.0	23,368.4	12,221.0
Non-controlling interest		826.4	636.7	363.5
		43,535.4	**24,005.1**	**12,584.5**

Consolidated statement of financial position

	Notes	As of 31 December 2015	2016	2017
			(in £000)	
ASSETS				
Non-current assets				
Investment property	14	544,363.2	638,258.1	675,940.1
Deferred tax asset	8	3,179.2	61.1	43.7
Total non-current assets		**547,542.4**	**638,319.2**	**675,983.8**
Current assets				
Trade and other receivables	16	3,716.9	7,120.4	1,073.8
Cash and cash equivalents	15	22,150.7	26,666.3	44,815.4
Total current assets		**25,867.6**	**33,786.7**	**45,889.2**
Total assets		**573,410.0**	**672,105.9**	**721,873.0**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	20	195,951.7	215,305.6	209,772.9
Derivative financial instruments	19	1,138.9	4,068.0	2,718.4
Trade and other payables	17	1,000.0	5,000.0	8,000.0
Total non-current liabilities		**198,090.6**	**224,373.6**	**220,491.3**
Current liabilities				
Interest-bearing loans and borrowings	20	98,060.8	92,884.1	95,580.3
Derivative financial instruments	19	—	—	66.1
Trade and other payables	17	7,782.4	7,506.4	10,526.8
Total current liabilities		**105,843.2**	**100,390.5**	**106,173.2**
Total liabilities		**303,933.8**	**324,764.1**	**326,664.5**
NET ASSETS		**269,476.2**	**347,341.8**	**395,208.6**
EQUITY				
Capital and reserves				
Issued share capital	18	—	16,414.0	18,188.6
Share premium account	18	—	—	35,601.2
Unitholders' capital	18	129,276.3	—	—
Cash flow hedge reserve	18	(982.1)	(3,396.5)	(2,713.4)
Retained earnings	18	136,620.2	473,819.5	483,357.4
Merger reserve	18	—	(145,168.9)	(145,168.9)
Non-controlling interest	18	4,561.8	5,673.7	5,943.6
Total equity		**269,476.2**	**347,341.8**	**395,208.6**

Consolidated statement of changes in equity

	Notes	Issued share capital	Share premium	Unitholders' capital	Cashflow hedge reserve	Retained earnings	Merger reserve	Non-controlling interests	Total equity
					(in £000)				
Balance as at 1 January 2015		**—**	**—**	**124,391.7**	**(514.1)**	**97,403.2**	**—**	**2,608.0**	**223,888.8**
Profit for the year		—	—	—	—	43,177.0	—	831.1	44,008.1
Movement in fair value of interest rate swap	19	—	—	—	(468.0)	—	—	(4.7)	(472.7)
Total comprehensive income		—	—	—	(468.0)	43,177.0	—	826.4	43,535.4
Distributions		—	—	—	—	(3,960.0)	—	(22.4)	(3,982.4)
Issue of unitholder capital		—	—	4,884.6	—	—	—	—	4,884.6
Investment by non-controlling interest	27	—	—	—	—	—	—	1,149.8	1,149.8
		—	—	4,884.6	(468.0)	39,217.0	—	1,953.8	45,587.4
Balance as at 31 December 2015		**—**	**—**	**129,276.3**	**(982.1)**	**136,620.2**	**—**	**4,561.8**	**269,476.2**
Profit for the year		—	—	—	—	25,782.8	—	661.1	26,443.9
Movement in fair value of interest rate swap	19	—	—	—	(2,414.4)	—	—	(24.4)	(2,438.8)
Total comprehensive income		—	—	—	(2,414.4)	25,782.8	—	636.7	24,005.1
Issue of unitholder capital		—	—	28,650.3	—	—	—	—	28,650.3
Issue of share capital	18	16,414.0	311,866.4	—	—	—	—	—	328,280.4
Distributions		—	—	—	—	(495.0)	—	(75.2)	(570.2)
Capital reduction		—	(311,866.4)	—	—	311,866.4	—	—	—
Group reorganisation	1(f), 18	—	—	(157,926.6)	—	45.1	(145,168.9)	(42.9)	(303,093.3)
Investment by non-controlling interest		—	—	—	—	—	—	593.3	593.3
		16,414.0	—	(129,276.3)	(2,414.4)	337,199.3	(145,168.9)	1,111.9	77,865.6
Balance as at 31 December 2016		**16,414.0**	**—**	**—**	**(3,396.5)**	**473,819.5**	**(145,168.9)**	**5,673.7**	**347,341.8**
Profit for the year		—	—	—	—	11,537.9	—	356.6	11,894.5
Movement in fair value of interest rate swap	19	—	—	—	683.1	—	—	6.9	690.0
Total comprehensive income		—	—	—	683.1	11,537.9	—	363.5	12,584.5
Issue of share capital	18	1,774.6	35,601.2	—	—	—	—	—	37,375.8
Distributions		—	—	—	—	(2,000.0)	—	(93.6)	(2,093.6)
		1,774.6	35,601.2	—	683.1	9,537.9	—	269.9	47,866.7
Balance as at 31 December 2017		**18,188.6**	**35,601.2**	**—**	**(2,713.4)**	**483,357.4**	**(145,168.9)**	**5,943.6**	**395,208.5**

Consolidated statement of cash flows

	Notes	For the financial year ended 31 December 2015	2016	2017
			(in £000)	
Cash flow from operating activities				
Profit for the year		44,008.1	26,443.9	11,894.5
Net valuation gains on investment properties	14	(41,694.5)	(26,206.3)	(4,336.0)
Net finance costs		12,909.3	9,171.1	7,565.9
Tax	8	(189.2)	3,118.1	17.4
Profit on disposal of investment property	6	(1,513.2)	(976.9)	(661.4)
Cash generated from operations before changes in working capital		13,520.5	11,549.9	14,480.4
(Increase)/decrease in trade and other receivables		(3,240.4)	(3,297.5)	6,122.6
Increase in trade and other payables		896.9	3,487.3	5,889.3
Cash generated from operations		11,177.0	11,739.7	26,492.3
Interest paid		(9,982.5)	(8,289.8)	(7,607.0)
Tax paid		—	—	(17.4)
Net cash inflow from operating activities		**1,194.5**	**3,449.9**	**18,867.9**
Cash flows from investing activities				
Acquisition of investment properties		(19,245.9)	(22,569.1)	(50,771.6)
Acquisition of subsidiary	23	—	(57,265.2)	—
Net proceeds from sale of investment properties	6	10,274.7	13,689.2	19,032.2
Interest received	10	5.8	6.3	2.8
Net cash outflow from investing activities		**(8,965.4)**	**(66,138.8)**	**(31,736.6)**
Cash flow from financing activities				
Proceeds from the issue of shareholder/unitholder capital		6,034.5	28,989.7	37,375.8
Income distributions paid		(4,000.0)	(500.0)	(2,113.7)
Capital distributions paid		—	(50.0)	—
Proceeds from bank borrowings		197,389.4	58,306.6	—
Repayment of bank borrowings		(157,894.6)	(39,039.5)	(5,897.0)
Payment of loan issue costs		(2,588.8)	(307.5)	(98.4)
Proceeds from unitholder borrowings		1,131.6	44,630.2	1,751.0
Repayment of unitholder borrowings		(30,000.0)	(24,825.0)	—
Net cash inflow from financing activities		**10,072.2**	**67,204.4**	**31,017.7**
Net increase in cash and cash equivalents		2,301.3	4,515.6	18,149.0
Cash and cash equivalents at beginning of the year		19,849.5	22,150.8	26,666.3
Cash and cash equivalents at end of the year		**22,150.8**	**26,666.3**	**44,815.4**

Notes to the GRIP Historical Financial Information

1. Accounting policies

1(a) Basis of preparation

GRIP REIT plc (referred to in this Part VII as the "**Company**") is a company incorporated and domiciled in the UK. It is a public limited liability company listed on The International Stock Exchange. The Group's historical financial information consolidates the financial statements of the Company and those of its subsidiaries (together referred to in this Part VII as the "**Group**").

This historical financial information does not constitute the Group's statutory accounts for the years ended 31 December 2015, 31 December 2016 or 31 December 2017. Statutory accounts for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 have been delivered to the Registrar of Companies.

The auditors, Ernst & Young LLP, have reported on the accounts for the years ended 31 December 2015, 31 December 2016 and 31 December 2017. The reports were unqualified, did not include reference to any matters by way of emphasis and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The historical financial information of the Group for the years ended 31 December 2015, 2016 and 2017 have been prepared in accordance with and comply with International Financial Reporting Standards as adopted by the EU ("**EU IFRS**"). The historical financial information has been prepared using consistent accounting policies with Grainger plc. No differences in recognition and measurement have arisen between the financial statements as previously stated and the historical financial information and its preparation is for inclusion in the Prospectus.

The Group's historical financial information has been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, investment property under construction and derivative financial instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the historical financial information.

The preparation of historical financial information in conformity with EU IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on the Directors' best knowledge of the events and amounts involved, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgement or complexity or areas where estimates or assumptions are significant to the historical financial information are disclosed in note 2.

1(b) Adoption of new and revised International Financial Reporting Standards and interpretations

An amendment to IAS 7 Statement of Cash Flows was issued by the IASB in January 2016 and came into effect for the Group on 1 January 2017.

Under the new guidelines, the Group is required to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. This reconciliation has been presented in Note 20. In accordance with IAS 7, no comparative information for preceding periods is required upon first application of the new requirements.

A number of new standards and amendments to standards have been issued but are effective for the Group in periods after 31 December 2017 and have not been applied in preparing the historical financial information. The most significant of these, and their potential impact on the Group's accounting, are set out below.

Effective 1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue. The new standard sets out a five-step model for the recognition of revenue and establishes the principles to apply to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The key changes that will follow the adoption of this standard are:

- Identifying performance obligations based on contracts with customers and recognising revenue either at a point in time or over time in accordance with the performance obligations; and
- Increased revenue disclosures that arise from contracts with customers.

Revenue recognition

This standard applies to the Group's revenue including proceeds from disposal of investment property. It does not apply to gross rental income which as at the date of reporting is covered by IAS 17.

The recognition point for the Group's revenue impacted by the standard is not expected to differ following the adoption of the new standard. As a result, the effects of the new standard will be immaterial to the Group's financial results.

Disclosures

IFRS 15 will require new qualitative disclosures and the relevant disclosures will be presented in the notes to the financial statements upon adoption of the new standard.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, which is currently used by the Group. The new standard sets out the classification, recognition and measurement requirements for financial assets and liabilities, impairment provisioning and general hedge accounting.

The key changes that will follow the adoption of this standard are:

- Classification of financial assets according to their contractual cash flow characteristics;
- Impairments of financial assets based on prospective expected credit losses rather than retrospective objective evidence of impairment;
- Changes to hedge accounting effectiveness testing; and
- Changes to disclosures

Classification, recognition and measurement of financial assets and liabilities

The standard applies to the Group's financial assets consisting of receivables and cash, as well as financial liabilities consisting of borrowings, payables and derivatives.

IFRS 9 retains almost all of the existing classification, recognition and measurement requirements of IAS 39 on financial liabilities and will not have an impact on the Group's financial liabilities for financial results and reporting.

For financial assets, the permissible measurement bases are now amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). IFRS 9 has abolished the held to maturity, loans and receivables and available-for-sale classifications that were previously available under IAS 39. The measurement basis of the Group's financial assets will not be impacted as a result of this change.

Expected credit loss model of impairment

The new standard no longer requires a loss event to occur before an impairment to financial assets is recognised. IFRS 9 requires an entity to recognise an expected credit loss, being the present value of all cash shortfalls over the expected life of the entity's various financial assets.

Of the Group's financial assets, the standard will apply to trade receivables. Trade receivables held at 31 December 2017 were £641,380, with an impairment provision recognised under IAS 39 of £227,179.

Management have assessed the impact of impairment losses were the new standard to be applied at 31 December 2017, utilising both historical data and forward-looking macro-economic information. Based upon this assessment, the Group would have recognised an impairment charge £205,326 in the current year under IFRS 9. Management do not estimate that the expected loss model will have a material effect on the remainder of the financial assets held by the Group.

Hedge accounting

Hedge accounting continues to be optional under the new standard, though the removal of the '80–125% test' in favour of a more principles-based approach, allows greater scope for entities to hedge account.

The current hedge relationships in place for the Group as at 31 December 2017 for interest rate swaps will qualify as continuing hedges upon adoption of the new standard. No other derivatives instruments are expected to be designated as hedging relationships under IFRS 9. As a result, there will be no quantitative impact on the results of the Group.

Disclosures

IFRS 9 will require new disclosures, particularly around credit risk and expected credit losses. The relevant disclosures will be presented in the notes to the financial statements upon adoption of the new standard.

IAS 40 Investment Property

The amendment to IAS 40 widens the scope for transfers to and from investment property. Previously the standard provided an exhaustive list to evidence a change in use that would permit a transfer. This is now a non-exhaustive list of examples of circumstances that could represent a property's change in use.

On transition, the Group is required to assess property classifications across its entire portfolio held at the effective date and, if applicable, reclassify property to reflect the conditions as at that date. No reclassifications of property assets are expected to be made and therefore no impact to the Group's results is expected.

Of the other IFRSs that are available for early adoption, none are expected to have a material impact on the historical financial information.

Effective 1 January 2019

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases which is currently used by the Group. The standard sets out the criteria to recognise, measure, present and disclose leases.

The key changes that will follow the adoption of this standard are:

- A single lessee accounting model that removes the distinction between operating and finance leases. The previous off balance sheet financing permitted by operating leases will now be brought on balance sheet by recognising the asset and corresponding liability.
- The standard includes two recognition exemptions for lessees—leases of 'low-value' assets and short-term leases.

As a lessor, the Group's position is substantially unchanged.

The group is not currently a lessee of any assets and therefore no impact to the Group's results is expected.

1(c) Functional and presentation currency

Items included in the historical financial information are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The historical financial information is presented in pounds sterling, which is the functional currency of all Group entities and the presentation currency of the Group.

1(d) Basis of consolidation

The Group's historical financial information consolidates the financial statements of the Company and those of its subsidiaries.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1(e) Business combinations

At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination when an integrated set of activities are acquired in addition to the property and the associated costs for acquiring the business are expensed. When the acquisition of a subsidiary does not represent a business, it is accounted for as an asset acquisition and the associated costs are allocated to the asset acquired based on their fair values and no goodwill or deferred tax is recognised.

The Group accounts for a business combination under common control using the principles of merger accounting (see note 1(f)).

1(f) Merger accounting

In 2016, a capital reorganisation was accounted for using merger accounting, which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations give rise to merger reserves in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the parent company and the capital of its subsidiary (the former consolidating entity). Further details are included in note 18.

1(g) Revenue recognition

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, where material, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

1(h) Expenditure

All expenses are accounted for on an accruals basis. The fund advisor fees, property management fees, administration fees and all other expenses are charged through the income statement.

1(i) Taxation

Income tax on the profits/(losses) for the year comprises both current and deferred tax. Current tax is the expected tax payable on the taxable profits for the year using applicable rates. Taxable profits differ from profit before tax as reported in the income statement because it excludes items of income or expense that are not taxable or tax deductible respectively.

Deferred income tax is provided on items that may become taxable in future, on temporary differences between the tax base of assets and liabilities and their carrying amounts in the Group's historical financial information. However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority.

1(j) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares in issue by the dilutive effect of ordinary shares that the Company may potentially issue.

1(k) Investment property and investment property under construction

Investment properties and investment properties under construction are initially recognised at cost, being the fair value of consideration given, including transaction costs associated with the acquisition of the investment property.

After initial recognition, investment properties and investment properties under construction are measured at fair value in accordance with IFRS 13, with gains and losses arising from changes in fair value being recognised in the income statement. Fair value is based upon the market valuation of the properties as provided by CBRE (2016: CBRE; 2015: Savills), who are external valuers that hold a recognised and relevant qualification and have experience in valuing residential and commercial properties. Fair value for investment property and investment property under construction are determined as follows:

i) Investment property

The fair value provided by the valuer is based on the market value of the individual residential and commercial units, subject to existing tenancies on the basis of the approach to management of each block. Where the block is managed as a whole and any potential disposal is likely to be on a block basis, they are valued on that basis. Where the block is managed as a group of individual units and each individual unit could be sold on a long lease with a share of the freehold interest, the units are valued accordingly. The fair value reported for investment properties is based on the disposal of each unit on the basis on which it is managed which is, in the view of the Directors, the highest and best use of the property.

ii) Investment property under construction

The fair value of the investment properties under construction, provided by the valuer, is based on an approach which involves assessing the market value of the property upon completion less the estimated cost of the work to complete and where appropriate, a risk adjustment.

Profits or losses arising from the disposal of investment property are included in the income statement where contract completion has taken place. Profits or losses arising from the disposal of investment property are calculated by reference to their carrying value.

1(l) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits, and highly liquid investments readily convertible within three months or less to known amounts of cash and subject to insignificant risk of changes in value. Included within the cash and cash equivalents is restricted cash held as deposits on behalf of tenants.

1(m) Borrowings

Borrowings are initially recognised at cost, being the fair value of consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement on an effective interest basis. Costs incurred in raising loan finance are capitalised and set off against the outstanding debt in the statement of financial position.

Interest expenses for borrowings are recognised within 'finance costs' in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1(n) Accounting for derivative financial instruments and hedging activities

The Group uses derivative instruments to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

The derivatives are recognised initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognised immediately in the income statement unless the derivatives qualify for cash flow hedge accounting.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge has been and will be highly effective on an ongoing basis. This effectiveness testing is reperformed in March and September each year to ensure that the hedge remains highly effective.

When a forecast transaction is no longer expected to occur; the cumulative gain or loss that was recognised in other comprehensive income is immediately transferred to the income statement.

1(o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment in trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement in the provision is recognised in the income statement.

1(p) Going concern

The Directors are required to make an assessment of the Group's ability to trade as a going concern for the foreseeable future and have assessed the Group's debt and cash positions, including the Group's ability to meet its day to day working capital requirements and forecast cash flow requirements.

The Directors have given this matter due consideration and have concluded that it is appropriate to prepare the Group historical financial information on a going concern basis. The Directors made this assessment recognising the principal risks and uncertainties that could have an impact on the future performance of the Group. This included scenario planning of both individual risks and an amalgamation of multiple risks to assess impact and the longer-term viability of the Group. The key scenarios included:

- Sensitivity to the reducing rental growth;
- Sensitivity to delays in reaching full occupation of assets;
- Reduction in planned sales of assets;
- Increasing demand for capital spend on assets; and
- Combinations of the above circumstances.

Based on the above, the directors consider that the Group will be able to meet its liabilities for the foreseeable future, and that the going concern basis of preparation is appropriate.

2. Critical accounting estimates and assumptions

Not all of the principal accounting policies require management to make subjective or complex judgements or estimates. The following is intended to provide further details relating to those accounting policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated historical financial information.

2(a) REIT status

GRIP REIT plc is a Real Estate Investment Trust ("**REIT**") and does not pay corporation tax on the property rental business profits (property income and gains on qualifying property disposals) owned by the REIT provided that at least 90% of the Group's property income is distributed to shareholders within specified time limits. This distribution (Property Income Dividend) is taxed as property income in the shareholders' hands. In addition the REIT has to meet the other obligations of the REIT regime which includes limits on the levels of non-property rental business it can undertake. The Directors' view is that all REIT compliance tests have been met to ensure that REIT status is maintained.

Any Group profits which do not qualify for exemption under the REIT regime remain subject to UK tax in accordance with UK tax law.

2(b) Investment property value

The Directors are required to make an assessment of the value of the Group's investment property portfolio using the valuation prepared by CBRE (2016: CBRE; 2015: Savills). This is a critical accounting estimate which is further detailed in note 1(k).

2(c) Incentive fee

Under the fund advisory agreement, the fund advisor is due incentive fees based on two separate measurements:

1. The part 1 incentive fee is an ungeared IRR based fee which compares the IRR achieved against a hurdle rate of 7.25% and pays the fund advisor 12.5% of any outperformance.
2. The part 2 incentive fee is a total return based fee which compares the return achieved against the benchmark of the IPD index return (as long as the part 1 IRR exceeds a 6% hurdle rate) and pays the fund advisor 15% of any outperformance.

Incentive fee liabilities are recorded where the estimated outflow represents a present obligation, occurring from a past event, payment is probable and can be reliably measured. The incentive fee liability calculation is based on a financial model which forecasts the expected outturn at the end of the incentive period.

2(d) Sensitivity of estimates to changes in key assumptions

Changes to key assumptions could impact both income and financial position. The Directors consider that a +/– 0.5 percentage point movement in annual rental growth represents a reasonable possible change. The table below sets out potential impacts that may result from changes to certain assumptions:

		2015		2016		2017	
		Income statement impact	Statement of financial position impact	Income statement impact	Statement of financial position impact	Income statement impact	Statement of financial position impact
				(in £m)			
Incentive fee	Increase of 0.5% annual rental growth	0.2	0.2	0.6	0.6	0.6	0.6
	Decrease of 0.5% annual rental growth	(0.2)	(0.2)	(0.6)	(0.6)	(0.6)	(0.6)
Investment property	Increase of 0.5% annual rental growth	2.1	2.0	2.1	2.0	2.1	2.0
	Decrease of 0.5% annual rental growth	(2.1)	(2.0)	(2.1)	(2.0)	(2.1)	(2.0)

3. Segmental information

IFRS 8, Operating Segments requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker ('CODM') so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM is the Board. There is no significant segmentation of the Group as the Board reviews the Group and its business plan as a whole.

The key operating performance measure of profit or loss used by the CODM is operating profit before net valuation gains on investment property as disclosed in the consolidated income statement. The CODM reviews the key statement of financial position measure being net asset value, as disclosed in the consolidated statement of financial position, which is prepared in accordance with EU-IFRS.

All of the Group's turnover is derived from rentals of investment properties located in the UK. Transactions with a single customer did not amount to greater than 10 percent of revenue in the years ended 31 December 2015, 2016 and 2017.

4. Group revenue

	2015	2016	2017
		(in £000)	
Gross rental income	23,067.7	25,723.9	27,376.8
Other income	85.2	109.9	77.4
	23,152.9	**25,833.8**	**27,454.2**

5. Net rental income

	2015	2016	2017
		(in £000)	
Gross rental income	23,067.7	25,723.9	27,376.8
Property repair and maintenance costs	(4,266.6)	(5,100.9)	(5,381.9)
Property management fees (note 11)	(1,579.3)	(1,659.2)	(1,841.0)
	17,221.8	**18,963.8**	**20,153.9**

6. Profit on disposal of investment property

	2015	2016	2017
		(in £000)	
Gross proceeds from sale of investment property	10,527.0	13,958.5	19,437.9
Sale fees	(252.3)	(269.3)	(405.7)
Net proceeds from sale of investment property	10,274.7	13,689.2	19,032.2
Carrying value of disposed property	(8,761.5)	(12,712.3)	(18,370.8)
	1,513.2	**976.9**	**661.4**

7. Administrative expenses

	2015	2016	2017
		(in £000)	
Acquisition abortive costs	(75.7)	(8.4)	—
Fund advisory fees (note 11)	(2,830.2)	(5,986.0)	(5,111.7)
Valuation fees	(413.8)	(180.0)	(174.3)
Administration fees	(160.6)	(232.9)	(199.6)
Audit fee	(62.1)	(70.0)	(100.4)
Acquisition costs (note 23)	—	(957.4)	—
Other administrative expenses	(244.1)	(89.1)	(164.9)
	(3,786.5)	**(7,523.8)**	**(5,750.9)**

8. Taxation

	2015	2016	2017
		(in £000)	
Deferred tax income			
Origination and reversal of temporary differences	(189.2)	400.7	16.4
Deferred income tax asset written off	—	2,717.4	—
Adjustment in respect of prior year	—	—	1.0
Tax (credit)/charge for the year	**(189.2)**	**3,118.1**	**17.4**

Effective 13 July 2016 the GRIP REIT plc group elected for UK REIT status. As a consequence, the Group does not pay corporation tax on its property rental business profits (property income and gains on property disposals), provided that at least 90% of the Group's property income is distributed to shareholders. This distribution is taxed as property income in the shareholders' hands. Any Group profits which do not qualify for exemption under the REIT regime are subject to UK tax in the normal way. This includes profits which belong to the Group's non-controlling interests.

The conversion to a UK REIT resulted in the write off of a deferred tax asset (£2,717,408) representing tax losses which were to be utilised against future property rental income profits. These profits are now tax exempt under the REIT regime and the asset will not be utilised.

The tax charge for the year is different to the charge for the year derived by applying the standard rate of corporation tax (2016: corporation tax; 2015: income tax) in the UK of 19.25% (2016: 20%; 2015: 20%) to the profit before tax. The differences are explained below.

	2015	2016	2017
		(in £000)	
Profit before tax	43,818.9	29,562.0	11,911.9
Profit before tax at a rate of 19.25% (2016: 20%; 2015: 20%)	8,763.8	5,912.4	2,293.0
Exempt income and gains	(8,641.5)	(5,872.5)	(2,320.5)
Expenses not deductible for tax purposes	9.9	188.7	20.7
Adjustment in respect of prior year	—	—	1.0
Deferred income tax asset written off	—	2,717.4	—
Profits/(losses) assessed on unitholders external to group	175.0	215.0	(4.3)
Recognition of unrecognised tax losses	(496.4)	(7.5)	—
Other tax adjustments	—	(35.4)	27.5
Tax (credit)/charge for the year	**(189.2)**	**3,118.1**	**17.4**

Exempt income and gains includes corporation tax exemptions on rental profits of both UK and non-resident entities and chargeable gains by UK entities under the REIT provisions, as well as realised and unrealised gains of non-resident entities which satisfy the conditions for exemption from non-resident capital gains tax.

In 2015, the Group's property rental income profits were subject to income tax, but following entry into the REIT regime are now subject to corporation tax. The reconciliation between the expected and actual tax charge has therefore been stated by reference to corporation tax for 2017 and 2016 and income tax for 2015.

The movement on deferred tax is as follows:

	At 1 January	Recognised in income	At 31 December
		(in £000)	
Deferred tax assets year ended 31 December 2015			
Tax losses	(2,990.0)	(189.2)	(3,179.2)
Deferred tax assets year ended 31 December 2016			
Tax losses	(3,179.2)	3,118.1	(61.1)
Deferred tax assets year ended 31 December 2017			
Tax losses	(61.1)	17.4	(43.7)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) are in effect or have been substantively enacted. The deferred tax asset has been calculated at the rate effective in the period that the tax is expected to crystallise.

The Group has recognised a deferred tax asset of £43,691 (2016: £61,095; 2015: £3,179,233) calculated at 17% (2016: 19%; 2015: 20%) in respect of tax losses that can be utilised against future taxable profits which are not exempt under the REIT regime.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption. At 31 December 2017, the value of such properties is £9.0 million (2016: £nil; 2015 £nil).

9. Finance costs

	2015	2016	2017
		(in £000)	
Bank interest payable on loan	5,335.4	5,481.0	5,424.0
Loan arrangement fees	1,276.8	96.0	98.4
Shareholder loan interest	3,700.2	2,811.8	2,275.6
Bank debt costs	1,761.4	298.4	364.2
	12,073.8	**8,687.2**	**8,162.2**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Details of capitalised borrowing costs are set out in note 14.

10. Finance income

	2015	2016	2017
		(in £000)	
Bank interest receivable	5.8	6.3	2.8
	5.8	**6.3**	**2.8**

11. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fund advisor

On 21 January 2013 Grainger Asset Management Limited was appointed as the Group's fund advisor (reappointed 30 June 2016). The ultimate parent company of Grainger Asset Management Limited is Grainger plc which is also an investor in GRIP REIT plc through its subsidiaries Grainger Unitholder No 1 Limited, Grainger REIT 1 Limited, Grainger REIT 2 Limited and Grainger REIT 3 Limited ("Grainger"). Details of fund advisory fees are set out in note 7.

Property manager

On 21 January 2013 Grainger Residential Management Limited was appointed as the Group's property manager (reappointed 30 June 2016). The ultimate parent company of Grainger Residential Management Limited is Grainger plc which is also an investor in GRIP REIT plc through its subsidiaries Grainger Unitholder No 1 Limited, Grainger REIT 1 Limited, Grainger REIT 2 Limited and Grainger REIT 3 Limited. Details of property management fees are set out in note 5.

Shareholder loans and interest

Grainger and APG Strategic Real Estate Pool ('APG') hold a 24.9% and 75.1% respective share in GRIP REIT plc. Both Grainger and APG have provided interest bearing and non-interest bearing loans to GRIP REIT plc and its subsidiaries; GRPUT, G:res Co4 Limited and GRIP Unit Trust 6. In addition to Grainger and APG, BY Development Limited ('Bouygues') also holds a 10% interest in GRIP Unit Trust 6 and has provided interest bearing loans to GRIP Unit Trust 6.

Interest payments due are payable quarterly. Total interest charged in the year on the unitholder loans to Grainger amounted to £564,373 (2016: £700,126; 2015: £921,164) and to APG amounted to £1,702,198 (2016: £2,111,626; 2015: £2,778,591). Interest charged to Bouygues in relation to GRIP Unit Trust 6, is added to the capital amount outstanding.

In addition to holding a 10% holding in GRIP Unit Trust 6, BY Development Limited were also the developer of Argo Apartments.

Acquisition of GRIP Unit Trust

On 30 June 2016 GRIP REIT plc (previously known as GRIP REIT Limited) invested in GRIP Unit Trust and became the top company for the group of entities previously consolidated under GRIP Unit Trust. GRIP REIT plc invested in GRIP Unit Trust for an initial consideration price of £328.2 million (£303.3 million initial investment in GRIP Unit Trust and £24.9 million investment in GRIP Jersey Property Holdings (2016) Limited). All shares in the subsidiaries were acquired via GRIP REIT plc issuing 16,414,020 £1 shares to APG and Grainger at a premium of £19.00 per share, generating a share premium of £311,866,378.

The purchase was accounted for using the principles of merger accounting, as explained in note 1(f), which gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own capital.

12. Key management personnel remuneration

Total directors fees charged during the year amounted to £18,000 (2016: £6,300; 2015: £nil). The amount due and payable at the end of the year amounted to £6,000 (2016: £nil; 2015: £nil).

13. Earnings per share

	Profit attributable to ordinary shareholders	Weighted average number of shares	Earnings per share (pence)
		(in £000)	
Year ended 31 December 2015	43,177.0	12,918,735	334.2p
Year ended 31 December 2016	25,782.8	16,136,445	159.8p
Year ended 31 December 2017	11,537.9	17,534,461	65.8p

There are no ordinary shares that may be potentially issued by the Company that would result in a dilutive effect on ordinary shares in issue.

Earnings per share for the year ended 31 December 2015 have been calculated by reference to the weighted average units in issue converted into a number of shares in proportion to the number of units prior to the reorganisation. The units were converted to shares on 30 June 2016 following GRIP REIT plc becoming the ultimate parent entity of the Group (see note 11).

14. Investment property

	2015	2016	2017
		(in £000)	
Investment property			
Opening fair value	483,644.4	527,863.2	602,758.1
Carrying value of disposed property	(8,761.5)	(12,712.3)	(18,370.8)
Capital expenditure	6,275.2	7,550.4	8,942.9
Additions in year	10,193.4	57,425.0	24,191.8
Adjustment to investment property purchase price	(600.0)	—	—
Transfer from investment property under construction	—	—	45,192.7
Net valuation gains on investment properties	37,111.7	22,631.8	4,171.3
Total investment property	**527,863.2**	**602,758.1**	**666,886.0**
Investment property under construction			
Opening balance	8,539.9	16,500.0	35,500.0
Additions in year	3,377.3	15,018.6	17,636.9
Capitalised borrowing costs	—	406.9	945.2
Transfer to investment property	—	—	(45,192.7)
Net valuation gains on investment property under construction	4,582.8	3,574.5	164.7
Total investment property under construction	**16,500.0**	**35,500.0**	**9,054.1**
Closing fair value	**544,363.2**	**638,258.1**	**675,940.1**

Valuation movements recognised in the income statement are as follows:

	2015	2016	2017
		(in £000)	
Net valuation gains on investment properties	37,111.7	22,631.8	4,171.3
Net valuation gains on investment property under construction	4,582.8	3,574.5	164.7
Total investment property	**41,694.5**	**26,206.3**	**4,336.0**

For the year ended 31 December 2017 and 2016, investment properties are valued by CBRE as detailed in note 1(k). Prior to this, Savills valued the investment properties. Investment properties are pledged as security for the Group's borrowings as detailed in note 20.

Practical completion of Argo Apartments was achieved on 30 November 2017 and the balance, at the time of completion, was transferred to investment property. Investment property under construction is valued by CBRE (2016: CBRE; 2015: Savills) at fair value less costs to complete and, where appropriate, a risk adjustment.

15. Cash and cash equivalents

Included within cash and cash equivalents is £3,033,915 (2016: £2,841,968; 2015: £2,522,076) of restricted cash that is held as deposits on behalf of tenants and £388,105 (2016: £95,287; 2015: £726,984) of restricted cash held in order to repay a proportion of the revolving credit facility.

16. Trade and other receivables

	2015	2016	2017
		(in £000)	
Trade receivables	459.5	600.6	641.4
Deduct: provision for impairment of trade receivables	(131.8)	(191.8)	(227.2)
Trade receivables—net	327.7	408.8	414.2
Other debtors	—	108.9	166.5
Prepayments	3,389.2	6,602.7	493.1
Closing balance	**3,716.9**	**7,120.4**	**1,073.8**

As at 31 December 2017, trade receivables of £227,179 (2016: £191,815; 2015: £131,813) were fully provided for. The provision against receivables is based on a review of outstanding arrears and an assessment of collectability. The ageing of these receivables is as follows:

	2015	2016	2017
		(in £000)	
Up to 2 months	—	—	—
3 months or more	131.8	191.8	227.2
	131.8	**191.8**	**227.2**

Movements on the Group's provision for impairment of trade receivables are as follows:

	2015	2016	2017
		(in £000)	
Opening balance	79.4	131.8	191.8
Provision for receivables impairment during the year	84.0	110.8	99.8
Receivables written off during the year as not recoverable	(31.6)	(50.8)	(64.4)
Closing balance	**131.8**	**191.8**	**227.2**

The creation and release of provision for receivables have been included in property repair and maintenance costs in the income statement. Amounts provided for are generally written off when there is no expectation of recovery.

The other classes within trade and other receivables do not contain such provisions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Tenant deposits are held which provide security against rental arrears and property dilapidations caused by the tenant. The Group does not hold any other collateral as security.

Rents are due at the rent charge date, hence all outstanding amounts at the year-end are past due. The following trade receivables as of 31 December were past due but no provision has been made. It was assessed that these receivables are expected to be recovered. The ageing of these receivables is as follows:

	2015	2016	2017
		(in £000)	
Up to 2 months	317.7	405.0	374.1
3 months or more	10.0	3.8	40.1
	327.7	**408.8**	**414.2**

17. Trade and other payables

	2015	2016	2017
		(in £000)	
Trade payables	548.0	406.6	664.6
Interest payable	1,037.1	1,040.1	1,132.7
Rents charged in advance	405.9	428.2	470.0
Rent received in advance	611.7	1,016.1	1,002.7
Rental deposits due to tenants	2,510.2	2,819.9	3,026.0
VAT	53.1	60.0	18.2
Distributions	4.4	24.6	4.5
Other creditors	257.0	117.0	503.4
Accruals	2,355.0	1,593.9	3,704.7
Current liabilities	**7,782.4**	**7,506.4**	**10,526.8**
Incentive fee	1,000.0	5,000.0	8,000.0
Non-current liabilities	**1,000.0**	**5,000.0**	**8,000.0**

18. Equity

Issued capital

	2015	2016	2017
		(in £000)	
Allotted and called up (ordinary shares of £1 each)	—	16,414.0	18,188.6
Allotted, called up and fully paid (ordinary shares of £1 each)	—	16,364.0	18,138.6

Movement in issued units

	Number of units
Opening balance 1 January 2015	122,250,017
Units issued in the period	4,884,666
Closing balance 31 December 2015	**127,134,683**
Units issued in the period	28,650,312
Capital reorganisation	(155,784,995)
Closing balance 31 December 2016	—

Movement in issued shares

	Number of shares
Opening balance 1 January 2016	—
Shares issued in the period	16,414,020
Closing balance 31 December 2016	**16,414,020**
Shares issued in the period	1,774,589
Closing balance 31 December 2017	**18,188,609**

The shares in GRIP REIT plc are held by APG and Grainger. APG Strategic Real Estate Pool has a 75.1% holding and Grainger plc a 24.9% holding through its subsidiaries (Grainger REIT 1 Ltd 8.3%, Grainger REIT 2 Ltd 8.3% and Grainger REIT 3 Ltd 8.3%).

During the year ended 31 December 2017 there were four share issues by GRIP REIT plc. In March 2017 738,768 shares were issued at a premium of £19.98 per share, in June 2017 549,746 shares were issued at a premium of £20.10, in July 2017 392,267 shares were issued at a premium of £20.10 and in October 2017 93,808 shares were issued at a premium of £20.32.

Capital Reorganisation

GRIP REIT Limited was incorporated in the United Kingdom on 10 May 2016. On 30 June 2016 the company acquired GRIP Unit Trust and became the top company for the group of entities that were previously consolidated under GRIP Unit Trust. On 4 July 2016 GRIP REIT Limited re-registered, by special resolution, from a private company to a public company by the name of GRIP REIT plc.

In February 2016, prior to the capital reorganisation in June 2016, 28,650,312 units were issued by GRIP Unit Trust to APG and Grainger. During the capital reorganisation, 16,414,020 shares were issued by GRIP REIT plc in exchange for the Unit Capital of GRIP Unit Trust (equating to a premium of £19.00 per share).

Share premium

The share premium reserve contains the premium arising on issue of equity shares.

On 30 June 2016 a capital reduction was effected under section 642 of the Companies Act 2006 which resulted in the share premium balance at that date being transferred to retained earnings.

Cash flow hedge reserve

The fair value movements on those derivative financial instruments qualifying for hedge accounting under IAS 39 are taken to this reserve.

Retained earnings

The retained earnings reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties and investment properties under construction.

Merger reserve

The capital reorganisation was accounted for using the principles of merger accounting, as explained in note 1(f), which gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the parent company for the acquisition of the shares of the subsidiary and the subsidiary's own capital.

Non-controlling interest

The non-controlling interest reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties and investment properties under construction and movements in the cash flow hedge, due to non-controlling interests. Details of non-controlling interests are set out in note 27.

19. Financial risk management and derivative financial instruments

The main financial risks arising from the Group's activities are market risk, interest rate risk, liquidity risk and credit risk. The Group's approach to managing market, interest rate, liquidity and credit risk are set out below.

The Group manages these risks through the review of information supplied by the fund advisor and other sources and by discussion at Board meetings. The Board provides written principles for overall risk management in addition to written policies covering specific areas such as asset disposals and acquisitions, refurbishment and capital expenditure, property expenditure and lettings, voids and rent increases which are applied by the property manager and the fund advisor.

Market risk

The Group's exposure to market risk comprises mainly movements in the value of the Group's property investments and hence movements in UK house prices. A geared exposure to the UK housing market is, for investors, the key driver for investment into GRIP REIT plc, hence the Group does not seek to remove this risk. However, in order to mitigate this risk a fund advisor has been appointed to provide advice to the Directors on the property market. The fund advisor monitors the market value of investment properties by having independent valuations performed.

The Group is not exposed to market price movements on financial instruments as it does not hold any debt or equity securities.

Interest rate risk

Risk arises from long term borrowings at a floating rate which exposes the Group to a cash flow interest rate risk. The Group does not take trading positions in financial instruments but uses them to minimise risk of exposure to fluctuating interest rates. The majority of the Group's floating debt is subject to a protective swap or an interest rate cap. The Group has hedged over 70% of its interest rate exposure on floating rate debt which is the minimum level of hedging required under its bank loan agreement. A detailed sensitivity analysis is not provided as over 70% of the floating rate debt is hedged at a fixed rate while around 33% of total borrowings is from unitholder loans, which bear a fixed rate of interest, and hence there is a low exposure to interest rate movements at the statement of financial position date. The fair value of the interest rate swap is calculated by the present value of estimated cash flows.

The profile of the Group's interest rate swaps and caps in existence at 31 December is as follows:

For the year ended 31 December 2015

Interest rate swaps and caps	Maturity date	Rate %	Amount (in £000)	Fair value (in £000)	Movement reflected in income statement (in £000)	Movement reflected in OCI (in £000)
Non-current						
Swap—Barclays	18 January 2018	1.2940	70,000.0	(435.0)	(435.0)	519.3
Swap—Barclays	14 June 2020	1.9690	17,500.0	(692.0)	—	(692.0)
Swap—Santander	14 June 2020	1.9725	7,500.0	(300.0)	—	(300.0)
Cap—Barclays	18 January 2018	1.5000	45,000.0	(261.9)	(74.3)	—
Cap—Barclays	15 June 2020	2.0000	31,500.0	385.0	(232.0)	—
Cap—Santander	15 June 2020	2.0000	13,500.0	165.0	(100.0)	—
			185,000.0	**(1,138.9)**	**(841.3)**	**(472.7)**

For the year ended 31 December 2016

Interest rate swaps and caps	Maturity date	Rate %	Amount (in £000)	Fair value (in £000)	Movement reflected in income statement (in £000)	Movement reflected in OCI (in £000)
Non-current						
Swap—Barclays	18 January 2018	1.2940	70,000.0	(638.7)	(203.7)	—
Swap—Barclays	14 June 2020	1.9690	17,500.0	(2,198.7)	—	(1,506.7)
Swap—Barclays	20 June 2020	0.9530	12,412.5	(142.4)	—	(142.4)
Swap—Santander	14 June 2020	1.9725	7,500.0	(946.1)	—	(646.1)
Swap—Santander	20 June 2020	0.9500	12,412.5	(143.6)	—	(143.6)
Cap—Barclays	18 January 2018	1.5000	45,000.0	(123.5)	138.5	—
Cap—Barclays	15 June 2020	2.0000	31,500.0	87.3	(297.7)	—
Cap—Santander	15 June 2020	2.0000	13,500.0	37.7	(127.3)	—
			209,825.0	**(4,068.0)**	**(490.2)**	**(2,438.8)**

For the year ended 31 December 2017

Interest rate swaps and caps	Maturity date	Rate %	Amount (in £000)	Fair value (in £000)	Movement reflected in income statement (in £000)	Movement reflected in OCI (in £000)
Current						
Swap—Santander	18 January 2018	1.2940	70,000.0	(29.3)	609.4	—
Cap—Barclays	18 January 2018	1.5000	45,000.0	(36.8)	86.7	—
			115,000.0	(66.1)	696.1	—
Non-current						
Swap—Barclays	14 June 2020	1.9690	17,500.0	(1,848.4)	—	350.3
Swap—Barclays	20 June 2020	0.9530	12,412.5	(49.4)	—	93.0
Swap—Santander	14 June 2020	1.9725	7,500.0	(794.5)	—	151.6
Swap—Santander	20 June 2020	0.9500	12,412.5	(48.5)	—	95.1
Cap—Barclays	15 June 2020	2.0000	31,500.0	15.7	(71.6)	—
Cap—Santander	15 June 2020	2.0000	13,500.0	6.7	(31.0)	—
			94,825.0	(2,718.4)	(102.6)	690.0
			209,825.0	**(2,784.5)**	**593.5**	**690.0**

During 2015, the Group's bank borrowings were renegotiated providing an increased loan amount and extending maturity from January 2018 to June 2020. The existing term and revolving loans were derecognised and a new liability recognised. On derecognition of the old loan the hedge relationship for the existing swaps was also derecognised and the amount in the hedge reserve was released to the income statement. The new swaps entered into in conjunction with the new loan have been redesignated as cash flow hedges hedging a portion of the forecast interest payments on the loan.

IFRS 13 requires disclosure of fair value measurements to be categorised by level. The levels are split between three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The financial derivatives included in the table detailed above fall within level 2 as the derivatives were fair valued using observable market data. The fair value of swaps and caps were valued in-house by a specialist treasury management system using a discounted cash flow model and market information (in 2016 and prior, derivatives were valued by JC Rathbone Associates Limited). The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments.

In accordance with IAS 39, the Group has reviewed the hedge effectiveness of its interest rate swaps. Movements in fair value which would otherwise have been taken directly to the income statement, have, where the interest rate swaps have been viewed as being effective and have been designated as a hedge, been taken to equity through the cash flow hedge reserve and are shown as other comprehensive income—a gain of £689,960 (2016 loss of £2,438,774; 2015 loss of £472,779).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The main risks are; lack of available income and a large draw on cash resources. The REIT is required to distribute at least 90% of the Group's net property income to shareholders within specified time limits.

The table below analyses the financial liabilities into relevant maturity groupings, based at the statement of financial position date, on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The interest due excludes future interest on shareholder loans. As the amounts included in the tables are the contractual undiscounted cash flows, these amounts will not equal the amounts disclosed in the statement of financial position.

31 December 2015

	Less than 1 year	1–2 years	2–5 years	Total
		(in £000)		
Interest bearing loans and borrowings	98,060.8	—	197,146.6	295,207.4
Interest	4,352.0	5,279.9	17,029.6	26,661.5
Cash flow hedges	327.2	207.1	517.3	1,051.6
Derivatives at fair value through profit and loss	599.0	263.0	11.8	873.8
Trade and other payables	6,749.3	—	1,000.0	7,749.3
	110,088.3	**5,750.0**	**215,705.3**	**331,543.6**

31 December 2016

	Less than 1 year	1–2 years	2–5 years	Total
		(in £000)		
Interest bearing loans and borrowings	92,884.1	—	216,413.7	309,297.8
Interest	4,168.9	4,405.6	8,206.8	16,781.3
Cash flow hedges	525.0	1,239.5	1,954.5	3,719.0
Derivatives at fair value through profit and loss	776.8	178.8	—	955.6
Trade and other payables	6,466.3	5,000.0	—	11,466.3
	104,821.1	**10,823.9**	**226,575.0**	**342,220.0**

31 December 2017

	Less than 1 year	1–2 years	2–5 years	Total
		(in £000)		
Interest bearing loans and borrowings	95,580.3	—	210,516.7	306,097.0
Interest	4,421.3	5,014.9	3,435.7	12,871.9
Cash flow hedges	1,146.6	1,085.9	593.9	2,826.4
Derivatives at fair value through profit and loss	186.0	—	—	186.0
Trade and other payables	9,484.7	8,000.0	—	17,484.7
	110,818.9	**14,100.8**	**214,546.3**	**339,466.0**

Credit risk

Credit risk is the risk that a counterparty will be unable to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental shortfall and incur additional related costs. The Directors regularly review the concentration of risk in the portfolio and receive regular reports on any tenants in arrears.

The Group is not exposed to a concentration of credit risk due to the numerous individual counter parties comprising the Group's trade receivables. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about default rates. Initial credit checks are performed on new tenants and arrears are monitored regularly. Cash transactions are limited to high quality financial institutions.

All cash balances are held with Barclays Bank plc.

Credit availability risk

Credit availability risk relates to the Group's ability to refinance its borrowings at the end of their terms or to secure additional financing where necessary. The Group maintains relationships with a range of lenders and maintains sufficient headroom through cash and committed borrowings.

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of LTV ratio. This is calculated as net debt divided by the investment property value.

	2015	2016	2017
		(in £000)	
Total interest-bearing loans and borrowings (including shareholder loans and excluding debt costs)	295,207.4	309,297.8	306,097.0
Less: cash and cash equivalents	(22,150.8)	(26,666.3)	(44,815.4)
Tenant deposit cash held	2,522.1	2,842.0	3,033.9
Net debt	**275,578.7**	**285,473.5**	**264,315.5**
Investment property	527,863.2	602,758.1	666,886.0
Investment property under construction	16,500.0	35,500.0	9,054.1
	544,363.2	**638,258.1**	**675,940.1**
LTV ratio	51%	45%	39%

The Group's capital is managed through regular review of the ability of the Group to meet contractual commitments and covenant tests. The current capital structure of the Group comprises a mix of debt and equity. Debt is both current and non-current interest-bearing loans and borrowings as set out in note 20.

20. Loans and borrowings

Interest-bearing loans and borrowings—due within 1 year

	2015	2016	2017
		(in £000)	
Fixed rate borrowings at 4.75%—APG Strategic Real Estate Pool	47,800.1	48,836.3	49,699.0
Fixed rate borrowings at 0%—APG Strategic Real Estate Pool	25,758.5	19,318.9	20,385.3
Fixed rate borrowings at 4.75%—Grainger Unitholder No 1 Limited	15,848.5	16,191.0	16,477.0
Fixed rate borrowings at 0%—Grainger Unitholder No 1 Limited	8,540.5	6,405.3	6,758.9
Fixed rate borrowings at 4.75%—BY Development Limited	113.2	2,132.6	2,260.1
Net interest-bearing loans and borrowings	**98,060.8**	**92,884.1**	**95,580.3**

The fixed rate loans are provided by Grainger Unitholder No 1 Limited ('Grainger'), APG Strategic Real Estate Pool ('APG') and BY Development Limited. Grainger and APG are the investors in GRIP REIT plc and its subsidiaries including GRIP Unit Trust 6 whereas BY Development Limited is an investor in GRIP Unit Trust 6 only. The loans bear current fixed interest at 4.75% on £68,436,088 (2016: £67,159,883) of principal and at 0% on the balance. The loans are repayable on demand.

Accrued interest is payable on the last day of each month. Interest which is not paid when due is deemed under the unitholder loan agreement to be added to the loan balance. Interest which remains unpaid or uncapitalised incurs an additional 2.0% interest. The accrued interest is due to each of the unitholders in proportion to their fixed rate loans.

On 30 June 2016, during the capital reorganisation, £25,388,706 of the unitholder loans were repaid and reinvested as capital in GRIP REIT plc and its subsidiaries.

There is no security held against the shareholder loans.

Interest-bearing loans and borrowings—due after 1 year

	2015	2016	2017
		(in £000)	
Floating rate bank borrowings—Term Loan[(1)]	125,000.0	141,550.0	141,550.0
Floating rate bank borrowings—Revolving Facility	72,146.6	74,863.6	68,966.6
Debt costs amortised over the life of the loan	(1,194.9)	(1,108.0)	(743.7)
Net interest-bearing loans and borrowings	**195,951.7**	**215,305.6**	**209,772.9**

(1) The term loan matures in June 2020

The fair value of floating rate borrowings approximates their carrying values as at the statement of financial position date as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the latest applicable floating rates at the end of the year.

On 19 June 2015, the facility of £156.9 million was repaid and a new facility was put in place by the Group totalling £200 million comprising a £125 million term debt facility and a £75 million revolving facility, at a margin of 1.5% over Libor.

On 6 April 2016, the facility agreement was amended and restated to include Kew Bridge Court Guernsey Limited and the facility increased by £24.8 million comprising a £16.55 million increase to the term debt facility and a £8.28 million increase to the revolving facility. The total undrawn amount under the facilities as at 31 December 2017 is £14.3 million (2016: £8.4 million). The revolving facility is due to be repaid at the end of each interest period but can be redrawn subject to a maximum 41% loan to value covenant and projected interest cover of 205% until final maturity in June 2020.

These loans are secured against the properties held by G:res Co 4 Limited, Grainger Residential Property Unit Trust, GRIP Unit Trust 2 and Kew Bridge Court Guernsey Limited.

Per IAS 7 Statement of Cash Flows, the Group is required to detail any changes in liabilities that arise from financing activities throughout the year. These changes are as follows:

	Loans and borrowings	Derivatives used for hedging liabilities from financing activities
	(in £000)	
Balance at 1 January 2017	**308,189.7**	**4,068.0**
Changes from financing cash flows		
Repayment of borrowings	(5,897.0)	—
Proceeds from unitholder borrowings	1,751.0	—
Total changes from financing cash flows	(4,146.0)	—
Changes in fair value	—	(1,283.5)
Other changes		
Capitalised borrowing costs	364.3	—
Interest expense	945.2	—
Total other changes	1,309.5	—
Balance at 31 December 2017	**305,353.2**	**2,784.5**

	Loans and borrowings	Derivatives used for hedging liabilities from financing activities
	(in £000)	
Current liabilities	95,580.3	66.1
Non-current liabilities	209,772.9	2,718.4
Balance at 31 December 2017	**305,353.2**	**2,784.5**

Reconciliation to the statement of financial position:

	Loans and borrowings	Derivatives used for hedging liabilities from financing activities
	(in £000)	
Current liabilities	95,580.3	66.1
Non-current liabilities	209,772.9	2,718.4
Balance at 31 December 2017	**305,353.2**	**2,784.5**

21. Other information

Capital commitments

The Group had capital commitments as at each year end as follows:

- 31 December 2015: Canning Town development project totalling £21.8 million.
- 31 December 2016: Canning Town development project totalling £6.8 million.
- 31 December 2017: Silbury Boulevard development project totalling £23.6 million.

Employees

The Group has no employees.

22. Fair value measurement—investment property and investment property under construction

The Directors appointed CBRE in March 2016, an external valuer who was responsible for the external valuations of the Group's property portfolio. CBRE were also responsible for preparing an external valuation for interim management reporting purposes on a six-monthly basis. Prior to the appointment of CBRE in 2016, Savills were responsible for the external valuations of the Group's property portfolio.

For all investment property and investment property under construction that is measured at fair value, the current use of the property is considered the highest and best use.

All investment property and investment property under construction measured at fair value are categorised as Level 3 in the fair value hierarchy as one or more inputs to the valuation are partly based on unobservable market data.

Transfers into and out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment properties during the three years to 31 December 2017.

The table below provides details of the assumptions used in the valuations and key unobservable inputs.

Class of property	Fair value	Valuation technique	Key unobservable inputs	Range 31 Dec 15	Range 31 Dec 16	Range 31 Dec 17
Investment property—residential	2017: £666,885,997	Income capitalisation	Estimated Rental Value (ERV)	£1–£0.2m	£1–£0.2m	£1–£0.2m
			Rental growth per annum	0%–5%	0%–5%	0%–5%
	2016: £602,758,142		Long-term vacancy rate	0%–30%	0%–30%	0%–30%
			Equivalent yield	0%–10%	0%–10%	0%–10%
	2015: £527,863,216		Comparable investment transaction yields	0%–10%	0%–10%	0%–10%
Investment property under construction—residential	2017: £9,054,150	Residual Approach (2017, 2015); Discounted cashflow (2016)	Discount rate	n/a	8.0%	6.5%
			Estimated gross development value	£50.4m	£46.6m	£34.9m
	2016: £35,500,000		Value of land and cost to date	£16.5m	£35.5m	£9.0m
			Cost required to complete the build	£21.8m	£6.8m	£23.6m
	2015: £16,500,000		Possible future risks and rewards until completion	12.1m	£4.3m	£2.3m

For investment properties, significant increases (decreases) in the ERV (per sqm p.a.) and rental growth p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a significantly lower (higher) fair value measurement.

23. Business combinations

On 8 February 2016, G:Res-Co4 Limited (a subsidiary of GRIP REIT plc) completed the acquisition of the entire share capital of Kew Bridge Court Guernsey Limited ('KBCGL'), for an initial cash consideration of £57.3 million. KBCGL is a property company and was acquired to increase shareholder value.

The fair value of the identifiable assets and liabilities of KBCGL as at the date of acquisition were:

	Fair value recognised on acquisition (2016)
	(in £000)
Investment property	57,425.0
Cash and cash equivalents	155.3
Trade receivables	55.9
Trade payables	(371.0)
Total purchase consideration transferred	**57,265.2**

The acquisition of KBCGL was accounted for as a business combination in accordance with note 1(e). The associated acquisition costs of £957,406 were recognised in the 2016 income statement within other administrative expenses.

In 2017, the Group recognised a loss of £3,259,334 from KBCGL (2016: a loss of £4,846,172).

24. Operating leases

The future aggregate minimum lease payments due to the Group under non-cancellable operating leases are as follows:

	2015	2016	2017
		(in £000)	
Lease payments due:			
Not later than one year	13,527.2	18,032.6	16,051.4
Later than one year and not later than five years	12,272.0	11,686.7	7,761.0
Later than five years	5,449.8	5,299.6	2,649.5
	31,249.0	**35,018.9**	**26,461.9**

The majority of the operating leases issued to lessees are Assured Shorthold Tenancy agreements (ASTs) and Livework agreements, with the average lease term being one year or less. The Group also receives rental income from commercial leases which lease terms can vary between one and 15 years.

25. Parent and ultimate controlling party

GRIP REIT plc carries on the business of property investment through a portfolio of freehold and long leasehold investment properties located in the United Kingdom. The Company is established, resident and domiciled in the United Kingdom. APG Strategic Real Estate Pool is the ultimate parent and controlling party holding 75.1% of the shares.

26. Investment in subsidiaries

Listed below are the subsidiary companies and unit trusts in which the Group and Company have an interest. The principal place of business for all subsidiary companies is the United Kingdom.

		Proportion held by	
Name	**Registered office**	**Group %**	**Company %**
GRIP UK Holdings Limited	30 Charles II Street, London, SW1Y 4AE	100%	100%
GRIP UK Property Developments Limited	30 Charles II Street, London, SW1Y 4AE	100%	—
GRIP UK Property Investments Limited	30 Charles II Street, London, SW1Y 4AE	100%	—
GRIP Jersey Property Holdings (2016) Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	100%
GRIP Unit Trust	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	1%
Grainger Residential Property Unit Trust	47 Esplanade, St Helier, Jersey, JE1 0BD	99%	—
GRIP Unit Trust 1	47 Esplanade, St Helier, Jersey, JE1 0BD	99%	—
GRIP Unit Trust 2	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Unit Trust 6	47 Esplanade, St Helier, Jersey, JE1 0BD	89%	—
G:res Co 4 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 1 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 2 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 3 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 4 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—

Name	Registered office	Proportion held by Group %	Company %
GRIP Nomco 5 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 6 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 7 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
GRIP Nomco 8 Limited	47 Esplanade, St Helier, Jersey, JE1 0BD	100%	—
Kew Bridge Court Guernsey Limited	Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW	100%	—

27. Non-controlling interest

Listed below are the unit trusts within the Group that have non-controlling interests. The principal place of business for all subsidiary companies is the United Kingdom.

Name	Non-controlling interest %	Profit allocated to NCI 2015	2016	2017	Accumulated NCI 2015	2016	2017
		(in £000)					
Grainger Residential Property Unit Trust[(2)]	1%	129.2	142.3	88.7	985.4	1,149.6	1,206.5
GRIP Unit Trust 1	1%	269.9	127.7	47.0	1,485.0	2,069.2	2,060.9
GRIP Unit Trust 2[(1)]	0%	1.6	0.5	—	31.8	4.7	—
GRIP Unit Trust 6[(2)]	11%	500.3	390.6	221.3	2,059.6	2,450.2	2,671.5

(1) GRIP Unit Trust 2 had a 1% non-controlling interest as at 31 December 2015. The non-controlling interest was acquired by the Company following the capital reorganisation in June 2016. There have been no other changes to non-controlling interests during the period covered by the historical financial information.

(2) In 2015, the non-controlling interests (BY Development Limited, APG and Grainger) injected a further £1,149.8k of share capital into GRIP unit Trust 6.

In 2016, the non-controlling interests (APG and Grainger) injected a further £593k into the GRIP REIT subsidiaries. This primarily related to £290k into GRIP Unit Trust 1 in relation to the purchase of KBCGL and a total of £238k into GRIP Unit Trust 1 and GRPUT in relation to the REIT restructure.

In relation to unit trusts that have non-controlling interests, summarised financial information is presented below:

2015 Summarised income statement

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[(1)]	GRIP Unit Trust 2	GRIP Unit Trust 6
		(in £000)		
Net rental income and other income	6,973.4	10,294.9	38.7	—
Administration and other expenses	(1,180.2)	(1,406.2)	(35.3)	(30.9)
Profit on disposal of properties	1,206.9	260.4	46.0	—
Operating profit	7,000.1	9,149.1	49.4	(30.9)
Revaluation gains on investment properties	11,366.2	24,962.1	—	4,582.8
Net interest cost	(5,031.5)	(6,880.1)	(77.7)	(3.8)
Profit before tax	13,334.8	27,231.1	(28.3)	4,548.1
Tax credit	—	189.2	—	—
Profit after tax	13,334.8	27,420.3	(28.3)	4,548.1

2015 Summarised statement of financial position

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[(1)]	GRIP Unit Trust 2	GRIP Unit Trust 6
		(in £000)		
Investment property	216,330.9	308,459.8	3,072.5	16,500.0
Other assets	8,072.2	11,812.8	1,644.4	3,355.5
Total assets	224,403.1	320,272.6	4,716.9	19,855.5
Total liabilities	(125,858.5)	(171,774.8)	(1,541.9)	(1,131.6)
Net assets	98,544.6	148,497.8	3,175.0	18,723.9

2016 Summarised income statement

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[(1)]	GRIP Unit Trust 2	GRIP Unit Trust 6
		(in £000)		
Net rental income and other income	6,780.7	12,223.9	69.2	—
Administration and other expenses	(982.8)	(2,347.3)	(33.5)	(25.0)
Profit/(loss) on disposal of properties	990.9	(16.6)	2.6	—
Operating profit	6,788.8	9,860.0	38.3	(25.0)
Revaluation gains on investment properties	10,971.7	11,586.9	—	3,574.5
Net interest (cost)/income	(3,282.4)	(5,313.5)	(36.5)	1.4
Profit before tax	14,478.1	16,133.4	1.8	3,550.9
Tax charge	—	(3,118.1)	—	—
Profit after tax	14,478.1	13,015.3	1.8	3,550.9

2016 Summarised statement of financial position

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[(1)]	GRIP Unit Trust 2	GRIP Unit Trust 6
		(in £000)		
Investment property	216,427.2	383,197.2	3,133.8	35,500.0
Other assets	11,608.6	11,674.9	1,658.1	8,118.4
Total assets	228,035.8	394,872.1	4,791.9	43,618.4
Total liabilities	(113,080.2)	(187,949.9)	—	(21,343.5)
Net assets	114,955.6	206,922.2	4,791.9	22,274.9

2017 Summarised income statement

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[(1)]	GRIP Unit Trust 6
		(in £000)	
Net rental income and other income	7,532.6	12,250.5	—
Administration and other expenses	(1,010.0)	(1,385.6)	(43.8)
Profit on disposal of properties	200.3	391.5	—
Operating profit	6,722.9	11,256.4	(43.8)
Revaluation gains on investment properties	4,960.6	(1,900.1)	2,145.9
Net interest cost	(3,094.5)	(4,947.4)	(90.2)
Profit before tax	8,589.0	4,408.9	2,011.9
Tax charge	—	(17.4)	—
Profit after tax	8,589.0	4,391.5	2,011.9

2017 Summarised statement of financial position

	Grainger Residential Property Unit Trust	GRIP Unit Trust 1[1]	GRIP Unit Trust 6
		(in £000)	
Investment property	219,868.1	373,078.3	47,300.0
Other assets	11,392.5	15,923.3	142.8
Total assets	231,260.6	389,001.6	47,442.8
Total liabilities	(110,608.1)	(182,911.9)	(23,156.0)
Net assets	120,652.5	206,089.7	24,286.8

(1) The summary financial information for GRIP Unit Trust 1 is the consolidated results of the trust, which consolidates the following subsidiaries:

Subsidiary	Share	Direct/Indirect
G:Res-Co 4 Limited	100%	Direct
GRIP Nomco 3 Limited	100%	Indirect
GRIP Nomco 4 Limited	100%	Indirect
Kew Bridge Court Guernsey Limited	100%	Indirect

28. Post balance sheet events

On 9 February 2018, the external loan facility agreement was amended and restated to include Argo Apartments, St. Anne's, Churston Close and Salway Place. The facility increased by £25.2 million comprising a £50 million increase to the original term debt facility, a £50 million reduction to the revolving facility and a new £25.2 million term debt facility (with a maturity date of June 2020). In addition to this, the remainder of the £14.3 million unutilised revolving facility was drawn down in full and a new interest rate cap was acquired by G:res Co4 Limited; £10.2 million capped at 2.0% until June 2020.

On 13 February 2018, the fixed rate borrowings provided by BY Development Limited to GRIP Unit Trust 6 were repaid in full, including accrued interest, totalling £2.3 million.

On 20 February 2018, the fixed rate borrowings provided by APG and Grainger to GRIP Unit Trust 6 were partially repaid, including accrued interest, totalling £18.9 million. Parallel to this 910,295 £1 shares were issued by GRIP REIT plc to APG and Grainger at a premium of £19.71 per share, generating funds of £18.9 million.

PART B

Accountant's report on the GRIP Financial Information

KPMG

The Directors
Grainger plc
Citygate
St. James' Boulevard,
Newcastle upon Tyne
NE1 4JE

14 November 2018

Ladies and Gentlemen

GRIP REIT plc

We report on the financial information set out in Part VII, Part A of the combined Class 1 circular and prospectus dated 14 November 2018 of Grainger plc for the three years ended 31 December 2017. This financial information has been prepared on the basis of the accounting policies set out in Part VII, Part A. This report is required by paragraph 13.5.21R of the Listing Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Grainger plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the combined Class 1 circular and prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the combined prospectus and Class 1 circular dated 14 November 2018, a true and fair view of the state of affairs of GRIP REIT plc as at 31 December 2015, 2016 and 2017 and of its profits, cash flows and changes in equity for the three years to 31 December 2017 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART C

Unaudited GRIP Interim Financial Information

Consolidated income statement

For the six months ended 30 June	Notes	Unaudited 2017	Unaudited 2018
		£000	£000
Group Revenue	4	13,627.5	14,451.5
Net rental income	5	10,465.9	9,427.8
Profit on disposal of investment property	6	359.6	679.6
Fees and other income		14.4	72.2
Administrative expenses	7	(1,391.5)	(1,546.6)
Operating profit before net valuation gains on investment property		**9,448.4**	**8,633.0**
Net valuation gains on investment property	13	981.8	6,136.8
Operating profit after net valuation gains on investment property		**10,430.2**	**14,769.8**
Change in fair value of derivatives	18	229.7	47.2
Finance costs	9	(3,991.4)	(4,746.9)
Finance income	10	1.4	43.1
Profit before tax		**6,669.9**	**10,113.2**
Tax charge	8	(7.5)	(38.3)
Profit after tax		**6,662.4**	**10,074.9**
Profit for the period attributable to:			
Shareholders		6,518.3	9,530.1
Non-controlling interest		144.1	544.8
		6,662.4	**10,074.9**
Basic earnings per share attributable to ordinary shareholders	12	38.5p	50.9p
Diluted earnings per share attributable to ordinary shareholders	12	38.5p	50.9p

Consolidated statement of comprehensive income

For the six months ended 30 June	Notes	Unaudited 2017	Unaudited 2018
		£000	£000
Profit for the period		6,662.4	10,074.9
Items that may be or are reclassified to the consolidated income statement:			
Changes in fair value of cash flow hedges	18	413.8	911.2
Total comprehensive income for the period		**7,076.2**	**10,986.1**
Total comprehensive income for the period attributable to:			
Shareholders		6,928.0	10,432.2
Non-controlling interest		148.2	553.9
		7,076.2	**10,986.1**

Consolidated statement of financial position

As at	Notes	Audited 31 Dec 2017	Unaudited 30 Jun 2018 (as restated)*
		£000	£000
ASSETS			
Non-current assets			
Investment property	13	675,940.1	679,534.9
Deferred tax assets	8	43.7	5.4
		675,983.8	**679,540.3**
Current assets			
Trade and other receivables	15	1,073.8	2,503.7
Cash and cash equivalents	14	44,815.4	55,028.9
		45,889.2	**57,532.6**
Total assets		**721,873.0**	**737,072.9**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	19	209,772.9	216,326.1
Derivative financial instruments	18	2,718.4	1,813.2
Trade and other payables	1a, 16	8,000.0	—
		220,491.3	**218,139.3**
Current liabilities			
Interest-bearing loans and borrowings	19	95,580.3	73,139.0
Derivative financial instruments	18	66.1	—
Trade and other payables	1a, 16	10,526.8	20,773.0
		106,173.2	**93,912.0**
Total liabilities		**326,664.5**	**312,051.3**
NET ASSETS		**395,208.5**	**425,021.6**
EQUITY			
Capital and reserves			
Issued share capital	17	18,188.6	19,098.90
Share premium account	17	35,601.2	53,543.10
Cash flow hedge reserve	17	(2,713.4)	(1,811.3)
Retained earnings	1a, 17	483,357.4	492,887.5
Merger reserve	17	(145,168.9)	(145,168.9)
Non-controlling interests	17	5,943.6	6,472.3
TOTAL EQUITY		**395,208.5**	**425,021.6**

* See note 1a to the interim financial statements for further details in relation to the restatement.

Consolidated statement of changes in equity

	Notes	Issued share capital	Share premium	Cashflow hedge reserve	Retained earnings	Merger reserve	Non-controlling interests	Total equity
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2017		**16,414.0**	**—**	**(3,396.5)**	**473,819.5**	**(145,168.9)**	**5,673.7**	**347,341.8**
Profit for the period		—	—	—	6,518.3	—	144.1	6,662.4
Movement in fair value of interest rate swap	18	—	—	409.7	—	—	4.1	413.8
Total comprehensive income		—	—	409.7	6,518.3	—	148.2	7,076.2
Issue of share capital		1,288.5	25,810.5	—	—	—	—	27,099.0
Distributions		—	—	—	—	—	(9.5)	(9.5)
		1,288.5	25,810.5	409.7	6,518.3	—	138.7	34,165.7
Balance at 30 June 2017		**17,702.5**	**25,810.5**	**(2,986.8)**	**480,337.8**	**(145,168.9)**	**5,812.4**	**381,507.5**
Profit for the period		—	—	—	5,019.6	—	212.5	5,232.1
Movement in fair value of interest rate swap		—	—	273.4	—	—	2.8	276.2
Total comprehensive income		—	—	273.4	5,019.6	—	215.3	5,508.3
Issue of share capital		486.1	9,790.7	—	—	—	—	10,276.8
Distributions		—	—	—	(2,000.0)	—	(84.1)	(2,084.1)
		486.1	9,790.7	273.4	3,019.6	—	131.2	13,701.0
Balance as at 31 December 2017		**18,188.6**	**35,601.2**	**(2,713.4)**	**483,357.4**	**(145,168.9)**	**5,943.6**	**395,208.5**
Profit for the period		—	—	—	9,530.1	—	544.8	10,074.9
Movement in fair value of interest rate swap	18	—	—	902.1	—	—	9.1	911.2
Total comprehensive income		—	—	902.1	9,530.1	—	553.9	10,986.1
Issue of share capital	17	910.3	17,941.9	—	—	—	—	18,852.2
Distributions (as restated)*	1a	—	—	—	—	—	(25.2)	(25.2)
		910.3	17,941.9	902.1	9,530.1	—	528.7	29,813.1
Balance at 30 June 2018 (as restated)*		**19,098.9**	**53,543.1**	**(1,811.3)**	**492,887.5**	**(145,168.9)**	**6,472.3**	**425,021.6**

* See note 1a to the interim financial statements for further details in relation to the restatement.

Consolidated statement of cash flows

For the six months ended 30 June	Notes	Unaudited 2017 £000	Unaudited 2018 £000
Cash flow from operating activities			
Profit for the period		6,662.4	10,074.9
Net valuation gains on investment properties	13	(981.8)	(6,136.8)
Net finance costs		3,760.3	4,643.7
Tax	8	7.5	38.3
Profit on disposal of investment property	6	(359.6)	(679.6)
Cash generated from operations before changes in working capital		9,088.8	7,940.5
Increase in trade and other receivables		(557.3)	(1,391.6)
Increase in trade and other payables		1,070.3	2,163.4
Cash generated from operations		9,601.8	8,712.3
Interest paid		(3,269.6)	(4,417.0)
Net cash inflow from operating activities		**6,332.2**	**4,295.3**
Cash flow from investing activities			
Acquisition of investment properties		(28,219.4)	(15,110.3)
Net proceeds from sale of investment properties	6	3,929.8	18,332.0
Interest received	10	1.4	43.1
Net cash (outflow)/inflow from investing activities		**(24,288.2)**	**3,264.8**
Cash flow from financing activities			
Proceeds from the issue of shareholder capital		27,099.0	18,852.2
Income distributions paid		(33.7)	(29.5)
Proceeds from bank borrowings		—	134,683.7
Repayment of bank borrowings		(265.9)	(127,948.7)
Payment of loan issue costs		(33.8)	(462.9)
Repayment of unitholder borrowings		—	(22,441.4)
Net cash inflow from financing activities		**26,765.6**	**2,653.4**
Net increase in cash and cash equivalents		**8,809.6**	**10,213.5**
Cash and cash equivalents at the beginning of the period		26,666.3	44,815.4
Cash and cash equivalents at the end of the period		**35,475.9**	**55,028.9**

Notes to the interim financial statements

1. Accounting policies

1a Basis of preparation

The condensed interim financial statements are unaudited and do not constitute the Group's statutory accounts. The condensed interim financial statements have been prepared in accordance with the International Accounting Standard 34 (IAS 34) 'Interim Financial Reporting' as adopted by the European Union.

The condensed interim financial statements do not include all information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial performance and position of the Group since 31 December 2017.

The accounting policies used are consistent with those contained in the Group's last annual report and accounts for the year ended 31 December 2017 which have been reported on by the Company's auditor and delivered to the registrar of companies, with the exception of the impact of new and amended standards as detailed below. The Group's business is not judged to be highly seasonal, therefore comparatives used for the six month period ended 30 June 2018 Consolidated Income Statement are the six month period ended 30 June 2017 Consolidated Income Statement. It is therefore not necessary to disclose the Consolidated Income Statement for the full year ended 31 December 2017.

The comparative figures for the financial year ended 31 December 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

GRIP REIT plc is a company incorporated and domiciled in the UK. It is a public limited liability company listed on The International Stock Exchange. The Group's interim financial statements consolidate the financial statements of the Company and those of its subsidiaries, together referred as the 'Group'.

The Group's interim financial statements have been prepared under the historical cost convention except for the following assets and liabilities which are stated at their fair value; investment property, investment property under construction and derivative financial instruments.

In preparing these interim financial statements, the Directors have identified adjustments to previously reported numbers in relation to distributions payable and the incentive fee payable as at 30 June 2018. In relation to the distribution payable, a dividend declared after 30 June 2018 of £4,963,204 previously reported as payable at that date has been reversed as the Directors consider that a liability did not exist at the period end date. The impact of this restatement is to reduce Trade and other payables and to increase Retained earnings by the same amount. In relation to the incentive fee payable, the Directors consider that the Company did not have a contractual right to defer payment beyond 12 months and have therefore reclassified the £8,000,000 liability as at 30 June 2018 from Non-current liabilities to Current liabilities. Neither of these adjustments has had any impact on the Group's reported profits.

1b Adoption of new and revised International Financial Reporting Standards and interpretations

New and amended standards effective 1 January 2018

A number of new standards and amendments to standards have been issued and are effective for the Group from 1 January 2018 and have been applied in preparing the interim financial statements. There are no new standards, amendments or interpretations that are effective for the first time for the current financial year that have had a material impact on the Group. These are set out below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue. The new standard sets out a five-step model for the recognition of revenue and establishes the principles to apply to the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The key changes that will follow the adoption of this standard are:

- Identifying performance obligations based on contracts with customers and recognising revenue either at a point in time or over time in accordance with the performance obligations; and

- Increased revenue disclosures that arise from contracts with customers.

Revenue recognition

This standard applies to the Group's revenue including proceeds from disposal of investment property. It does not apply to gross rental income which as at the date of reporting is covered by IAS 17.

The recognition point for the Group's revenue impacted by the standard does not differ following the adoption of the new standard in the period. As a result, there has been no impact on the results of the Group following the new standard becoming effective.

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement, which was previously used by the Group. The new standard sets out the classification, recognition and measurement requirements for financial assets and liabilities, impairment provisioning and general hedge accounting.

The key changes that will follow the adoption of this standard are:

- Classification of financial assets according to their contractual cash flow characteristics;
- Impairments of financial assets based on prospective expected credit losses rather than retrospective objective evidence of impairment; and
- Changes to hedge accounting effectiveness testing;

On transition, IFRS 9 requires retrospective application such that the measurement difference between the previous carrying amount under IAS 39 and the carrying amount as at the date of initial application be adjusted in retained earnings. The adjustments in respect of expected credit losses and hedge accounting is immaterial for the Group (see below).

Classification, recognition and measurement of financial assets and liabilities

The standard applies to the Group's financial assets consisting of receivables and cash, as well as financial liabilities consisting of borrowings, payables and derivatives.

IFRS 9 retains almost all of the existing classification, recognition and measurement requirements of IAS 39 on financial liabilities and has had no impact on the Group's financial liabilities for financial results and reporting.

For financial assets, the permissible measurement bases are now amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). IFRS 9 has abolished the held to maturity, loans and receivables and available-for-sale classifications that were previously available under IAS 39. The measurement basis of the Group's financial assets have not been impacted as a result of this change.

Expected credit loss model of impairment

The new standard no longer requires a loss event to occur before an impairment to financial assets is recognised. IFRS 9 requires an entity to recognise an expected credit loss, being the present value of all cash shortfalls over the expected life of the entity's various financial assets.

Of the Group's financial assets, the standard applies to trade receivables. Trade receivables held at 30 June 2018 were £649,963, with an impairment provision recognised under IFRS 9 of £157,583 based on expected credit losses. The provision was broadly consistent on transition and as such has not had a material impact on the Group.

Hedge accounting

Hedge accounting continues to be optional under the new standard, though the removal of the '80–125% test' in favour of a more principles-based approach, allows greater scope for entities to hedge account.

The current hedge relationships in place for the Group for interest rate swaps qualify as continuing hedges following the adoption of IFRS 9 and remain effective in the period. No other derivatives instruments have been designated as hedging relationships under IFRS 9. As a result, there has been no impact on the results of the Group following the new standard becoming effective.

IAS 40 Investment Property

The amendment to IAS 40 widens the scope for transfers to and from investment property. Previously the standard provided an exhaustive list to evidence a change in use that would permit a transfer. This is now a non-exhaustive list of examples of circumstances that could represent a property's change in use.

On transition, the Group was required to assess property classifications across its entire portfolio held at the effective date and, if applicable, reclassify property to reflect the conditions as at that date. The portfolio has been reviewed and no reclassifications of property assets have been made. As a result, there has been no impact on the results of the Group following the new standard becoming effective

New and amended standards effective 1 January 2019

There are a number of new standards, amendments to existing standards and interpretations in issue that have not been applied in preparing these condensed interim financial statements. The Group has no plans to adopt these standards earlier than the effective date. Those that are most relevant to the Group are set out below:

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases which is currently used by the Group. The standard sets out the criteria to recognise, measure, present and disclose leases.

The key changes that will follow the adoption of this standard are:

- A single lessee accounting model that removes the distinction between operating and finance leases. The previous off balance sheet financing permitted by operating leases will now be brought on balance sheet by recognising the asset and corresponding liability.
- The standard includes two recognition exemptions for lessees—leases of 'low-value' assets and short-term leases.

As a lessor, the Group's position is substantially unchanged.

The group is not currently a lessee of any assets and therefore no impact to the Group's results is expected.

Of the other IFRSs that are available for early adoption, none are expected to have a material impact on the interim financial statements.

2. Critical accounting estimates and assumptions

Details of the accounting estimates and assumptions that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the financial statements are contained in the Group's historical financial information for the years ended 31 December 2015, 31 December 2016 and 31 December 2017. There have been no significant changes in the critical accounting estimates and judgements in the period ended 30 June 2018.

3. Segmental information

IFRS 8, Operating Segments requires operating segments to be identified based upon the Group's internal reporting to the Chief Operating Decision Maker ('CODM') so that the CODM can make decisions about resources to be allocated to segments and assess their performance. The Group's CODM is the Board. There is no significant segmentation of the Group as the Board reviews the Group and its business plan as a whole.

The key operating performance measure of profit or loss used by the CODM is operating profit before net valuation gains on investment property as disclosed in the consolidated income statement. The CODM reviews the key statement of financial position measure being net asset value, as disclosed in the consolidated statement of financial position, which is prepared in accordance with EU-IFRS.

All of the Group's turnover is derived from rentals of investment properties located in the UK. Transactions with a single customer did not amount to greater than 10 percent of revenue in the periods ended 30 June 2017 and 30 June 2018.

4. Group revenue

	Unaudited 2017 £000	Unaudited 2018 £000
Gross rental income	13,613.0	14,379.3
Other income	14.5	72.2
	13,627.5	**14,451.5**

5. Net rental income

	Unaudited 2017 £000	Unaudited 2018 £000
Gross rental income	13,613.0	14,379.3
Property repair and maintenance costs	(2,088.1)	(4,186.8)
Property management fees (note 11)	(1,059.0)	(764.7)
	10,465.9	**9,427.8**

6. Profit on disposal of investment property

	Unaudited 2017 £000	Unaudited 2018 £000
Gross proceeds from sale of investment property	4,019.5	18,778.0
Sales fees	(89.7)	(446.0)
Net proceeds from sale of investment property	3,929.8	18,332.0
Carrying value of disposed property	(3,570.2)	(17,652.4)
	359.6	**679.6**

7. Administrative expenses

	Unaudited 2017 £000	Unaudited 2018 £000
Fund advisory fees (note 11)	(1,054.9)	(1,090.3)
Valuation fees	(119.4)	(95.1)
Administrative fees	(118.7)	(101.9)
Audit fee	(58.4)	(51.5)
Other administrative expenses	(40.1)	(207.8)
	(1,391.5)	**(1,546.6)**

8. Taxation

	Unaudited 2017 £000	Unaudited 2018 £000
Deferred income tax		
Origination and reversal of temporary differences	7.5	4.2
Deferred income tax asset written off	—	34.1
Tax charge for the period	**7.5**	**38.3**

Effective 13 July 2016 the GRIP REIT plc group elected for UK REIT status. As a consequence, the Group does not pay corporation tax on its property rental business profits (property income and gains on property disposals), provided that at least 90% of the Group's property income is distributed to shareholders. This distribution is taxed as property income in the shareholders' hands. Any Group profits which do not qualify for exemption under the REIT regime are subject to UK tax in the normal way. This includes profits which belong to the Group's non-controlling interests.

The movement on deferred tax is as follows:

	Opening balance	Recognised in income	Closing balance
	£000	£000	£000
Deferred tax assets year ended 31 December 2017 (audited)			
Tax losses	(61.1)	17.4	(43.7)
Deferred tax assets period ended 30 June 2018 (unaudited)			
Tax losses	(43.7)	38.3	(5.4)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) are in effect or have been substantively enacted. The deferred tax asset has been calculated at the rate effective in the period that the tax is expected to crystallise.

The Group has recognised a deferred tax asset of £5,388 (December 2017: £43,691) calculated at 17% (December 2017: 17%) in respect of tax losses that can be utilised against future taxable profits which are not exempt under the REIT regime.

Under the REIT regime, development properties which are sold within three years of completion do not benefit from tax exemption. At 30 June 2018, the value of such properties is £18.6 million (December 2017: £9.0 million).

9. Finance costs

	Unaudited	
	2017	2018
	£000	£000
Bank interest payable on loan	2,717.1	3,205.8
Loan arrangement fees	33.8	106.0
Shareholder loan interest	1,083.4	1,259.9
Bank debt costs	157.1	175.2
	3,991.4	**4,746.9**

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Details of capitalised borrowing costs are set out in note 13.

10. Finance income

	Unaudited	
	2017	2018
	£000	£000
Sales interest receivable	—	36.7
Bank interest receivable	1.4	6.4
	1.4	**43.1**

11. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fund advisor

On 30 June 2016 Grainger Asset Management Limited was reappointed as the Group's fund advisor. The ultimate parent company of Grainger Asset Management Limited is Grainger plc which is also an investor in GRIP REIT plc through its subsidiaries Grainger Unitholder No 1 Limited, Grainger REIT 1 Limited, Grainger REIT 2 Limited and Grainger REIT 3 Limited ("Grainger"). Details of fund advisory fees are set out in note 7.

Property manager

On 30 June 2016 Grainger Residential Management Limited was reappointed as the Group's property manager. The ultimate parent company of Grainger Residential Management Limited is Grainger plc which is also an investor in GRIP REIT plc through its subsidiaries Grainger Unitholder No 1 Limited, Grainger REIT 1

Limited, Grainger REIT 2 Limited and Grainger REIT 3 Limited. Details of property management fees are set out in note 5.

Shareholder loans and interest

Grainger and APG Strategic Real Estate Pool ('APG') hold a 24.9% and 75.1% respective share in GRIP REIT plc. Both Grainger and APG have provided interest bearing and non-interest bearing loans to GRIP REIT plc and its subsidiaries; GRPUT, G:res Co4 Limited and GRIP Unit Trust 6. In addition to Grainger and APG, BY Development Limited ('Bouygues') also holds a 10% interest in GRIP Unit Trust 6 and has provided interest bearing loans to GRIP Unit Trust 6 (repaid on 12 February 2018).

Interest payments due are payable quarterly. Total interest charged in the period on the unitholder loans to Grainger amounted to £310,523 (June 2017: £269,775) and to APG amounted to £936,578 (June 2017: £813,658).

12. Earnings per share

	Profit attributable to ordinary shareholders	Weighted average number of shares	Earnings per share (pence)
	£000		
Six months ended 31 December 2017	6,518.3	16,946,269	38.5p
Six months ended 31 December 2018	9,530.1	18,726,739	50.9p

There are no ordinary shares that may be potentially issued by the Company that would result in a dilutive effect on ordinary shares in issue.

13. Investment property

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Investment property		
Opening fair value	602,758.1	666,886.0
Carrying value of disposed property	(18,370.8)	(17,652.3)
Capital expenditure	8,942.9	5,518.8
Additions in year/period	24,191.8	—
Transfer from investment property under construction	45,192.7	—
Net valuation gains on investment properties	4,171.3	6,132.6
Total investment property	**666,886.0**	**660,885.1**
Investment property under construction		
Opening balance	35,500.0	9,054.1
Additions in year/period	17,636.9	9,591.5
Capitalised borrowing costs	945.2	—
Transfer to investment property	(45,192.7)	—
Net valuation gains on investment property under construction	164.7	4.2
Total investment property under construction	**9,054.1**	**18,649.8**
Closing fair value	**675,940.1**	**679,534.9**

For the period ended 30 June 2018 and year ended 31 December 2017, investment properties, including those under construction, are valued by CBRE. Investment properties are pledged as security for the Group's borrowings as detailed in note 19.

Practical completion of Argo Apartments was achieved on 30 November 2017 and the balance, at the time of completion, was transferred to investment property.

14. Cash and cash equivalents

Included within cash and cash equivalents is £3,331,362 (December 2017: £3,033,915) of restricted cash that is held as deposits on behalf of tenants and £882,792 (December 2017: £388,105) of restricted cash held in order to repay a proportion of the revolving credit facility.

15. Trade and other receivables

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Trade receivables	641.4	650.0
Deduct: provision for impairment of trade receivables	(227.2)	(157.6)
Trade receivables—net	414.2	492.4
Other debtors	166.5	1,163.9
Prepayments	493.1	847.4
Closing balance	**1,073.8**	**2,503.7**

16. Trade and other payables

	Audited 31 Dec 2017	Unaudited 30 Jun 2018 (as restated)*
	£000	£000
Trade payables	664.6	915.4
Interest payable	1,132.7	1,181.5
Rents charged in advance	470.0	473.5
Rent received in advance	1,002.7	1,018.0
Rental deposits due to tenants	3,026.0	3,327.5
VAT	18.2	—
Distributions (note 1a)	4.5	0.2
Incentive fee (note 1a)	—	8000.0
Other creditors	503.4	388.0
Accruals	3,704.7	5,468.9
Current liabilities	**10,526.8**	**20,773.0**
Incentive fee (note 1a)	8,000.0	—
Non-current liabilities	**8,000.0**	**—**

* See note 1a to the interim financial statements for further details in relation to the restatement.

17. Equity

Issued capital

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Allotted and called up (ordinary shares of £1 each)	18,188.6	19,098.9
Allotted, called up and fully paid (ordinary shares of £1 each)	18,138.6	19,048.9

Movement in issued shares

	Number of shares
Opening balance 1 January 2017	16,414,020
Shares issued in the year	1,774,589
Closing balance 31 December 2017	**18,188,609**
Shares issued in the period	910,295
Closing balance 30 June 2018	**19,098,904**

In March 2018 910,295 shares were issued at a premium of £20.71 per share.

The shares in GRIP REIT plc are held by APG and Grainger. APG Strategic Real Estate Pool has a 75.1% holding and Grainger plc a 24.9% holding through its subsidiaries (Grainger REIT 1 Ltd 8.3%, Grainger REIT 2 Ltd 8.3% and Grainger REIT 3 Ltd 8.3%).

Share premium

The share premium reserve contains the premium arising on issue of equity shares.

Cash flow hedge reserve

The fair value movements on those derivative financial instruments qualifying for hedge accounting under IFRS 9 are taken to this reserve.

Retained earnings

The retained earnings reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties and investment properties under construction.

Merger reserve

The capital reorganisation in 2016 was accounted for using the principles of merger accounting, which gave rise to a merger reserve in the consolidated statement of financial position, being the difference between the nominal value of new shares issued by the parent company for the acquisition of the shares of the subsidiary and the subsidiary's own capital.

Non-controlling interest

The non-controlling interest reserve represents cumulative profits, including unrealised profit on the remeasurement of investment properties and investment properties under construction and movements in the cash flow hedge, due to non-controlling interests.

18. Financial risk management and derivative financial instruments

The main financial risks arising from the Group's activities are market risk, interest rate risk, liquidity risk and credit risk. The Group's approach to managing market, interest rate, liquidity and credit risk are set out in the Group's historical financial information for the year ended 31 December 2017 and has remained unchanged since that date.

Interest rate risk

The profile of the Group's interest rate swaps and caps in existence at 31 December is as follows:

For the period ended 31 December 2017 (audited)

Interest rate swaps and caps	Maturity date	Rate	Amount	Fair value
		%	£000	£000
Current				
Swap—Barclays	18 January 2018	1.2940	70,000.0	(29.3)
Cap—Barclays	18 January 2018	1.5000	45,000.0	(36.8)
			115,000.0	(66.1)
Non-current				
Swap—Barclays	14 June 2020	1.9690	17,500.0	(1,848.4)
Swap—Barclays	20 June 2020	0.9530	12,412.5	(49.4)
Swap—Santander	14 June 2020	1.9725	7,500.0	(794.5)
Swap—Santander	20 June 2020	0.9500	12,412.5	(48.5)
Cap—Barclays	15 June 2020	2.0000	31,500.0	15.7
Cap—Santander	15 June 2020	2.0000	13,500.0	6.7
			94,825.0	(2,718.4)
			209,825.0	**(2,784.5)**

For the period ended 30 June 2018 (unaudited)

Interest rate swaps and caps	Maturity date	Rate	Amount	Fair value
		%	£000	£000
Non-current				
Swap—Barclays	14-Jun-20	1.9690	66,500,000	(1,284,677)
Swap—Barclays	20-Jun-20	0.9530	12,412,500	3,409
Swap—Santander	14-Jun-20	1.9725	28,500,000	(552,495)
Swap—Santander	20-Jun-20	0.9500	12,412,500	4,133
Cap—Barclays	15-Jun-20	2.0000	31,500,000	9,376
Cap—Santander	14-Jun-20	2.0000	13,500,000	4,022
Cap—Barclays	15-Jun-20	2.0000	10,175,000	3,028
			175,000.0	**(1,813.2)**

IFRS 13 requires disclosure of fair value measurements to be categorised by level. The levels are split between three levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The financial derivatives included in the table detailed above fall within level 2 as the derivatives were fair valued using observable market data. The fair value of swaps and caps were valued in-house by a specialist treasury management system using a discounted cash flow model and market information. The fair value is derived from the present value of future cash flows discounted at rates obtained by means of the current yield curve appropriate for those instruments.

In accordance with IFRS 9, the Group has reviewed the hedge effectiveness of its interest rate swaps. Movements in fair value which would otherwise have been taken directly to the income statement, have, where the interest rate swaps have been viewed as being effective and have been designated as a hedge, been taken to equity through the cash flow hedge reserve and are shown as other comprehensive income—a gain of £911,184 (June 2017: gain of £413,715).

Liquidity risk

The table below analyses the financial liabilities into relevant maturity groupings, based at the statement of financial position date, on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The interest due excludes future interest on shareholder loans. As the amounts included in the tables are the contractual undiscounted cash flows, these amounts will not equal the amounts disclosed in the statement of financial position.

31 December 2017 (audited)

	Less than 1 year	1–2 years	2–5 years	Total
	£000	£000	£000	£000
Interest bearing loans and borrowings	95,580.3	—	210,516.7	306,097.0
Interest	4,421.3	5,014.9	3,435.7	12,871.9
Cash flow hedges	1,146.6	1,085.9	593.9	2,826.4
Derivatives at fair value through profit and loss	186.0	—	—	186.0
Trade and other payables	9,484.7	8,000.0	—	17,484.7
	110,818.9	**14,100.8**	**214,546.3**	**339,466.0**

30 June 2018 (unaudited)

	Less than 1 year (as restated)*	1–2 years (as restated)*	2–5 years	Total (as restated)*
	£000	£000	£000	£000
Interest bearing loans and borrowings	73,139.0	217,251.7	—	290,390.7
Interest	5,091.6	5,660.1	—	10,751.7
Cash flow hedges	1,425.5	940.7	—	2,366.2
Derivatives at fair value through profit and loss	—	—	—	—
Trade and other payables (note 1a)	19,591.5	—	—	19,591.5
	99,247.6	**223,852.5**	**—**	**323,100.1**

* See note 1a to the interim financial statements for further details in relation to the restatement.

Capital risk management

Consistent with others in the industry, the Group monitors capital on the basis of LTV ratio. This is calculated as net debt divided by the investment property value.

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Total interest-bearing loans and borrowings (including shareholder loans and excluding debt costs)	306,097.0	290,390.7
Less: cash and cash equivalents	(44,815.4)	(55,028.9)
Tenant deposit cash held	3,033.9	3,331.4
Net debt	**264,315.5**	**238,693.2**
Investment property	666,886.0	660,885.2
Investment property under construction	9,054.1	18,649.7
	675,940.1	**679,534.9**
LTV ratio	**39%**	**35%**

The Group's capital is managed through regular review of the ability of the Group to meet contractual commitments and covenant tests. The current capital structure of the Group comprises a mix of debt and equity. Debt is both current and non-current interest-bearing loans and borrowings as set out in note 19.

19. Loans and borrowings

Interest-bearing loans and borrowings—due within 1 year

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Fixed rate borrowings at 4.75%—APG Strategic Real Estate Pool	49,699.0	35,608.5
Fixed rate borrowings at 0%—APG Strategic Real Estate Pool	20,385.3	19,318.9
Fixed rate borrowings at 4.75%—Grainger Unitholder No 1 Limited	16,477.0	11,806.3
Fixed rate borrowings at 0%—Grainger Unitholder No 1 Limited	6,758.9	6,405.3
Fixed rate borrowings at 4.75%—BY Development Limited	2,260.1	—
Net interest-bearing loans and borrowings	**95,580.3**	**73,139.0**

The fixed rate loans are provided by Grainger Unitholder No 1 Limited ('Grainger') and APG Strategic Real Estate Pool ('APG'). Grainger and APG are the investors in GRIP REIT plc and its subsidiaries. The loans bear current fixed interest at 4.75% on £47,414,735 (December 2017: £68,436,088) of principal and at 0% on the balance. The loans are repayable on demand.

On 12 February 2018, GRIP Unit Trust 6 repaid the shareholder loan due to BY Development Limited in full.

Accrued interest is payable on the last day of each month. Interest which is not paid when due is deemed under the unitholder loan agreement to be added to the loan balance. Interest which remains unpaid or uncapitalised incurs an additional 2.0% interest. The accrued interest is due to each of the unitholders in proportion to their fixed rate loans.

There is no security held against the shareholder loans.

Interest-bearing loans and borrowings—due after 1 year

	Audited 31 Dec 2017	Unaudited 30 Jun 2018
	£000	£000
Floating rate bank borrowings—Term Loan[1]	141,550.0	216,725.0
Floating rate bank borrowings—Revolving Facility	68,966.6	526.7
Debt costs amortised over the life of the loan	(743.7)	(925.6)
Net interest-bearing loans and borrowings	**209,772.9**	**216,326.1**

(1) The term loan matures June 2020.

The fair value of floating rate borrowings approximates their carrying values as at the statement of financial position date as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the latest applicable floating rates at the end of the period.

The total undrawn amount under the revolving facilities as at 30 June 2018 is £32.7 million (December 2017: £14.3 million). The revolving facility is due to be repaid at the end of each interest period but can be redrawn subject to a maximum 41% loan to value covenant and projected interest cover of 205% until final maturity in June 2020.

These loans are secured against the properties held by G:res Co 4 Limited, Grainger Residential Property Unit Trust, GRIP Unit Trust 2, Kew Bridge Court Guernsey Limited, GRIP Unit Trust 6 and GRIP UK Property Investments Ltd.

20. Other information

Capital commitments

The Group had capital commitments as at each year/period end as follows:

31 December 2017: Silbury Boulevard development project totalling £23.6 million.

30 June 2018: East Street development project totalling £22.1 million (£23.5 million including furnishing and fit out costs) and Silbury Boulevard development project totalling £17.9 million (£19.1 million including furnishing and fit out costs).

Employees

The Group has no employees.

21. Fair value measurement—investment property and investment property under construction

The Directors appointed CBRE, an external valuer who was responsible for the external valuations of the Group's property portfolio. CBRE were also responsible for preparing an external valuation for interim management reporting purposes on a six-monthly basis.

For all investment property and investment property under construction that is measured at fair value, the current use of the property is considered the highest and best use.

All investment property and investment property under construction measured at fair value are categorised as Level 3 in the fair value hierarchy as one or more inputs to the valuation are partly based on unobservable market data.

Transfers into and out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment properties during the period.

The table below provides details of the assumptions used in the valuations and key unobservable inputs.

Class of property	Fair value	Valuation technique	Key unobservable inputs	Range 31 Dec 2017	Range 30 Jun 2018
Investment property—residential	30 Jun 2018: £660,885,104 31 Dec 2017: £666,885,997	Income capitalisation	Estimated Rental Value (ERV)	£1–£0.2m	£1–£0.2m
			Rental growth per annum	0%–5%	0%–5%
			Long-term vacancy rate	0%–30%	0%–30%
			Equivalent yield	0%–10%	0%–10%
			Comparable investment transaction yields	0%–10%	0%–10%
Investment property under construction—residential	30 Jun 2018: £18,649,762 31 Dec 2017: £9,054,150	Discounted cashflow (30 Jun 2018); Residual Approach (31 Dec 2017)	Discount rate	6.5%	8.0%
			Estimated gross development value	£34.9m	£64.2m
			Value of land and cost to date	£9.0m	£18.7m
			Cost required to complete the build	£23.6m	£42.7m
			Possible future risks and rewards until completion	£2.3m	£2.8m

For investment properties, significant increases (decreases) in the ERV (per sqm p.a.) and rental growth p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a significantly lower (higher) fair value measurement.

22. Parent and ultimate controlling party

GRIP REIT plc carries on the business of property investment through a portfolio of freehold and long leasehold investment properties located in the United Kingdom. The Company is established, resident and domiciled in the United Kingdom. APG Strategic Real Estate Pool is the ultimate parent and controlling party holding 75.1% of the shares.

23. Post balance sheet event

In October 2018, the Company paid a property income distribution for the year ended 31 December 2017 of £6.8 million.

PART VIII
UNAUDITED PRO FORMA FINANCIAL INFORMATION

PART A

Introduction

The unaudited consolidated pro forma statement of net assets as at 30 September 2018 and income statement for the year ended 30 September 2018, set out below in Part B and Part C respectively, have been prepared to illustrate the effect of the Rights Issue and the Acquisition on (i) the consolidated net assets of the Grainger Group as if the Rights Issue and the Acquisition had taken place on 30 September 2018; and (ii) on the income statement of the Grainger Group as if the Rights Issue and the Acquisition had taken place on 1 October 2017 (together the 'unaudited pro forma financial information'). The unaudited pro forma financial information has been compiled on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets is based on the Company's audited consolidated statement of financial position as at 30 September 2018 and the GRIP Group's unaudited statement of financial position as at 30 June 2018 as set out in Part C of Part VII ("*GRIP Historical Financial Information*") of this document and has been prepared on the basis that the Rights Issue and the Acquisition had taken place on 30 September 2018 and in a manner consistent with the accounting policies adopted by Grainger in preparing its audited financial statements for the year ended 30 September 2018.

The unaudited pro forma income statement is based on the Grainger Group's audited income statement for the year ended 30 September 2018 and the GRIP Group's audited income statement for the year ended 31 December 2017 as set out in Part A of Part VII ("*GRIP Historical Financial Information*") and has been prepared on the basis that the Rights Issue and the Acquisition had taken place on 1 October 2017 and in a manner consistent with the accounting policies adopted by the Company in preparing its consolidated audited financial statements for the year ended 30 September 2018.

This pro forma financial information is unaudited and is produced for illustrative purposes only; by its nature it addresses a hypothetical situation and therefore does not represent the Grainger Group's actual financial position or the results of the Rights Issue and the Acquisition nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The unaudited pro forma financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 nor SEC regulations.

Prospective investors should read the whole of this Prospectus and not rely solely on the summarised financial information contained in this Part VIII ("*Unaudited Pro Forma Financial Information*").

PART B

Unaudited Pro Forma Statement of Net Assets

	Grainger Group	Removal of investment in GRIP	Grainger Group excluding investment in GRIP	GRIP Group	Adjustments				Pro Forma
	Note 1 £m	Note 2 £m	Note 3 £m	Note 4 £m	Note 5 £m	Note 6 £m	Note 7 £m	Note 8 £m	£m
Non-current assets									
Investment property	589.7	—	589.7	679.5	—	—	—	—	1,269.2
Property, plant and equipment	0.3	—	0.3	—	—	—	—	—	0.3
Investment in associates	134.0	(109.2)	24.8	—	(18.2)	—	—	—	6.6
Investment in joint ventures	11.6	—	11.6	—	—	—	—	—	11.6
Financial interest in property assets	82.2	—	82.2	—	—	—	—	—	82.2
Retirement benefits	0.9	—	0.9	—	—	—	—	—	0.9
Deferred tax assets	3.4	—	3.4	—	—	—	—	—	3.4
Intangible assets	4.7	—	4.7	—	—	—	—	28.0	32.7
	826.8	**(109.2)**	**717.6**	**679.5**	**(18.2)**	**—**	**—**	**28.0**	**1,406.9**
Current assets									
Inventories—trading property	799.3	—	799.3	—	—	—	—	—	799.3
Trade and other receivables	150.4	—	150.4	2.5	(1.0)	—	—	—	151.9
Derivative financial instruments	4.4	—	4.4	—	—	—	—	—	4.4
Cash and cash equivalents	109.3	—	109.3	55.0	—	(396.2)	331.6	—	99.7
	1,063.4	**—**	**1,063.4**	**57.5**	**(1.0)**	**(396.2)**	**331.6**	**—**	**1,055.3**
Total Assets	**1,890.2**	**(109.2)**	**1,781.0**	**737.0**	**(19.2)**	**(396.2)**	**331.6**	**28.0**	**2,462.2**
Non-current liabilities									
Interest-bearing loans and borrowings	960.1	—	960.1	216.3	—	—	—	—	1,176.4
Provisions for other liabilities and charges	1.3	—	1.3	—	—	—	—	—	1.3
Deferred tax liabilities	29.9	—	29.9	—	—	—	—	—	29.9
Derivative financial instruments	—	—	—	1.8	—	—	—	—	1.8
	991.3	**—**	**991.3**	**218.1**	**—**	**—**	**—**	**—**	**1,209.4**
Current liabilities									
Interest bearing loans and borrowings	1.1	—	1.1	73.1	(18.2)	(54.9)	—	—	1.1
Trade and other payables	70.7	—	70.7	20.8	(2.0)	—	—	—	89.5
Provisions for other liabilities and charges	0.7	—	0.7	—	—	—	—	—	0.7
Current tax liabilities	7.4	—	7.4	—	—	—	—	—	7.4
Derivative financial instruments	3.4	—	3.4	—	—	—	—	—	3.4
	83.3	**—**	**83.3**	**93.9**	**(20.2)**	**(54.9)**	**—**	**—**	**102.1**
Total liabilities	**1,074.6**	**—**	**1,074.6**	**312.0**	**(20.2)**	**(54.9)**	**—**	**—**	**1,311.5**
Net assets	**815.6**	**(109.2)**	**706.4**	**425.0**	**1.0**	**(341.3)**	**331.6**	**28.0**	**1,150.7**

Notes

(1) The net assets of the Grainger Group as at 30 September 2018 have been extracted without adjustment from its audited financial statements for the year ended 30 September 2018.

(2) Pre-completion of the Rights Issue and the Acquisition, the GRIP Group is equity accounted for as an investment in an associate in the Company's consolidated financial statements in accordance with IFRS. The adjustment in Note 2 represents the elimination

of the equity investment net of the £18.2 million shareholder loan in the GRIP Group as presented in the Grainger Group's statement of financial position as at 30 September 2018. Following completion of the Rights Issue and the Acquisition, the GRIP Group will be accounted for as a wholly owned subsidiary of the Company in accordance with IFRS 3 (Revised).

(3) This column represents the net assets of the Grainger Group as extracted from its audited financial statements for the year ended 30 September 2018 as adjusted by Note 2 above.

(4) The net assets of the GRIP Group as at 30 June 2018 have been extracted without adjustment from its unaudited financial statements as at 30 June 2018 as presented in Part C of Part VII ("*GRIP Historical Financial Information*").

(5) The adjustment in Note 5 reflects the removal of intercompany balances comprising property management fees and asset advisory fees payable to the Grainger Group by the GRIP Group and shareholder loans held on the balance sheets of both the Grainger Group and the GRIP Group. The difference in the quantum of the adjustments impacting trade receivables and trade payables in respect of intercompany balances is due to the non-coterminous periods reported in the pro forma.

(6) The adjustment in Note 6 reflects the purchase consideration payable by the Grainger Group in respect of the Acquisition. The consideration payable is comprised of £341.3 million in relation to the acquisition of the GRIP Group and £54.9 million repayment of shareholder loans to the previous shareholder, which is eliminated on consolidation.

(7) The adjustment in Note 7 reflects the gross cash raised from the Rights Issue of £346.7 million net of costs of the Rights Issue and the Acquisition of £15.1 million. Such costs consist of adviser fees wholly attributable to the Rights Issue and the Acquisition and are non-recurring.

	Note 7
	£m
Rights Issue proceeds	346.7
Costs of Rights Issue and Acquisition	(15.1)
Net proceeds received	**331.6**

(8) The adjustment in Note 8 represents the goodwill that will be recognised in the Company's consolidated financial statements upon completion of the Rights Issue and the Acquisition, with the Acquisition being accounted for as a business combination in accordance with IFRS 3 (Revised). Goodwill of £28.0 million is calculated as the purchase consideration of £341.3 million less the Grainger Group's controlling interest in share of net assets acquired of £313.3 million as at 30 June 2018. Since June 2018, the GAV investment value of the GRIP Group's portfolio has increased 1.9 per cent.

A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed. Following the completion of the fair value assessment, goodwill on acquisition will be reassessed.

	Note 8
	£m
Consideration	341.3
Net assets acquired	(313.3)
Pro forma goodwill	**28.0**

The net assets acquired represent the Grainger Group's controlling interest acquired as follows:

	£m
Net assets as at 30 June 2018	425.0
Less estimated distributions[1]	(4.9)
Less non-controlling interest[2]	(6.5)
Equity attributable to owners net of estimated distributions	**413.6**
Net assets acquired (75.1% × £413.6m)	310.6
APG minority interest[3]	2.7
Net assets acquired	**313.3**

The adjustments above are in accordance with the terms of the agreement as follows:

(1) The reduction to the net asset position relating to the minimum property income distribution that was payable at 30 June 2018 under the UK REIT regime.

(2) The acquisition of the net assets that relate to APG's interest in the GRIP Group. The full minority interest in the GRIP Group as presented in Part C of Part VII ("GRIP Historical Financial Information") has been deducted to calculate the share of net assets directly held by APG.

(3) APG's non-controlling interest as at 30 June 2018 which is specifically being acquired under the agreement.

No adjustment has been made to reflect the consolidated trading results of the Grainger Group or the GRIP Group since 30 September 2018 and 30 June 2018 respectively or of any other change in their financial position in these periods.

PART C

Unaudited Pro Forma Income Statement

	Grainger Group	Removal of investment in GRIP	Grainger Group excluding investment in GRIP	GRIP Group	Adjustments		Pro Forma
	Note 1 £m	Note 2 £m	Note 3 £m	Note 4 £m	Note 5 £m	Note 6 £m	£m
Group revenue	**270.7**	—	**270.7**	**27.5**	—	—	**298.2**
Net rental income	43.8	—	43.8	20.2	1.8	—	65.8
Profit on disposal of trading property	81.2	—	81.2	—	—	—	81.2
Profit on disposal of investment property	1.4	—	1.4	0.7	—	—	2.1
Income from financial interest in property assets	6.5	—	6.5	—	—	—	6.5
Fees and other income	7.1	—	7.1	0.1	(3.8)	—	3.4
Administrative expenses	(27.9)	—	(27.9)	(5.8)	2.1	—	(31.6)
Other expenses	(1.1)	—	(1.1)	—	—	(2.0)	(3.1)
Profit on disposal of joint venture	7.0	—	7.0	—	—	—	7.0
Impairment of inventories to net realisable value	(0.5)	—	(0.5)	—	—	—	(0.5)
(Impairment)/reversal of impairment of joint venture	5.5	—	5.5	—	—	—	5.5
Operating profit before net valuation gains on investment property	**123.0**	**—**	**123.0**	**15.2**	**0.1**	**(2.0)**	**136.3**
Net valuation gains on investment property	22.6	—	22.6	4.3	—	—	26.9
Operating profit after net valuation gains on investment property	**145.6**	**—**	**145.6**	**19.5**	**0.1**	**(2.0)**	**163.2**
Change in fair value of derivatives	(0.2)	—	(0.2)	0.6			0.4
Finance costs	(27.2)	—	(27.2)	(8.2)	0.6	—	(34.8)
Finance income	2.1	—	2.1	—	(0.6)	—	1.5
Corporate bond redemption	(27.4)	—	(27.4)	—	—	—	(27.4)
Share of profit of associates after tax	7.2	(7.2)	—	—	—	—	—
Share of profit of joint ventures after tax	0.6	—	**0.6**	—	—	—	0.6
Profit before tax—continuing operations	**100.7**	**(7.2)**	**93.5**	**11.9**	**0.1**	**(2.0)**	**103.5**
Tax charge for the year—continuing operations	(13.3)	1.4	(11.9)	—	—	0.4	(11.5)
Profit for the year attributable to the owners of the Company	**87.4**	**(5.8)**	**81.6**	**11.9**	**0.1**	**(1.6)**	**92.0**

Notes

(1) The income statement of the Grainger Group for the year ended 30 September 2018 has been extracted without adjustment from its audited financial statements

(2) Pre-completion of the Rights Issue and the Acquisition, the GRIP Group is equity accounted for as an investment in an associate in the Company's consolidated financial statements in accordance with IFRS. The adjustment in Note 2 represents the elimination of the share of profits net of tax from the GRIP Group as presented in the Grainger Group's income statement for the year ended 30 September 2018. Following completion of the Rights Issue and the Acquisition, the GRIP Group will be accounted for as a wholly owned subsidiary of the Company in accordance with IFRS 3 (Revised).

(3) This column represents the income statement of the Grainger Group as extracted from its audited financial statements for the year ended 30 September 2018 as adjusted by Note 2 above.

(4) The income statement of the GRIP Group for the year ended 31 December 2017 has been extracted without adjustment from its audited financial statements as presented in Part A of Part VII "GRIP Historical Financial Information".

(5) The adjustment in Note 5 reflects the removal of intercompany transactions that will not continue following the Rights Issue and the Acquisition. In the year to 30 September 2018, the Grainger Group earned £3.8 million in property management fees and asset advisory fees from the GRIP Group that were recognised within fees and other income in the Grainger Group's income statement. In the year to 31 December 2017, the GRIP Group paid £1.8 million in property management fees and £2.1 million in asset advisory fees to Grainger, such amounts were recognised within net rental income and administrative expenses respectively in the GRIP Group's income statement.

The GRIP Group has shareholder loans repayable to the Grainger Group which bear fixed interest at 4.75 per cent on the principal amount. In the year to 30 September 2018, the Grainger Group earned £0.6 million in interest on shareholder loans from the GRIP Group that were recognised in finance income in the Grainger Group's income statement. In the year to 31 December 2017, the GRIP Group paid £0.6 million in interest on shareholder loans to the Grainger Group that were recognised in finance costs in the GRIP Group's income statement.

The difference in the quantum of amounts recognised in respect of intercompany transactions is due to the non-coterminous periods reported in the pro forma.

(6) The adjustment in Note 6 reflects the costs of the Acquisition. Such costs consist of adviser fees wholly attributable to the Acquisition and are non-recurring. Costs in relation to the Rights Issue will be attributed to equity in accordance with IAS 32 and as such do not impact the income statement.

The pro forma statement of net assets does not give effect to fair value adjustments to net assets arising from the purchase price being greater than the book value of the net assets acquired. The pro forma purchase price premium has been attributed to goodwill and no pro forma amortisation nor impairment charge has been applied to the goodwill balance in the period presented. The fair value adjustments, when finalised post completion of the Acquisition, may be material.

No adjustment has been made to reflect the trading results of the Grainger Group or the GRIP Group since 30 September 2018 or 31 December 2017 respectively or any other change in their financial positions in these periods.

PART D

Accountant's report on the unaudited pro forma financial information

KPMG

The Directors
Grainger plc
Citygate
St. James' Boulevard,
Newcastle upon Tyne
NE1 4JE

14 November 2018

Ladies and Gentlemen,

Grainger plc

We report on the pro forma income statement and statement of net assets (the 'Pro forma financial information') set out in Part VIII of the combined Class 1 circular and prospectus dated 14 November 2018, which has been prepared on the basis described in Part VIII, for illustrative purposes only, to provide information about how the proposed rights issue of ordinary shares of Grainger plc and the Class 1 acquisition by Grainger plc of GRIP REIT plc might have affected the financial information presented on the basis of the accounting policies adopted by Grainger plc in preparing the financial statements for the year ended 30 September 2018. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and paragraph 20.2 of Annex 1 of the Prospectus Directive Regulation and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

It is the responsibility of the directors of Grainger plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and paragraph 20.2 of Annex I of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6) and paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the combined Class 1 circular and prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Grainger plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Grainger plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Grainger plc.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully,

KPMG LLP

PART IX
GRAINGER VALUATION REPORTS

VALUATION REPORT

CBRE Ltd
Henrietta House
Henrietta Place
London
W1G 0NB

Switchboard +44 (0) 207 182 2000

Report Date	14 November 2018
Addressees	The Directors Grainger Plc 3rd Floor 1 London Bridge London SE1 9BG And, J P Morgan Securities plc 25 Bank Street 29th Floor London E14 5JP And, Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
The Properties	The properties held by Grainger Plc, as listed in Schedules 1 and 2 attached to this Report.
Property Descriptions	A description of the Properties held by Grainger Plc are listed in Schedules 1 and 2 attached to this Report.
Ownership Purpose	Investment and Development
Instruction	To value on the basis of Market Value the relevant interests in the Properties as at the Valuation Date in accordance with the letter of instruction and terms of engagement dated 12 November 2018.
Valuation Date	30 September 2018
Capacity of Valuer	External Valuer, as defined by the RICS Valuation—Global Standards (2017).
Purpose	The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation Global Standards (2017) ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in a Prospectus (the "Prospectus") which is to be published in connection with the proposed offer of new ordinary shares in Grainger Plc (the "Rights Issue") and the application for admission of those shares to the Official List of the Financial Conduct Authority (the "FCA") and to trading on the main market for listed securities of the London Stock Exchange ("Admission") and the acquisition by Grainger of APG Asset Management N.V.'s ("APG") 75.1% equity interest in GRIP REIT plc, APG's minority

interest in certain subsidiaries of GRIP REIT plc and APG's shareholder loans to GRIP REIT plc.

The effective date of valuation is 30 September 2018.

In accordance with the RICS Valuation Global Standards (2017) ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with Grainger Plc.

Aggregate Market Value . . . . **£347,161,300 (THREE HUNDRED AND FORTY SEVEN MILLION, ONE HUNDRED AND SIXTY ONE THOUSAND AND THREE HUNDRED POUNDS)** exclusive of purchaser's costs and VAT.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the Market Values of the assets. No account has been taken in reporting these Market Values of the extent of Grainger Plc's interests in the companies holding the subject Properties.

We are required to show the split of values between freehold-equivalent and leasehold property, and to report the following categories of property separately.

	Freehold Market Value	Long* Leasehold Market Value	Total Market Value
Properties held for Investment	£112,433,300	£172,150,000	£284,583,300
Properties held for Development	£ 62,578,000		£ 62,578,000
Total	**£175,011,300**	**£172,150,000**	**£347,161,300**

* More than 50 years unexpired

Report Format . . . . Schedules 1 and 2 provide the Property Details of the Portfolios and include relevant details of those properties which have an individual Market Value in excess of 5% of the total aggregate Market Value of the Portfolio.

Compliance with Valuation Standards . . . . The valuation has been prepared in accordance with the RICS Valuation Global Standards (2017) ("Red Book"). The property details on which each valuation is based are as set out in this report.

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the London Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Assumptions . . . . We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites—including ground and groundwater contamination—as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions . . . . None.

ESMA 130 (vi) . . . . There is a difference between the value in the Grainger Plc accounts of £1.5 million higher than the Market Value reported herein. The valuation used within the Grainger Plc accounts differs because it includes the deposit paid for a site that has not been valued by CBRE; excludes deferred land payments to be received by Grainger; and includes various properties at cost that are either not valued by CBRE or are due to be sold

Properties held as an investment . . . Our principal method of valuation is an income capitalisation approach comprising the assessment of net income and appropriate net yield with allowances for operational costs. We then cross reference against a number of key benchmarks such as underlying vacant possession values, aggregate 'break-up' value and returns (IRR).

Properties held for Investment in the Course of Development . . . . Properties held for Investment in the course of development have been valued having regard to the estimated value upon completion less all outstanding costs (see Properties held for Development below) including an allowance to reflect outstanding project risk / reward (where appropriate).

Properties held for Development . . . Properties held for Development or in the course of Development have been valued on the Residual (Development Appraisal) Method or by reference to comparable land sales. This is the commonly practised method of valuing development property, whereby the estimated total costs of realising the proposed development (including construction costs, fees and other on-costs, contingencies, costs of finance and developer's profit) are deducted from the gross development value of the completed project to determine the residual land value.

It should be noted that land values derived from a Residual Development Appraisal calculation are extremely sensitive to minor changes in any of the inputs. Whilst we have checked the information provided to us against available sources of information and provided for a level of profit which in our opinion reflects the level of risk inherent in the project, unforeseen events such as delays in timing, minor market movements etc. can have a disproportionate effect on the resulting value. Land values have been benchmarked against comparable transactions where available and reflect our opinion as at the date of valuation. Should information which we were not made aware of at the time of the valuation subsequently come to light which changes our view on any of the input variables adopted, then the value reported is subject to change and we reserve the right to amend our valuation figures accordingly.

Market Conditions . . . . The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Market Uncertainty . . . . On 14 June 2017, a fire at the Grenfell Tower apartment block in London became out of control resulting in significant loss of life and which destroyed the building. A public inquiry has been established to investigate the circumstances.

The independent review of Building Regulations and Fire Safety led by Dame Judith Hackitt was published in May 2018. One of the key recommendations of the Hackitt Review was for a new Building Regulations regime for residential buildings of 10 storeys (18m) or higher. The Government has not yet stated which measures recommended in the Hackitt Review will be implemented or the timing of any such regulatory changes. However, it has announced that it intends to legislate to ban combustible cladding materials, possibly for buildings lower than 18m as well as those above this height (subject to consultation).

We are aware that market participants that are affected by the same or similar issues continue to review details of construction, health and safety, particularly fire prevention, mitigation and means of escape from tall residential buildings. However, in view of the lack of clarity on any regulatory changes, it remains too early to fully assess any valuation impact. Since the fire occurred, there has been limited evidence of market activity involving tall residential investments. In the light of these circumstances, this valuation has been undertaken in the context of an unclear regulatory environment and we would therefore recommend that it is kept under regular review. Similarly, in the short-term, it is also likely that potential investors and occupiers will be more cautious and the liquidity and pricing of some properties may be impacted.

We have been provided with details of the Fire Safety Audit undertaken by Grainger Plc following the Grenfell fire. We understand that no properties have been identified with ACMs and no remedial works are currently required. Hence, we consider that the Portfolio is unlikely to be affected by the uncertainty set out in the preceding paragraph.

Valuer . . . . The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation Global Standards (2017).

Independence . . . . The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total United Kingdom revenues.

We confirm that we do not have any material interest in Grainger Plc or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and Grainger Plc has confirmed to us that it also considers this to be the case.

Disclosure	In accordance with the Listing Rules, we make the following disclosures: We have valued to Development assets held by Grainger since March 2012 and its Build to Rent (BTR) portfolio since September 2017. We have disclosed the relevant facts concerning any conflict of interest to the Addressees and the other clients involved, and have received everyone's written, informed consent that is in order for us to carry out your valuation instruction.
Responsibility	For the Purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive. Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation.
Reliance	This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above. No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.
Publication	Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear. Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Yours faithfully

Jason Hardman MRICS
Executive Director
For and on behalf of
CBRE Limited
T: +44 20 7182 2802
E: jason.hardman@cbre.com

Yours faithfully

James Hinde MRICS
Director
For and on behalf of
CBRE Limited
T: +44 20 7182 2900
E: james.hinde@cbre.com

CBRE—Valuation & Advisory Services
T: +44 20 7182 2000
W: www.cbre.com
Project Reference:

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information . . . . We have carried out our work based upon information supplied to us by Grainger Plc, which we have assumed to be correct and comprehensive.

We have been provided with copies of Due Diligence Reports by:

- Legal Reports—we have been provided with various legal reports by various entities for the assets.
- Update meeting with Grainger Development team wherein we were provided with verbal progress updates for each asset
- Cost to complete and actual spend summaries through August 2018 and September 2018 as prepared by Grainger for Gun Hill, Apex House and Seven Sisters development schemes
- Development Cost Information for Clippers Quay, Eccy Village, Finzels Reach, Gilders Yard and Gilders Yard provided by Grainger as at September 2018.
- Schedule of accommodation for Gun Hill as prepared by DLA Architects
- Apex House Contract Cost Report No.10 as prepared by Core 5, dated 17 August 2018
- In addition we have previously been provided with:
- Sample leases where appropriate
- Copies of legal agreements including development agreements and sale agreements
- Schedules of accommodation, floor plans and 3rd party cost reports for development assets
- Planning documents supplemented with our own reviews of Local Authority online planning resources

The Properties . . . . Our report contains a brief summary of the properties details on which our valuation has been based.

Inspection . . . . Please refer to Schedules 1 and 2 attached to this Report.

Areas . . . . We have not measured the Properties but have relied upon the floor areas provided. We have not checked these on site.

We have relied upon the floor areas given to us by Grainger Plc, as set out in the attached schedules, which Grainger Plc advise us are correct and comprehensive.

Grainger Plc has advised us the areas have been calculated using the Gross Internal Area (GIA)/Net Internal Area (NIA) measurement methodology as set out in the RICS Code of measuring practice (6th edition) / RICS property measurement (1st edition, May 2015).

Environmental Matters . . . . We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition	We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.
Town Planning	We have not undertaken planning enquiries unless otherwise stated.
Titles, Tenures and Lettings	Details of title/tenure under which the Properties are held and of lettings to which they is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser. We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction . . . . An Assumption is defined in the Red Book Glossary and VPS 4 to be a "supposition taken to be true" (an "Assumption").

Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.

Grainger Plc has confirmed and we confirm that our Assumptions are correct as far as Grainger Plc and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.

For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.

Capital Values . . . . Each valuation has been prepared on the basis of "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or other grants.

Taxation, Costs and Realisation Costs . . . . As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.

Our valuations reflect purchasers' statutory and other normal acquisition costs.

VAT . . . . We have not been advised whether the properties are elected for VAT.

All rents and capital values stated in this report are exclusive of VAT.

Passing Rent . . . . Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.

Net Annual Rent . . . . Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer:

(i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value . The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values . . . . Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

Lease Expiries . . . . Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.

Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.

The Properties . . . . Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters . . . . In the absence of any information to the contrary, we have assumed that:

(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Energy Performance Certificates . . . We have assumed that the Properties possess or will possess current Energy Performance Certificates as required under Government Directives.

Repair and Condition . . . . In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings . Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

GRAINGER PLC BUILD TO RENT & DEVELOPMENT PORTFOLIOS

SCHEDULE 1—PROPERTY DETAILS

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
GRAINGER PLC—PROPERTIES HELD FOR INVESTMENT						
ABBEVILLE	Abbeville Apartments, 37 London Road, Barking, London IG11 8FW	The property comprises a modern purpose-built development of 100 flats and 10 parking spaces arranged over ground, third and five upper floors in east London. The first, second floors and part of ground floor is occupied by Asda.	21/08/2018		Leasehold—150 year long leasehold interest from 19 December 2012 at a peppercorn rent.	100 assured shorthold tenancies (ASTs)
BEREWOOD PRS	Waterlooville, Hampshire PO7 3AA	104 unit scheme located in Waterlooville, Hampshire, phased completion from Q3 2017–Q3 2018. 40% of the units are operated as private rental units for a maximum of 12 years, thereafter to be transferred to a registered provider for use as affordable homes. 12-year period commenced 06, October 2017.	29/07/2018	Freehold		71 (ASTs)
HORSNEY ROAD BATHS	Tiltman Place, London N7	Hornsey Road Baths is a mixed-use development completed in 2009, located in Finsbury Park. Ground rent investment for 150 residential dwellings.	20/07/2018	Freehold		Aggregate ground rent for 150 leases is £43,950 per annum.
KENSINGTON PARK ROAD	40/42 Kensington Park Road, London W11 3BT	Ground rent investment located in Notting Hill for 18 residential dwellings.	01/08/2018	Freehold		Aggregate ground rent receivable for 18 dwellings £990 per annum.
MACAULAY ROAD	25-33 Macaulay Road, Clapham, London SW4 0QP	Freehold ground rent investment to this scheme which completed in 2016. The scheme comprises 97 residential units.	01/08/2018	Freehold		Aggregate ground rent receivable for 97 dwellings is £34,550 per annum.

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
GRAINGER PLC—PROPERTIES HELD FOR INVESTMENT IN COURSE OF CONSTRUCTION						
APEX HOUSE	Apex House, Seven Sisters Road, London N15 5PQ	0.9-acre site located adjacent to Seven Sisters station, Haringey. 23-storey scheme to comprise 163 residential units,	20/07/2018	Freehold		None
CLIPPERS QUAY	Salford, Manchester M5	Located in Salford Quays, Manchester. The property will comprise 614 residential flats, across 5 blocks, with 218 undercroft car parking spaces, 7 commercial units and a gym. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion, which is between Q4 2018 and Q1 2019.	31/08/2018		Leasehold—held on four long leases subject to a ground rent of £60,950 per annum.	None
ECCY VILLAGE	Summerfield Road, Sheffield S11	0.89 acre site located on the outskirts of Sheffield city centre. Will comprise 237 flats, 3 retail units and 48 car parking spaces arranged over ground and eight upper floors. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion in August 2019.	12/03/2018	Freehold		None
FINZELS REACH	Georges Wharf & Hawkins Lane, Finzels Reach, Bristol, BS1 6BX	The property will comprise 194 flats, 3 retail units and 82 car parking spaces between two blocks known as Georges Wharf and Hawkins Lane. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion in March 2019.	13/09/2018		Leasehold—expiring 16 June 3004 at a peppercorn rent.	None
GILDERS YARD	11 to 21 Great Hampton St, Birmingham B18 6AX	1.2 acre site located in Jewellery Quarter, Birmingham. The property will comprise 157 flats, 4 commercial units and 41 car parking spaces in 3 new build blocks and a converted Listed building. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion in November 2019.	23/08/2018	Freehold		None
GORE STREET	Salford, Manchester M3	1.59 acre site located in Salford, Manchester. The property will comprise three residential buildings ranging from 13 to 22 storeys providing 364 apartment with 11 town houses. The development also includes 106 car parking spaces and six commercial/retail units totalling 7,830 sq ft. PC is scheduled for January 2020 to be held as an investment.	30/08/2018	Freehold		None
GUNHILL	South of Hospital Road, west of Gun Hill, Wellesley, Aldershot GU11	2.9 acre site located in Aldershot. Gunhill has planning consent for a scheme comprising 107 units forming 87 flats and 20 houses. Currently under construction, PC is scheduled for phased completion from November 2019, to be held as an investment. Planning restricted to 100% private units for private renting for 10 years after completion.	26/07/2018	Freehold		None

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
PROPERTIES HELD BY GRAINGER PLC WITH A MARKET VALUE OF GREATER THAN 5% OF THE TOTAL MARKET VALUE.						
ABBEVILLE	Abbeville Apartments, 37 London Road, Barking, London IG11 8FW	The property comprises a modern purpose-built development of 100 flats and 10 parking spaces arranged over ground, third and five upper floors in east London. The first, second floors and part of ground floor is occupied by Asda.	21/08/2018		Leasehold—150 year long leasehold interest from 19 December 2012 at a peppercorn rent.	100 assured shorthold tenancies (ASTs)
BEREWOOD PRS	Waterlooville, Hampshire PO7 3AA	The property comprises a modern purpose-built development of 100 flats and 10 parking spaces arranged over ground, third and five upper floors in east London. The first, second floors and part of ground floor is occupied by Asda.	29/07/2018	Freehold		71 (ASTs)
APEX HOUSE	Apex House, Seven Sisters Road, London N15 5PQ	0.9-acre site located adjacent to Seven Sisters station, Haringey. 23-storey scheme to comprise 163 residential units, and 9,461 sq ft of retail and gym. Currently under construction, due for completion in June 2020 to be held as an investment. Planning restricted to 104 private units for private renting for 10 years after Practical completion.	20/07/2018	Freehold		None
CLIPPERS QUAY	Salford, Manchester M5	Located in Salford Quays, Manchester. The property will comprise 614 residential flats, across 5 blocks, with 218 undercroft car parking spaces, 7 commercial units and a gym. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion, which is between Q4 2018 and Q1 2019.	31/08/2018		Leasehold—held on four long leases subject to a ground rent of £60,950 per annum.	None
FINZELS REACH	Georges Wharf & Hawkins Lane, FinzelsReach, Bristol, BS1 6BX	The property will comprise 194 flats, 3 retail units and 82 car parking spaces between two blocks known as Georges Wharf and Hawkins Lane. Aquired via a forward funding agreement with regular payments based on construction spend. To be held as an investment for rent on completion in March 2019.	13/09/2018		Leasehold—expiring 16 June 3004 at a peppercorn rent.	None
GORE STREET	Salford, Manchester M3	1.59 acre site located in Salford, Manchester. The property will comprise three residential buildings ranging from 13 to 22 storeys providing 364 apartment with 11 town houses. The development also includes 106 car parking spaces and six commercial/retail units totalling 7,830 sq ft. PC is scheduled for January 2020 to be held as an investment.	30/08/2018	Freehold		None

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
BEREWOOD LAND	Berewood, Waterlooville, Hampshire PO7	A major residential led development, under construction since 2012, with outline planning consent for: —2,550 dwellings (up to 40% affordable); —Employment land (B1, B2, B8); —Plus 2 primary schools, leisure facilities, allotments; community centre, health centre, cemetery; children's play areas and public open space. Strategy is to construct the infrastructure and fulfil the S106 obligations and sell parcels of fully serviced land. Residential land sales to date 67.8 acres (net) remainng land has capacity for a further 1,031 dwellings. Grainger Trust also acquired 4.43 acres, which it has developed with 104 apartments which are held for rent. Approximately 550 dwellings have been built. Approximately 107.7 acres (net) of residential land with capacity for between 1,415 to 1,515 dwellings remains unsold. To date 22.83 acres (net) of employment land has been sold with approximately 3.22 acres of employment land remained unsold.	03/10/2018	Freehold		Revenue on the unsold land reflects: Infrastructure: Outstanding infrastructure costs (including S106 obligations) of approximately £63 million. Modelled in the cashflow until Q1 2027. Residential Revenue: Day one "serviced" residential land values of £1.07 million per net developable acre (equating to circa £76,000 per blended plot). Modelled in the cashflow until

GRAINGER PLC BUILD TO RENT & DEVELOPMENT PORTFOLIOS

SCHEDULE 2—PROPERTY DETAILS

Property Name	Property Address	Brief Description	Date of CBRE inspection	Tenure		Key Development Appraisal Inputs
				Freehold	Leasehold	
GRAINGER PLC PROPERTIES HELD FOR DEVELOPMENT						
BEREWOOD	Berewood, Waterlooville, Hampshire PO7	A major residential led development, under construction since 2012, with outline planning consent for: —2,550 dwellings (up to 40% affordable); —Employment land (B1, B2, B8); —Plus 2 primary schools, leisure facilities, allotments; community centre, health centre, cemetery; children's play areas and public open space. Strategy is to construct the infrastructure and fulfil the S106 obligations and sell parcels of fully serviced land. Residential land sales to date 67.8 acres (net) remainng land has capacity for a further 1,031 dwellings. Grainger Trust also acquired 4.43 acres, which it has developed with 104 apartments which are held for rent. Approximately 550 dwellings have been built. Approximately 107.7 acres (net) of residential land with capacity for between 1,415 to 1,515 dwellings remains unsold. To date 22.83 acres (net) of employment land has been sold with approximately 3.22 acres of employment land remained unsold.	03/10/2018	Freehold		Revenue on the unsold land reflects: Infrastructure: Outstanding infrastructure costs (including S106 obligations) of approximately £63 million. Modelled in the cashflow until Q1 2027. Residential Revenue: Day one "serviced" residential land values of £1.07 million per net developable acre (equating to circa £76,000 per blended plot). Modelled in the cashflow until 2025, inferring an absorption of circa 180 private dwellings per annum. Commercial Revenue: Day one "serviced" commercial land values of £450,000 per net developable acre
BLUE STAR LAND	Blue Star Land, Waterlooville, Hampshire PO7	4.4 acre site located adjacent Berewood development. High level plans for the site indicate approximately 2.2 acres of land with capacity for 32 residential units and 2.2 acres of land with potential for employment uses.	03/10/2018	Freehold		—c.2 acres of commercial land at £450k per acre —c.2 acres of potential residential development (circa 32 units) valued assuming planning less deduction for risk.
DIDCOT	Land to the East of New Road, Didcot, Oxfordshire	17.8 acre site of Agricultural Land located in Didcot, Oxfordshire. Planning consent rejected on appeal for 170 dwellings in March 2017.	07/08/2018	Freehold		Valued at approximately £50,000 per acre.
KEMPSHOTT	Island Site, Kempshott, Basingstoke RG23	5.3 acre greenfield site located 4 miles south west of Basingstoke. Planning permission granted on 22 June 2018 for 'Erection of 70 no. bed care home, 28 no. bed specialist care facility, 42 no. retirement living apartments, a public house and a dental surgery including associated infrastructure, access, car parking and landscaping.' Sale agreed to a third party.	07/08/2018	Freehold		Valued having regard to agreed price less discount for risks.
KNOLLYS ROAD	Knolly's Road, Aldershot, GU11	0.18 acre site located in Aldershot purchased in April 2016. Planning application to be submitted for the demolition of the existing building and to erect two pairs of semi-detached houses, with 3 bedrooms and integral garages.	26/07/2018	Freehold		GDV—£1,800,000 Costs—£750,000 Profit on Cost—20%
LONGSTROPS KESGRAVE	Longstrops, Kesgrave, Ipswich IP5	130 acre greenfield site (primarily farmland) bounded by Dobbs Lane to the East and Bell Lane to the West. Subject to an option agreement over 18 acres (net developable) and access rights to the adjoining Ipswich Speedway car park to third party. Planning application for residual development rejected on appeal in 2018. No planning permission for redevelopment but prospects indicated by recent Planning Inspector's appeal report.	18/07/2018	Freehold		£37,000 per acre

Property Name	Property Address	Brief Description	Date of CBRE inspection	Tenure		Key Development Appraisal Inputs
				Freehold	Leasehold	
MARTLESHAM VILLAGE CP	Village Car Park and Land South of Village Centre, Martlesham, Ipswich IP5	Village Car Park (2.52 acres); and Land South of Village Centre (0.4 acres). Martlesham Village is located 6 miles to the East of Ipswich. Planning application submitted in August 2017 to amalgamate the two sites and for the development of 10 dwellings with car-parking re-provision. Application was withdrawn following a Tree Preservation Order being been placed on the site. The site is currently considered incapable of redevelopment with legal investigations underway as to potential future use.	18/07/2018	Freehold		Assessed against potential revenue for use as a car park, discounted for planning risk.
SEVEN SISTERS	Seven Sisters (Wards Corner), Seven Sisters Road, London N15 5JX	Development site of 0.71-hectares in fragmented ownership with planning permission for 196 residential units (100% private) and 40,000 sq ft of retail plus reconfiguration of Seven Sisters underground station. Grainger has a development agreement with LB Haringey and Freehold of part of land required for development. Land assembly currently ongoing, hence development not started.	06/08/2018	Freehold & Development Agreement		Valued at 150% of current use value to reflect development potential.
SEGHILL	Pitt Lane, Seghill, Northumberland NE23	12.4 acres of land designated as Green Belt, currently used as pasture land located in Seghill. There is no planning application/proposal in place for this site.	13/07/2018	Freehold		£4,800 per acre agricultural land
WOODCROFT FARM	Woodcroft Farm, Wecock, Hampshire PO8	76.47 acres of land used for agricultural use, located north of Waterlooville and immediately to the west of the village of Lovedean. Existing buildings on the site include Woodcroft Farmhouse (locally listed). In 2015, Havant Council granted planning consent for 288 residential units on 26 acres of land at the southern end of site. This has been split into two phases of 160 units and 128 units. Phase 1 has now been sold to Linden Homes. Phase 2 is expected to be sold to Linden Homes imminently.	03/10/2018	Freehold		Valued as 3 separate elements 1) consented development land: Residual GDV: £30.22m Total Dev. Cost exc. Profit: £21.35m Profit: £5.04m less 35% of gross land value payable to the Council 2) unconsented development land: Residual GDV: £29.53m Total Dev. Cost exc. Profit: £19.29m Profit: £4.92m less 40% risk/deferment 3) agricultural land: 33 acres @ £8k per acre

allsop

Ref: AWW/PW

14 November 2018

The Directors
Grainger plc
1 London Bridge
LONDON
SE1 9BG

J P Morgan Securities plc
25 Bank Street
29th Floor
LONDON
E14 5JP

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Dear Sirs and Madams

GRAINGER PLC ('THE COMPANY')—VALUATION OF UK RESIDENTIAL PROPERTIES

1. INSTRUCTIONS

1.1 Further to your instructions, confirmed by our Terms of Engagement dated 6 November 2018, we have valued the Properties (as defined herein) owned by the Company and its subsidiaries (the 'Group') or subject to an unconditional contract to purchase, as at 30 September 2018.

1.2 The purpose of this valuation and schedule is for the publication by the Company of an approved prospectus ('the Prospectus') in connection with the proposed offer of a proposed rights offering of ordinary shares of the Company ('the Rights Issue') and the admission of listing of those shares on the premium listing segment of the Official List of the Financial Conduct Authority ('the FCA') and to trading on the London Stock Exchange plc's main market for listed securities and the acquisition of the Company of APG Asset Management N.V.'s ('APG') 75.1% equity interest in GRIP REIT plc ('GRIP), APG's minority interest in certain subsidiaries of GRIP and APG's shareholder loans to GRIP.

1.3 This is a Regulated Purpose Valuation having regard to the Royal Institution of Chartered Surveyors Valuation—Global Standards 2017, which incorporate the International Valuation Standards (7th Edition) issued by the International Valuation Standards Committee ('IVS'), and the RICS Professional Standards UK January 2014 (revised April 2015), as amended ('The Red Book'). We are therefore required to make the following disclosure.

a) Allsop LLP ('Allsop') has prepared valuations for the Company since September 2002, including for financial reporting purposes. Allsop has reported on the Properties for the Company's financial statements and to its lenders for the year ending 30 September 2018.

b) Allsop has had a relationship with the Group for a period in excess of 20 years, receiving fee income in respect of valuations, disposals and acquisitions.

Property Consultants
Allsop LLP
Platform (8th Floor)
New Station Street
Leeds LS1 4JB
T +44 (0)113 236 6677
www.allsop.co.uk

c) In relation to the Allsop financial year ending 31 March 2018, the proportion of the total fees paid by the Group to the total fee income of Allsop, is less than 5%. There has been no material increase in the proportion of fees payable by the Group since the end of the last Allsop financial year.

1.4 The Group's lenders have consented and have not withdrawn their consent for us to report for these purposes. Having considered matters carefully we do not believe that we have a conflict of interest.

1.5 The Listing Rules of the FCA and the Red Book requires us also to confirm the status of the valuer. We can confirm that the valuer is Andrew Wells BSc MBA FRICS (No. 0075274) ('The Valuer') who is an External Valuer and is an independent expert and Registered Valuer. We confirm that the Valuer meets the requirements of the Red Book and has sufficient knowledge, skills and understanding to undertake this valuation competently. This valuation has been countersigned by Robert Austen MRICS (No. 1154048). Neither of the signatories has any ownership of securities issued by the Company, has no former employment with the Group and no connections with the financial intermediaries listed as addressees of this report.

1.6 The Valuer has been the signatory to previous valuations for the Company for a continuous period since March 2017. Allsop has a policy of rotating valuers every seven years.

1.7 The Valuer has been assisted (particularly in relation to inspection of the Properties) by other Registered Valuers who are partners or employees of Allsop.

1.8 Our Valuation meets the requirements of the Red Book and has been made in accordance with the relevant definitions, guidance and assumptions contained therein and in accordance with the relevant provisions of the Listing Rules and Prospectus Rules issued by the UK Listing Authority and the FCA. This is a condensed report as permitted by the Red Book for this purpose.

1.9 The Date of Valuation is 30 September 2018 ('the Valuation Date').

1.10 The bases of value are Market Value or Investment Value or Existing Use Value for Social Housing (each as defined in the Red Book and explained herein—see section 12 below) and these are the same bases as incorporated in the Group's financial statements. Our valuations are subject, where applicable, to any existing tenancy, lease, agreement or occupancy.

1.11 Our valuations reported herein are presented as an aggregate of valuations of each Property within each grouping of Properties, but in view of the scale of the portfolios of Properties we have not given a line-by-line list of the valuation of each Property.

1.12 The Valuation is subject to assumptions which are listed at Annex 1.

2. THE PROPERTY GROUPINGS

2.1 The properties we have valued are the 6,600 mainly residential property assets located in the UK held by the Group as at the Valuation Date. The assets are grouped as follows:

Core Portfolio—the Company's trading portfolio comprising 2,584 dwellings.

Private Rented Sector ('PRS') Portfolio—the Company's market let residential investment portfolio comprising 1,610 dwellings.

CHARM Portfolio—the Company's financial interest in 580 dwellings which are subject to mortgages held by the Church of England Pensions Board.

GInvest Portfolio—a discrete portfolio of 949 residential and commercial property assets and 271 units sold on long leases wholly owned by the Company.

Grainger Trust Portfolio—the 289 dwellings owned by the Company's Registered Provider subsidiary, let as affordable housing.

Tricomm Housing Portfolio—the 317 dwellings contained within a vehicle wholly owned by the Company which is subject to a PFI Project Agreement with the Secretary of State for Defence and concerns the provision, management and long term freehold ownership of houses occupied mainly by military personnel.

2.2 Within the Core and PRS portfolios, our valuation does not include interests which comprise a variety of minor interests ('the Minor Interests') such as ground rents (except in the GInvest grouping) garages, parking spaces, small parcels of land (not held for development) and other similar property types. The Minor Interests are valued by the Company in-house and are included at the Directors' opinion of value within the Company's financial statements.

2.3 We have not valued property interests held by the Group which are held for or under development, for the Group's own occupation and properties held in funds and vehicles in which the Group has an interest.

2.4 The Company's purpose-built blocks for rental ('Build to Rent') and the associated development pipeline has been valued by another valuer.

2.5 The Company's interest in the 'GRIP' Portfolio has been valued by another valuer.

3. INFORMATION RELIED UPON

3.1 For all of the groupings shown in the previous section, we have received from the Company a schedule of addresses, accommodation, tenure, tenancies, tenancy type and rental income as at 30 September 2018 and we have relied upon this entirely in arriving at our valuations. We have undertaken no separate verification of the accuracy of the information and have therefore assumed that it is complete and correct.

3.2 Our inspections have been on an external basis only in view of the significant numbers of Properties and the existence of tenancies.

4. EXTENT OF INSPECTION

4.1 In view of both the scale of the properties valued herein and the existence in most cases of residential tenancies, inspection by Allsop has been from the exterior only, except in the case of the GInvest grouping where we have inspected approximately 20 per cent. of the London dwellings internally.

4.2 We have made assumptions (agreed with the Company and contained within Annex 1 herewith) on anticipated internal condition. In some cases—particularly in relation to higher value dwellings—we have also been provided with floor plans and/or floor areas.

4.3 In all of the groupings except the Core Portfolio, Allsop has inspected the exteriors of all of the dwellings within three months of the Valuation Date. In the Core Portfolio, Allsop has inspected 1,846 dwellings (representing 71.4 per cent. by number) within three months of the Valuation Date. In relation to the balance, 712 dwellings (27.6 per cent.) have been inspected externally between four and fifteen months of the Valuation Date. This means that all but 26 properties (representing 1.0 per cent.) have been inspected externally by Allsop within the last 15 months. These comprise dwellings acquired by the Company since our inspection regime began and dwellings not inspected because they could not be identified or where the occupier denied external access.

4.4 In the cases of the properties not inspected, they are included in our valuations herewith but at the Company's purchase cost (for recent acquisitions) or the Company's opinion of vacant possession value, which is then placed at Market Value by Allsop in accordance with the methodology outlined in section 11.2 below.

5. THE CORE PORTFOLIO

5.1 The Core Properties comprise a mixture of houses and flats across the UK occupied by rent paying tenants on a variety of different tenancy types. The predominant tenancy type in the Core Portfolio is Properties subject to regulated tenancies (82.0 per cent. of dwellings by market value in the Core Properties at the Valuation Date) where tenants have long term security of tenure, a right for their rent to be set in accordance with the Rent Act 1977 (as amended) and limited rights of succession following the termination of the tenancy.

5.2 The Core Portfolio also includes dwellings let on assured periodic or assured tenancies (7.9 per cent. combined by value respectively at the Valuation Date) where tenants also have long term security of tenure but where a market rent can be charged and there is no right of succession. There is a small proportion (5.9 per cent. of the total by value at the Valuation Date) where there are other forms of tenancy including assured shortholds, caretaker's flats, fixed rent tenancies and licences to occupy. The Core Portfolio also includes vacant properties (4.2 per cent. of the total by value at the Valuation Date) which are held by the Company at the Valuation Date pending refurbishment or sale.

5.3 Of the 2,584 dwellings comprising the Core Portfolio, the Company holds a freehold interest in relation to 2,143 Properties and a leasehold interest in relation to 441 Properties. The Properties are located in all of the English regions (there are no properties in Wales, Scotland and Northern Ireland) with the greatest concentrations in Greater London (65.2 per cent. of the total by value) and the South East (10.6 per cent.).

5.4 At the Valuation Date the tenanted Properties produce a gross rental income of £21,731,747 per annum equivalent.

6. THE PRS PORTFOLIO

6.1 There are 1,302 flats contained within 31 individual blocks of flats in England with particular concentrations in the metropolitan areas of North West (Greater Manchester and Liverpool) the North East (Newcastle) and Yorkshire (Leeds and Sheffield). The flats are let on assured shorthold tenancies at market rents and managed for income and growth. At the valuation date the occupancy stood at 97.2 per cent. of dwellings and produce a gross rental income of £9,943,071 per annum equivalent.

6.2 The PRS Portfolio also contains 308 dwellings let on assured shorthold tenancies dispersed around England in small blocks or as individual flats or houses. These have an occupancy level at the Valuation Date of 98.7 per cent. and produce a gross rental income of £2,752,674 per annum equivalent.

6.3 Of the 1,610 dwellings comprising the PRS Portfolio, the Company holds a freehold interest in relation to 575 Properties and a leasehold interest in relation to 1,035 Properties.

7. CHARM PORTFOLIO

7.1 This valuation includes 580 properties which are subject to mortgages held by the Church of England Pensions Board (the 'Pensions Board') as mortgagee in which the Company has a financial interest.

7.2 The Company has no responsibilities to collect interest payments or handle redemptions in relation to the underlying mortgages; interest is deducted at source from the occupant's pension by the Pensions Board and passed to the Company monthly by the Church Commissioners. Equally, when there is a mortgage redemption or death, it is the Pensions Board who secures the sale of the property/ redemption. The Church Commissioners pay the Company an agreed proportion of the sales proceeds. As explained in section 11.4 below, our valuation of the Company's share of equity in the CHARM portfolio is on the special assumption that all of the properties are available with vacant possession; we have made no apportionment to reflect the Group's interest in the mortgages associated with the CHARM Portfolio or deferment for the predicted period until the mortgage may be redeemed.

7.3 There is no rental income accruing to the Company from these properties.

8. GINVEST PORTFOLIO

8.1 The GInvest Portfolio comprises properties wholly owned by the Company but held in five holding companies, Grainger Invest No 1 LLP, Grainger Invest No 2 LLP, Grainger Bradley Ltd, Grainger Southwark Ltd and PHA Ltd.

8.2 It contains 949 properties of which 859 (90.5 per cent. of the total number) are located in Greater London and the balance in Paignton, Devon. The dwellings are let, much like the Core Portfolio on a variety of tenancies which include regulated, assured, assured periodic and assured shorthold tenancies. In addition to the 949 properties there are 271 units sold on long leases. There are 22 vacant residential properties at the Valuation Date. The gross rental income from all properties at the Valuation Date is £11,628,856 per annum equivalent.

8.3 This Portfolio contains 39 properties let as commercial investments within larger residential blocks. These are included within our valuation of this grouping; they currently produce a gross rental income of £462,600 exclusive per annum equivalent, this sum included within the total rent stated in the preceding paragraph.

8.4 Of the 949 dwellings comprising the GInvest Portfolio, the Company holds a freehold interest in relation to 899 Properties and a leasehold interest in relation to 50 Properties.

9. GRAINGER TRUST PORTFOLIO

9.1 This grouping contains 289 dwellings owned by Grainger Trust Ltd, a for-profit Registered Provider of affordable housing, registered with Homes England and established in 2012. Grainger Trust has currently four locations at Berewood (Waterlooville), Wellesley (Aldershot), Kennel Farm (Basingstoke) and Archers Park (Sittingbourne). All of these locations are comprehensive strategic residential extensions to the built environment where Grainger plc has been responsible for promoting land, obtaining planning consent and disposing of it in phases to housebuilders.

9.2 Grainger Trust has secured an obligation from various housebuilders to sell to them the affordable housing dwellings when constructionally complete at a price fixed by contract. These affordable dwellings are delivered by Section 106 Agreements under the Town & Country Planning Acts tied to the planning consents at each scheme.

9.3 The dwellings are let or sold on one of three tenure types. The majority (52.6 per cent. of the current unit total) being 152 dwellings which are on assured shorthold tenancies for six years at a below market rent. Despite the initial letting period of six years, the agreements with the planning authority in each case require that the properties remain as affordable housing effectively in perpetuity

9.4 At the Berewood location, 31 dwellings are let on what are called Grainger Lets. These are assured shorthold tenancies let at 80 per cent. of Market Rent. The planning agreement states that these units must remain substantially in this form of rental tenure for a period of 25 years.

9.5 There are 106 dwellings at all four locations subject to shared ownership leases. Here an occupier has acquired a percentage of the equity in the dwelling and pays an affordable rent to Grainger Trust on the un-acquired share. Tenants have the right to 'staircase'—that is to say acquire additional portions of equity in the future in which case they pay the relevant percentage of Market Value of the whole at the time of staircasing. In turn the rent that they pay on the landlord's equity reduces as the landlord's share of equity reduces. At the Valuation Date the average proportion of equity owned by Grainger Trust in the shared ownership properties was 55 per cent.

9.6 The total income for all three tenure types at full occupancy is £1,858,731 per annum equivalent.

9.7 Of the 289 dwellings comprising the Grainger Trust Portfolio, the Company holds a freehold in all dwellings.

10. TRICOMM HOUSING PORTFOLIO

10.1 Tricomm is the vehicle owned by the Company which is a party to a PFI Project Agreement ('the Agreement') with the Secretary of State for Defence and concerns the provision, management and long term ownership of 317 modern freehold houses in five locations in the Avon and Portsmouth areas.

10.2 The Agreement runs until October 2028 and thus has approximately ten years unexpired at the Valuation Date. Tricomm receives a Unitary Payment (the 'UP') which at the Valuation Date was £8,364,000 per annum and grows by 20% of RPI annually. However there is provision in the Agreement for the Ministry of Defence ('the MoD') to hand back 11 dwellings per annum from October 2012 up to a maximum of 176 dwellings over the period of the Agreement. When a unit is handed back, the UP for that dwelling falls to 70% of what the UP would have been for that unit, if the MoD wishes to continue to occupy it. If the MoD does not wish to occupy it then Tricomm is free to let the unit in the open market. Eleven dwellings were handed back to Tricomm in the year prior to the Valuation Date, but these were the first to be handed back.

10.3 At the end of the Agreement period, the MoD can acquire the dwellings at market value, or it can re-tender the PFI contract (in which case the winning tenderer must compensate Tricomm for lost value) or it may elect to allow Tricomm to retain the properties in which case they must be disposed of within a three year period of termination and payment of an overage to MoD.

10.4 Tricomm has sub-contracted the delivery of services to Galliford Try Infrastructure Ltd ('Galliford Try') The provisions of this agreement with Galliford Try are that they mirror the obligations which Tricomm has to deliver to the MoD. Risk for the provision of services is substantially passed down therefore to Galliford Try through the FM sub contact, but the principal exception is lifecycle replacement where Galliford Try is only contracted to manage the delivery of replacements but do not assume the overall cost and financial risk associated with replacement.

10.5 Of the 317 dwellings comprising the Tricomm Portfolio, the Company holds a freehold in all dwellings.

11. VALUATION APPROACH

11.1 Vacant Possession Value Methodology

11.1.1 In order that we may arrive at a Market Value of the dwellings subject to existing tenancies, it is first necessary for us to arrive at a vacant possession value ('VPV') of each dwelling at the Valuation Date. As we shall see, the Market Value is arrived at by applying a discount to the VPV to reflect the existence of the tenancy, in accordance with market practice. For the 71.4 per cent. of Core Properties that we inspected and valued within three months of the Valuation Date of 30 September 2018 (the 'Inspected Properties') we have adopted those VPVs for this valuation. Each VPV is supported by comparable evidence of similar sales of properties in the open market and is as at the Valuation Date. The other 28.6 per cent. have been indexed from previous valuations ('the Indexed Properties') before the appropriate current market discounts are applied.

11.1.2 We have used the Company's September 2017 valuation as the base for the Indexed Properties. Of these Indexed Properties, 96.5 per cent. were subject to an Allsop inspection and valuation that year, whilst the remainder comprised VPVs provided by Grainger's in-house chartered surveyors or their managing agents and reviewed and accepted by Allsop.

11.1.3 It is worth noting that our reviews of the Directors' Valuation at both 30 September 2017 and 30 September 2018 found that in aggregate, the VPVs valued by the Company's in-house surveyors varied by less than 1 per cent. from the corresponding aggregate valuations conducted by Allsop.

11.1.4 The indexation we have used to value the Indexed Properties is a blend of a) the Halifax Regional House Price Index ('Halifax Index'), b) the Nationwide Regional House Price Index ('Nationwide Index') c) the LSL/Acad Regional House Price Index and d) the movement between the reported values of Properties that were inspected by us in 2017 and their equivalent reported values in 2018. We have weighted the indexation from September 2017 where one-sixth is based on the Halifax Index, one-sixth on the Nationwide Index, one-sixth on the LSL/Acad Index and the remaining one-half based upon the regional change in value seen in the Inspected Properties.

11.1.5 Our view is that the proprietary indices merit equal weight, whilst a one-half weighting based on our experience of the Company's own stock would more accurately reflect the fact that the majority of the Company's Core properties are un-modernised and therefore not wholly representative of the type of properties which would fall into the proprietary databases.

11.1.6 Over the 12 month period to 30 September 2018, the national movement in the Halifax Index was 2.5%, Nationwide 2.0%, LSL/Acad 0.9% and the Allsop sample 1.38%. Taking into account the weighting effect and the regional differences in the indices, the overall change from September 2017 in VPV for the Indexed Properties is, on average 1.0%. The change from September 2017 is lower than the notional indices shown above because of the weight of Core properties in London and the South East.

11.1.7 For the VPVs adopted in the PRS, CHARM, GInvest, Grainger Trust and Tricomm groupings there has been no requirement for indexation because we have inspected all of the units within three months of the Valuation Date and our VPVs are supported by relevant comparable evidence.

11.2 Market Value Methodology—Core Portfolio and GInvest Portfolio

11.2.1 In the market for individual residential investment properties, the recognised method of reflecting value for the existence of a tenancy is to apply a discount to the VPV in accordance with market evidence. Properties subject to regulated and other tenancies trade frequently at auction and in private treaty portfolios. We have collected evidence from our own and other auctions and wider market transactions to arrive at appropriate discounts to VPV.

11.2.2 There have been 49 sales of properties subject to regulated tenancies at auction in the six months prior to the Valuation Date. We have measured the sale price against our opinion of the VPV by undertaking an external inspection of each dwelling sold using exactly the same approach for the external inspection exercise described earlier. On average, we are of the opinion that average price achieved compared to the VPV across all sales has been 82.8%.

11.2.3 There are regional differences in the percentage achieved to VPV. We noted a lower percentage achieved for properties in Greater London (an average of 80.2%) but a higher percentage in the rest of the UK (at 83.6%). We also noted a clear trend of high percentages to VPV where properties are of low value and thus likely to be higher yielding.

11.2.4 There have been 10 sales of Properties subject to assured or assured periodic tenancies at auction in the six months to the Valuation Date. Whilst not a large sample size, the average price achieved to VPV for all type of assured tenancies is 86.5%. There is no identifiable regional trend in this average.

11.2.5 The Company does not have full information on the ages of its tenants and any obvious prospects for succession or otherwise in the Core or GInvest Properties. We have not therefore adjusted the percentages of VPV to reflect individual tenant circumstances. We have recognised however that many properties subject to protected tenancies put to auction may not be typical of a large long-held portfolio of protected tenancies. Some auction sales may not be 'typical' on account of, say, a young tenant, repairs to be undertaken or particular management difficulties.

11.2.6 To arrive at the Market Values of the Properties, we have therefore applied the following percentages of VPV to arrive at Market Values for the Core and GInvest groupings at the Valuation Date:

Regulated Tenancies	
Flats in IPD Region 1 (prime central London)	80.0%
Houses in IPD Region 1	81.0%
All dwellings over £150,000 elsewhere	82.5%
All dwellings £150,000 and under elsewhere	85.0%
Assured Periodic Tenancies	87.5%
Assured Tenancies	90.0%

11.2.7 Any vacant Core and GInvest Properties at the Valuation Date have been included in our valuation at their full VPV.

11.3 Market Value Methodology—PRS Portfolio

11.3.1 Our approach to the Market Value (investment valuation) of the PRS Blocks where we have identified the likely purchaser would be driven by yield (due to the scale and/or underlying appeal of the individual units to the owner occupier market) has been to assess an Estimated Rental Value (ERV) from full letting and derive an appropriate market-led gross initial yield from both the passing rent and the ERV.

11.3.2 Based upon comparable analysis of residential investment blocks that we have sold by private treaty and auction, it is our assessment that the band of gross initial yield outside of the capital that would be expected in the market today, would typically be between 6% and 8%, depending upon location and growth prospects. However, this must be balanced against the resultant discount to the aggregate vacant possession value so that, even at the desired yield band, no block exceeds about 100% of vacant value for its investment value or falls below about 85% of vacant value.

11.3.3 The average gross yield at our aggregate Market Valuation of the PRS blocks is 7.25%. The Market Value is at 97.3% of the aggregate VPV of the units in the blocks.

11.3.4 The 309 individual PRS properties let on assured shorthold tenancies at the Valuation Date are most likely to be sold at auction or by private treaty to individual Buy-to Let landlords. Reflecting this likelihood, we have valued the individual units at 95% of their VPV which we believe reflects market practice for individual residential investments.

11.4 Investment Methodology—CHARM Portfolio

11.4.1 As stated previously, the CHARM properties comprise a financial interest only not one which is a registered interest in freehold or leasehold land. Accordingly the Company adopts our opinions of value of each dwelling on a vacant possession assumption and undertakes an actuarially-based cash flow appraisal of the worth of the asset for financial reporting purposes.

11.4.2 In this report at section 12 below, we report the aggregate Market Value of the dwellings on the Special Assumption of Vacant Possession.

11.5 Existing Use for Social Housing Methodology—Grainger Trust

11.5.1 The affordable rented units within the portfolio must remain as such in perpetuity and we have capitalised the passing net affordable rent after deduction of estimated running costs of 22 per cent. of gross rent at a net yield of 3.9%, with no reversion. Our net yield rate reflects the highly secure income stream based on strong rental demand in this sector.

11.5.2 The Grainger Let units must remain at sub market rent levels for a period of 25 years from first letting. We have therefore adopted a 'term and reversion' approach to valuation by capitalising the passing rental income after a deduction of 23 per cent. of gross rent. We then assume a reversion to vacant possession sale value at the end of the restricted term. Our capitalisation rate is 4.25% and the deferment rate is 5.0%.

11.5.3 For the shared ownership dwellings we capitalise the current net rental income, the net income reflecting only a 3 per cent. deduction from gross rent to account for the fact that irrespective of the amount of equity owned by the shared owner, they are responsible on full for the repair and maintenance of the unit. Our capitalisation rate for the rent is 3.75% which reflects the more secure income because tenants are unlikely to default when they have a share in the ownership and also that the rent is guaranteed to rise by RPI +1% per annum.

11.5.4 We have allowed for staircasing income of 3 per cent. of equity per annum, meaning that 3 per cent. of the Grainger Trust equity is assumed to be acquired each year. In our opinion this is a prudent assumption in circumstances where other housing associations with whom we are involved are experiencing between 3 per cent. and 5 per cent. staircasing per annum presently.

11.5.5 The results of our valuations can be measured against the aggregate VPV of each tenancy type. The affordable rented units have an Existing Use Value for Social Housing of 67.8% of VPV, the Grainger Lets units are at 73.5% and the shared ownership units at 78.9% of the retained equity owned by Grainger Trust.

11.6 Investment Value Methodology—Tricomm

11.6.1 Our approach for this asset has been to undertake a discounted cash flow ('DCF') valuation over the remaining 10.1 years of the Project Agreement to arrive at an opinion of Investment Value.

11.6.2 We have made what we believe to be prudent assumptions on the likely change in house prices, rents and RPI over the period. In the regions in which the Tricomm units are situated, the housing market is still growing (although the rate of growth is slowing). We have therefore modelled a year one (i.e. to September 2019) expectation of 2% regional house price growth followed by 2.75% in year two and 3% in years three to five. The term rate for the remainder is projected by us at 2.75% per annum; just above long term inflation.

11.6.3 For RPI we have adopted a year one assumption at 3%, falling to 2.75% in year two, then a term rate from year three for the remainder of 2.5% per annum. According to the ONS, the RPIX index was at 3.5% in August 2018.

11.6.4 We have to predict market rental growth since it will apply to any dwellings where the MoD elects not to occupy them themselves. We have adopted 2.5% as a prudent term rate for the subjects given they comprise larger family housing; quite different to average rental stock across the UK where, typically, smaller semi-detached and terraced housing is dominant in terms of property type.

11.6.5 In relation to MoD hand-backs, we have adopted a rate of 25% hand-back (or 75% MoD take-up) based on the information we have received on very high levels of occupancy and demand for the units in the present environment. There are no indications presently that the MoD would wish to relocate, downsize or close the very substantial facilities that exist close to each of the housing sites. In any event, we have reflected a risk premium in our discount rate for non-Core income as discussed in paragraph 11.6.8 below.

11.6.6 In relation to the DCF discount rate, this is a highly secure income and can be compared with not only a gilt but also other very secure forms of secure property income such as ground rents.

11.6.7 The long term index linked gilt at the date of valuation which we have adopted is 1.3% and we have added a 2.25% risk premium which also reflects the relative illiquid nature of this investment.

11.6.8 We therefore adopt a DCF discount rate for the Core income of 3.55%. We have used a rate of 6.0% for non-Core income. We are of the view that the market would see the investment as effectively Government backed, but reflecting a degree of risk that it will be difficult to predict precisely how many units after will be handed back during the remainder of the term and/or will be converted to market rent dwellings.

11.6.9 We have adopted a rate for the reversion in 2028 of 8.75%, which is reflective of the balance of general risks associated with the housing market (and its opportunities), the uncertainty surrounding the exit option which the MoD may elect to take. In our DCF model we have assumed that the MoD will allow the Company to retain the estate and dispose of dwellings in an orderly fashion without discount over a three year period. It is unlikely that any overage would be paid to the MoD on this basis because of the extent of the high threshold beyond which overage is paid. The overage threshold is £223.6 million, compared to a current Market Value vacant aggregate of £125.02 million; the payment of overage is therefore improbable.

12. VALUATIONS

12.1 Our valuations of the Core, PRS, CHARM and GInvest groupings are on the basis of Market Value which is defined in the Red Book as:

"*The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgably, prudently and without compulsion*."

12.2 Our valuation of the Grainger Trust grouping is on the basis of Existing Use Value for Social Housing which is defined in the Red Book as:

"*The estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further Assumptions that:*

The property will continue to be let by a body pursuant to delivery of a service for the existing use;

At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements;

Properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and

Any subsequent sale would be subject to all of the above Assumptions."

12.3 Our valuation of the Tricomm Housing grouping is on the basis of Investment Value which is defined in the Red Book as:

"*The value of an asset to a particular owner or prospective owner for individual investment or operational objectives*".

12.4 We have reported our opinions of value using the definitions above in £ sterling.

12.5 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate Market Values of the freehold and leasehold properties in the Core Portfolio subject to their existing tenancies (where relevant) as at the Valuation Date totals **£873,193,442** (Eight hundred and seventy three million, one hundred and ninety three thousand, four hundred and forty two pounds).

12.6 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate of the Market Values of the Company's equity share in the freehold and leasehold properties in the CHARM Portfolio on the Special Assumption of Vacant Possession as at the Valuation Date totals **£81,476,411** (Eighty one million, four hundred and seventy six thousand four hundred and eleven pounds).

12.7 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate Market Values of the freehold and leasehold properties in the PRS Portfolio subject to their existing tenancies (where relevant) as at the Valuation Date totals **£186,606,200** (One hundred and eighty six million, six hundred and six thousand, two hundred pounds).

12.8 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate Market Values of the freehold and leasehold properties in the GInvest Portfolio subject to their existing tenancies (where relevant) as at the Valuation Date totals **£369,456,816** (Three hundred and sixty nine million, four hundred and fifty six thousand, eight hundred and sixteen pounds).

12.9 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate Existing Use Value for Social Housing of the freehold properties in the Grainger Trust Portfolio subject to their existing tenancies (where relevant) as at the Valuation Date totals **£41,159,533** (Forty one million, one hundred and fifty nine thousand, five hundred and thirty three pounds).

12.10 In accordance with the above and the methodology described herein, we are of the opinion that the aggregate Investment Value of the freehold properties in the Tricomm Housing Portfolio subject to the Project Agreement as at the Valuation Date totals **£121,414,714** (One hundred and twenty one million, four hundred and fourteen thousand, seven hundred and fourteen pounds).

12.11 The Schedule attached shows the breakdown of our Market Values by grouping and the freehold/ leasehold split.

12.12 We understand from the Company that it is required under IFRS and pursuant to its accounting policies to record a number of the properties within the Core Portfolio in its audited consolidated financial statements (the "Statutory Accounts") at either cost or net realisable value, both of which differ from Market Value in a number of respects. Accordingly, there are no directly equivalent numbers in the Group's Statutory Accounts to the Valuation of the Core Portfolio in this report.

12.13 Further, the Company records its valuations of the Core assets in its Statutory Accounts as Directors' valuations. Allsop values a substantial number (approximately two-thirds) of the assets in the Core portfolio as an independent check on the Directors' valuations prepared by the company's in-house team and as a result of those checks has expressed a high degree of confidence in the Directors' valuations.

12.14 Set out in paragraph 9.5 of Part V ("*Grainger Operating and Financial Review*") of the Prospectus is a table explaining the difference between the Valuations of the groupings in this report and the respective amounts recorded in the Group's statutory accounts.

12.15 We further understand from the Group that its interest in the CHARM Portfolio is recorded in its Statutory Accounts as a financial interest, since its interest is in mortgages over the properties in the CHARM Portfolio. We further understand that the Group is required under IFRS and pursuant to the Company's accounting policies to take into account a number of factors which are not related to the Market Value of the properties in the CHARM Portfolio in determining the amount recorded in its Statutory Accounts in respect of its financial interest in the CHARM Portfolio. Accordingly, there is no directly equivalent number in the Company's Statutory Accounts to the Valuation of the CHARM Portfolio in this report which is on the basis only of a Special Assumption of Vacant Possession. Set out in paragraph 9.5 of Part V ("*Grainger Operating and Financial Review*") of the Prospectus is a table explaining the difference between the Valuation of the CHARM Portfolio in this report, the amount recorded in the Group's Statutory Accounts in respect of its financial interest in the CHARM Portfolio and the amount recorded in the Group's Market Value balance in respect of the CHARM Portfolio.

13. LIABILITY AND PUBLICATION

13.1 This report has been prepared for inclusion in the Prospectus and is given on the assumption that all the information and assurances given to us and upon which we have relied, are correct. The valuation may be subject to monitoring under the RICS Conduct and Disciplinary Regulations.

13.2 The valuation has been made in accordance with the Practice Statements in the Red Book and any subsequent amendments. The valuation has been undertaken by an External Valuer who is an independent expert who conforms to the requirements of the Practice Statements.

13.3 For the purposes of Prospectus Rule 5.5.3(R)(2)(f) and item 1.2 of Annex 1 to the Commission Regulations (EC) No 809/2004 as set out in Appendix 3 of the Prospectus Rules, we are responsible for this Valuation Report and accept responsibility for the information contained in the Valuation Report and confirm to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of both CESR's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 and EU Directive 2003/71/EC and the ESMA update of the CESR recommendations ESMA/2011/81, published 23 March 2011 (where applicable).

Yours faithfully

Andrew Wells BSc MBA FRICS (RICS No. 0075274)
For and on behalf of
ALLSOP LLP

Robert Austen MRICS (RICS No. 1154048)
For and on behalf of
ALLSOP LLP

SCHEDULE

Grouping	Total Units	Freehold Units	Leasehold units	Freehold Market Value	Leasehold Market Value	Market Value
Core Portfolio	2,584	2,143	441	£ 686,955,835	£186,237,607	**£ 873,193,442**
PRS Portfolio	1,610	575	1,035	£ 66,300,986	£120,305,214	**£ 186,606,200**
CHARM Portfolio	580	526	54	£ 74,942,343	£ 6,534,068	**£ 81,476,411**
Ginvest Portfolio	949	899	50	£ 351,325,071	£ 18,131,750	**£ 369,456,821**
Grainger Trust Portfolio . .	289	289	0	£ 41,159,533	£ 0	**£ 41,159,533**
Tricomm Portfolio	317	317	0	£ 121,414,714	£ 0	**£ 121,414,714**
Aggregate	**6,329**	**4,749**	**1,580**	**£1,342,098,482**	**£331,208,639**	**£1,673,307,121**

ANNEX 1—ASSUMPTIONS

1. In view of the existence of residential tenancies at the majority of the properties, the properties will be inspected only externally and often only the front elevation will be visible to us. No internal inspections will be undertaken.

2. Clearly the internal condition, layout and room sizes may differ from what we envisage. If we undertook internal inspections there is every likelihood that our opinion of the values would alter—some would be worse than we had anticipated whilst others would be better. Consequently, any individual values set out in our schedules should be regarded as indicative only and should not be relied upon. However, given the size of the overall portfolio, the cumulative effect of these variations may reasonably be expected to cancel each other out. This should therefore ensure that the aggregate valuation is accurate.

3. We understand that all houses are held freehold and all flats have leases of at least 125 years unexpired at peppercorn ground rents. We will assume good title. We understand that we will not be supplied with copies of the leases, title documents or tenancy agreements. We will therefore assume that they contain no easements, restrictive covenants or unusual provisions that would be regarded as unusually onerous by prospective lessees or their mortgagees, and might thus depress the value of the properties. Interpretation of legal documents is the responsibility of your solicitors and any comments in our report should be confirmed by your legal advisers.

4. Unless advised otherwise, we will assume that all covenants have been complied with and that there are no disputes relating to the properties which might otherwise depress the values. We will also assume that the properties comply with all relevant Statutory Requirements (including, but not limited to Fire Regulations, Bye-Laws and Environmental Health) and that their values are unaffected by any adverse matters which would be revealed by a Local Search, replies to the usual enquiries or a Statutory Notice. We recommend that these assumptions are verified by your solicitors.

5. Where relevant and unless stated otherwise, any nomination rights which may be in existence will be assumed to be personal between the parties and not to run with the land. Accordingly, we will assume that such rights would not bind future owners following a transfer of Title.

6. Properties constructed within the last 10 years, will be assumed to have the benefit of NHBC, HAPM, Zurich Municipal or other certificates of insurance of equivalent status.

7. Plant, machinery and furniture will not be included in the valuation unless it forms part of the structure and is normally valued as part of such buildings.

8. In relation to each of the properties, we will assume that the ground is not liable to flooding, subsidence, shrinkage or any other such hazards and that they are not constructed on land filled ground. We will also assume that the properties are not affected by nor comprise contaminated land. This assumption could only be verified by specialist sampling and analysis which is outside our expertise. If your solicitors' searches reveal the likelihood of former contaminative uses, we would expect them to bring this to your attention. We will not carry out any investigation into the former uses of any of the properties. If during the course of our external inspections we notice any matter which leaves us to believe that our assumption in relation to the absence of contamination is unsafe, we will bring this to your attention.

9. Unless advised to the contrary, we will assume that the buildings do not contain any deleterious materials and that the ground has not been subject to or affected by contaminative uses and is not liable to flooding, subsidence, shrinkage or any other such hazard. We will also assume there are no underground mineral or other workings beneath the properties or in the vicinity. We confirm that we will not undertake any study of the past uses of the properties or land or any neighbouring property or land.

10. We stress that we will not undertake any form of structural survey or internal inspection of the properties and except to the extent apparent from the front elevation we will assume that they are in sound structural condition.

11. We will assume that unless we have been advised to the contrary the internal condition of the properties in Core (with the exception of the PRS blocks) are generally un-modernised and do not have up-to-date bathroom and kitchen fittings. We will assume that they have not been decorated internally for at least the last 10 years. We cannot accept responsibility for any existing defects or for those that might arise in the future. For the purpose of this report we will assume that the buildings are free from high alumina cement, blue asbestos and any other deleterious materials

12. We will assume that the internal condition of the flats in the PRS blocks are in good order suitable for letting on unfurnished ASTs in the private market.
13. We will assume that internal condition of properties subject to life tenancies (CHARM) is satisfactory and that tenants are meeting their leasehold obligations with regard to internal repair. However, our surveyors have been informed that the tenants are elderly and that the properties are unlikely to be specified to a contemporary standard
14. We will assume that the internal condition of the Grainger Trust properties is good commensurate with a social landlord meeting in full their obligations for repair.
15. We will assume that the internal condition of the Tricomm Housing properties is of a high standard in accordance with the maintenance and repair standards set out in the Project Agreement to which the properties are subject.
16. We will assume for all properties that all services are 'mains' connected. We will not test or inspect the services to the individual properties and will assume that they are in satisfactory working order and that the properties have access to these services on normal commercial terms.
17. We will not inspect planning consents and will assume that all the properties have been erected and are used in accordance with all requisite consents, that all conditions attached to such consents have been complied with in full and that the subject properties are free from any enforcement action. We will also assume that there are no current planning proposals relating to any of the immediate areas surrounding the properties which are likely to materially affect their values. These assumptions should be verified by your solicitors when they receive details of their searches.
18. No allowance will be made in the valuation for the incidence of tax, disposal or letting costs which may be incurred on the disposal (or letting) of the properties.

PART X
GRIP VALUATION REPORT

VALUATION REPORT

CBRE Ltd
Henrietta House
Henrietta Place
London
W1G 0NB

Switchboard +44 (0) 207 182 2000

Report Date	14 November 2018
Addressees	The Directors Grainger plc 1 London Bridge London SE1 9BG And, J P Morgan Securities plc 25 Bank Street 29th Floor London E14 5JP And, Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
The Properties	The properties held by GRIP REIT Plc, as listed in Schedule 1 attached to this Report.
Property Descriptions	A description of the Properties held by GRIP REIT Plc are listed in Schedule 1 attached to this Report.
Ownership Purpose	Investment and Development
Instruction	To value on the basis of Market Value the relevant interests in the Properties as at the Valuation Date in accordance with the letter of instruction and terms of engagement dated 12 November 2018.
Valuation Date	30 September 2018
Capacity of Valuer	External Valuer, as defined by the RICS Valuation—Global Standards (2017).
Purpose	The Valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation Global Standards (2017) ("Red Book"). We understand that our valuation report and the Appendices to it (together the "Valuation Report") is required for inclusion in a Prospectus (the "Prospectus") which is to be published in connection with the proposed offer of new ordinary shares in Grainger Plc (the "Rights Issue") and the application for admission of those shares to the Official List of the Financial Conduct Authority (the "FCA") and to trading on the main market for listed securities of the London Stock Exchange ("Admission") and the acquisition by Grainger of APG Asset Management N.V.'s ("APG") 75.1% equity interest in GRIP REIT plc, APG's minority interest in certain subsidiaries of GRIP REIT plc and APG's shareholder loans to GRIP REIT plc. The effective date of valuation is 30 September 2018. In accordance with the RICS Valuation Global Standards (2017) ("Red Book") we have made certain disclosures in connection with this valuation instruction and our relationship with GRIP REIT Plc.

Aggregate Market Value **£693,488,952 (SIX HUNDRED AND NINETY THREE MILLION, FOUR HUNDRED AND EIGHTY EIGHT THOUSAND AND NINE HUNDRED AND FIFTY TWO POUNDS)** exclusive of purchaser's costs and VAT.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the Market Values of the assets. No account has been taken in reporting these Market Values of the extent of GRIP REIT Plc's interests in the companies holding the subject Properties.

We are required to show the split of values between freehold-equivalent and leasehold property, and to report the following categories of property separately.

	Freehold Market Value	Long* Leasehold Market Value	Total Market Value
Properties held for Investment	£616,488,952	£54,000,000	£670,488,952
Properties under construction and held for Investment	£ 23,000,000		£ 23,000,000
Total	**£639,488,952**	**£54,000,000**	**£693,488,952**

* More than 50 years unexpired

We understand that the price at which Grainger Plc is acquiring the interest in GRIP REIT that it currently does not own, is a premium above our reported aggregate Market Value. This reflects the fact that the properties being are being acquired at a corporate level and at a portfolio level.

Report Format Schedule 1 provides the Property Details and Market Value of the Portfolio and include relevant details of those properties which have an individual Market Value in excess of 5% of the total aggregate Market Value of the Portfolio.

Compliance with Valuation Standards The valuation has been prepared in accordance with the RICS Valuation Global Standards (2017) ("Red Book"). The property details on which each valuation is based are as set out in this report.

The valuations are compliant with the International Valuation Standards, and are in accordance with paragraphs 128 to 130 of the ESMA update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of the European Commission Regulation (EC) no. 809/2004 implementing the Prospectus Directive and the London Stock Exchange requirements.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.

Properties held for Investment—Valuation Methodology Our principal method of valuation is an income capitalisation approach comprising the assessment of net income and appropriate net yield with allowances for operational costs. We then cross reference against a number of key benchmarks such as underlying vacant possession values, aggregate 'break-up' value and returns (IRR).

For the properties let on an overriding lease we applied a net yield to the aggregate Passing Rent to assess the Market Value of each block. We have also benchmarked this aggregate Market Value against the aggregate vacant possession value to verify the discount from vacant possession value.

Where there are individual units not contained within a single block (Bethnal Green, Streatham Estate, Tilt Non-Core) we have assumed that the likely demand for these properties will come from an owner occupier or individual buy to let investor. As such we have applied an appropriate discount to the vacant possession value of these units to reflect the time to sell these properties individually, the tenancy in situ or market conditions in the locality of the property.

Properties held for Investment in the Course of Development— Valuation Methodology . . . .

Properties held for Investment in the course of development have been valued having regard to the estimated value upon completion less all outstanding costs (see Properties held for Development below) including an allowance for profit to reflect outstanding project risks (where appropriate).

Assumptions . . . . We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites—including ground and groundwater contamination—as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions . . . . None.

ESMA 130 (vi) where required

There is a difference between the value in the Grainger Plc accounts of £2.3 million higher than the Market Value reported herein. The valuation used within the GRIP Financial reporting adopts a Special Assumption such that certain specific assets are valued on a break up basis rather than on complete blocks. This reflects the current and future strategy for by the GRIP REIT that these assets will be disposed of on a piecemeal basis as they become vacant.

Market Conditions . . . . The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

Market Uncertainty . . . . On 14 June 2017, a fire at the Grenfell Tower apartment block in London became out of control resulting in significant loss of life and which destroyed the building. A public inquiry has been established to investigate the circumstances.

The independent review of Building Regulations and Fire Safety led by Dame Judith Hackitt was published in May 2018. One of the key recommendations of the Hackitt Review was for a new Building Regulations regime for residential buildings of 10 storeys (18m) or higher. The Government has not yet stated which measures recommended in the Hackitt Review will be implemented or the timing of any such regulatory changes. However, it has announced that it intends to legislate to ban combustible cladding materials, possibly for buildings lower than 18m as well as those above this height (subject to consultation).

We are aware that market participants that are affected by the same or similar issues continue to review details of construction, health and safety, particularly fire prevention, mitigation and means of escape from tall residential buildings. However, in view of the lack of clarity on any regulatory changes, it remains too early to fully assess any valuation impact. Since the fire occurred, there has been limited evidence of market activity involving tall residential investments. In the light of these circumstances, this valuation has been undertaken in the context of an unclear regulatory environment and we would therefore recommend that it is kept under regular review. Similarly, in the short-term, it is also likely that potential investors and occupiers will be more cautious and the liquidity and pricing of some properties may be impacted.

The following buildings are six storeys or above:

- Ability View
- Ability Plaza
- Ability Towers
- Argo Apartments
- Bath Street (vacant/under redevelopment/refurbishment)
- Tabernacle Street (7 including a basement)
- Salway Place
- Shillington Old School

We have been provided with details of the Fire Safety Audit undertaken by GRIP REIT Plc following the Grenfell fire. We understand that no properties have been identified with ACMs and no remedial works are currently required. Hence, we consider that the Portfolio is unlikely to be affected by the uncertainty set out in the preceding paragraph.

Valuer . . . . The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation Global Standards (2017).

Independence . . . . The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK from the Addressee (or other companies forming part of the same group of companies) are less than 5.0% of the total United Kingdom revenues.

We confirm that we do not have any material interest in GRIP REIT Plc or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and GRIP REIT Plc has confirmed to us that it also considers this to be the case.

Disclosure . . . . In accordance with the Listing Rules, we make the following disclosures:

We have been the appointment valuers to the Trustees of GRIP REIT since June 2016. We have received written permission from the Trustees of GRIP REIT to undertake this valuation.

We have disclosed the relevant facts concerning any conflict of interest to the Addressees and the other clients involved, and have received everyone's written, informed consent that is in order for us to carry out your valuation instruction.

Responsibility . . . . For the Purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and Paragraphs 128 to 130 of the ESMA update of CESR'S recommendations for the consistent implementation the European Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation.

Reliance . . . . This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents save as set out in "Responsibility" above.

No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.

Publication . . . . Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation Standards or the incorporation of the special assumptions referred to herein.

Yours faithfully

Jason Hardman MRICS
Executive Director
For and on behalf of
CBRE Limited
T: +44 20 7182 2802
E: jason.hardman@cbre.com

Yours faithfully

James Hinde MRICS
Director
For and on behalf of
CBRE Limited
T: +44 20 7182 2900
E: james.hinde@cbre.com

CBRE—Valuation & Advisory Services
T: +44 20 7182 2000
W: www.cbre.com
Project Reference:

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information . . . . . . We have carried out our work based upon information supplied to us by Grainger Plc, which we have assumed to be correct and comprehensive.

We have been provided with copies of Due Diligence Reports by:

- Legal Reports—we have been provided with various legal reports by various entities for the assets since June 2016.
- GRIP commercial schedule provided by Grainger, dated 21 September 2018.
- KPI schedule "V1" provided by Grainger, dated 5 October 2018.
- GRIP Sales Report provided by Grainger, dated 10 September 2018.
- Management KPI data provided by Grainger, dated August 2018.
- GRIP Capex Schedule provided by Grainger in an email dated 7 September 2018.
- GRIP QUBE download provided by Grainger, dated 7 September 2018.
- Development Cost Information for East Street, Southampton and Silbury Boulevard, Milton Keynes, provided by Grainger as at September 2018.

The Properties . . . . Our report contains a brief summary of the properties details on which our valuation has been based.

Inspection . . . . The Properties are subject to internal inspection on a five year rolling basis. A schedule of the most recent inspection dates is maintained within our working papers and can be made available if required.

Areas . . . . We have not measured the Properties but have relied upon the floor areas provided. We have not checked these on site.

We have relied upon the floor areas given to us by Grainger Plc, as set out in the attached schedules, which Grainger Plc advise us are correct and comprehensive.

Grainger Plc has advised us the areas have been calculated using the Gross Internal Area (GIA)/Net Internal Area (NIA) measurement methodology as set out in the RICS Code of measuring practice (6th edition) / RICS property measurement (1st edition, May 2015).

Environmental Matters . . . . . . We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition . . . . We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning . . . . We have not undertaken planning enquiries.

Titles, Tenures and Lettings . . . Details of title/tenure under which the Properties are held and of lettings to which they is subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Introduction	An Assumption is defined in the Red Book Glossary and VPS 4 to be a "supposition taken to be true" (an "Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation. Grainger Plc has confirmed and we confirm that our Assumptions are correct as far as Grainger Plc and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report. For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.
Capital Values	Each valuation has been prepared on the basis of "Market Value", which is defined as: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges. No account has been taken of the availability or otherwise of capital based Government or other grants.
Taxation, Costs and Realisation Costs	As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Our valuations reflect purchasers' statutory and other normal acquisition costs.
VAT	We have not been advised whether the properties are elected for VAT. All rents and capital values stated in this report are exclusive of VAT.
Passing Rent	Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.
Net Annual Rent	Net annual rent is defined for the purposes of this transaction as "the current income or income estimated by the valuer: (i) ignoring any special receipts or deduction arising from the property;

(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and

(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent".

Estimated Net Annual Rental Value . The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

Rental Values . . . . Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.

Lease Expiries . . . . Fixed-term leases frequently incorporate either tenants' options to extend or tenants' break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.

Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.

The Properties . . . . Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters . . . . In the absence of any information to the contrary, we have assumed that:

(a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;

(b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

Energy Performance Certificates . . . We have assumed that the Properties possess or will possess current Energy Performance Certificates as required under Government Directives.

Repair and Condition . . . . In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings . Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

(a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;

(f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(g) tenants will meet their obligations under their leases;

(h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

GRIP REIT INCLUDING GRIP UNIT TRUST

SCHEDULE 1—PROPERTY DETAILS

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
PROPERTIES HELD FOR INVESTMENT						
ABILITY PLAZA	1A, Ability Plaza, Arbutus Street, E8 4DT	Ability Plaza is located in Haggerston, East London and comprises a converted warehouse c.1900 and a modern purpose-built block for mixed use. There are 101 residential units comprising 73,398 sq ft. The commercial component comprises 12,352 sq ft with 12 commercial units over the ground floor. Planning use restricted to live/work units.	09/05/2018	Freehold		101 residential units subject to Assured Shorthold Tenancies (AST) 12 commercial units.
ABILITY TOWERS	Ability Towers, Macclesfield Road, EC1V 8AE	Ability Towers is located on the City fringe of London and comprises a modern purpose built block of 118 residential units. The ground floor includes 3 commercial units and there are 6 car parking spaces. 28 of the residential units have been sold under a long lease. The remaining 90 units are currently operated as student accommodation and comprise 66,198 sq ft of accommodation.	16/11/2017	Freehold		90 units let on IRI lease. Three commercial units subject to leases.
ABILITY VIEW	220 Ability View, Kingsland Road, E8 8DF	Ability View is a converted warehouse c.1900 located on Kingsland Road, East London, comprising 32 residential units and 4 offices. The residential component comprises 34,177 sq ft of accommodation. The commercial component comprises of 4,802 sq ft of accommodation. Planning consent for basement to 2nd floors to be used as B1 office. Residential restricted to live/work units.	10/11/2017	Freehold		32 residential units subject to Assured Shorthold Tenancies (AST) Five commercial units including one vacant unit.
ARGO APARTMENTS	Hallsville Quarter, Silvertown Way, E16 1ED	Argo is located in Canning Town, and comprises a modern purpose built block which completed in December 2017. The building is 15 storeys and includes 134 flats plus amenity space and 25 car parking spaces. The residential component comprises 94,069 sq ft of accommodation.	06/12/2017		Leasehold	134 residential units subject to Assured Shorthold Tenancies (AST)
ATRIUM APARTMENTS	Felton Street, N1 5NA	The subject property is located near Old Street and comprises a purpose built block of 14 flats and 5 car parking spaces. The flats are arranged over ground and first floor and comprises 10,383 sq ft of accommodation.	15/11/2017	Freehold		14 residential units subject to Assured Shorthold Tenancies (AST)
BAKERS ROW	20 Bakers Row, London, EC1R 3DP	The subject property comprises a converted warehouse located in Clerkenwell. There are two commercial comprising 12,120 sq ft. The residential component includes 9 x 2 bedroom flats comprising 7,413 sq ft of accommodation.	09/11/2017	Freehold		Single let commencing 22 June 2018, expiring 31 December 2023.

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
BERRY STREET	6 Berry Street, London, EC1CV 0AU	The subject is located in Clerkenwell comprising former warehouse buildings (c.1900) that have been converted for residential use and 4 car parking spaces. The residential accommodation comprises 8,304 sq ft.	15/05/2018	Freehold		12 residential units subject to Assured Shorthold Tenancies (AST)
BETHNAL GREEN	Temple Dwellings, E2 6PX Canrobert Street, E2 6PX Temple Dwellings, E2 6QG Temple Street, E2 6QG Winkley Street, E2 6PY	The subject properties are located In Bethnal Green, around Canrobert Street, Winkley Street, Temple Street. The estate comprises 51 residential houses and flats. The aggregate residential accommodation (excluding units sold on long leaseholds) totals 33,303 sq ft.	15/05/2018	Freehold		18 units subject to Regulated tenancies. 2 units sold off on long leases subject to a ground rents. 33 residential units subject to Assured Shorthold Tenancies (AST)
BISHOPS COURT	Bishops Court, 6 Radcliffe Road, Surrey, Croydon, CR0 5QH	The subject property is located in East Croydon, comprising a purpose built 1960s block of 45 residential flats over ground, first and second floors with 23 garages and some surface parking. The residential accommodation comprises 37,598 sq ft.	10/11/2017	Freehold		45 residential units subject to Assured Shorthold Tenancies (AST), Assured and Regulated Tenancies.
BLOOMBURG STREET	7 Bloomburg Street, London, SW1P 2RI	The property is situated on the northern fringe of Pimlico, comprising a modern (c.2000) purpose built four storey mixed-use semi-detached building, with private parking spaces. The ground floor comprises a commercial unit and the upper floors are split into residential flats. The residential accommodation comprises 2,871 sq ft.	15/11/2017	Freehold		Six residential units subject to Assured Shorthold Tenancies (AST)
BURTON STREET	32, Burton Street, Burton Street, WC1H 9AQ	The subject property is located near Euston comprising a mid- terrace double-fronted Victorian townhouse arranged over five floors, split into five flats. The residential accommodation comprises 4,047 sq ft.	16/11/2017	Freehold		Five residential units subject to Assured Shorthold Tenancies (AST)
CARPENTER COURT	Carpenter Court, Pratt Street, London, NW1 0BJ	A period purpose-built block of flats over ground and 4 upper floors including 19 residential flats and 14 car parking spaces, located in Camden Town. The residential component comprises 3,758 sq ft of accommodation.	08/11/2017	Freehold		18 residential units sold off on long leases, with one retained. 14 car parking spaces—seven sold off on long leases. The fund holds the remaining seven spaces.
CHURSTON CLOSE	162-164 Tulse Hill, London, SW2 3BX	59 residential units across two buildings, located in Tulse Hill, London. Eight flats situated in a four storey Edwardian period (early 1900s) building and 51 flats in a horseshoe-shaped 1930s purpose-built block. Additionally includes gated surface parking for 18 cars, 21 garages and four storage units. The aggregate residential accommodation totals 19,279 sq ft. In the process of being refurbished.	19/09/2018	Freehold		59 residential flats subject to Assured Shorthold (AST) and Regulated tenancies. Car parking and garages subject to licences.
CRAWFORD PASSAGE	Crawford Passage, London, EC1R 2DB	The subject property is located in Clerkenwell and comprises a period former warehouse converted for residential use. This includes 23 flats and comprises 16,776 sq ft of accommodation.	09/11/2017	Freehold		Single let commencing 22 June 2018, expiring 31 December 2023.

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
DOVE ROAD	Dove Road & Canonbury Heights, Dove Road, London, N1 3GE	The property comprises period former warehouse buildings converted for residential use located in Canonbury, North London. 44 residential units over ground and four upper floors with seven car parking spaces. The residential component comprises 32,955 sq ft of accommodation.	09/05/2018	Freehold		44 residential units held on Assured Shorthold Tenancies(ASTs).
EAGLE HOUSE	Eagle Wharf Road, London, N1 7EH	A former warehouse building converted in the 1990s, located between Islington and Hoxton in North London. 43 residential units over lower and ground floor and two upper floors. The residential component totals 38,686 sq ft of accommodation. Planning use restricted to live/work units.	09/05/2018	Freehold		43 residential units held on Assured Shorthold Tenancies(ASTs).
GREAT SUTTON STREET	46-47 Great Sutton Street, London, EC1V 0DE	Former warehouse building (c.1900) converted for residential use, located in Clerkenwell, Central London. 15 residential units over first, second and third floors, comprising 13,795 sq ft of accommodation. The commercial unit is arranged over basement and ground floor comprising 4,052 sq of accommodation.	15/05/2018	Freehold		15 residential flats subject to Assured Shorthold Tenancies (ASTs). A commercial unit subject to a lease.
GROVE HOUSE	11-20 Tudor Grove, London, E9 7QP	A former warehouse c.1900s converted for residential and commercial use, located in London Fields, East London. 35 residential units over first, second, third and fourth floors, with 6 commercial units on the ground floor. The residential component comprises 32,554 sq ft of accommodation. The commercial component comprises 12,513 sq ft. In addition, there are 11 car parking spaces. The planning use is part residential (8 units), part commercial (6 units) and part live/work (27 units).	09/05/2018	Freehold		35 residential flats subject to Assured Shorthold Tenancies (ASTs) 6 commercial units which are all currently vacant.
KEMPSHOTT PARK	The Courtyard, Kempshott Park, Basingstoke, RG22 4FJ	A modern purpose built block built c.2000s, located on the outskirts of Basingstoke, Hampshire. Arranged over ground, first and second floors including 25 flats and 2 commercial units. The residential component comprises 19,679 sq ft of accommodation and the commercial accommodation totals 4,305 sq ft.	14/11/2017	Freehold		25 residential flats subject to Assured Shorthold Tenancies (ASTs). 2 commercial units subject to leases.

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
KEW BRIDGE CLOSE	Kew Bridge Court, Chiswick High Road, London, W4 3AZ	Five purpose-built residential blocks constructed in early 2000s, located in Kew Village, West London, providing 94 residential flats and four houses completed in 2015. The residential component comprises 77,552 sq of accommodation, 80 surface car parking spaces and a porters office. There is planning consent to add 5 flats on to the roof space of two of the buildings.	15/11/2017	Freehold		94 residential flats subject to ASTs, company lets, Assured and Regulated tenancies. 80 car parking spaces subject to Licences.
KIMMERSTON HOUSE	1 Udall Street, London, SW1P 2PR	A period building c. early 1900s, located on the northern fringe of Pimlico, London. The block is arranged over basement, lower ground, raised ground and three upper floors comprising 38 residential units and 14 gated car parking spaces. 26 of the residential units comprise rooms with shared facilities.	10/05/2017	Freehold		38 residential units held on Assured Shorthold Tenancies(ASTs). 14 car parking spaces held on Licences.
MARTLESHAM	The Paddocks, Higgins Place & Burgess Place, Ipswich, IP5 3QZ	The subject properties comprise Burgess Place, Higgins Place and the Paddocks, in Martlesham to the north east of Ipswich in Suffolk. All three properties comprise purpose built blocks of flats constructed in the 1980s including 69 flats. The aggregate residential accommodation totals 37,701 sq ft.	16/05/2018	Freehold		69 residential flats held on Assured Shorthold (ASTs) and Assured (AT) tenancies.
MIDDLESEX STREET	90 Middlesex Street, London, E1 7EZ	A former 1980s office building converted for residential use, located on the fringe of the City of London. 31 flats spread over ground and four upper floors, currently used as serviced apartments. The residential component totals 23,716 sq ft of accommodation.	17/11/2017	Freehold		Single let commencing 1 January 2016, expiring 31 December 2020.
SALWAY PLACE	7 Salway Place, London, E15 1NB	A modern purpose built block of flats arranged over ground and upper six floors, located in Stratford, East London. The ground floor is only partially demised with the remainder providing service access to the adjacent buildings. 38 residential flats totalling 18,669 sq ft of accommodation.	10/11/2017	Freehold		38 residential units subject Assured Shorthold Tenancies (ASTs). One commercial lease on the electrical transformer.
SHILLINGTON OLD SCHOOL	181 Este Road. London, SW11 2TB	A former school building constructed c.1900, located in Clapham, South West London. 56 residential flats arranged over 5 floors, comprises 37,589 sq ft, including shared facilities i.e. with no bathroom. There are communal bathroom facilities available to the non self-contained units. 34 allocated car parking.	15/05/2018	Freehold		56 residential units subject to Assured Shorthold Tenancies (ASTs)

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
SPRINGFIELD HOUSE	Springfield House, Tyssen Street, E8 2LY	A former warehouse building built c. 190, located in Dalston, East London with 85 residential units arranged over lower ground, ground and five upper floors comprising 78,046 sq ft with 17 car parking spaces. There are 17 commercial units comprising 10,895 sq ft. The block has planning use restricted to 14 B1 units and 38 live/work units of the residential.	11/05/2018	Freehold		85 residential units subject to Assured Shorthold Tenancies (AST) 17 commercial units including 4 vacant units.
ST. ANNES	St Anne's Court & House, 49 Buckingham Place, Brighton, BN1 3UP	St. Anne's House & St. Anne's Court form two detached blocks comprising 84 studios flats, located in Brighton with 25 underground car parking spaces. St. Anne's is Grade II block dating from c.1820, comprising 56 studios arranged over 6 floors (lower ground to fourth), with the top floor added in c.2007. St. Anne's Court is a purpose-built block c.1990s comprising 28 studios arranged over four floors (ground to third), with the top floor added in c. 2001. In the process of being refurbished.	17/05/2018	Freehold		84 residential flats subject to Assured Shorthold Tenancies (ASTs) or licences. Car parking spaces subject to Assured Shorthold Tenancies (ASTs) or licences.
STREATHAM ESTATE	10-52A Gracefield Gardens & 14-68 Woodleigh Gardens, London, SW16 2SY	98 self-contained flats, a house and 16 garages, c.1930s, located in Streatham, South West London. The buildings are all arranged over ground and first floors. 48 of the flats have been sold off on long leases. The total GIA of the residential units area is approximately 75,541 sq ft.	10/05/2018	Freehold		50 residential flats or houses subject to ASTs, Assured, Regulated tenancies or company lets. 48 residential flats sold off on long leases. 16 garages let on licences.
TABERNACLE STREET	130 Tabernacle Street, London, EC2A 4SA	A former warehouse building located on the fringe of the City of London, with an office unit to the basement and ground floor, and 14 residential units over lower ground, ground and six upper floors. The residential component comprises 14,467 sq ft. The commercial unit comprises 2,076 sq ft.	13/06/2017	Freehold		14 residential flats subject to individual long term tenancies to a single operator. 1 commercial unit.
TILT CORE	TILT Core, 19-51 The Gardens & 184 Peckham Rye, London, SE22 9QA	Tilt Core comprises a total of 207 self-contained flats including a mix of semi-detached and terraced period conversions, c.1800s. The buildings are arranged around a garden square known as The Gardens, in East Dulwich, London. The residential component comprises 111,298 sq ft There is a single commercial unit comprising 2,540 sq ft of accommodation.	11/05/2017	Freehold		207 residential flats subject to ASTs, Assured and Regulated tenancies. 1 commercial unit

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
TILT NON-CORE	Barry Road, SE22 0HU Choumert Road, SE15 4RE Claire Court, SE15 4HF Colwell Road, SE22 8QP Constance Court, SE15 4QR Oakhurst Grove, SE22 9AH Peckham Rye, SE22 9QH Pellatt Road, SE22 9JB Ulverscroft Road, SE22 9HG Upland Road, SE22 9AH	61 residential units located between East Dulwich and Peckham Rye in South East London. There are a mixture of property types including two purpose built blocks and flats within period conversions. Additionally, there are two period houses. The total GIA of the residential units area is 37,088 sq ft.	16/05/2018	Freehold		12 of properties sold off on long leaseholds, subject to a ground rent. The remaining 49 units are subject to ASTs, Assured and Regulated.
VINCENT SQUARE	48–55 Vincent Square, London, SW1P 2NR	A row of Victorian terraced houses converted into bedsits or flats, on the northern fringe of Pimlico, London. The accommodation includes 36 residential apartments over basement, ground and three upper floors comprising 15,304 sq ft.	15/11/2017	Freehold		36 Residential flats subject to ASTs and Company Lets
WELLESLEY COURT	Wellesley Court, Popes Avenue, London, TW2 5TF	A purpose-built apartment block c. mid-20th Century, located in Strawberry Hill, South West London. It includes a total of 29 residential apartments over ground and two upper floors comprising 19,164 sq ft of accommodation.	09/05/2018	Freehold		29 Residential flats subject to ASTs and Regulated tenancies
WEST TENTER STREET	23 West Tenter Street, London, E1 8DT	A purpose-built apartment block c.1900 located in the East End of London. It comprises 7 residential apartments over basement, ground and five upper floors. The total floor area for the residential apartments is 6,914 sq ft.	28/11/2017	Freehold		7 Residential flats subject to ASTs

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure: Freehold	Tenure: Leasehold	Tenancies
GRIP REIT—PROPERTIES HELD FOR INVESTMENT IN COURSE OF CONSTRUCTION						
BATH STREET	1-5 Bath Street, London, EC1V 9LB	A seven storey mixed-use mid-terrace period building. Two commercial units over basement and ground floor and the upper floors contain 14 residential flats. The building is undergoing refurbishment including the addition of 2 further units to the roof, bringing the total to 16 flats. Practical completion is scheduled for December 2018.	01/05/2018	Freehold		
EAST STREET	86-93 East Street, Southampton, SO14 3HP	The subject property is in the process of development under a forward funding agreement, located in Southampton. Planning consent granted for 132 residential units, 47 car parking spaces and 2,508 sq ft of commercial space. The residential component will comprises 89,601 sq ft of accommodation and will be delivered in one block up to 15 storeys in height. Practical completion is scheduled for September 2020.	24/05/2018	Freehold		
SILBURY BOULEVARD	809-811 Silbury Boulevard, Milton Keynes, MK9 3LR	The subject property is in the process of development under a forward funding agreement, located in central Milton Keynes. Planning consent has been granted for 139 residential units, 122 car parking spaces and 4,499 sq ft of commercial space. The residential component will comprise 82,553 sq ft of accommodation and will be delivered in one block up to seven storeys in height. Practical completion is expected in December 2019.	14/05/2018	Freehold		

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure Freehold	Tenure Leasehold	Tenancies
PROPERTIES HELD FOR INVESTMENT WITH A MARKET VALUE OF GREATER THAN 5% OF THE TOTAL MARKET VALUE FOR ALL PROPERTIES						
ABILITY PLAZA	1A, Ability Plaza, Arbutus Street, E8 4DT	Ability Plaza is located in Haggerston, East London and comprises a converted warehouse c.1900 and a modern purpose-built block for mixed use. There are 101 residential units comprising 73,398 sq ft. The commercial component comprises 12,352 sq ft with 12 commercial units over the ground floor. Planning use restricted to live/work units.	09/05/2018	Freehold		101 residential units subject to Assured Shorthold Tenancies (AST) 12 commercial units.
ABILITY TOWERS	Ability Towers, Macclesfield Road, EC1V 8AE	Ability Towers is located on the City fringe of London and comprises a modern purpose built block of 118 residential units. The ground floor includes 3 commercial units and there are 6 car parking spaces. 28 of the residential units have been sold under a long lease. The remaining 90 units are currently operated as student accommodation and comprise 66,198 sq ft of accommodation.	16/11/2017	Freehold		90 units let on IRI lease. Three commercial units subject to leases.
ARGO APARTMENTS	Hallsville Quarter, Silvertown Way, E16 1ED	Argo is located in Canning Town, and comprises a modern purpose built block which completed in December 2017. The building is 15 storeys and includes 134 flats plus amenity space and 25 car parking spaces. The residential component comprises 94,069 sq ft of accommodation.	06/12/2017		Leasehold	134 residential units subject to Assured Shorthold Tenancies (AST)
KEW BRIDGE CLOSE	Kew Bridge Court, Chiswick High Road, London, W4 3AZ	Five purpose-built residential blocks constructed in early 2000s, located in Kew Village, West London, providing 94 residential flats and four houses completed in 2015. The residential component comprises 77,552 sq of accommodation, 80 surface car parking spaces and a porters office. There is planning consent to add 5 flats on to the roof space of two of the buildings.	15/11/2017	Freehold		94 residential flats subject to ASTs, company lets, Assured and Regulated tenancies. 80 car parking spaces subject to Licences.
SPRINGFIELD HOUSE	Springfield House, Tyssen Street, E8 2LY	A former warehouse building built c. 190, located in Dalston, East London with 85 residential units arranged over lower ground, ground and five upper floors comprising 78,046 sq ft with 17 car parking spaces. There are 17 commercial units comprising 10,895 sq ft. The block has planning use restricted to 14 B1 units and 38 live/work units of the residential.	11/05/2018	Freehold		85 residential units subject to Assured Shorthold Tenancies (AST) 17 commercial units including 4 vacant units.

Property Name	Property Address	Property Details	Date of CBRE inspection	Tenure		Tenancies
				Freehold	Leasehold	
TILT CORE	TILT Core, 19-51 The Gardens & 184 Peckham Rye, London, SE22 9QA	Tilt Core comprises a total of 207 self-contained flats including a mix of semi-detached and terraced period conversions, c.1800s. The buildings are arranged around a garden square known as The Gardens, in East Dulwich, London. The residential component comprises 111,298 sq ft There is a single commercial unit comprising 2,540 sq ft of accommodation.	11/05/2017	Freehold		207 residential flats subject to ASTs, Assured and Regulated tenancies. 1 commercial unit

* Residential Floor Areas—aggregate Gross Internal Area (GIA) of all individual dwellings within each scheme.

** Commercial Floor Areas—aggregate Net Internal Area (NIA) of individual commercial units within each scheme.

PART XI
DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. Directors and Senior Management

1.1 The Board

The Board comprises five Non-Executive Directors (including the Chairman) and two Executive Directors. Their names and principal functions are as follows:

Name	Position
Mark Clare	Non-Executive Chairman, chairman of Nominations Committee and member of Remuneration Committee
Helen Gordon*	Chief Executive, chairman of executive committee
Vanessa Simms*	Chief Financial Officer, member of executive committee
Tony Wray	Non-Executive Director, member of the Audit Committee, Nominations Committee and Remuneration Committee
Andrew Carr-Locke	Non-Executive Director, Senior Independent Director, chairman of the Audit Committee, member of the Nominations Committee and Remuneration Committee
Rob Wilkinson	Non-Executive Director, member of the Audit Committee, Nominations Committee and Remuneration Committee
Justin Read	Non-Executive Director, chairman of the Remuneration Committee, member of the Audit Committee and Nominations Committee

* Executive Directors

There are no family relationships between any members of the Board or any member of the Senior Management team.

The usual business address of all the Directors and Senior Management, except for Adam McGhin, is Grainger plc, No. 1 London Bridge, 3rd Floor East, London, SE1 9BG.

The usual business address of Adam McGhin is Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne, NE1 4JE.

Brief biographical details of the Directors are as follows:

Mark Clare (Non-executive Chairman, chairman of nominations committee and member of remuneration committee)

Mark was appointed as Chairman in February 2017. He has wide-ranging experience in a number of sectors and extensive knowledge of the residential property market. He has substantial plc-level experience and is a senior independent director of United Utilities Group plc and a non-executive director of Premier Marinas Holdings Limited. Mark was previously Chief Executive of Barratt Developments plc from 2006 to 2015, and is a former trustee of the Building Research Establishment and the UK Green Building Council. Prior to joining Barratt, he was an executive director of Centrica plc and held a number of senior roles within both Centrica plc and British Gas. Mark has also been a non-executive director of Ladbrokes Coral Group plc and BAA plc, the airports operator.

Helen Gordon (Chief Executive, chairman of executive committee)

Helen was appointed to the Board in November 2015 and was subsequently appointed as Chief Executive in January 2016. She is a highly experienced, proven and well-regarded real estate investor. She has significant experience working across a wide range of real estate asset classes, including residential property. This is combined with an extensive knowledge of the City of London. Helen is a Chartered Surveyor and before joining Grainger was global head of Real Estate Asset Management at Royal Bank of Scotland plc. She previously held senior property positions at Legal & General Investment Management, Railtrack and John Laing Developments. Helen is a non-executive director of Derwent London plc and previously has held a number of non-executive board roles over her career, including British Waterways and the Covent Garden

Market Authority. Helen currently sits on the board of Derwent London plc as a non-executive director and is a board director of EPRA. She is also Vice President of the British Property Federation and an advisory board member of Cambridge University's Land Economy Department.

Vanessa Simms (Chief Financial Officer, member of executive committee)

Vanessa was appointed to the Board in February 2016. She brings extensive financial experience to Grainger from the property sector in the United Kingdom. She has particular expertise in leading and implementing strategic change in businesses. She has substantial experience in senior finance leadership roles in a listed environment. Vanessa has worked in finance since 1998, and immediately prior to joining Grainger held a number of senior positions within Unite Group plc, including Deputy Chief Financial Officer. Prior to that Vanessa was UK Finance Director at SEGRO plc. Vanessa is also a non-executive director of Drax Group plc.

Tony Wray (Non-executive director, member of the audit committee, nominations committee and remuneration committee)

Tony was appointed to the Board in October 2011. He brings extensive experience in a broad range of senior operational and strategic leadership roles, in particular in public companies. He was the Chief Executive of FTSE 100 water company Severn Trent plc from 2007 to 2014, having joined its board in 2005. He has also held director roles within Transco and National Grid Transco, and was a member of the Water UK board.

Andrew Carr-Locke (Non-executive director, chairman of the audit committee, member of the nominations committee and remuneration committee)

Andrew was appointed to the Board in March 2015. He has substantial experience in senior finance positions in listed companies, particularly in the residential property sector. He also has wide-ranging experience as a non-executive director of public companies. Andrew is a Fellow of the Chartered Institute of Management Accountants and was Group Finance Director at George Wimpey plc between 2001 and 2007. He has previously held senior finance roles at Courtaulds Textiles plc, Diageo plc, Bowater-Scott and Kodak. More recently, Andrew was Executive Chairman of Countryside Properties, where he led the refocus of the company's strategy. Andrew stood down as a director of Countryside Properties in 2014. He previously held non-executive directorships at Dairy Crest plc, Royal Mail Holdings, Venture Production and AWG.

Rob Wilkinson (Non-executive director, member of the audit committee, nominations committee and remuneration committee)

Rob was appointed to the Board in October 2015. He has substantial experience in real estate and corporate finance. He is a Chartered Accountant and the Chief Executive of AEW Europe, a leading European real estate investment manager. Prior to joining AEW Europe in 2009, Rob was a Managing Director with the Goodman Group and also held investment banking positions at UBS and Eurohypo. He is also Chairman of the Green Rating Alliance.

Justin Read (Non-executive director, chairman of the remuneration committee, member of the audit committee and nominations committee)

Justin was appointed to the Board in February 2017. He has substantial experience in real estate and corporate finance. He was Group Finance Director of SEGRO plc from August 2011 to December 2016. Between 2008 and 2011, Justin was Group Finance Director at Speedy Hire plc. Prior to this, he spent 13 years in a variety of roles at Hanson plc, including Deputy Finance Director, Managing Director of Hanson Continental Europe, head of corporate development, head of risk management and group treasurer. He was a non-executive director of Carillion plc for a six week period from 1 December 2017. Justin is also a non-executive director of Ibstock plc.

1.2 **Senior Management**

Brief biographical details of the Senior Management are as follows:

John Kenny (Chief Operating Officer)

John joined the Company in May 2017 as Chief Operating Officer (COO). John has significant experience in operations across a number of real estate asset classes including serviced offices, student accommodation and the private rented sector. Prior to joining the Company, John was COO and director of Liberty Living and COO of MWB Business Exchange, a leading provider of serviced offices across Europe.

Andrew Saunderson (Director of Investments)

Andrew joined the Company in 2001. Andrew manages the investment team, who are responsible for sourcing and acquiring PRS assets, has overall responsibility for the sales and asset management divisions and is also a member of the British Property Federation's Residential Committee. Prior to joining Grainger Andrew worked at Allsop LLP where he qualified as a Chartered Surveyor.

Michael Keaveney (Director of Land and Development)

Michael joined the Company in April 2018 as Director of Land and Development. He has overall responsibility for the delivery and growth of Grainger's Build to Rent development pipeline. Michael has over 29 years of experience which includes management of complex residential-led mixed use developments across the whole development lifecycle from identification and acquisition through to town planning, funding, construction, marketing, operation and exit. Prior to joining Grainger, he was Development Director at Concord London Developments Ltd.

Adam McGhin (Group General Counsel and Company Secretary)

Adam joined the Company in October 2010 and heads the Company's Legal, Risk and Governance department. He has been a qualified solicitor since 2002 specialising in corporate and real estate work. Prior to joining the Company, Adam held positions in both private legal practice and in-house, including at global law firm Clifford Chance and thereafter as Legal Counsel of the Europe, Middle East and Africa region at the international real estate consultancy, Cushman & Wakefield. Adam is also a qualified Chartered Secretary.

Peter Tonathy (HR Director)

Peter Joined the Company in October 2016 as HR Director with over 25 years of HR experience in senior positions with leading blue-chip companies. His previous positions included roles with Royal Bank of Scotland and British Gas. He is a chartered member of the Institute of Personnel and Development.

David Prescott (Director of Strategy and Corporate Finance)

David joined the Company in September 2018 with over 10 years of experience as a qualified chartered accountant and analyst in the real estate sector. David's previous position was at Kempen, the Dutch investment bank, where he was a senior research analyst covering the listed real estate sector. Prior to Kempen, David worked at Barclays as a real estate equities research analyst and before that Aviva investors.

Kurt Mueller (Director of Corporate Affairs)

Kurt joined the Company in July 2010. As the Director of Corporate Affairs, Kurt has overall responsibility for investor relations and political engagement, as well as communications, sustainability and marketing for the Company. Prior to joining the Company, Kurt headed up public affairs at the British Property Federation and was a research analyst at the think tank, the Social Market Foundation.

2. CORPORATE GOVERNANCE

2.1 Corporate Governance Code

The Company recognises the importance of, and is committed to, high standards of corporate governance. The Company fully supports the principles set out in the Corporate Governance Code and as of the date of this Prospectus is in full compliance with the provisions of the Corporate Governance Code.

2.2 Board committees

The board has established formal Audit, Nomination and Remuneration committees for specific delegated powers, duties, responsibilities and written terms of reference. The terms of reference for each of these committees are available on Grainger's website at www.graingerplc.co.uk and a summary is set out below.

(a) Audit Committee

The Audit Committee comprises Andrew Carr-Locke (Chair), Tony Wray, Rob Wilkinson and Justin Read, all of whom are independent Non-Executive Directors.

The Audit Committee's key role is to provide effective governance and assurance over the Group's financial reporting, the performance of the internal audit function, the external auditor, and the management of the Group's systems of internal controls and related compliance activities, including:

- Overseeing the Group's financial statements and reporting
- Reviewing the work of internal and external auditors
- Reviewing matters of significant judgment by management
- Reviewing the risk management framework and the integrity of the risk management and internal control systems

The Audit Committee normally meets not less than four times a year.

(b) **Nominations Committee**

The Nominations Committee comprises five independent Non-Executive Directors. The members are Mark Clare (Chair), Tony Wray, Andrew Carr-Locke, Rob Wilkinson and Justin Read.

The role of the Nominations Committee is to keep under review the leadership needs of the Company, and regularly review the size and composition of the Board, where appropriate making recommendations for the orderly succession of Executive and Non-Executive Director appointments, and the progressive refreshing of the Board and its committees. In assisting and advising the Board, the Committee seeks to maintain an appropriate balance of skills, knowledge, independence, experience and diversity on the Board, taking into account the challenges and opportunities facing the Group.

The Nominations Committee is responsible for considering succession planning for Directors and other senior executives, identifying and nominating candidates to fill Board vacancies, reviewing annually the time commitment required of Non-Executive Directors, and making recommendations to the Board regarding the membership of the three Board Committees.

The Nominations Committee meets at least twice a year.

(c) **Remuneration Committee**

The Remuneration Committee comprises Justin Read (Chair), Mark Clare, Tony Wray, Andrew Carr-Locke, and Rob Wilkinson, all of whom are independent Non-Executive Directors.

The Remuneration Committee recommends what policy the Group should adopt on executive remuneration and, within the terms of the Directors' Remuneration Policy approved by the shareholders at the Company's annual general meeting, determines the remuneration benefits, pension rights and compensation payments for all staff, the Chairman, the Executive Directors of the Company and any other employees of the Group for when the Committee determines it will have oversight as agreed by the Board from time to time. The Remuneration Committee also generates an annual remuneration report to be approved by the members of the Group at the Company's annual general meeting.

The Remuneration Committee's other responsibilities include reviewing the design of all share plans prior to approval by the Board and Shareholders, determining the policy and scope of pension arrangements for each Executive Director, and agreeing the policy for authorising claims for expenses from the CEO and Chairman.

The Remuneration Committee normally meets at least three times a year.

PART XII
TAXATION

1. UK taxation

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights. They are based on current UK legislation and what is understood to be the current practice of HMRC as of the Latest Practicable Date, both of which may change, possibly with retrospective effect. They relate only to certain limited aspects of the UK tax treatment of Shareholders who are resident, and in the case of individuals domiciled, for tax purposes in, and only in, the United Kingdom (except insofar as express reference is made to the treatment of non-UK residents), who hold their New Ordinary Shares as an investment (other than in a new individual savings account or self-invested pension plans) and who are the absolute beneficial owners of both the New Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their New Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered. The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, are strongly recommended to consult their own professional advisers.

1.1 Taxation of chargeable gains

Rights Issue

Issue of New Ordinary Shares

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares by the Company to Qualifying Shareholders who take up their rights under the Rights Issue should constitute a reorganisation of the Company's share capital. On that basis, a Qualifying Shareholder should not be treated as making a disposal of any part of his or her existing holding to the extent the Qualifying Shareholder takes up his or her entitlement to acquire New Ordinary Shares under the Rights Issue. No liability to UK taxation on chargeable gains should therefore arise in respect of the Rights Issue for a Qualifying Shareholder who takes up his or her full entitlement to New Ordinary Shares. For the purposes of the taxation of chargeable gains, if a Qualifying Shareholder takes up all or any of his or her rights to the New Ordinary Shares, his or her existing holding and his or her New Ordinary Shares should be treated as the same asset, acquired at the same time as he or she acquired his or her existing holding. The amount of subscription money paid for the New Ordinary Shares will be added to the base cost of his or her existing holding when computing any gain or loss on any subsequent disposal of shares.

Disposal or lapse of rights to acquire New Ordinary Shares

If a Qualifying Shareholder:

(1) sells, or otherwise disposes of, all or some of his or her rights to subscribe for the New Ordinary Shares; or

(2) allows, or is deemed to allow, all or any part of his or her rights to subscribe for New Ordinary Shares to lapse and receives a cash payment in respect of them,

the proceeds will be treated as a capital distribution to that Qualifying Shareholder by the Company; he or she shall be treated as if he or she had disposed of a part of his or her existing holding and he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to taxation on any chargeable gains. However, if the proceeds resulting from a lapse or disposal of rights to subscribe for New Ordinary Shares are "small" as compared with the market value (on the date of lapse or disposal) of that Qualifying Shareholder's existing holding, such a Qualifying Shareholder should not generally be treated as making a disposal for the purposes of the taxation of chargeable gains. The proceeds will instead reduce the base cost of the relevant existing holding to compute any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where such proceeds are greater than the base cost of the existing holding.

The current practice of HMRC is to treat proceeds as "small" where either: (i) the proceeds of the disposal or lapse of rights do not exceed 5 per cent. of the market value (at the date of the disposal or lapse) of the existing holding in respect of which the rights arose; or (ii) the amount of the proceeds is £3,000 or less, regardless of whether the 5 per cent. test is satisfied.

Subsequent disposals of New Ordinary Shares

Individual Shareholders

If a UK resident individual Shareholder sells, or otherwise disposes of, all or some of the New Ordinary Shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to Capital Gains Tax ("**CGT**").

An individual Shareholder has an annual exemption (£11,700 for the tax year ending 5 April 2019) and so will only be subject to CGT to the extent his or her total chargeable gains in the year (including any gains on the disposal or deemed disposal of his or her New Ordinary Shares) exceed this annual exemption.

The rate of CGT will depend on the individual Shareholder's total taxable income and gains in the relevant tax year. An individual Shareholder whose total taxable income and gains in the tax year (including gains on a disposal or deemed disposal of New Ordinary Shares) are more than the individual's basic rate band will generally be subject to CGT at 20 per cent. on the gain on the disposal or deemed disposal of the New Ordinary Shares (save for any part of the gain which, when aggregated with his or her other taxable income and gains during the tax year, is less than, or equal to, the individual's basic rate band). An individual Shareholder whose total taxable income and gains in a given tax year (including gains on a disposal or deemed disposal of New Ordinary Shares) are less than, or equal to, the individual's basic rate band will generally be subject to CGT at 10 per cent. of the gain on the disposal or deemed disposal of the New Ordinary Shares.

Corporate Shareholders

A Shareholder within the charge to UK corporation tax that sells or otherwise disposes of all or some of the New Ordinary Shares may, depending on its circumstances and subject to any available exemption or relief, incur a liability to corporation tax on chargeable gains.

Chargeable gains realised by Shareholders within the charge to UK corporation tax will be subject to corporation tax at the rate of corporation tax applicable to the company making the disposal or deemed disposal.

1.2 **Taxation of dividends**

Under current UK tax law, the Company will not be required to withhold amounts on account of UK tax at source when paying a dividend.

A Shareholder's liability to tax on dividends will depend upon the individual circumstances of the Shareholder.

Individual Shareholders

From 6 April 2018, an individual Shareholder who is resident for tax purposes in the United Kingdom is entitled to a tax-free dividend allowance of £2,000 per year. The dividend income of the individual shareholder in excess of this allowance will be taxed at different rates depending on whether the individual shareholder is a basic, higher or additional rate taxpayer in the United Kingdom. In working out the rate at which the individual pays tax, dividends are treated as the top slice of an individual's income and dividend income that is within the dividend allowance will count towards determining the individual's marginal rate.

UK resident individuals will pay tax on any dividends received over the £2,000 tax-free dividend allowance at a rate of 7.5 per cent. on dividend income within the basic rate band; 32.5 per cent. on dividend income within the higher rate band; and 38.1 per cent. on dividend income within the additional rate band.

Corporate Shareholders

Dividends paid on the New Ordinary Shares to corporate Shareholders within the charge to UK corporation tax will be subject to corporation tax. But, generally, (subject to anti-avoidance rules) dividends paid to UK resident companies that are not "small" companies (as defined in section 931S Corporation Tax Act 2009) will fall within one of the exemptions from corporation tax on dividends. Shareholders within the charge to corporation tax are advised to consult their own professional advisers to establish whether they qualify for one of the exemptions.

1.3 Stamp duty and Stamp Duty Reserve Tax ("SDRT")

Issue of New Ordinary Shares and issue or crediting of rights to New Ordinary Shares

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters, split Provisional Allotment Letters or definitive share certificates, on the crediting of Nil Paid Rights or Fully Paid Rights to accounts in CREST, or on the issue in uncertificated form of New Ordinary Shares.

Where New Ordinary Shares represented by such documents or rights are registered in the name of the Qualifying Shareholder entitled to such shares, or where New Ordinary Shares are credited in uncertificated form to CREST, no liability to stamp duty or SDRT will generally arise.

Following the decision of the European Court of Justice in *HSBC Holdings and Vidacos Nominees* (Case 569/07) and the First-tier Tax Tribunal decision in *HSBC Holdings and The Bank of New York Mellon,* HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when New Ordinary Shares are issued into a clearance service or depositary receipt service.

Purchase of rights to New Ordinary Shares

Persons who purchase (or are treated as purchasing) rights to New Ordinary Shares represented by Provisional Allotment Letters (whether nil paid or fully paid), or Nil Paid Rights or Fully Paid Rights held in CREST, on or before the latest time for registration of renunciation, will not generally be liable to pay stamp duty. However, such a purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent., of the actual consideration paid. Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. In other cases, the purchaser of the rights to the New Ordinary Shares represented by the Provisional Allotment Letters is liable to pay the SDRT and must account for it to HMRC. Any SDRT arising on the transfer of Nil Paid Rights or Fully Paid Rights held in CREST should be collected and accounted for to HMRC by CREST.

No stamp duty or SDRT will be payable on the registration of Provisional Allotment Letters or split Provisional Allotment Letters or Nil Paid Rights or Fully Paid Rights, whether by the original holders or their renouncees.

Subsequent dealings in New Ordinary Shares

Except in relation to depositary receipt systems and clearance services, any subsequent dealings in New Ordinary Shares will be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to UK stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer the New Ordinary Shares is not completed by a duly stamped transfer, or where the transfer is effected in CREST, SDRT will generally be payable at the rate of 0.5 per cent. of the amount or value of the consideration payable.

2. Material US Federal Income Tax Consequences to US Holders

2.1 General

The following description summarises the material US federal income tax consequences to US holders (as defined below) of the receipt, ownership, exercise and disposition of Nil Paid Rights and Fully Paid Rights (the "**Rights**") and of the subscription for, acquisition, ownership and disposition of the New Ordinary Shares with respect to which the Rights may be exercised. This description assumes that holders hold the Rights and the New Ordinary Shares as capital assets within the meaning of Section 1221 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") (generally, property held for investment). This description does not address all of the tax consequences that might be relevant to a holder's particular circumstances or to holders that may be subject to special tax rules, such as banks or other financial institutions, insurance companies, real estate investment trusts, regulated investment companies, tax exempt organisations, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons who hold Rights or New Ordinary Shares as part of a "straddle", hedging transaction, conversion transaction, or other similar integrated transaction for US federal income tax purposes, holders that own directly, indirectly, or by attribution, 10 per cent. or more, by vote or value, of the Company's outstanding equity interests or holders that have a functional currency other than the US dollar.

US holders who own, or have owned, directly, indirectly, or by attribution, 10 per cent. or more, by vote or value, of the Company's outstanding equity interests may be subject to significant adverse US federal income tax consequences not described herein. Any such US holder should consult its own tax advisor regarding the

US federal income tax consequences applicable to it arising out of its ownership of New Ordinary Shares or Rights.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Rights or New Ordinary Shares, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the nature of the activities of the partnership. A holder that is a partnership, and the partners in such partnerships, should consult their own tax advisors regarding the ownership and disposition of Rights or New Ordinary Shares.

This description does not address the tax consequences arising under the laws of any non-US, state, or local tax jurisdiction. Moreover, except to the extent specifically set forth below, this description does not address the US federal estate and gift tax, or alternative minimum tax, or other non-income tax consequences of the ownership and disposition of Rights or New Ordinary Shares.

This description is based on the Code, existing and proposed Treasury Regulations promulgated thereunder, judicial decisions, published positions of the US Internal Revenue Service (the "**IRS**"), and other applicable authorities, each as in effect on the date hereof. These authorities are subject to change, possibly with retroactive effect, or differing interpretations by the IRS or a court, which could affect the tax consequences described herein. The Company has not obtained, and has no plans to request, a ruling from the IRS with respect to any of the US federal income tax consequences described below, and as a result, there can be no assurance that the IRS or the courts will agree with any of the conclusions stated in this description.

This description is for general information only and is not tax advice. It is not intended to constitute a complete description of all tax consequences for the receipt, ownership, exercise and disposition of Rights or the subscription for, acquisition, ownership and disposition of the New Ordinary Shares. Prospective investors are urged to consult with their own tax advisor regarding the US federal income tax consequences of the receipt, ownership, exercise and disposition of Rights or the acquisition, ownership and disposition of the New Ordinary Shares applicable in such prospective investor's particular situation, as well as any consequences under the federal estate or gift tax, the federal alternative minimum tax, or under the tax laws of any state, local, non-US, or other taxing jurisdiction.

For purposes of this summary, a "**US holder**" is a beneficial owner of Rights or New Ordinary Shares that is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States or any State thereof or the District of Columbia;
- an estate the income of which is subject to US federal income taxation regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (ii) that has a valid election in effect under applicable US Treasury Regulations to be treated as a US person.

2.2 Ownership of Rights

Receipt of Rights

The Company intends to take the position that the distribution of the Rights should be treated as a non-taxable distribution under Section 305(a) of the Code. This position is not binding on the IRS, or the courts, however. If this position is finally determined by the IRS or a court to be incorrect, the fair market value of the Rights would be taxable to US holders of Existing Ordinary Shares as a dividend, the consequences of which would be the same as are described under the heading "*Ownership and Disposition of New Ordinary Shares—Dividends*".

The Company intends to take the position that the sale of New Ordinary Shares not taken up in the Rights Issue, if any, by the Banks should be treated as a distribution of Nil Paid Rights by the Company and a sale of those Nil Paid Rights (or as a deemed exercise of the Nil Paid Rights and a sale of the corresponding New Ordinary Shares) by the relevant holders, the consequences of which are described below under the heading "*—Sale or Other Taxable Disposition of Rights*", or in the case of a deemed exercise, as described under the headings "*—Exercise of Rights*" and "*Ownership and Disposition of New Ordinary Shares—Sale or Exchange*". It is possible that the IRS will take a contrary view and successfully assert that the sale of New Ordinary Shares not taken up in the Rights Issue by the Banks, and the remittance of the premiums, if any, from that sale to the relevant holders, should be treated as a taxable distribution by the Company to such holders, the consequences of which are described under the heading "*Ownership and Disposition of New Ordinary*

Shares—Dividends". The tax consequences of the receipt of Rights by a US holder are not free from doubt. US holders are urged to consult their own tax advisers regarding the US federal income tax treatment of the receipt of Rights. The discussion below assumes that US holders of Existing Ordinary Shares in respect of which Rights are received will not be subject to US federal income tax on the receipt of a Right.

If the aggregate fair market value of the Rights at the time they are distributed to US holders of Existing Ordinary Shares is less than 15 per cent. of the aggregate fair market value of the Existing Ordinary Shares at such time, the tax basis of the Rights received by a US holder will be zero unless such holder elects to allocate a portion of its basis in its Existing Ordinary Shares to the Rights received pursuant to the Rights Issue. However, if the aggregate fair market value of the Rights at the time they are distributed to US holders of Existing Ordinary Shares is 15 per cent. or more of the aggregate fair market value of the Existing Ordinary Shares at such time, or if a US holder elects to allocate a portion of its tax basis in its Existing Ordinary Shares to the Rights received pursuant to the Rights Issue, then such US holder's tax basis in the Existing Ordinary Shares will be allocated between such Existing Ordinary Shares and the Rights based upon the relative fair market value of such Existing Ordinary Shares and the Rights as of the date of the distribution of the Rights. Thus, if such an allocation is made and the Rights are later exercised, the tax basis in the Existing Ordinary Shares will be reduced by an amount equal to the tax basis allocated to the Rights and the basis in the New Ordinary Shares will be increased by the tax basis allocated to the Rights. This election is irrevocable if made and would apply to all of the Rights received pursuant to the Rights Issue. The election must be made in a statement attached to a US holder's timely filed US federal income tax return for the taxable year in which the Rights are received.

Notwithstanding the foregoing, pursuant to applicable Treasury Regulations, tax basis will be allocated to a Right only if it is exercised or disposed of. As discussed below, if a US holder allows a Right to lapse unexercised, no tax basis will be allocated to such Right.

The holding period for the Rights received in the Rights Issue by a US holder of Existing Ordinary Shares will include the holding period for the Existing Ordinary Shares with respect to which the Rights were received.

Sale or Other Taxable Disposition of Rights

Subject to the passive foreign investment company ("**PFIC**") rules discussed below, upon the sale or other taxable disposition of a Right a US holder will recognise gain or loss equal to the difference between the US holder's amount realised and the tax basis in the Right. The amount realised is the sum of cash plus the fair market value of any property, which includes foreign currency, received. The US holder's adjusted tax basis in a Nil-Paid Right is determined as discussed above (and will be increased by the Rights Issue Price in the case of Fully Paid Rights). Subject to the PFIC rules discussed below, gain or loss recognised upon the sale or other taxable disposition of a Right will generally be long-term capital gain or loss if the US holder's holding period for the Right exceeds one year. The deductibility of capital losses is subject to limitations.

Exercise of Rights

A US holder will generally not recognise any gain or loss on the exercise of a Right. A US holder's tax basis in the New Ordinary Shares received by such US holder upon the exercise of a Right will be (1) such US holder's tax basis in such Right, and (b) the US dollar value of the Rights Issue Price paid by the US holder at the spot rate on the date of payment. Subject to the PFIC rules discussed below, the US holder's holding period for the New Ordinary Shares received upon exercise of a Right will begin on the date of exercise of the Right and will not include the period during which the US holder held the Right.

Lapse of Rights

Upon the lapse or expiration of a Right where a US holder does not receive any payment, the US holder should not recognise any loss, and such holder's tax basis in its Existing Ordinary Shares in respect of which the Rights were received will equal its tax basis before receipt of the Rights.

2.3 **Ownership and Disposition of New Ordinary Shares**

Dividends

Subject to the PFIC rules discussed below, distributions of cash or property that the Company pays on New Ordinary Shares will constitute dividends for US federal income tax purposes to the extent paid from current or accumulated earnings and profits (as determined under US federal income tax principles) and will be includible in gross income as ordinary dividend income when actually or constructively received. Distributions in excess of the Company's current and accumulated earnings and profits will be treated first as a tax-free return of capital to the extent of a US holder's tax basis in the New Ordinary Shares, and thereafter will be treated as capital gain from the sale or exchange of such New Ordinary Shares. However, the Company does not determine its current or accumulated earnings and profits for US federal income tax purposes and, accordingly, a US holder should expect that any distribution on the New Ordinary Shares generally will be treated as a dividend.

With respect to non-corporate US holders, including individual US holders, dividends may be "qualified dividend income", which is taxed at the lower applicable capital gains rate, provided that (i) the Company is not a PFIC (as discussed below) for either the Company's taxable year in which the dividend is paid or the preceding taxable year, (ii) the Company qualifies for the benefits of the US—UK tax treaty, which the Company believes to be the case, and (iii) certain holding period requirements are met. US holders should consult their tax advisors regarding the availability of the lower rate for dividends paid with respect to the New Ordinary Shares. Dividends with respect to New Ordinary Shares received by US holders that are corporations will be taxable at regular rates and will not be eligible for the dividends received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. Dividends will generally be treated as income from non-US sources.

Dividends paid in a currency other than US dollars will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the currency is converted into US dollars or otherwise disposed of at that time. A US holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss. If a dividend paid in non-US currency is converted into US dollars on the day the dividend is received, the US holder will generally not be required to recognise foreign currency exchange gain or loss in respect of the dividend.

Sale or Exchange

Subject to the PFIC discussion below, upon a sale or other taxable disposition of New Ordinary Shares, a US holder generally will recognise capital gain or loss equal to the difference between (i) the amount of cash and the fair market value of any property received on the disposition and (ii) such US holder's adjusted tax basis in the New Ordinary Shares disposed, each amount determined in US dollars. A US holder's adjusted tax basis in its New Ordinary Shares generally will be the US holder's purchase price for the New Ordinary Shares, reduced (but not below zero) by the amount of any distribution on such New Ordinary Shares that was treated as a nontaxable return of capital to such US holder. The capital gain or loss generally will be US-source gain or loss and will be long-term capital gain or loss if the New Ordinary Shares have been held for more than one year. The deductibility of capital losses is subject to limitations.

A US holder that receives a currency other than US dollars on the sale or other disposition of the New Ordinary Shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of sale or other disposition (or, if the New Ordinary Shares are traded on an established securities market, in the case of cash basis and electing accrual basis, on the settlement date). A US holder that determines the amount realised using the spot rate on the date of sale or other disposition will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US holder will have a tax basis in the currency received equal to the US dollar value of the currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

Tax on Net Investment Income

A 3.8 per cent. Medicare contribution tax will generally apply to all or some portion of the net investment income of a non-corporate US holder whose adjusted gross income exceeds a threshold amount. In the case of individuals, a 3.8 per cent. tax is imposed for each taxable year on the lesser of (a) net investment income for the year or (b) the modified adjusted gross income for such year in excess of a threshold amount (between $125,000 and $250,000, depending on the US holder's circumstances). For these purposes, dividends received with respect to New Ordinary Shares, and gains or losses realised from the taxable disposition of New Ordinary Shares, will generally be taken into account in computing a holder's net investment income.

Information Reporting and Backup Withholding

In general, dividends paid on New Ordinary Shares, and amounts received with respect to a sale or other disposition of New Ordinary Shares, will be reported to the IRS and to a US holder, unless a US holder is an exempt payee and the payment is not subject to backup withholding. Amounts subject to reporting may be subject to backup withholding unless such holder provides (i) a correct taxpayer identification number and certification (generally on Form W-9) that such holder is not subject to backup withholding, or (ii) proof that such holder is an exempt payee. Any amounts withheld from a payment under the backup withholding rules will be allowed as a credit against such holder's US federal income tax liability and may entitle such holder to a refund, provided the required information or returns provided are timely furnished to the IRS.

Tax Reporting

Individuals and certain domestic entities that are US holders will be required to report information with respect to such US holder's investment in "specified foreign financial assets" on IRS Form 8938, subject to certain exceptions. New Ordinary Shares constitute a specified foreign financial asset for these purposes. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties. US holders are urged to consult with their tax advisors regarding the foreign financial asset reporting obligations and their application to New Ordinary Shares.

2.4 **Passive Foreign Investment Company Rules**

Special US federal income tax rules apply to a US holder that holds stock in a foreign corporation classified as a passive foreign investment company, or "**PFIC**", for US federal income tax purposes. In general, the Company will be a PFIC if, for any taxable year in which, treating a proportionate share of the income and assets of any corporation in which the Company owns at least 25 per cent. by value of the stock of such corporation as if directly earned and owned by the Company, either (i) at least 75 per cent. of the Company's gross income for the taxable year is passive income or (ii) at least 50 per cent. of the value, determined on the basis of a quarterly average, of the Company's assets are attributable to assets that produce or are held for the production of passive income (including cash). For purposes of determining whether the Company is a PFIC, income earned or deemed earned by the Company in connection with the performance of services would generally not constitute passive income. By contrast, rental income would generally constitute passive income unless the Company is treated under specific rules as deriving the rental income in the active conduct of a rental business.

The determination as to whether a foreign corporation is a PFIC is based on the application of complex US federal income tax rules, which are subject to differing interpretations, and the determination will depend on the composition of the income, expenses and assets of the foreign corporation from time to time and the nature of the activities performed by its officers and employees. Based on the Company's current operations and future projections, although there is no legal authority directly on point, the Company intends to take the position that it was not a PFIC in its previous taxable years and will not be a PFIC in its current taxable year or the foreseeable future based on the position that, for purposes of determining whether the Company is a PFIC, the gross income it derives or is deemed to derive from leasing activities, directly or through its subsidiaries, should constitute income from an active trade or business, and the assets that it owns and operates in connection with the production of such income, directly or through its subsidiaries, should not constitute passive assets for purposes of determining whether the Company is a PFIC. However, the Company cannot provide any assurance regarding its PFIC status for any particular taxable year given that the determination of PFIC status is subject to differing interpretations and is fact-intensive and depends on future facts and circumstances.

If the Company were to be treated as a PFIC, gain realised on the sale or other disposition of New Ordinary Shares would in general not be treated as capital gain. Instead, a US holder would be treated as if such holder had realised such gain rateably over such holder's holding period for the New Ordinary Shares. Amounts allocated to the year of disposition and to years before the Company became a PFIC would be taxed as ordinary income and amounts allocated to each other taxable year would be taxed at the highest tax rate applicable to individuals or corporations, as appropriate, in effect for each such year to which the gain was allocated, together with an interest charge in respect of the tax attributable to each such year. Further, to the extent that any distribution received by a US holder on its New Ordinary Shares exceeded 125 per cent. of the average of the annual distributions on the New Ordinary Shares received during the preceding three years or the holder's holding period, whichever is shorter, the distribution would be subject to taxation in the same manner as gain, described immediately above. With certain exceptions, New Ordinary Shares held by a US holder will be treated as stock in a PFIC if the Company were a PFIC at any time during such holder's holding period for the New Ordinary Shares. In addition, dividends that a US holder receives from the Company would not constitute qualified dividend income to such holder if the Company were a PFIC (or were treated as a PFIC with respect to such holder) and would therefore be taxable as ordinary income.

Certain elections may be available that would result in alternative treatments of the shares if the Company were a PFIC. For example, if the Company were classified as a PFIC for any taxable year and the shares are treated as "marketable stock", then a US holder may make a "mark-to-market" election with respect to the New Ordinary Shares. Marketable stock generally includes stock that is regularly traded in more than *de minimis* quantities on a qualifying exchange. If a US holder makes the mark-to-market election, the US holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the US holder's New Ordinary Shares at the end of the taxable year over such holder's adjusted tax basis in its New Ordinary Shares. The US holder also would be permitted an ordinary loss in respect of the excess, if any, of the US holder's adjusted tax basis in its New Ordinary Shares over the fair market value thereof at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A US holder's tax basis in its New Ordinary Shares would be adjusted to reflect any such income or loss recognised. Gain recognised on the sale, exchange or other disposition of New Ordinary Shares would be treated as ordinary income, and any loss recognised on the sale, exchange or other disposition of the New Ordinary Shares would be treated as ordinary loss to the extent that such loss did not exceed the net mark-to-market gains previously included in income by the US holder.

If the Company is treated as a PFIC with respect to a US holder for any taxable year, the US holder will be deemed to own shares in any of the Company's subsidiaries that are also PFICs. However, an election for mark-to-market treatment would likely not be available with respect to any such subsidiaries. If the Company is considered a PFIC, a US holder will also be subject to information reporting requirements on an annual basis. US holders should consult their tax advisors about the potential application of the PFIC rules to an investment in the shares and the availability of any mitigating elections with respect thereto.

PART XIII
ADDITIONAL INFORMATION

1. Persons responsible

The Directors, whose names are set out in paragraph 1 of Part XI ("*Directors, Senior Management and Corporate Governance*") of this Prospectus and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

The Company was incorporated and registered in England and Wales on 27 November 1912 with registered number 00125575 under the Companies (Consolidation) Act 1908 as a company limited by shares under the name Grainger Trust Limited.

On 17 February 1982 the Company re-registered as a public company and changed its name to Grainger Trust plc. The Company was subsequently admitted to listing on the Official List and to trading on the London Stock Exchange's main market on 21 February 1984.

On 5 March 2007 the Company changed its name to Grainger plc.

The registered and head office of the Company is Citygate, St James Boulevard, Newcastle Upon Tyne, NE1 4JE. The telephone number of the registered office is 0191 261 1819.

The principal legislation under which the Company operates, and under which the New Ordinary Shares will be created, is the Companies Act and the regulations made thereunder.

3. Principal subsidiaries

The Company is the ultimate holding company of the Grainger Group. The following table shows details of the principal subsidiaries and associated undertakings of Grainger and GRIP which the Directors consider are likely to have a significant effect on the assessment of the Enlarged Group's assets and liabilities, financial position or profit and losses:

Name	Country of incorporation	Class and percentage of ownership interest and voting power	Primary field of activity
Atlantic Metropolitan (U.K.) Ltd	UK	100%	Holding company
BPT (Bradford Property Trust) Ltd	UK	100%	Property trading
Northumberland & Durham Property Trust Ltd	UK	100%	Property development & trading
BPT Ltd	UK	100%	Holding company
BPT (Residential Investments) Ltd	UK	100%	Property investment
BPT (Assured Homes) Ltd	UK	100%	Property investment
Bromley Property Investments Ltd	UK	100%	Holding company
Grainger Employees Limited	UK	100%	Employment company
Grainger Finance Company Ltd	UK	100%	Finance company
Grainger Housing & Developments Limited	UK	100%	Investment company
Grainger Pearl Holdings Limited	UK	100%	Holding company
Grainger Residential Management Limited	UK	100%	Management company
Grainger Treasury Property (2006) LLP	UK	100%	Acquisition and management of derivative interests in properties
Grainger Unitholder No 1 Limited	UK	100%	Investment company

4. Share capital of the Company

4.1 Share capital

As of 12 November 2018 (the Latest Practicable Date prior to the publication of this Prospectus), the issued and fully paid share capital of the Company was as follows:

	Authorised		Issued and fully paid	
Class of share	Shares	Amount (£)	Shares	Amount (£)
Ordinary Shares	695,064,779	34,753,238.95	417,319,100	20,865,955

Each Ordinary Share carries the right to one vote at a general meeting of the Company.

The Company holds 1,506,300 ordinary shares in treasury and is not permitted to exercise voting rights in respect of these shares.

Therefore the total number of voting rights in the Company as of 12 November 2018 is 417,319,100.

4.2 Issued share capital immediately following completion of the Rights Issue

The issued and fully paid ordinary share capital of the Company immediately following completion of the Rights Issue will be as follows:

Class of share	Amount (£m)	Shares	Nominal value
Ordinary Shares	30,603,401	612,068,013	£0.05

4.3 Share capital history

As of 1 October 2015, the first day covered by the Grainger Financial Information incorporated by reference into this Prospectus, the Company's issued Ordinary Share capital compromised 416,750,602 Ordinary Shares with a nominal value of five pence each.

The following changes in the Company's Ordinary Share capital have taken place between 1 October 2015 and the Latest Practicable Date;

(a) on 16 December 2015, 2,310 Ordinary Shares were allotted at a nominal value of £0.05 each;

(b) on 26 January 2016, 32,392 Ordinary Shares were allotted at a nominal value of £0.05 each;

(c) on 11 February 2016, 1,306 Ordinary Shares were allotted at a nominal value of £0.05 each;

(d) on 15 March 2016, 3,965 Ordinary Shares were allotted at a nominal value of £0.05 each;

(e) on 11 July 2016; 7,094 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 2,579 were issued for a subscription price of £1.151 per share; 2,378 were issued for a subscription price of £1.513 per share; 1,878 of these were issued for a subscription price of £1.731 per share; and 259 were issued for a subscription price of £1.733 per share;

(f) on 19 July 2016, 2,375 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 991 were issued for a subscription price of £1.513 per share; 606 were issued for a subscription price of £1.731 per share; and 78 were issued for a subscription price of £1.733 per share;

(g) on 30 August 2016, 10,267 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 1,846 were issued for a subscription price of £1.151; 6,344 were issued for a subscription price of £1.513 per share; 1,342 were issued for a subscription price of £1.731 per share; and 735 were issued for a subscription price of £1.733 per share;

(h) on 8 September 2016, 29,047 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 28,770 were issued for a subscription price of £1.151 per share; and 277 were issued for a subscription price of £1.731 per share;

(i) on 12 September 2017, 95,521 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 43,540 were issued for a subscription price of £0.689 per share; and 51,981 were issued for a subscription price of £1.731 per share;

(j) On 20 September 2017, 38,228 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 26,124 were issued for a subscription price of £0.689 per share; 2,577 were issued for a subscription price of £1.668 per share; 6,758 were issued for a subscription price of £1.731 per share; and 2,769 were issued for a subscription price of £1.733 per share;

(k) on 19 October 2017, 5,198 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.731 per share;

(l) on 18 January 2018, 4,354 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £0.689 per share;

(m) on 5 March 2018, 106,345 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(n) on 12 March 2018, 8,206 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(o) on 20 March 2018, 3,568 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(p) on 27 March 2018, 8,327 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(q) on 5 April 2018, 2,079 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.731 per share;

(r) on 31 May 2018, 4,758 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(s) on 26 June 2018, 6,377 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 5,783 were issued for a subscription price of £1.513 per share; and 594 were issued for a subscription price of £2.102 per share;

(t) on 24 July 2018, 1,189 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.513 per share;

(u) on 11 September 2018, 42,992 Ordinary Shares were allotted at a nominal value of £0.05 each and for a subscription price of £1.733 per share; and

(v) on 18 September 2018, 11,329 Ordinary Shares were allotted at a nominal value of £0.05 each. Of these: 2,606 were issued for a subscription price of £1.151 per share; and 8,723 were issued for a subscription price of £1.733 per share.

4.4 **Existing Shareholder Authority**

At the 2018 annual general meeting, the following resolutions were passed by Shareholders:

(a) an ordinary resolution authorising the Directors to:

  (i) allot or grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £6,945,000; and

  (ii) allot equity securities (within the meaning of section 560 of the Companies Act) up to a nominal amount of a further £13,890,000 (such amount to be reduced by the nominal amount of any allotments or grants made under sub-paragraph (a)(i) above) in connection with an offer by way of a rights issue to Shareholders in proportion as nearly as may be practicable to their existing holdings,

  subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of Ordinary Shares being represented by depositary receipts or any other matter,

  and such authority shall expire at the conclusion of the Company's next annual general meeting or, if earlier on 7 May 2019, except that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares or equity securities, as the case may be, to be allotted or such rights granted after such expiry and the Directors may allot Ordinary Shares or equity securities or grant such rights, as the case may be, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired;

(b) a special resolution giving the Directors the power to allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authority conferred by the resolution described at sub-paragraph (a) above as if section 561 of the Companies Act did not apply to any such allotment, such power to be limited to the allotment of equity securities:

(i) made in connection with an offer of securities to ordinary shareholders in proportion (as nearly as may be) to their existing holdings (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares or any legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any overseas territory or in connection with fractional entitlements) or by virtue of Ordinary Shares being represented by depositary receipts or any other matter whatsoever; and

(ii) (otherwise than pursuant to sub-paragraph (b)(i) above) up to an aggregate nominal value of £1,040,000 of the Company's issued ordinary share capital as at 8 December 2017 (excluding treasury shares),

and such authority shall expire at the conclusion of the Company's next annual general meeting or, if earlier on 7 May 2019, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and

(c) a special resolution giving the Directors the power, in addition to any power granted under the resolution described at paragraph 4.4(b) above to allot equity securities (within the meaning of section 560 of the Companies Act) for cash pursuant to the authority conferred by the resolution descripted at sub-paragraph (a) above as if section 561 of the Companies Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(i) up to an aggregate nominal value of £1,042,776.46; and

(ii) used only for the purposes of financing (or refinancing, if the power is used within six months of the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the 2018 AGM notice,

and such authority shall expire at the conclusion of the Company's next annual general meeting or, if earlier on 7 May 2019, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

4.5 **Options under the Grainger Group Share Plans**

Options have been granted pursuant to the Grainger Group Share Plans identified below, to certain Directors, Senior Management and other employees of the Company to acquire Ordinary Shares in the Company. As of 12 November 2018 (the Latest Practicable Date prior to publication of this Prospectus), options over 3,033,311 Ordinary Shares in the Company were outstanding, including those granted to Directors and Senior Management, as disclosed in paragraph 10.3 of Part XIII ("*Additional Information*") pursuant to the Grainger Group Share Plans.

The number of Ordinary Shares subject to options granted pursuant to the Grainger Group Share Plans as at the Latest Practicable Date, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercisable between	Outstanding
2007 SAYE Scheme			
2013	115.1	2018–19	3,909
2014[A]	173.1	2019–20	54,590
2014[B]	151.3	2020–21	155,399
2015	173.3	2018–21	54,797
2016	168.8	2019–22	183,714
			452,409
2017 SAYE Scheme			
2017	210.2	2020–23	193,606
2018	253.0	2021–24	183,631
			377,237

Award Date	Vesting Date	Outstanding
LTIP		
11 Jan 2016	11 Jan 2019	529,093
11 Feb 2016	11 Jan 2019	142,745
9 Feb 2017	9 Feb 2020	555,511
11 Dec 2017	11 Dec 2020	591,977
		1,819,326
DBSP		
11 Dec 2017	11 Dec 2020	93,603
		93,603
DBP/EDBP		
16 Dec 2014	15 Dec 2019	65,132
12 Jan 2016	12 Jan 2019	24,615
12 Jan 2016	12 Jan 2021	42,016
11 Jan 2017	11 Jan 2020	26,002
11 Jan 2017	11 Jan 2022	59,412
21 Dec 2017	21 Dec 2020	35,525
21 Dec 2017	21 Dec 2022	38,034
		290,736
Total options outstanding		3,033,311

For a description of the terms of the Grainger Group Share Plans, see paragraph 11 of this Part XIII ("*Additional Information*").

4.6 Ordinary Shares held by, or on behalf of, Grainger

As of 12 November 2018 (the Latest Practicable Date prior to publication of this Prospectus), the Company holds 1,506,300 shares in treasury and is not permitted to exercise voting rights in respect of these shares.

4.7 Ordinary Shares held by, or on behalf of, experts

As of 12 November 2018 (the Latest Practicable Date prior to publication of this Prospectus), none of the experts named in this Prospectus had any shareholding in any member of the Group or any right to subscribe for securities in any members of the Group.

4.8 Interests of natural and legal persons involved in the Acquisition and Rights Issue

Save as disclosed in this Part XIII ("*Additional Information*"), no person involved in the Acquisition or Rights Issue has an interest which is material to the Acquisition or Rights Issue.

5. Major shareholders

Insofar as is known to the Company by virtue of notifications made to it pursuant to chapter 5 of the Disclosure and Transparency Rules, or otherwise, the name of each person who, directly or indirectly, has an interest in three per cent. or more of the Company's issued share capital (calculated excluding shares held in treasury), and the amount of such person's interest, as of the Latest Practicable Date are as follows:

	Ordinary Shares	
Name	**No. (million)**	**% of Ordinary Shares**
BlackRock Inc.	32.4	7.8
Schroder Investment Management Ltd	27.3	6.5
Aberdeen Standard Investments	24.1	5.8
The Vanguard Group Inc.	15.6	3.7
Columbia Threadneedle Investments	15.4	3.7
Aberforth Partners LLP	15.3	3.7
Norges Bank Investment Management	14.7	3.5
M&G Investment Management Ltd	14.0	3.3
Legal & General Investment Management Limited	13.8	3.3

Save as disclosed above, the Company is not aware of any person who, directly or indirectly has an interest in 3 per cent. or more of the Company's issue share capital (calculated excluding shares held in treasury) as of the Latest Practicable Date.

Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly, nor is the Company aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

None of the major Shareholders referred to above has or will have different voting rights from other Shareholders.

6. Summary of the Articles

The following is a summary of Grainger's Articles, which were adopted by the Company on 10 February 2010 and which are available for inspection at the addresses specified in paragraph 24 of this Part XIII ("*Additional Information*").

6.1 Unrestricted objects

The objects of the Company are unrestricted.

6.2 Liability of Members

The liability of the Company's members is limited to the amount, if any, on the shares in the Company held by them.

6.3 Share Rights

Subject to applicable statutes and existing shareholders' rights, the Company may issue shares with any rights or restrictions attached to them. These rights or restrictions can either be decided by an ordinary resolution passed by the shareholders, or be decided by the directors as long as there is no conflict with any resolution passed by the shareholders.

Subject to applicable statutes and existing shareholders' rights, redeemable shares may be issued.

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

6.4 Voting rights

Shareholders will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the legislation. The Companies Act 2006 provides that:

(a) on a show of hands, every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant shareholder to vote in the way that the proxy decides to exercise that discretion; and

(b) on a poll, every member has one vote per share held by him or her, and he or she may vote in person or by one or more proxies. Where he or she appoints more than one proxy, the proxies appointed by him or her taken together shall not have more extensive voting rights than he or she could exercise in person.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

6.5 Dividends and other distributions

The Company may, by ordinary resolution, declare dividends, but no such dividend shall exceed the amount recommended by the Directors.

Subject to the legislation, the directors may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the directors, justifies any such payments.

If the directors act in good faith, they are not liable for any loss that shareholders may suffer because a lawful dividend has been paid on other shares that have non-preferred or deferred rights.

Unless the rights attached to any shares or the terms of any shares say otherwise, all dividends will be divided and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid.

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Companies Act.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment will be forfeited and go back to the Company.

6.6 Transfer of Shares

Shares in certificated form may be transferred by an instrument of transfer in writing in any usual form, or in such other form as the board may approve. The instrument of transfer shall be executed by, or on behalf of, the transferor and (in the case of a share which is not fully paid) by, or on behalf of, the transferee. Shares in uncertificated form may be transferred in accordance with the CREST Regulations.

The directors may refuse to register the transfer of any certificated shares unless all of the following conditions are satisfied:

(a) it is only in respect of only one class of share;

(b) it is duly stamped (if required) and accompanied by the relevant share certificate(s); and

(c) it is delivered for registration accompanied by such other evidence of ownership as the Directors may reasonably require to prove the title of the intending transferor or person renouncing.

Subject to, and in accordance with, the provisions of the CREST Regulations, the Directors may refuse to register a transfer of any uncertificated shares in circumstances permitted by the CREST Regulations.

6.7 Variation of rights

If legislation allows, rights attached to any class of shares may be changed if this is approved either in writing by shareholders holding at least three-quarters of the issued shares of that class by amount (excluding any shares of that class held as treasury shares), or by a resolution passed at a separate meeting of the holders of those shares.

If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

6.8 General meetings

The Company shall hold annual general meetings in accordance with the relevant legislation. Under the Companies Act 2006, an annual general meeting shall be called by not less than 21 clear days' notice, and a general meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice. The notice shall specify: whether the meeting is an annual general meeting or another general meeting; the place; the date and time of meeting; the general nature of the business to be conducted at that meeting; and that a member entitled to vote may appoint one or more proxies to vote instead of him or her on a poll at such meeting. A notice convening a meeting to pass an ordinary resolution or a special resolution as the case may be shall specify the intention to propose the resolution as such. A meeting may be called on shorter notice if, in the case of an annual meeting, it is agreed by all members entitled to attend and vote at the meeting, or in the case of any other general meeting, if it is agreed by a majority of members having a right to attend and vote at such meeting and which hold not less than 95 per cent. of the nominal value of shares giving that right.

Each director can attend and speak at any general meeting of the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

The chairman can, with the consent of a meeting at which a quorum is present (or if, in his or her opinion, it is not practicable to obtain such consent but it appears to him or her necessary in order to facilitate the business of the meeting) adjourn the meeting. No business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place.

6.9 Winding up

If the Company is wound up (by voluntary liquidation, under supervision of the Court or by the Court), the liquidator can, with the authority of a special resolution of the shareholders and any other sanction required by law, divide the whole or any part of the Company's assets amongst shareholders and may for such purpose set such value as he or she deems fair on any asset. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he or she with the like sanction determines, but no shareholder shall be compelled to accept any assets upon which there is a liability.

6.10 Change of control

The Company's Articles do not contain any provisions which would delay, defer or prevent a change in the control of the Company

6.11 Disclosure of interests in shares

If a member or any other person whom the Company knows or has reasonable cause to believe to be interested in the Company's shares or to have been so interested at any time during the immediately preceding three years, has been given notice (a "**statutory notice**") under section 793 of the Companies Act and has failed in relation to any shares (the "**default shares**") to give the Company the information thereby required within the period specified in the statutory notice, the Directors may by notice to that member direct that any one or more of the following consequences shall apply:

(a) where the default shares are less than 0.25 per cent. of the shares of a particular class of the Company, the member in relation to those default shares shall be prohibited from attending meetings of the Company and no voting rights shall be exercisable in respect of the default shares; or

(b) where the default shares are of 0.25 per cent. or more of the shares of a particular class of the Company:

   (i) the member shall be prohibited from attending meetings of the Company and no voting rights shall be exercisable in respect of the default shares;

   (ii) dividend payments and shares issued in lieu of dividend on the default shares may be withheld and the Company shall not have any obligation to pay interest on such dividend and the member shall not be entitled to elect to receive shares instead of dividend; and/or

   (iii) any transfer of the default shares shall be void and shall not be registered unless that transfer is an approved transfer.

6.12 **Changes in capital**

The Company may increase, divide or consolidate its share capital in accordance with the Companies Act.

6.13 **Directors**

(a) **Number of directors**

The Company must have a minimum of two directors and there is no maximum number of directors, although this can be amended by the shareholders passing an ordinary resolution.

(b) **Appointment**

Directors may be appointed by the shareholders passing an ordinary resolution, or by the Board. A director appointed by the Board shall hold office only until the next annual general meeting and is not taken into account in determining the directors who are to retire by rotation at that meeting.

If a Shareholder wishes to nominate a person for appointment as a Director, he or she must give notice of such a nomination at least seven and not more than 42 days before the meeting to the Company This notice must also be signed by the person being nominated for appointment and indicate his or her willingness to be appointed as a Director of the Company.

A Director is not required to hold any shares of the Company by way of qualification.

(c) **Retirement**

At each annual general meeting, one-third of the directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. The directors to retire will be, firstly, those who wish to retire and, secondly, those directors who have been longest in office since their last appointment or reappointment or, in the case of those who were appointed or reappointed on the same day, the director to be subject to retirement will (unless they otherwise agree) be determined by lot. A retiring Director shall be eligible for re-election.

(d) **Removal by ordinary resolution**

The Company may, by ordinary resolution, remove any Director before the expiration of his or her period of office, notwithstanding anything in the Articles or in any agreement between the Company and such Director and without prejudice to any claim such Director may have for damages for breach of any contract of service between him or her and the Company. By law, special notice of the ordinary resolution is required.

(e) **Vacation of office**

Any director automatically stops being a director if:

(i) he or she ceases to be a Director by virtue of any provision of the Companies Acts or he or she otherwise becomes prohibited by law from being a director;

(ii) he or she becomes bankrupt or has a bankruptcy order made against him or her or makes any arrangement or composition with his or her creditors generally or becomes subject to a bankruptcy restriction order or undertaking;

(iii) a registered medical practitioner who is treating that Director gives a written opinion to the Company stating that the Director has become physically or mentally incapable of acting as a director and may remain so for more than three months;

(iv) by reason of that Director's mental health, an order is made which wholly or partly prevents him or her from personally exercising any powers or rights which that Director might otherwise have;

(v) he or she shall, for more than six consecutive months, have been absent without permission of the Directors from meetings of Directors held during that period and the Directors resolve that his or her office be vacated;

(vi) he or she resigns his or her office by notice in writing to the Company, or he or she offers in writing to resign and the Directors resolve to accept such offer;

(vii) being a Managing Director or a Director holding an executive office, he or she is dismissed from such office; or

(viii) he or she is requested in writing by all the other Directors to resign.

(f) **Alternate directors**

Any director can appoint any person (including another director) to act as an alternate director.

(g) **Remuneration**

The Directors are entitled to such remuneration as the Company may by ordinary resolution determine and such remuneration is divisible among the Directors as they may agree, or, failing agreement, unless the resolution provides otherwise, the remuneration is deemed to accrue day to day.

The fees payable to Directors who are non-executive directors is subject to a cap of £450,000 per annum.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors or any committee of the Directors may determine.

(h) **Pensions and gratuities**

The Company may decide whether to award pensions, gratuities or other benefits to any Director or former Director or his or her family or dependants.

(i) **Borrowing powers**

So far as the Companies Act allows, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board must limit the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure that the aggregate principal amount from time to time outstanding of all borrowings by the Group exclusive of borrowings within the Group shall not, without the previous sanction of an ordinary resolution of the shareholders at a general meeting, exceed an amount equal to five times the Adjusted Capital and Reserves (as defined in the Articles).

(j) **Directors' interests**

The Directors may authorise any matter where any Director has, or may have, a direct or indirect interest and/or duty that conflicts, or possibly may conflict, with the interests and/or duties of the Company provided that:

(i) the Director concerned and any other interested Director are not counted towards any requirement as to quorum; and

(ii) the matter is agreed without such Director or other Director voting (or would have been agreed to if their votes had not counted).

Any authorisation of a matter will extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.

The authorising Directors may impose any limits or conditions on their authorisation at the time when such authorisation is given, or subsequently, as they in their discretion consider appropriate.

If a Director has declared to the Directors the nature and extent of any interest of his or hers at a meeting of the Board or in the manner set out in section 184 or 185 of the Companies Act, he or she may:

(i) be a party to, or otherwise interested in, any transaction or arrangement with a relevant Company;

(ii) be a director or other officer of, or employed by or otherwise interested in, any Relevant Company (as defined within the Company's Articles);

(iii) act (or any firm of which he or she is a partner, employee or member may act) in a professional capacity for any Relevant Company (other than as auditor) (as defined within the Company's Articles) whether or not he or she (or it) is remunerated; and

(iv) have any other interest authorised by ordinary resolution of the Company.

Such Director will not be accountable to the Company for any benefit which he or she derives from any such office or employment or from any such transaction or arrangement or from any interest in any Relevant Company (as defined within the Company's Articles) and no such transaction or arrangement will be liable to be avoided on the ground of any such interest or benefit.

(k) **Powers to vote**

Except as allowed under applicable law and the Articles, a Director cannot vote on any contract, arrangement or other kind of proposal in which he or she (or a person to whom he or she is connected under Section 252 of the Companies Act 2006) has an interest. Any vote of a Director in respect of a matter where he or she is not entitled to vote is disregarded. A Director will not be counted in the quorum at a meeting in relation to any resolution on which he or she is debarred from voting.

However, subject to the Companies Acts, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(i) proposals relating to any indemnities or provision of funds from the Company in favour of the Director, which comply with the Company's Articles;

(ii) proposals in which he or she has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in, or through, the Company;

(iii) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or her or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;

(iv) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself or she herself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(v) where the Company or any of its subsidiary undertakings is offering securities in which offer he or she is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;

(vi) any proposal concerning another company in which he or she and any persons connected with him or her do not, to his or her knowledge, hold an interest representing 1 per cent. or more of either any class of the equity share capital, or the voting rights, in such company;

(vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him or her any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(viii) any proposal concerning insurance which the Company proposes to purchase or maintain for the benefit of Directors;

(ix) any proposal in which he or she has an interest of which he or she is not aware, or an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest; or

(x) proposals in respect of which the interest or the interest of Directors generally has been authorised by an ordinary resolution.

(l) **Indemnity of officers**

The Articles provide that, subject to remaining consistent with the relevant company law, every director and director of an associated company shall be indemnified out of the assets of the Company to the extent that such indemnity is a "qualifying third party indemnity provision" within the meaning of section 234 of the Companies Act.

7. **Mandatory takeover bids, squeeze-out and sell-out rules**

Other than as provided by the City Code on Takeovers and Mergers, there are no rules or provisions relating to mandatory bids and/or squeeze-out and/or sell-out rules in relation to the Ordinary Shares. There is not in existence any current mandatory takeover bid in relation to the Company. There have been no takeover bids by third parties during the Company's last or current financial years.

8. Directors and Senior Management

The biographies of each of the Directors and Senior Management are set out in Part XI ("*Directors, Senior Management and Corporate Governance*").

In addition to each of their directorships of the Company and any directorships of Grainger Group companies, the Directors and Senior Management hold, or have held, in the previous five years the following directorships and partnerships:

Name	Current directorships and partnerships outside the Grainger Group	Previous directorships and partnerships outside the Grainger Group
Mark Clare	Premier Marinas Holdings Limited United Utilities Group Plc United Utilities Water Limited	Barratt Commercial Limited Barratt Developments P L C Barratt Dormant (Harlow) Limited Barratt Dormant (Walton) Limited Bdw Trading Limited BRE Trust David Wilson Homes Limited Frenchay Developments Limited Geneff Limited Kealoha 11 Limited Kingsoak Homes Limited Ladbrokes Coral Group Limited Old Sarum Park Properties Limited Roland Bardsley Homes Limited The Apartment Network Limited Trencherwood Commercial Limited UKGBC Limited UK-GBC Trading Limited Ward Holdings Limited Ward Homes Group Limited Ward Homes Limited Ward Homes (North Thames) Limited Wards Construction (Industrial) Limited Wards Construction (Investments) Limited Wilson Bowden Developments Limited Wilson Bowden Limited
Helen Gordon	British Property Federation Curzon Park Limited Derwent London plc Tacklow Limited	GRG Real Estate Asset Management (Great Britain) Limited GRG Real Estate Asset Management (Northern Ireland) Ltd West Register Hotels (Holdings) Limited West Register (Bankside) Limited West Register (Hotels Number 1) Limited West Register (Hotels Number 2) Limited West Register (Hotels Number 3) Limited West Register (Land) Limited West Register (Northern Ireland) Property Limited West Register (Property Investments) Limited West Register (Realisations) Limited West Register (Residential Property Investments) Limited WR (NI) Property Investments Limited WR (NI) Property Realisations Limited

Name	Current directorships and partnerships outside the Grainger Group	Previous directorships and partnerships outside the Grainger Group
Vanessa Simms . . .	Crondall Heights Residents Company Limited Drax Group plc GRIP REIT plc GRIP UK Holdings Limited GRIP UK Property Development Limited GRIP UK Property Investments Limited	Brixton (Great Western, Southall) 1 Limited LDC (Brunel House) Limited LDC (Causewayend) Limited LDC (Constitution Street) Limited LDC (Far Gosford) Limited LDC (Finance) Limited LDC (Greetham Street) Limited LDC (Newgate) Limited LDC (Old Hospital) Limited LDC (St Leonards) Limited LDC (Tara House) Limited LSAV (GP) Limited Unite Construction (Stapleton) Limited Unite Construction (Wembley) Limited USAF Finance II Limited USAF GP No.14 Limited USAF Holdings H Limited Walworth Investment Properties Limited
Tony Wray	CKC Projects Limited	East Worcester Water Limited Severn Trent plc Severn Trent Utilities Finance plc Severn Trent Water Limited Water UK Wray Systems Limited
Andrew Carr-Locke .	—	Dairy Crest Group plc Copthorn Holdings Limited Countryside Properties (Holdings) Limited Countryside Properties (UK) Limited
Rob Wilkinson	AEW Europe Investment Limited AEW Europe Holding Limited AEW Global Limited AEW Global UK Limited Curzon Capital Partners II G.P. Limited EPI General Partner Limited European Property Investors Special Opportunities (General Partner) Limited	AEW Europe Initial Limited Partner Limited AEW Europe Advisory Limited AEW Europe CC Limited AEW Europe GP Limited AEW Europe Holding Limited AEW Europe Investment Limited AEW Europe Partners Limited AEW Promote LP Limited AEW Scozia GP Limited Curzon Special GP Limited
Justin Read	44/46 St. George's Drive Ltd. Ibstock plc Segro Pension Scheme Trustees Limited Vivouin Consulting Limited	Brixton Limited Carillion plc** Followcastle Limited Helioslough Limited Kingswood Ascot Property Investments Limited Kwacker Limited Segro Administration Limited Segro Chusa Limited Segro Europe Limited Segro Finance Public Limited Company Segro Netherlands H1 B V Segro Overseas Holdings Limited Segro Public Limited Company

Name	Current directorships and partnerships outside the Grainger Group	Previous directorships and partnerships outside the Grainger Group
John Kenny	—	Liberty Atlantic Point (Liverpool) Limited Liberty Living Uk Limited Liberty Living (Lp Manchester) Limited Liberty Living (Liberty Cp) Limited Liberty Living Investments Nominee 1 Limited Liberty Living Limited Liberty Living Investments Ii Holdco Limited Liberty Cambrian Point (Cardiff) Limited Liberty Living (Lh Manchester) Limited Liberty Living (Liberty Sp) Limited Liberty Living (Lg Cardiff) Limited Liberty Living (Lq2 Newcastle) Limited Liberty Living Investments Gp1 Limited Liberty Living Investments Gp2 Limited Liberty Living Investments Ii Holdco 2 Limited Liberty Park (Bristol) Limited Liberty Quay 2 (Newcastle) Limited Liberty Quay (Newcastle) Limited Liberty Point (Manchester) Limited Liberty Heights (Manchester) Limited Liberty Living Investments Nominee 2 Limited Liberty Park (Us Bristol) Limited Liberty Point (Coventry) Limited Liberty Living (Lq Newcastle) Limited Liberty Living Investments Ii Limited Liberty Gardens (Cardiff) Limited Liberty Living (Lp Coventry) Limited Liberty Plaza (London) Limited Ll Midco 2 Limited Liberty Severn Point (Cardiff) Limited Liberty Prospect Point (Liverpool) Limited Liberty Living (Lp Bristol) Limited Liberty Living (Liberty Ap) Limited Liberty Living (Liberty Pp) Limited Liberty Living Spareco Limited Liberty Living Investments Limited Liberty Point Southampton (Block A) Limited Liberty Village (Edinburgh) Limited Liberty Living Investments Nominee 3 Limited Liberty Living Investments Gp3 Limited
Andrew Saunderson .	Vesta (General Partner) Limited	Walworth Investment Properties Limited
Michael Keaveney .	Eireann Consulting Ltd Helical Grainger Limited Helical Grainger (Holdings) Limited King Street Developments (Hammersmith) Limited KWB Developments Limited	Concord London Developments Ltd Ridgeford Consulting Ltd Bolsover Street No.2 Ltd Bolsover Street Ltd Concord W1 204 Gps Ltd
Adam McGhin	174 Bishops Road Ltd	—
Peter Tonathy	—	—
David Prescott	—	—
Kurt Mueller	—	—

** Justin Read was a director of Carillion plc from 1 December 2017 until 15 January 2018, the latter being the date when Carillion plc was placed into compulsory liquidation.

There are no family relationships between any Directors or any members of the Senior Management.

Within the period of five years preceding the date of this Prospectus, and save as disclosed above, none of the Directors or Senior Management:

(a) has any convictions in relation to fraudulent offences;

(b) has been declared bankrupt or entered into an individual voluntary arrangement;

(c) has been a member of the administrative, management, supervisory bodies or director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of a company at the time of any bankruptcy, receivership or liquidation of such company; or

(d) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

None of the Directors or Senior Managers was appointed to their respective positions pursuant to arrangements or understandings with any major Shareholders, customers, suppliers or others.

Other than as a result of any directorships of the Group, any interests in the share capital of the Company (as set out in paragraph 10.2 of this Part XIII ("*Additional Information*")) and any share options and awards with the Company (as set out in paragraph 10.3 of this Part XIII ("*Additional Information*")), in respect of any Director or Senior Manager, there are no actual or potential conflicts of interest between any duties they have to the Company, either in respect of the Rights Issue, the Acquisition or otherwise, and the private interests and/or other duties they may also have.

Save as set out in paragraph 10.3 of this Part XIII ("*Additional Information*") below, no restrictions have been agreed by any Director or member of Senior Management on the disposal within a certain period of his or her holding in Ordinary Shares.

9. Directors' terms of appointment

No existing or proposed service contract between any Director and the Company has been, or will be, varied as a consequence of the Acquisition. Key details of the existing service contracts are summarised in the table below:

Director	Date of employment contract or appointment letter	Salary or fees per annum	Notice period
Mark Clare	Appointment letter February 2017	£165,000	3 months
Helen Gordon	Employment contract November 2015	£470,120	12 months
Vanessa Simms	Employment contract February 2016	£327,040	6 months
Tony Wray	Appointment letter October 2011	£ 47,000	3 months
Andrew Carr-Locke	Appointment letter March 2015	£ 64,500	3 months
Rob Wilkinson	Appointment letter October 2015	£ 47,000	3 months
Justin Read	Appointment letter February 2017	£ 56,500	3 months

10. Directors' and Senior Management Remuneration

10.1 Salary and fees, bonuses and benefits

In addition to the options and awards under the Grainger Group Share Plans disclosed in paragraph 10.3 of this Part XIII ("*Additional Information*"), the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to Grainger's Directors and Senior Management for the financial year ended 30 September 2018 was as follows:

	Salary and Fees	Taxable benefits	Annual bonus	Pension benefits	Other	LTIP	Total
	£'000	£'000	£'000	£'000	£'000		£'000
Mark Clare	165	—	—	—	—	—	165
Helen Gordon	468	16	474	70	74	346	1,452
Vanessa Simms	325	16	290	49	—	143	827
Tony Wray	47	—	—	—	—	—	47
Andrew Carr-Locke	61	—	—	—	—	—	61
Rob Wilkinson	47	—	—	—	—	—	47
Justin Read	53	—	—	—	—	—	53
Directors (Total)	**1,166**	**32**	**764**	**119**	**74**	**489**	**2,652**
Senior Managers (Total)	**935**	**64**	**310**	**95**	**44**	**—**	**1,448**

Grainger is not required to, and does not otherwise, disclose publicly remuneration for the Senior Management on an individual basis.

No Director or Senior Manager has, or has had, any interest in any transaction which is, or was, unusual in its nature or conditions or which is, or was, significant to the business of the Company or any of its subsidiaries during the current or immediately preceding financial year, or which, having been in effect during an earlier financial year, remains in any respect outstanding or unperformed.

10.2 **Interests of the Directors and Senior Managers in Ordinary Shares**

As at the Latest Practicable Date, the interests of the Directors and Senior Managers, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) the persons closely associated with them (within the meaning of the Market Abuse Regulation) in Ordinary Shares including those held by the SIP Trustees on their behalf under the Share Incentive Plan (all of which, unless otherwise stated, are beneficial), including those arising pursuant to transactions notified to the Company pursuant to the Market Abuse Regulation, together with such interests as they are expected to be immediately following the Rights Issue (assuming: (i) that each Director and Senior Manager takes up his or her entitlements under the Rights Issue in full (but no further subscription of Ordinary Shares by them under the Rights Issue), other than in relation to Ordinary Shares held under the SIP, where Cashless Take-up is assumed; and (ii) no Ordinary Shares are issued to satisfy the vesting or awards or the exercise of options under the Grainger Group Share Plans between the date of this document and Admission becoming effective):

	As at the Latest Practicable Date		Immediately following the Rights Issue	
	Number of Ordinary Shares	% of issued share capital	Number of Ordinary Shares	% of issued share capital
Director				
Mark Clare	100,000	0.02	146,667	0.02
Helen Gordon	140,438	0.03	205,976	0.03
Vanessa Simms	22,933	0.01	33,635	0.01
Tony Wray	10,000	0.00	14,667	0.00
Andrew Carr-Locke	10,000	0.00	14,667	0.00
Rob Wilkinson	14,000	0.00	20,533	0.00
Justin Read	14,000	0.00	20,533	0.00
	311,371	**0.06**	**456,678**	**0.06**
Senior Management				
John Kenny	0	0.00	0	0.00
Andrew Saunderson	104,918	0.03	153,880	0.03
Michael Keaveney	0	0.00	0	0.00
Adam McGhin	21,657	0.01	31,764	0.01
Peter Tonathy	2,074	0.00	3,042	0.00
David Prescott	0	0.00	0	0.00
Kurt Mueller	7,253	0.00	10,638	0.00
	135,902	**0.04**	**199,324**	**0.04**

Taken together, the combined percentage interest of the Directors and Senior Managers in the issued share capital of the Company as at 12 November 2018 (the Latest Practicable Date prior to publication of this Prospectus), was approximately 0.10 per cent.

Details of options in respect of Ordinary Shares and awards of Ordinary Shares under the Grainger Group Share Plans as held by the Directors and Senior Managers are set out below in paragraph 10.3 of this Part XIII (*"Additional Information"*). They are not included in the interests of the Directors and Senior Managers shown in the tables above.

10.3 Interests of the Directors' and Senior Management in Ordinary Shares pursuant to Grainger Group Share Plans

For a description of the terms of the Grainger Group Share Plans, see paragraph 11 of this Part XIII ("*Additional Information*").

In addition to their interests as detailed in paragraph 10.2 of this Part XIII ("*Additional Information*") above, as at the Latest Practicable Date, the Directors and Senior Managers held the following options in respect of Ordinary Shares, and awards of Ordinary Shares, under the terms of the Grainger Group Share Plans:

Options

	Scheme	Number of Ordinary Shares over which options granted as at the Latest Practicable Date	Exercise price (pence)	Exercisable between
Directors				
Helen Gordon	2007 SAYE Scheme	10,791	166.8	2019–20
Vanessa Simms	2017 SAYE Scheme	8,563	210.2	2020–21
Senior Managers				
Andrew Saunderson	2007 SAYE Scheme	17,331	173.1	2019–20
Adam McGhin	2007 SAYE Scheme	8,992	166.8	2021–22
	2017 SAYE Scheme	3,557	253.0	2021–22
Peter Tonathy	2017 SAYE Scheme	8,563	210.2	2020–21
Kurt Mueller	2007 SAYE Scheme	10,791	166.8	2019–20

Awards

	Plan	Number of Ordinary Shares	Award Date	Earliest Vesting Date[1]
Directors				
Helen Gordon	DBSP	34,051	11 Dec 2017	11 Dec 2020
	2007 LTIP	344,540	11 Jan 2016	11 Jan 2019
	2017 LTIP	329,162	9 Feb 2017	9 Feb 2020
	2017 LTIP	285,825	11 Dec 2017	11 Dec 2020
Vanessa Simms	DBSP	20,974	11 Dec 2017	11 Dec 2020
	2007 LTIP	142,745	11 Jan 2016	11 Jan 2019
	2017 LTIP	170,101	9 Feb 2017	9 Feb 2020
	2017 LTIP	147,706	11 Dec 2017	11 Dec 2020
Senior Managers				
John Kenny	DBSP	8,726	11 Dec 2017	11 Dec 2020
	2017 LTIP	85,215	11 Dec 2017	11 Dec 2020
Andrew Saunderson	DBP	23,448	16 Dec 2014	16 Dec 2019
	DBP	14,560	12 Jan 2016	12 Jan 2021
	DBP	17,598	11 Jan 2017	11 Jan 2022
	DBSP	8,726	11 Dec 2017	11 Dec 2020
	2017 LTIP	73,231	11 Dec 2017	11 Dec 2020
Adam McGhin	DBP	6,656	12 Jan 2016	12 Jan 2021
	DBP	7,246	11 Jan 2017	11 Jan 2022
	DBP	5,186	21 Dec 2017	21 Dec 2022
Peter Tonathy	DBP	5,187	21 Dec 2017	21 Dec 2020
Kurt Mueller	DBP	3,120	12 Jan 2016	12 Jan 2019
	DBP	7,246	11 Jan 2017	11 Jan 2022
	DBP	6,916	21 Dec 2017	21 Dec 2022

Note

(1) Subject to satisfaction of performance conditions.

11. Grainger Group Share Plans

The Company operates the Grainger Group Share Plans. The Company also operates an employee benefit trust (the "**Trust**").

Set out below is a summary of the principal terms of the Grainger Group Share Plans and the Trust.

11.1 The Grainger plc SAYE Share Option Scheme 2007 ("2007 SAYE Scheme")

(a) Status of the 2007 SAYE Scheme

The 2007 SAYE Scheme is designed to meet the requirements of Schedule 3 of ITEPA, so as to permit the grant of tax advantaged options to participants.

(b) Administration

The 2007 SAYE Scheme is governed by its rules and operated and administered by the Board.

(c) Eligibility

Participation in the 2007 SAYE Scheme is offered to all employees, (including full-time executive directors) of the Company and its participating subsidiaries who satisfy certain criteria. The criteria are that:

(i) the employee must have been employed for a continuous period of not less than six months at the date that an invitation to apply for an option is issued under the 2007 SAYE Scheme; and

(ii) the employee's earnings from employment are general earnings (or would be if there were any) for a tax year in which the employee is resident in the United Kingdom.

(d) **Issue of Invitations**

Invitations to apply for an option may be issued to eligible employees: (a) during the period of 42 days commencing on the fourth Dealing Day immediately following the announcement by the Company of its half yearly or yearly results; or (b) on any date on which a change to legislation affecting employees' share schemes is proposed or made.

Each eligible employee who receives an invitation may apply for an option during the period permitted for doing so (which may not be less than 14 days from the date of invitation).

(e) **"Save-As-You-Earn" Contract and Grant of Options**

An eligible employee who wishes to be granted an option must enter into a save as you earn contract ("**SAYE contract**") with an approved savings body selected by the Board. Under the SAYE contract, the eligible employee will save a regular sum each month for three or five years (such period to be selected at the discretion of the Board on or prior to issuing the invitations or where the Board allows, by the eligible employee) of not less than a minimum amount specified by the Board nor more than a maximum amount specified by the Board. Such minimum amount must fall between £5 and £10 (inclusive) as determined by the Board and such maximum amount must not exceed £500 per month (or such greater amount as may from time to time be permitted by Schedule 3 of ITEPA). Employees who complete an SAYE contract will be entitled to a bonus from the savings body provided that such a bonus is payable in respect of the SAYE contract concerned. The bonus is fixed at the inception of the SAYE contract.

An option to acquire Ordinary Shares will be granted to each eligible employee who enters into an SAYE contract. The number of Ordinary Shares subject to such an option will be the number of Ordinary Shares which have an aggregate option price as near to, but not exceeding, the projected proceeds of the SAYE contract concerned (including the bonus, if available, subject to any scaling back as described below).

Options may be granted as "purchase options" or "subscription options". A subscription option is a right to acquire Ordinary Shares by way of subscription or by way of transfer of Treasury Shares. A purchase option is a right to acquire existing Ordinary Shares by way of transfer from the trustee of an employee benefit trust established by the Company.

No consideration is payable for the grant of an option.

(f) **Scaling Back**

If there are insufficient Shares available to fully satisfy all applications received for an option from eligible employees, the Board may scale down the applications by taking one or more prescribed steps set out in the rules of the 2007 SAYE Scheme to reduce the amount of savings made under each SAYE contract or otherwise reduce the proceeds derived from each SAYE contract so as to ensure that the options are granted over such number of Ordinary Shares as does not exceed the number of Ordinary Shares available to satisfy those options.

(g) **Exercise Price**

The option price per Ordinary Share shall, in the case of a subscription option, be determined by the Board and in the case of a purchase option, shall be determined by the trustee of the relevant employee benefit trust. In each case the option price shall be no less than the higher of the nominal value of an Ordinary Share and 80 per cent. of the market value of an Ordinary Share on the date on which the relevant invitation is issued.

(h) **Scheme Limits**

The number of Ordinary Shares which may be allocated under the 2007 SAYE Scheme on any day shall not, when aggregated with the number of Ordinary Shares which have been allocated in the 10 years prior to that day under the 2007 SAYE Scheme and any other employees' share scheme, exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue immediately prior to that day.

For these purposes "allocation" shall be taken to mean the placing of unissued Ordinary Shares or Treasury Shares under options, or alternatively the issue of Ordinary Shares or transfer of Ordinary Shares which are Treasury Shares under other types of employees' share schemes.

No account shall be taken of Ordinary Shares where the right to acquire such Ordinary Shares has been released or has lapsed.

The Board may, before issuing invitations on any occasion, determine a limit on the number of Ordinary Shares available in respect of such invitations.

(i) **Exercise and Lapse of Options**

Options are not transferable and (except in the circumstances described below) an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

Where an option holder dies before the maturity of his or her SAYE contract, his or her personal representatives may exercise his or her option within a period of 12 months from the date of his or her death. Where an option holder dies after the maturity of his or her SAYE contract without having exercised his or her option, his or her personal representatives may exercise his or her option within a period of 12 months following the date of maturity of the SAYE contract.

An option holder may exercise his or her option early within a period of six months following the date that he or she is no longer an employee of the Company or any "associated company" of the Company (as defined in Schedule 3 of ITEPA) where the cessation occurs as a result of:

(i) injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement or a transfer of the option holder's employment within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE Transfer");

(ii) pregnancy (which occurs more than three years after the date of grant of the option concerned);

(iii) his employing company ceasing to be under the control of the Company; or

(iv) the transfer or sale of the undertaking or part of the undertaking in which the option holder is employed to a person which is not under the control of the Company where such transfer does not amount to a TUPE Transfer.

Options will lapse upon cessation of employment of the option holder in any other circumstances not referred to above.

In relation to any option granted before 17 July 2013, the holder of such option may, subject to the option lapsing under another provision of the 2007 SAYE Scheme, exercise the option concerned during the period of six months commencing on the date that they reach the age of 60.

An option holder may also exercise his or her option early within a limited period following a takeover of the Company, a scheme of arrangement under Part 26 of the Companies Act 2006 which affects, or is applicable to, the Ordinary Shares being sanctioned by the court or the passing of a resolution for the voluntary winding up of the Company.

Where there is a change of control of the Company, in certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in the acquiring company which gains control of the Company.

Where an option is exercised early the number of Ordinary Shares acquired on exercise will in any event be limited by reference to the proceeds accrued under the relevant SAYE contract up to the date of exercise.

(j) **Adjustment of Options**

The option price (as well as the number of Ordinary Shares under option) may be adjusted by the Board in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive Ordinary Shares in lieu of a dividend) or other pre-emptive offer to shareholders of the Company or any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 3 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Ordinary Shares which may be acquired by the exercise of the option and the total price at which those Ordinary Shares may be acquired are immediately after such adjustments substantially the same as what they were immediately before the adjustments. An adjustment may also not be made if it would result in the option price being less than the nominal value of an Ordinary Share.

(k) **Other Option Terms and Issue of Ordinary Shares**

In the event that an option granted as a subscription option is exercised, such exercise shall be satisfied by the allotment of Ordinary Shares or the transfer of Treasury Shares by the Company.

In the event that an option granted as a purchase option is exercised, such exercise shall be satisfied by a transfer of Ordinary Shares by the trustee of an employee benefit trust established by the Company.

Options are not capable of transfer or assignment (other than in the case of death, to the option holder's personal representatives).

Any Ordinary Shares allotted pursuant to the 2007 SAYE Scheme shall rank *pari passu* with all other Ordinary Shares in issue but shall not rank for any rights determined by reference to a record date preceding the date of allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of transfer. For so long as the Ordinary Shares are listed on the Official List, the Company will make an application to the London Stock Exchange for the Ordinary Shares allotted pursuant to the exercise of any options to be admitted to the Official List.

(l) **Amendments**

The Board may from time to time amend the rules of the 2007 SAYE Scheme, provided that no amendment may be made which would cause the requirements of Parts 2 to 7 (inclusive) of Schedule 3 of ITEPA not to be met. All amendments must be made on a fair and reasonable basis.

Furthermore, the rules of the 2007 SAYE Scheme which relate to:

(i) the persons to whom options may be granted;

(ii) the limits on the number of Ordinary Shares over which options may be granted;

(iii) the price at which options are exercisable;

(iv) the adjustment of any options (otherwise than in accordance with the adjustment provisions of the 2007 SAYE Scheme, as summarised above, in the event of a capitalisation issue, rights issue, pre-emptive offer, sub-division, consolidation of shares or reduction of capital relating to the Company);

(v) the restrictions on the exercise of options;

(vi) the rights to be attached on the issue of Ordinary Shares to satisfy the exercise of an option;

(vii) the rights of option holders on a winding up of the Company; or

(viii)the transferability of options,

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for amendments to take account of any change in legislation or proposed change in legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary of the Company from time to time, or to take into account any corporate event relating to the Company (such as a takeover or voluntary winding up of the Company).

(m) **Termination**

The 2007 SAYE Scheme may be terminated at any time by resolution of the Board or Company in general meeting and shall in any event terminate on the tenth anniversary of its adoption by the Company so that no further options can be granted under the 2007 SAYE Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

11.2 **The Grainger plc Save As You Earn Scheme ("2017 SAYE Scheme")**

(a) **Status of the 2017 SAYE Scheme**

The 2017 SAYE Scheme is designed to meet the requirements of Schedule 3 of ITEPA, so as to permit the grant of tax advantaged options to participants.

(b) **Administration**

The 2017 SAYE Scheme is governed by its rules and operated and administered by the Board.

(c) **Eligibility**

Participation in the 2017 SAYE Scheme is offered to all employees, (including full-time executive directors) of the Company and its participating subsidiaries who satisfy certain criteria. The criteria are that:

(i) the employee must have been employed for a continuous period to be determined by the Board (not exceeding five years ending on the date of grant of the relevant option); and

(ii) the employee's earnings from employment are general earnings (or would be if there were any) for a tax year in which the employee is resident in the United Kingdom.

In addition, certain other employees of the Company or any subsidiary of the Company nominated by the Board may be permitted to participate in the 2017 SAYE Scheme.

(d) **Issue of Invitations**

Invitations to apply for an option may be issued to eligible employees during the period of 42 days commencing on: (a) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year (provided that if Ordinary Shares are admitted to the Official List at the time in question, no invitations shall be issued during the first three Dealing Days of the period referred to in this paragraph (a)); (b) any day on which a change to the legislation affecting Schedule 3 Save As You Earn Schemes is proposed or takes effect; or (c) any day on which a new savings contract prospectus is announced or takes effect.

If the issue of an invitation during any of the above periods would be prohibited by virtue of any statute, order or regulation, any share dealing code adopted by the Company, or any governmental directive then such invitation may be issued during the period of 39 days commencing immediately after the third Dealing Day following the time that such prohibition shall cease to have effect.

Each eligible employee who receives an invitation may, within 21 days from the date of the invitation (or such shorter period not being less than 14 days as the Board may determine), apply for an option.

(e) **"Save-As-You-Earn" Contract and Grant of Options**

An eligible employee who wishes to be granted an option must enter into a save-as-you-earn contract ("SAYE contract") with an approved savings body selected by the Board. Under the SAYE contract, the eligible employee will save a regular sum each month for three or five years (such period to be selected at the discretion of the Board on or prior to issuing the invitations or where the Board allows, by the eligible employee) of not less than a minimum amount specified by the Board nor more than a maximum amount specified by the Board. Such minimum amount must fall between £5 and £10 (inclusive) as determined by the Board and such maximum amount must not exceed £500 per month (or such greater amount as may from time to time be permitted by Schedule 3 of ITEPA). Employees who complete an SAYE contract will be entitled to a bonus from the savings body provided that such a bonus is payable in respect of the SAYE contract concerned. The bonus is fixed at the inception of the SAYE contract.

An option to acquire Ordinary Shares will be granted to each eligible employee who enters into an SAYE contract. The number of Ordinary Shares subject to such an option will be the number of Ordinary Shares which have an aggregate option price as near to, but not exceeding, the projected proceeds of the SAYE contract concerned (including the bonus, if available, subject to any scaling back as described below).

No consideration is payable for the grant of an option.

(f) **Scaling Back**

If there are insufficient Ordinary Shares available to fully satisfy all applications received for an option from eligible employees, the Board may scale down the applications by taking one or more prescribed steps set out in the rules of the 2017 SAYE Scheme to reduce the amount of savings made under each SAYE contract or otherwise reduce the proceeds derived from each SAYE contract so as to ensure that the options are granted over such number of Ordinary Shares as does not exceed the number of Ordinary Shares available to satisfy those options.

(g) **Exercise Price**

Subject to the constraints set out below, the option price per Ordinary Share subject to an option will be selected by the Board.

The option price must not be less than 80 per cent. (or such other percentage as may from time to time be permitted by Schedule 3 of ITEPA) of the market value of an Ordinary Share on the day on which the invitations to apply for options are issued provided that, in the case of an option to subscribe for Ordinary Shares, the option price per Ordinary Share subject to an option selected by the Board shall not be less than the greater of: (i) the nominal value of an Ordinary Share; and (ii) an amount equal to 80 per cent. (or such other percentage as may from time to time be permitted by Schedule 3 of ITEPA) of the market value of an Ordinary Share on the day on which the invitations to apply for options are issued.

(h) **Scheme Limits**

On any date, no option may be granted under the 2017 SAYE Scheme if as a result the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options or other rights granted during the previous ten years under the 2017 SAYE Scheme or any other employees' share scheme adopted by the Company would exceed 10 per cent. of the nominal value of the ordinary share capital of the Company in issue at that date.

For the purpose of the limit set out above:

(i) any Ordinary Shares which were subject to an option or other right (whether granted under the 2017 SAYE Scheme or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limit set out above;

(ii) where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company or from any other person, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the 2017 SAYE Scheme or any other employees' share scheme operated by the Company; and

(iii) Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the 2017 SAYE Scheme or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the UK Investment Association to be so included for the purposes of such limit.

(i) **Exercise and Lapse of Options**

Options are not transferable and (except in the circumstances described below) an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

Where an option holder dies before the maturity of his or her SAYE contract, his or her personal representatives may exercise his or her option within a period of 12 months from the date of his or her death. Where an option holder dies within a period of six months following the maturity of his or her SAYE contract without having exercised his or her option, his or her personal representatives may exercise his or her option within a period of 12 months following the date of maturity of the SAYE contract.

An option holder may exercise his or her option early within a period of six months following the date that he or she is no longer an employee of the Company or any "associated company" of the Company (as defined in Schedule 3 of ITEPA) where the cessation occurs as a result of:

(i) injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement or a transfer of the option holder's employment within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE Transfer**");

(ii) his employing company ceasing to be under the control of the Company; or

(iii) his office or employment being transferred to a company which is not under the control of the Company where such transfer does not amount to a TUPE Transfer.

Options will lapse upon cessation of employment of the option holder in any other circumstances not referred to above.

An option holder may also exercise his or her option early within a limited period following a takeover of the Company, a scheme of arrangement under Part 26 of the Companies Act 2006 which affects, or is applicable to, the Ordinary Shares being sanctioned by the court, a non-UK company reorganisation or the passing of a resolution for the voluntary winding up of the Company.

Where there is a change of control of the Company, in certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in the acquiring company which gains control of the Company.

Where an option is exercised early the number of Ordinary Shares acquired on exercise will in any event be limited by reference to the proceeds accrued under the relevant SAYE contract up to the date of exercise.

(j) **Adjustment of Options**

The option price (as well as the number of Ordinary Shares under option and their description) may be adjusted by the Board in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive Ordinary Shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company, including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 3 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Ordinary Shares which may be acquired by the exercise of the option and the total price at which those Ordinary Shares may be acquired are immediately after such adjustments substantially the same as what they were immediately before the adjustments.

(k) **Other Option Terms and issue of Ordinary Shares**

The 2017 SAYE Scheme provides the facility for the exercise of options to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment (other than in the case of death, to the option holder's personal representatives).

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Ordinary Shares are listed on the Official List, the Company will use its best endeavours to procure that the Ordinary Shares issued following exercise of any options are admitted to the Official List as soon as practicable after allotment.

Benefits obtained under the 2017 SAYE Scheme are not pensionable.

(l) **Amendments**

The Board may amend the provisions of the 2017 SAYE Scheme. However, no amendment to a key feature of the 2017 SAYE Scheme may be made which would result in the requirements of Schedule 3 of ITEPA not being met in relation to the 2017 SAYE Scheme.

Furthermore, the rules of the 2017 SAYE Scheme which relate to:

(i) the persons to whom options may be granted;

(ii) the limits on the number of Ordinary Shares which may be issued under the 2017 SAYE Scheme;

(iii) the maximum entitlement of any option holder;

(iv) the basis for determining an option holder's entitlement to Ordinary Shares or options; and

(v) the basis for determining the adjustment of any option granted under the 2017 SAYE Scheme in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital of the Company,

cannot be amended to the advantage of any option holder or potential option holder without the prior approval of the Company in general meeting except for minor amendments to benefit the administration of the 2017 SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary of the Company from time to time.

In addition no amendment may be made to subsisting options which will have an adverse effect on such options except with the written consent of the option holders who hold options over at least 75 per cent. of the total number of Ordinary Shares subject to all such affected subsisting options under the 2017 SAYE Scheme or unless the amendment is a minor amendment to benefit the administration of the 2017 SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary of the Company from time to time.

(m) **Overseas employees**

The Board may adopt supplemental rules to the 2017 SAYE Scheme to facilitate the granting of options to individuals not resident in the United Kingdom provided that such supplemental rules will, so far as the Board in its discretion considers reasonably practicable, follow the rules of the 2017 SAYE Scheme.

(n) **Termination**

The 2017 SAYE Scheme may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption by the Company so that no further options can be granted under the 2017 SAYE Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

11.3 **The Grainger plc 2007 Long-Term Incentive Plan ("2007 LTIP")**

(a) **Status of the 2007 LTIP**

Awards granted under the 2007 LTIP will have no beneficial tax status.

(b) **Administration**

The 2007 LTIP is governed by its rules and operated and administered by the Remuneration Committee.

(c) **Eligibility**

In order to be eligible to participate, an individual must be an employee or executive director of the Company or any subsidiary of the Company. Awards are granted under the 2007 LTIP at the discretion of the Remuneration Committee.

(d) **Type of Awards**

The Remuneration Committee decide whether on any occasion to grant Matching Shares Awards or Performance Shares Awards.

Where the Remuneration Committee choose to offer any eligible employee a Matching Shares Award it shall invite the eligible employee to either acquire Ordinary Shares or to pledge Ordinary Shares already held by them as investment shares for the purpose of the 2007 LTIP as a condition of being made a Matching Shares Award ("**Investment Shares**"). A Matching Shares Award can only be made to an individual who acquires or pledges Ordinary Shares as Investment Shares pursuant to such invitation in accordance with the rules of the 2007 LTIP.

Investment Shares acquired by an eligible employee shall be held either by a nominee on the eligible employee's behalf or by the eligible employee, with the documents of title held as directed by the Remuneration Committee. Alternatively the Remuneration Committee may specify other methods of holding Investment Shares as will enable the Remuneration Committee to monitor ownership of such Investment Shares. Whilst the Investment Shares are held for the purpose of the 2017 LTIP, the participant concerned is entitled to vote on such Investment Shares and receive any dividends payable in respect of such Investment Shares by reference to any dividend record dates falling after the date of acquisition of the Investment Shares. If at any time prior to the vesting or lapse of a Matching Shares Award made to an eligible employee, the eligible employee has the related Investment Shares transferred to himself or herself (or his or her nominee) or such Investment Shares are disposed of, the Matching Shares Award will lapse pro rata to the proportion of the Investment Shares that are transferred or disposed.

The total market value of Ordinary Shares which may be acquired or pledged as Investment Shares by an eligible employee in any financial year of the Company shall be determined by the Remuneration Committee but shall not in any case exceed 30 per cent. of the eligible employee's gross annual base salary (excluding discretionary bonuses and benefits in kind) at the date that he or she is invited to acquire or pledge Investment Shares (or such earlier date as the Remuneration Committee determines).

Performance Shares Awards can be made to eligible employees without the requirement for them to acquire Investment Shares.

Both a Performance Shares Award and a Matching Shares Award may take the form of one of the following structures, as determined by the Remuneration Committee:

(i) a Conditional Award—being a conditional right to acquire Ordinary Shares for zero consideration;

(ii) an Option—being a right to acquire Ordinary Shares either at an exercise price or for zero consideration; or

(iii) a Forfeitable Shares Award—being the transfer of the beneficial interest in Ordinary Shares subject to the award to the participant concerned, subject to certain restrictions, which will fall away over time in accordance with the rules of the 2007 LTIP.

In addition, the Remuneration Committee may grant awards in the form of "matching shares interests" or "performance shares interests" under the 2007 LTIP by means of a joint share ownership agreement. Further details of the terms of such joint share ownership agreements are set out below.

(e) **Grant of Awards**

The Remuneration Committee may only grant awards: (a) during the period of six weeks beginning with the Dealing Day after the date that the Company announces its results for any period; or (b) at any other time when the Remuneration Committee considers that circumstances are sufficiently exceptional to justify such grant.

The grant of an award at any time, shall however be subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers or any other UK or overseas regulation or enactment.

(f) **Plan Limits**

An award shall not be granted in any calendar year if, at the time of the proposed grant, it would cause the number of Ordinary Shares allocated in the period of 10 calendar years ending with that calendar year under the 2007 LTIP and under any other executive share plan adopted by the Company to exceed such number as represents 5 per cent. of the ordinary share capital of the Company in issue at that time.

An award shall not be granted in any calendar year if, at the time of the proposed grant, it would cause the number of Ordinary Shares allocated in the period of 10 calendar years ending with that calendar year under the 2007 LTIP and under any other employee share plan adopted by the Company to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

Ordinary Shares are deemed to be allocated when an option or other right to acquire unissued Ordinary Shares or Treasury Shares is granted or where Ordinary Shares are issued or Treasury Shares are transferred otherwise than pursuant to an option or right to acquire Ordinary Shares. Ordinary Shares which have been issued or which may be issued (or have been transferred or may be transferred out of treasury) to any trustee to satisfy the exercise of any option, award or other contractual right granted under any employee share plan shall also count as allocated.

(g) **Individual Limits**

The maximum total market value of Ordinary Shares over which Performance Shares Awards may be granted to any individual during any financial year of the Company is 150 per cent. of his or her annual base salary (excluding benefits in kind), unless exceptional circumstances exist whereby the Remuneration Committee may determine that this limit may be increased to 200 per cent. of such annual base salary.

The maximum total market value of Ordinary Shares over which Matching Shares Awards may be granted to any individual shall be determined by the Remuneration Committee but shall not exceed one times the total market value of Investment Shares held or pledged by that individual.

(h) **Performance Conditions**

Both Matching Shares Awards and Performance Shares Awards may be made subject to performance conditions at the discretion of the Remuneration Committee.

The Remuneration Committee may vary the performance conditions applying to any award if any event occurs which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance conditions. Any varied performance conditions applying to an award must, in the reasonable opinion of the Remuneration Committee, be not materially less difficult to satisfy than the original conditions would have been but for the event in question.

(i) **Joint Ownership Agreement**

If the Remuneration Committee grants matching shares interests or performance shares interests, the participant must enter into a joint share ownership agreement whereupon a participant holds an interest in Ordinary Shares jointly with an employee benefit trust operated by the Company. The joint ownership agreement provides that each of the participant and the employee benefit trust has an interest over a certain proportion of each Ordinary Share under the agreement, with legal title vested in the employee benefit trust. On certain specified events, the employee benefit trust shall be able to acquire the participant's interest for a nominal sum. The proportion of such interest the employee benefit trust may acquire is determined in accordance with the terms of the joint share ownership agreement.

In addition, the participant may require the employee benefit trust to acquire the remainder of his or her interest in exchange for a number of Ordinary Shares as equal the value of the remainder of the participant's interest.

(j) **Vesting and Exercise of Awards**

An award normally vests on the third anniversary of grant, or if later, the date upon which the Remuneration Committee determines the extent to which any performance conditions applying to the award concerned have been satisfied. In the case of options granted pursuant to the 2007 LTIP, these may normally only be exercised within the period of 12 months following vesting.

Awards will only vest to the extent that any performance conditions relating thereto have been satisfied.

If a participant ceases to be a director or employee within the same group as the Company before his or her award has vested on the normal vesting date by reason of death, injury, disability (evidenced to the satisfaction of the Remuneration Committee), retirement with the agreement of his or her employer, redundancy (within the meaning of the Employment Rights Act 1996 or any overseas equivalent), the sale of the company or business in which he or she is employed or for any other reason at the determination of the Remuneration Committee, his or her award shall vest at the time that the award would have vested but for the cessation of employment. The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award in these circumstances by applying any performance conditions and then subject to the discretion of the Remuneration Committee reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted and the date of cessation of employment relative to the period of three years. If a participant ceases to be employed for any other reason, his or her award shall lapse immediately upon such cessation.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest on the award holder ceasing to be an employee or director of the Company or its subsidiaries, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned. The Remuneration Committee also has discretion to allow the award held by the departing award holder to vest at the date of cessation of employment.

In the event of a takeover of the Company, a compromise or arrangement being sanctioned by the Court in connection with, or for the purpose of, a change of control of the Company, a resolution for the voluntary winding up of the Company being passed or an order being made for its compulsory winding up, the Remuneration Committee must notify all award holders of such event. Normally, in any case where such a notification is issued, all awards shall vest on the date of such notification. In these circumstances, if an award has been structured as an option, it will normally remain capable of exercise in respect of the Ordinary Shares that have vested for a period of one month from the date upon which the award vests, unless it lapses sooner under the rules of the 2007 LTIP.

However, if a change of control of the Company amounts to an internal reorganisation pursuant to which at least 75 per cent. of the shares in the acquiring company are expected to be held by substantially the same persons who were shareholders of the Company immediately before the change of control, the Remuneration

Committee may determine that the awards shall not vest and that instead existing awards shall be surrendered in exchange for equivalent awards over shares in the capital of the acquiring company or some other company.

In the event that there is a demerger or special dividend in respect of the Company or other similar event, the Remuneration Committee may, at its discretion, notify all award holders of such event. In such case, the awards shall vest and, if structured as an option, may be exercised on such terms as the Remuneration Committee may determine and on, or during such period preceding, the demerger, special dividend or other similar event as the Remuneration Committee may determine.

The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award if one of the aforementioned corporate events occurs in relation to the Company by applying any performance conditions that apply to the award and then, subject to the discretion of the Remuneration Committee mentioned below, reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted to the date of the Remuneration Committee's notification (or the date of vesting of the award in the case of a demerger, special dividend or other similar event) relative to the period of three years.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest in relation to the corporate event concerned, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned.

(k) **Dividend equivalents**

The Remuneration Committee may decide on or before the grant of an award (other than a forfeitable shares award), that the award holder will receive a payment (in cash and/or Ordinary Shares) of an amount equivalent to the dividends that would have been payable on the Ordinary Shares that ultimately vest under the award in respect of dividend record dates occurring between the date of grant and the vesting of the award. The Remuneration Committee shall determine the basis on which the value of such dividends shall be calculated and may assume the reinvestment of dividends.

No dividend equivalents will be made in respect of a forfeitable shares award.

(l) **Issue and Transfer of Ordinary Shares**

Awards structured as conditional awards will be satisfied by the transfer of Ordinary Shares to the award holder as soon as practicable after vesting.

Awards structured as options may be satisfied by the transfer or allotment of Ordinary Shares to the award holder as soon as practicable after exercise.

In respect of an award structured as a forfeitable shares award, the Ordinary Shares that have vested under such award shall cease to be subject to any restrictions and will be settled by a transfer of the legal title to such vested Ordinary Shares (or any documents of title relating to such Ordinary Shares) to the award holder as soon as practicable after vesting.

Alternatively, the Remuneration Committee may determine (in respect of options and conditional shares awards) that a cash equivalent may be paid to the award holder in place of the issue or transfer of Ordinary Shares.

(m) **Other Award Terms**

Awards are not capable of transfer or assignment (except to the award holder's personal representatives following the death of the award holder).

Ordinary Shares transferred to settle an award (or in the case of an award structured as a forfeitable shares award, Ordinary Shares released from their restrictions) shall be transferred with the benefit of the rights attaching to the Ordinary Shares by reference to a record date on or after the date of such transfer, or release of such restrictions as the case may be.

Ordinary Shares allotted to settle an award shall rank equally in all respects with Ordinary Shares then in issue except for any rights attaching to such Ordinary Shares by reference to a record date before the date of allotment.

Benefits obtained under the 2007 LTIP are not pensionable.

(n) **Adjustments to Share Capital**

Upon any variation of the share capital of the Company or a demerger, special dividend or similar event which affects the market price of the Ordinary Shares to a material extent, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

(o) **Amendments**

The Remuneration Committee may from time to time amend the rules of the 2007 LTIP. Amendments may not be made which would be to the advantage of any award holder or prospective award holder to the provisions of the 2007 LTIP relating to eligibility, the individual limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of Treasury Shares, the basis for determining an award holder's entitlement to, and the terms of, Ordinary Shares or cash provided under the 2007 LTIP, or the adjustments that may be made in the event of any variation of capital, without the prior approval by the shareholders of the Company in general meeting save that minor amendments to benefit the administration of the 2007 LTIP, to take account of any change in legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder, the Company or any subsidiary of the Company, may be made without having to seek such shareholder approval.

No alteration may be made to the material disadvantage of any award holder unless the Remuneration Committee has invited every relevant award holder to indicate whether or not he or she approves the alteration and the alteration is approved by a majority of the award holders who have given such an indication.

(p) **Termination**

No award can be granted under the 2007 LTIP after the expiry of ten years commencing on the date that the 2007 LTIP was approved by the shareholders of the Company.

11.4 **The Grainger 2017 Long-Term Incentive Plan ("2017 LTIP")**

(a) **Status**

Awards granted under the 2017 LTIP will have no beneficial tax status.

(b) **Administration**

The 2017 LTIP is governed by its rules and operated and administered by the Remuneration Committee.

(c) **Eligibility**

In order to be able to participate, an individual must be an employee or executive director of the Company or any of its subsidiaries. Awards are granted under the 2017 LTIP at the discretion of the Remuneration Committee.

(d) **Type of Award**

Awards may either be granted as a conditional share award or an option.

A conditional share award is a right to acquire Ordinary Shares for no consideration. An option is a right to acquire Ordinary Shares subject to the payment of an exercise price (if any). The Remuneration Committee has the discretion as to whether to set the exercise price in respect of an option at a nominal value or to set it at zero at the time of grant. The Remuneration Committee also has the discretion to reduce or waive any exercise price set in respect of an option, on or prior to the exercise of such option.

(e) **Grant of awards**

The Remuneration Committee may grant awards under the 2017 LTIP at any time:

(i) within six weeks following the Company's announcement of its results for any period; and

(ii) when the Remuneration Committee considers there are sufficiently exceptional circumstances which justify the grant of awards.

The grant of an award at any time, shall however be subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers or any other UK or overseas regulation or enactment.

(f) **Plan Limits**

An award shall not be granted in any calendar year if, at the time of the proposed grant, it would cause the number of Ordinary Shares allocated in the period of 10 calendar years ending with that calendar year under the 2017 LTIP and under any other executive share plan (i.e. discretionary plans only and not all employee plans) adopted by the Company to exceed such number as represents 5 per cent. of the ordinary share capital of the Company in issue at that time.

An award shall not be granted in any calendar year if, at the time of the proposed grant, it would cause the number of Ordinary Shares allocated in the period of 10 calendar years ending with that calendar year under the 2017 LTIP and under any other employee share plan (i.e. all types of employee share plans including discretionary plans and all employee plans) adopted by the Company to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

Ordinary Shares are deemed to be allocated when an option or other right to acquire unissued Ordinary Shares or Treasury Shares is granted or where Ordinary Shares are issued or Treasury Shares are transferred otherwise than pursuant to an option or right to acquire Ordinary Shares. Ordinary Shares which have been issued or which may be issued (or have been transferred or may be transferred out of treasury) to any trustee to satisfy the exercise of any option, award or other contractual right granted under any employee share plan shall also count as allocated, unless such Ordinary Shares have already been taken into account.

(g) **Individual limit**

The maximum total market value of Ordinary Shares over which awards may be granted to any individual during any financial year of the Company is 175 per cent. of his or her annual base salary (excluding benefits in kind), unless exceptional circumstances exist whereby the Remuneration Committee may determine that this limit may be increased to 200 per cent. of such annual base salary.

(h) **Performance conditions**

The extent of vesting of awards granted to the Company's executive directors will be subject to performance conditions set by the Remuneration Committee. The Remuneration Committee may also determine that awards granted to eligible employees other than the Company's executive directors shall be subject to performance conditions.

The Remuneration Committee may vary the performance conditions applying to any award if any event occurs which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance conditions. In the case of an award granted to an executive director of the Company, any varied performance conditions applying to such award must, in the reasonable opinion of the Remuneration Committee, be not materially less difficult to satisfy than the original conditions would have been but for the event in question.

(i) **Vesting and Exercise of Awards**

An award normally vests on the third anniversary of grant or, if later, on the date upon which the Remuneration Committee determines the extent to which any performance conditions applying to the award concerned have been satisfied.

Awards will normally only vest to the extent that any performance conditions relating thereto have been satisfied.

Where awards are granted in the form of options, once vested, such options will then be exercisable up until the tenth anniversary of grant (or during such shorter period specified by the Remuneration Committee at the time of grant) unless they lapse earlier pursuant to the rules of the 2017 LTIP.

If a participant ceases to be a director or employee within the same group as the Company before his or her award has vested by reason of death, injury or disability (evidenced to the satisfaction of the Remuneration Committee), retirement with the agreement of his or her employer, redundancy (within the meaning of the Employment Rights Act 1996 or any overseas equivalent), the sale of the company or business in which he or she is employed or for any other reason at the determination of the Remuneration Committee, his or her award shall normally vest at the time that the award would have vested but for the cessation of employment. The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award in these circumstances by applying any performance conditions and then, subject to the discretion of the Remuneration Committee mentioned below, reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted to the date of cessation of employment relative to the period of three years. If a participant ceases to be an employee or director for any other reason, his or her award shall lapse immediately upon such cessation.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest on the award holder ceasing to be an employee or director of the Company or its subsidiaries, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned. The Remuneration Committee also has discretion to allow the award held by the departing award holder to vest at the date of cessation of employment.

In any case where an award vests on the cessation of employment or directorship of the award holder in accordance with the rules of the 2017 LTIP and the award has been structured as an option, the award may normally be exercised within one month of such cessation and if not so exercised shall lapse at the end of such period.

In the event of a takeover of the Company, a compromise or arrangement being sanctioned by the Court in connection with, or for the purpose of, a change of control of the Company, a resolution for the voluntary winding up of the Company being passed or an order being made for its compulsory winding up, all awards shall normally vest on the date of the relevant corporate event. In these circumstances, if an award has been structured as an option, it will normally remain capable of exercise in respect of the Ordinary Shares that have vested for a period of one month from the date on which the relevant corporate event occurs, unless it lapses sooner under the rules of the 2017 LTIP.

However if the change of control of the Company amounts to an internal reorganisation pursuant to which at least 75 per cent. of the shares in the acquiring company are expected to be held by substantially the same persons who were shareholders of the Company immediately before the change of control, the Remuneration Committee may determine that the awards shall not vest and that instead existing awards shall be surrendered in exchange for equivalent awards over shares in the capital of the acquiring company or some other company.

In the event that there is a demerger or special dividend in respect of the Company or other similar event which in the opinion of the Remuneration Committee would affect the market price of Ordinary Shares to a material extent, the Remuneration Committee may, at its discretion, notify all award holders of such event. In such case, the awards shall vest and, if structured as an option, may be exercised on such terms as the Remuneration Committee may determine and on, or during such period preceding, the demerger, special dividend or other similar event as the Remuneration Committee may determine.

The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award if one of the aforementioned corporate events occurs in relation to the Company by applying any performance conditions that apply to the award and then, subject to the discretion of the Remuneration Committee mentioned below, reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted to the date of the relevant corporate event concerned (or the date of vesting of the award in the case of a demerger, special dividend or other similar event) relative to the period of three years.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest in relation to the corporate event concerned, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned.

(j) **Holding period**

The terms of the 2017 LTIP require that executive directors and former executive directors of the Company (and such other eligible employees as the Remuneration Committee determines) will ordinarily be required to retain any vested Ordinary Shares (on an after tax basis) acquired under the 2017 LTIP until at least the secondary anniversary of the vesting of the relevant award.

During the holding period the participant may transfer some or all of the Ordinary Shares subject to the holding period to their spouse or civil partner with the approval of the Remuneration Committee. Exceptionally, the Remuneration Committee may, in its discretion, allow such participants to sell, transfer, assign or dispose of some or all of these Ordinary Shares before the end of the holding period, subject to such additional terms and conditions that the Remuneration Committee may specify.

Any Ordinary Shares by reference to which an award is enhanced as a result of dividends payable on the Ordinary Shares that vest under such award (as described below) will not be subject to any holding period.

(k) **Dividend equivalents**

The Remuneration Committee may decide on or before the grant of an award, that the award holder will receive a payment (in cash and/or Ordinary Shares) of an amount equivalent to the dividends that would have been payable on the Ordinary Shares that ultimately vest under the award in respect of dividend record dates occurring between the date of grant and the vesting of the award (or where the award has been structured as an option and is subject to a holding period, the expiry of such holding period or if earlier, the date of exercise of the option). The Remuneration Committee shall determine the basis on which the value of such dividends shall be calculated.

(l) **Transfer of Ordinary Shares**

Awards structured as conditional awards will be satisfied by the transfer of Ordinary Shares to the award holder as soon as reasonably practicable after vesting.

Awards structured as options may be satisfied by the transfer or allotment of Ordinary Shares to the award holder as soon as reasonably practicable after exercise.

Alternatively, the Remuneration Committee may determine that a cash equivalent may be paid to the award holder in place of the issue or transfer of Ordinary Shares.

(m) **Other Award Terms**

Awards are not capable of transfer or assignment (except to the award holder's personal representatives following the death of the award holder).

Ordinary Shares transferred to settle an award shall be transferred with the benefit of the rights attaching to the Ordinary Shares by reference to a record date on or after the date of such transfer. Ordinary Shares allotted to settle an award shall rank equally in all respects with Ordinary Shares then in issue except for any rights attaching to such Ordinary Shares by reference to a record date before the date of allotment.

Benefits obtained under the 2017 LTIP are not pensionable.

(n) **Adjustments to Share Capital**

Upon any variation of the share capital of the Company or a demerger, special dividend or similar event which affects the market price of the Ordinary Shares to a material extent, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any).

(o) **Amendments**

The Remuneration Committee may from time to time amend the rules of the 2017 LTIP. Amendments may not be made which would be to the advantage of any award holder or prospective award holder to the provisions of the 2017 LTIP relating to eligibility, the individual limits on participation, the overall limits on the issue of Ordinary Shares or the transfer of Treasury Shares, the basis for determining an award holder's entitlement to, and the terms of, Ordinary Shares or cash provided under the 2017 LTIP, or the adjustments that may be made in the event of any variation of capital, without the prior approval by the shareholders of the Company in general meeting, save that minor amendments to benefit the administration of the 2017 LTIP, to take account of any change in legislation, to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder, the Company or any subsidiary of the Company, may be made without having to seek such shareholder approval.

No alteration may be made to the material disadvantage of any award holder unless the Remuneration Committee has invited every relevant award holder to indicate whether or not he or she approves the alteration and the alteration is approved by a majority of the award holders who have given such an indication.

(p) **Clawback**

During the three year period following the date that an award vests, the Remuneration Committee shall have the ability to reclaim the value of the award (or part of it). This ability shall be capable of exercise in any case where:

(i) the Remuneration Committee forms the view that the Company materially misstated its financial results and such misstatement resulted in the award vesting to a greater degree than it would have done had the misstatement not been made;

(ii) the Remuneration Committee forms the view that the calculation of any performance conditions imposed on the award was based on an error or on inaccurate or misleading information or assumptions and such error, information, or assumptions resulted in the award vesting to a greater degree than it would have otherwise done; or

(iii) the award holder in question has committed serious misconduct (on or prior to the relevant award vesting or, in the case of an option, being exercised) that could have warranted their summary dismissal and consequently could have resulted in the award lapsing in part or in full.

In the event that this "clawback provision" is exercised, recovery of the value of an award (or part thereof) from the award holder may be made by way of a reduction in any future bonus, reduction of the number of Ordinary Shares subject to an existing award (or awards held by the award holder under other employee share schemes save for those which are tax advantaged pursuant to Schedule 2 to 5 inclusive of ITEPA) and/or by way of the award holder making a cash payment to the Company other member of the Company's group.

The Remuneration Committee have the ability to extend the period during which the clawback provisions can be operated, for a further two years after the expiry of the normal three year period referred to above, in circumstances where an event occurs which the Remuneration Committee determines could result in the operation of the clawback provisions and there is an ongoing investigation into such event.

(q) **Termination**

No award can be granted under the 2017 LTIP after the expiry of ten years commencing on the date that the 2017 LTIP was approved by the shareholders of the Company.

11.5 **The Grainger plc 2010 Deferred Bonus Plan ("DBP")**

(a) **Status of the DBP**

Awards granted under the DBP will have no beneficial tax status.

(b) **Administration**

The DBP is governed by its rules and operated and administered by the Remuneration Committee.

(c) **Eligibility**

In order to be eligible to participate in the DBP, an individual must be an employee of the Company or any subsidiary of the Company (but cannot be an executive director of the Company or any subsidiary of the Company). Awards are granted under the DBP at the discretion of the Remuneration Committee.

The Remuneration Committee also has the facility to grant an award under the DBP to an employee benefit trust established for the benefit of employees of the Company and its subsidiaries. In any case where an award is granted under the DBP to an employee benefit trust, such award shall not confer any rights in respect of the award concerned upon any eligible employee.

(d) **Type of Awards**

On or before the date of grant of an award, the Remuneration Committee shall determine whether such award will be granted as a Matching Shares Award or a Performance Shares Award. However, a Matching Shares Award can only be granted to an eligible employee who has already been granted an award under the DBP or to an employee benefit trust in circumstances where such employee benefit trust has been granted (or is about to be granted) a Performance Shares Award.

Both a Matching Shares Award and a Performance Shares Award may take the form of one of the following structures, as determined by the Remuneration Committee:

(i) a Conditional Award—being a conditional right to acquire Ordinary Shares for zero consideration;

(ii) an Option—being a right to acquire Ordinary Shares either at an exercise price or for zero consideration; or

(iii) a Forfeitable Shares Award—being the immediate transfer of the beneficial interest in the Ordinary Shares subject to the award to the participant concerned, subject to certain restrictions, which will fall away over time in accordance with the rules of the DBP.

Both Matching Shares Awards and Performance Shares Awards may be made subject to performance conditions at the discretion of the Remuneration Committee.

(e) **Grant of Awards**

The Remuneration Committee may only grant awards:

(i) during the period of six weeks beginning with the Dealing Day after the date that the Company announces its results for any period;

(ii) within 30 days of the recruitment of an eligible employee; or

(iii) at any other time when the Remuneration Committee considers that circumstances are sufficiently exceptional to justify such grant.

The grant of an award at any time, shall however be subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers or any other UK or overseas regulation or enactment.

(f) **Source of Shares**

An award can only be satisfied by a transfer of Ordinary Shares (other than Treasury Shares).

(g) **Plan Limits**

There is no limit under the rules of the DBP as to the number of Ordinary Shares that may be used to satisfy awards granted under the DBP.

(h) **Individual Limits**

The maximum total market value of Ordinary Shares over which Performance Shares Awards may be granted to any eligible employee during any financial year of the Company is 150 per cent. of his or her annual base salary (excluding benefits in kind).

The maximum total market value of Ordinary Shares over which Matching Shares Awards may be granted to any eligible employee may be determined by the Remuneration Committee but shall not in any event exceed 50 per cent. of the total market value of the Ordinary Shares in respect of which a related Performance Shares Award has been granted.

(i) **Performance Conditions**

The Remuneration Committee may vary the performance conditions applying to any award if any event occurs which causes the Remuneration Committee reasonably to consider that it would be appropriate to amend the performance conditions. Any varied performance conditions applying to an award must, in the reasonable opinion of the Remuneration Committee, be not materially less difficult to satisfy than the original conditions would have been but for the event in question.

(j) **Vesting of Awards & Exercise of Options**

A Performance Shares Award will normally vest as to one-third of the Ordinary Shares comprised in the award on each anniversary of its date of grant or, if later, the date on which the Remuneration Committee determines whether any performance condition attaching to the award has been satisfied (in whole or part).

A Matching Shares Award will normally vest on the third anniversary of its date of grant or, if later, the date on which the Remuneration Committee determines whether any performance condition attaching to the award has been satisfied (in whole or part).

However, if a Matching Shares Award has been granted in conjunction with a related Performance Shares Award which has been structured as an option, the Matching Shares Award concerned will only vest if such option has not been exercised prior to the third anniversary of its date of grant.

Awards will normally only vest to the extent that any performance conditions relating thereto have been satisfied.

If an award has been structured as an option, it will normally remain capable of exercise in respect of the Ordinary Shares that have vested for a period of three years from the date upon which the award vests, unless it lapses sooner under the rules of the DBP.

If a participant ceases to be a director or employee within the same group as the Company before his or her award has vested by reason of death, injury or disability (evidenced to the satisfaction of the Remuneration Committee), retirement with the agreement of his or her employer, redundancy (within the meaning of the Employment Rights Act 1996 or any overseas equivalent), the sale of the company or business in which he or she is employed or for any other reason at the determination of the Remuneration Committee, his or her award shall vest on the date of cessation. The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award in these circumstances by applying any performance conditions and then, subject to the discretion of the Remuneration Committee mentioned below, reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted to the date of cessation of employment relative to the period of three years. If a participant ceases to be an employee or director for any other reason, his or her award shall lapse immediately upon such cessation.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest on the award holder ceasing to be an employee or director of the Company or its subsidiaries, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned.

In any case where an award vests on the cessation of employment or directorship of the award holder in accordance with the rules of the DBP and the award has been structured as an option, the award may normally be exercised within one month of such cessation and if not so exercised shall lapse at the end of such period.

In the event of a takeover of the Company, a compromise or arrangement being sanctioned by the Court in connection with, or for the purpose of, a change of control of the Company, a resolution for the voluntary winding up of the Company being passed or an order being made for its compulsory winding up, the Remuneration Committee must notify all award holders of such event. Normally, in any case where such a notification is issued, all awards shall vest on the date of such notification. In these circumstances, if an award has been structured as an option, it will normally remain capable of exercise in respect of the Ordinary Shares that have vested for a period of one month from the date upon which the award vests, unless it lapses sooner under the rules of the DBP.

However, if a change of control of the Company amounts to an internal reorganisation pursuant to which at least 75 per cent. of the shares in the acquiring company are expected to be held by substantially the same persons who were shareholders of the Company immediately before the change of control, the Remuneration Committee may determine that the awards shall not vest and that instead existing awards shall be surrendered in exchange for equivalent awards over shares in the capital of the acquiring company or some other company.

In the event that there is a demerger or special dividend in respect of the Company or other similar event, the Remuneration Committee may, at its discretion, notify all award holders of such event. In such case, the awards shall vest and, if structured as an option, may be exercised on such terms as the Remuneration Committee may determine and on, or during such period preceding, the demerger, special dividend or other similar event as the Remuneration Committee may determine.

The Remuneration Committee shall determine the number of Ordinary Shares that may be acquired under an award if one of the aforementioned corporate events occurs in relation to the Company by applying any performance conditions that apply to the award and then, subject to the discretion of the Remuneration Committee mentioned below, reducing the number of Ordinary Shares determined by reference to the extent to which the performance conditions have been met, to reflect the period which has elapsed since the award was granted to the date of the Remuneration Committee's notification (or the date of vesting of the award in the case of a demerger, special dividend or other similar event) relative to the period of three years.

The Remuneration Committee has a discretion not to reduce the number of Ordinary Shares that would otherwise vest in relation to the corporate event concerned, in the manner described above and may instead increase the number of Ordinary Shares in respect of which the award vests provided that such increased number does not exceed the number of Ordinary Shares determined by reference to the performance conditions applying to the award concerned.

(k) **Transfer of Shares**

Awards structured as conditional awards will be satisfied by the transfer of Ordinary Shares to the award holder as soon as practicable after vesting.

Awards structured as options may be satisfied by the transfer of Ordinary Shares to the award holder as soon as practicable after exercise.

In respect of an award structured as a forfeitable shares award, the Ordinary Shares that have vested under such award shall cease to be subject to any restrictions and will be settled by a transfer of the legal title to such vested Ordinary Shares (or any documents of title relating to such Ordinary Shares) to the award holder as soon as practicable after vesting.

Alternatively, the Remuneration Committee may determine (in respect of options and conditional shares awards) that a cash equivalent may be paid to the award holder in place of the issue or transfer of Ordinary Shares.

(l) **Other Award Terms**

Awards are not capable of transfer or assignment (except to the award holder's personal representatives following the death of the award holder).

Ordinary Shares transferred to settle an award (or in the case of an award structured as a forfeitable shares award, Ordinary Shares released from their restrictions) shall be transferred with the benefit of the rights attaching to the Ordinary Shares by reference to a record date on or after the date of such transfer, or release of such restrictions as the case may be.

Benefits obtained under the DBP are not pensionable.

(m) **Adjustments to Share Capital**

Upon any variation of the share capital of the Company or a demerger, special dividend or other similar event relating to the Company, the Remuneration Committee may make such adjustments to awards as it considers appropriate.

Such an adjustment may be made to the exercise price (if any, in the case of an option) and/or the number of Ordinary Shares under an award.

(n) **Enhanced Deferred Bonus Awards**

The Remuneration Committee has also granted (and may continue to grant) an Enhanced Matching Shares Award to certain eligible employees on the following terms:

(i) the Enhanced Matching Shares Award is granted at the same time as the Matching Shares Award ("Standard Matching Shares Award") normally granted to the eligible employee concerned;

(ii) the Enhanced Matching Shares Award is structured as an option granted over an identical number of Ordinary Shares to those subject to the related Standard Matching Shares Award (even if the market value of such Ordinary Shares when taken together with the Ordinary Shares subject to the Standard Matching Shares Award exceeds 50 per cent. of the market value of the Ordinary Shares subject to the related Performance Shares Award);

(iii) the Enhanced Matching Shares Award will only vest on the fifth anniversary of the date of grant of the Enhanced Matching Shares Award and will only be capable of exercise if the related Performance Shares Award and Standard Matching Shares Award granted to the eligible employee concerned have not been exercised at such fifth anniversary; and

(iv) the Enhanced Matching Shares Award may be granted subject to such performance conditions as the Remuneration Committee determine at the point of grant of the Enhanced Matching Shares Award which will dictate how many Ordinary Shares vest under the Enhanced Matching Shares Award.

For the avoidance of doubt, the provisions summarised above in relation to the effect of cessation of employment, corporate events relating to the Company, a demerger, special dividend or other similar event on an award made under the DBP apply equally to an Enhanced Matching Shares Award and Enhanced Matching Shares Awards may only be satisfied by a transfer of Ordinary Shares.

(o) **Amendments**

The Remuneration Committee may from time to time amend the rules of the DBP. Amendments may not be made which would be to the advantage of any award holder or prospective award holder to the provisions of the DBP relating to an executive director's ineligibility to participate, the use of new issue or Treasury Shares to satisfy awards, or any other provision which would result in the DBP requiring shareholder approval under any legal or regulatory requirements, without the prior approval by the shareholders of the Company in general meeting.

No alteration may be made to the material disadvantage of any award holder unless the Remuneration Committee has invited every relevant award holder to indicate whether or not he or she approves the alteration and the alteration is approved by a majority of the award holders who have given such an indication.

(p) **Termination**

No award can be granted under the DBP after the expiry of ten years commencing on the date that the DBP was approved by the Company.

11.6 **The Grainger Plc Deferred Share Bonus Plan ("DBSP")**

(a) **Status of the DBSP**

Awards granted under the DBSP will have no beneficial tax status.

(b) **Administration**

The DBSP is governed by its rules and operated and administered by the Remuneration Committee.

(c) **Eligibility**

Any employed director or employee who is a member of the Senior Management team of the Company who is to receive a bonus pursuant to the Grainger plc Annual Bonus Scheme ("**Bonus Scheme**") in respect of a financial year of the Company ("**Financial Year**") and who is compulsorily required to defer 25 per cent. of that bonus (and does so) shall be granted an award under the DBSP.

For these purposes the Senior Management team is comprised of the group of employees of the Company and its subsidiaries who are together responsible for making strategic decisions in relation to the Company (including but not limited to the executive members of the Board) as determined by the Remuneration Committee from time to time.

Any employee who is not an employed director or a member of the Senior Management team will not be eligible to be granted an award.

(d) **Type of Awards**

Awards granted under the DBSP will take the form of options to acquire Ordinary Shares from an existing employee benefit trust established by the Company ("**EBT**") for nil consideration.

(e) **Grant**

Awards may be granted in the period of 42 days commencing on:

(i) the Dealing Day immediately following the date that the Company announces its results for any period; and

(ii) any other date fixed by the Remuneration Committee, where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of awards.

If the grant of an award on any of the above days would be prohibited by virtue of the Company's share dealing code or any statute or regulation or any order made pursuant to such statute, then such award may be granted during the period of 40 days commencing immediately after the second Dealing Day following the time that such prohibition ceases to have effect.

No consideration is payable for the grant of an award.

Subject to the restrictions as to the time at which awards may be granted as summarised above, as soon as practicable following the date on which the bonus payable under the Bonus Scheme in respect of a Financial Year has been finally determined and the cash element of such bonus is paid, each eligible employee who receives a bonus under the Bonus Scheme shall be made an award.

Only one award will be made to an eligible employee in any Financial Year.

If an eligible employee is not paid a bonus under the Bonus Scheme in respect of a Financial Year (for any reason whatsoever), such eligible employee shall not receive an award in respect of that Financial Year.

(f) **Source of Shares**

Awards may only be satisfied with Ordinary Shares acquired by way of market purchase. Under no circumstances will the Company allot Ordinary Shares to any person or entity (including the trustee of the EBT) nor use any Ordinary Shares held in treasury for the purpose of satisfying awards.

(g) **Quantum of Awards**

The number of Ordinary Shares placed under an award granted to an eligible employee will be such number of Ordinary Shares as has a market value (measured at the date of grant) as near as possible equal to, but not exceeding, 25 per cent. of the bonus that such eligible employee would have received under the Bonus Scheme in respect of the Financial Year in question but for the compulsory deferral.

For these purposes, the market value of an Ordinary Share on any date shall be determined as the average of the middle market prices for an Ordinary Share for the three consecutive Dealing Days immediately preceding the date in question.

(h) **Plan Limits**

There is no limit on the number of Ordinary Shares that can be made subject to awards under the DBSP.

(i) **Performance Targets**

The ability to exercise any award granted under the DBSP or obtain Ordinary Shares pursuant to such award will not be subject to the satisfaction of any objective performance target. The ability to obtain Ordinary Shares pursuant to an award will therefore only be governed by the rules of the DBSP, as summarised below.

(j) **Exercise of Awards**

Each award shall become capable of exercise following a date specified at the time of grant ("**Vesting Date**").

The Vesting Date for an award shall be the third anniversary of the date of grant of the award concerned.

Normally, an award may only be exercised in the 12 month period immediately following the occurrence of the Vesting Date ("**Exercise Period**").

Normally, an award may only be exercised if the award holder has not ceased to be an employee of the Company or its subsidiaries prior to the Vesting Date of the award.

Accordingly, in the event that an award holder ceases to be an employee of the Company or its subsidiaries prior to the Vesting Date of an award for any reason other than death, injury or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy, retirement with the agreement of the Company, sale of the award holder's employing company outside of the Company's group or any other reason determined by the Remuneration Committee to amount to good leaver circumstances such award shall lapse immediately on such cessation of employment.

An award may only be exercised in whole and not in part.

Awards may not be exercised during any period when such exercise would be in breach of the Company's share dealing code or any statute or regulation or any order made pursuant to such statute.

In the event that an award holder is prohibited from exercising an award throughout the Exercise Period relating to that award, by virtue of such restrictions then the award holder may exercise the award at any time within the period of 30 days commencing on the second Dealing Day following such restrictions ceasing to apply.

An award will lapse to the extent that it is not exercised by the end of the Exercise Period (or as the case may be, the end of the 30 day period following the cessation of any of the restrictions on exercise described above).

In any event, no award is capable of exercise more than five years after its date of grant and will lapse on the fifth anniversary of its date of grant.

In the event that an award holder ceases to be employed within the Company or its subsidiaries prior the Vesting Date of an award by reason of death, injury or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy, retirement with the agreement of the Company, sale of the award holder's employing company outside of the Company's group or any other reason determined by the Remuneration Committee to amount to good leaver circumstances, the award holder may retain such award. Any award which is retained by the award holder following cessation of their employment shall only be capable of exercise during the Exercise Period relating to that award.

In the event that an award holder ceases to be employed within the Company or its subsidiaries on or after the Vesting Date of an award for any reason other than gross misconduct (being conduct which would justify the immediate dismissal of the award holder), the award holder may retain such award. If the award holder ceases to be employed within the Company or its subsidiaries on or after the Vesting Date of an award by reason of gross misconduct, the award concerned shall lapse immediately on cessation of employment, unless the Remuneration Committee exercises its discretion to permit the award holder to retain the award. Any award retained by an award holder in these circumstances will only be capable of exercise during the Exercise Period relating to that award.

The exercise of awards is also possible earlier than the Vesting Date in the event of a takeover of the Company, a scheme of arrangement under Part 26 of the Companies Act 2006 being sanctioned by the court in relation to the Company or the voluntary winding up of the Company. In the case of a takeover of the Company, the Remuneration Committee may allow the awards to be exercised immediately before, but with effect from, the takeover.

The number of Ordinary Shares in respect of which an award is capable of exercise in any case where such exercise occurs prior to the Vesting Date relating to such award shall not be pro-rated down or otherwise reduced save pursuant to the clawback provisions described below.

(k) **No Cash Settlement**

Subject to the payment of Dividend Equivalent Shares (which may be settled in cash as set out below), awards may not be satisfied by a cash payment and can only be satisfied by the delivery of Ordinary Shares.

(l) **Dividends**

Until an award has been exercised and the Ordinary Shares have been transferred to the award holder, the award holder shall have no entitlement to any dividends or other distributions payable by reference to a record date preceding the date of such transfer.

However in respect of any award, the award holder shall receive the benefit of dividends paid on Ordinary Shares in respect of the period commencing on the date of grant of the award and ending on the Vesting Date. At the same time that Ordinary Shares are transferred to an award holder pursuant to the vesting of their award, the award holder shall also be transferred such number of additional Ordinary Shares ("**Dividend Equivalent Shares**") as could have been acquired over the period from the date of grant of the award to its Vesting Date at the prevailing market value on each dividend payment date with the amount of dividends that the award holder would have received (on a net basis without any associated tax credit) in respect of the Ordinary Shares that vested under his or her award. At the discretion of the Remuneration Committee, the number of Dividend Equivalent Shares calculated in respect of an award may assume that dividends paid in respect of any Dividend Equivalent Shares are taken into account in determining the number of Dividend Equivalent Shares ultimately delivered to the award holder (so called dividend reinvestment).

No Dividend Equivalent Shares shall be added to an award by reference to any dividends paid after the date that the award concerned vests in accordance with the rules of the Plan.

For these purposes, the dividend payment date of any dividend shall be the date upon which the Ordinary Shares go ex-dividend.

The number of Dividend Equivalent Shares that would otherwise be transferred to a participant in respect of an award may be settled with a payment in cash of equivalent value or a mixture of cash and Ordinary Shares of equivalent value at the discretion of the Remuneration Committee.

To the extent that an award does not vest and become exercisable in relation to any Ordinary Shares, the award shall also cease to be exercisable in respect of a proportionate number of Dividend Equivalent Shares.

(m) **Other Award Terms**

Awards are not capable of transfer or assignment (except to the award holder's personal representatives following the death of the award holder).

Until awards are exercised, award holders have no voting or other rights in relation to the Ordinary Shares subject to those awards.

Ordinary Shares transferred on the exercise of an award shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise.

Benefits obtained under the DBSP are not pensionable.

(n) **Adjustment of Awards**

The number of Ordinary Shares under award and their nominal value may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital.

(o) **Amendments**

The Remuneration Committee may amend the provisions of the DBSP at any time and in any manner as it sees fit provided always that no amendment shall be made:

(i) which would permit awards to be satisfied with Ordinary Shares held in treasury or the issue of Ordinary Shares; or

(ii) that would allow any person other than an employed director or employee who is a member of the Senior Management team and who receives a bonus under the DBSP in respect of a Financial Year to participate in the DBSP,

(iii) without the prior approval of the Company's shareholders in general meeting.

No amendment shall be made to the provisions of the DBSP if such amendment would adversely affect any subsisting awards except with the consent on the part of such award holders as hold subsisting awards over at least 75 per cent. of the total number of Ordinary Shares subject to all subsisting awards under the DBSP, save that the Remuneration Committee may make minor amendments to benefit the administration of the DBSP, to take account of a change in legislation or to obtain or maintain favourable, tax exchange control or regulatory treatment for any award holder, the Company or any of its subsidiaries from time to time.

(p) **Clawback**

During the three year period following the date that the bonus (in relation to which an award was made) was paid, the Remuneration Committee shall have the ability to reclaim the value of the award. This ability shall be capable of exercise in any case where:

(i) there has been a misstatement of the Company's financial results;

(ii) there has been a miscalculation of any performance conditions or an assessment of any performance conditions that was based on incorrect information relating to any bonus paid under the Bonus Scheme in respect of which an award has been made; or

(iii) the award holder in question is guilty of misconduct.

In the event that this "clawback provision" is exercised, recovery of the value of an award from the award holder may be made by way of a reduction in any future bonus, reduction of the number of Ordinary Shares subject to an existing award and/or by way of the award holder making a cash payment to the Company.

(q) **Termination**

The DBSP may be terminated at any time by resolution of the Remuneration Committee. Termination shall not affect the outstanding rights of existing award holders.

11.7 **The Grainger Trust plc (2002) Share Incentive Plan ("SIP")**

(a) **Status of the SIP**

The SIP is designed to meet the requirements of Schedule 2 of ITEPA, so as to permit Ordinary Shares to be awarded to eligible employees in a tax efficient manner.

(b) **Administration**

The SIP is governed by its rules and operated and administered by the Board.

(c) **Eligibility**

Subject to some limited exceptions set out in the rules of the SIP, the SIP is open to all UK tax resident employees of the Company or any subsidiary of the Company which is participating in the SIP. Awards may be made under the SIP (at the discretion of the Board) to employees of the Company or any subsidiary of the Company participating in the SIP who are not UK tax resident employees.

Eligible employees may, however, only participate if they are not prohibited by Schedule 2 of ITEPA from being made an award.

As noted below, the Board can exclude employees who have not completed a qualifying period of service.

(d) **How the SIP may be operated**

The SIP provides that the Company can offer eligible employees any of the following types of awards over Ordinary Shares:

(i) "**Free Shares**"—being an allocation of Ordinary Shares to employees without charge;

(ii) "**Partnership Shares**"—being an allocation of Ordinary Shares paid for by employees out of deductions made from pre-tax salary;

(iii) "**Matching Shares**"—being an allocation of Ordinary Shares to employees without charge, the number of which is proportionate to the number of Partnership Shares acquired; and

(iv) "**Dividend Shares**"—being Ordinary Shares acquired using dividends paid in respect of any Ordinary Shares acquired under and held within the SIP.

Any combination of the above awards may be utilised in any year (except that Matching Shares are dependent on awards of Partnership Shares being made and so can only be made at the same time as a corresponding award of Partnership Shares and Dividend Shares can only be acquired using dividends paid on Ordinary Shares obtained by a participant under the SIP whilst such Ordinary Shares are held in the SIP).

The SIP operates in conjunction with the SIP Trust which is administered by the SIP Trustee.

The SIP is structured to allow the SIP Trustee to subscribe for, or purchase, Ordinary Shares. The money to acquire the Ordinary Shares is provided by the Company or the relevant employing company (or, in the case of Partnership Shares, from the employees themselves).

(e) **Free Shares**

The Company may make awards of Free Shares at any time up to a maximum value, calculated at the date of the award of such Free Shares, of £3,600 per employee in a tax year (or such other maximum amount as specified in Schedule 2 of ITEPA from time to time).

In relation to each award of Free Shares, the Board may (at its discretion) set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award. The qualifying period cannot exceed a period of 18 months before the date of the award.

An award of Free Shares can (at the discretion of the Board) be made subject to the prior satisfaction of performance conditions. If the Board determines to use performance conditions it must follow one of the two methods of applying performance conditions set out in the rules of the SIP which accord with the provisions of Schedule 2 of ITEPA.

In relation to each award of Free Shares, the Board must set a holding period determined in its discretion of between three and five years (or such other period as may from time to time be specified under Schedule 2 of ITEPA) from the date of the award of such Free Shares. Once set, the holding period cannot be amended.

Whilst individuals remain employed by the Company, or one of its subsidiaries, they must generally leave their Free Shares within the hands of the SIP Trustee throughout the holding period.

In relation to each award of Free Shares, the Board may determine whether the Free Shares are subject to any restrictions. If the Board determines that the Free Shares are to be subject to restrictions, such restrictions must be set out in the agreement between the Company and the employee pursuant to which the Free Shares are acquired and the same restrictions must apply to all Free Shares awarded to qualifying employees at the same time.

(f) **Partnership Shares**

The Company may at any time provide eligible employees with the opportunity to enter into an agreement with the Company to enable such employees to use part of their pre-tax salary to acquire Partnership Shares.

Pursuant to such opportunity, an eligible employee may allow the Company to make deductions from his or her salary up to a maximum of 10 per cent. of his or her salary in any tax year or £150 per month in any tax year (or such other maximum amount as may from time to time be specified in Schedule 2 of ITEPA), whichever is less, for the purpose of acquiring Partnership Shares. In addition, the Company may set a minimum deduction (but such minimum cannot exceed £10 per month or such other amount as may for the time being be specified in Schedule 2 of ITEPA).

The money deducted from an employee's salary will be held by the SIP Trustee and shall be applied by the SIP Trustee in purchasing Partnership Shares.

If the Board so chooses, deductions in relation to Partnership Shares may be accumulated over an accumulation period not exceeding 12 months.

If no accumulation period is set, any deduction from an eligible employee's salary must be used by the SIP Trustee to acquire Partnership Shares within 30 days following the date on which it was deducted. The number of Partnership Shares acquired will be determined by reference to the market value of the Ordinary Shares at the time of acquisition. Any surplus money remaining after the acquisition of Partnership Shares may (with the agreement of the participant) be added to the next deduction or paid over to the participant.

If an accumulation period is set, the deductions from salary will be accumulated throughout the period. At the end of the period, the accumulated deductions from salary must be used by the SIP Trustee to acquire Partnership Shares on behalf of the eligible employees concerned within 30 days following the end of the accumulation period. The number of Ordinary Shares acquired for each eligible employee will depend on the date that the eligible employee entered into the agreement to have deductions from salary applied to acquire Partnership Shares. In respect of any award of Partnership Shares made pursuant to such an agreement entered into before 17 July 2013, the number of Partnership Shares acquired on behalf of the eligible employee concerned shall be determined by reference to the lower of the market value of the Ordinary Shares at the beginning of the accumulation period and the market value of the Ordinary Shares on the date they are acquired on behalf of such eligible employee. In relation to any award of Partnership Shares made pursuant to an agreement entered into on or after 17 July 2013, the number of Partnership Shares acquired on behalf of the eligible employee concerned shall be determined by reference to one of the following methods (as specified in the agreement concerned):

(i) the lower of the market value of the Ordinary Shares at the beginning of the accumulation period and the market value of the Ordinary Shares on the date they are acquired on behalf of such eligible employee; or

(ii) the market value of the Ordinary Shares at the beginning of the accumulation period; or

(iii) the market value of the Ordinary Shares on the date they are acquired on behalf of such eligible employee.

Any surplus money remaining after the acquisition of Partnership Shares may (with the agreement of the participant concerned) be carried forward or paid over to the participant.

The Board may specify the maximum number of Ordinary Shares to be included in any particular award of Partnership Shares. To the extent that the Board specifies such a maximum number this shall limit the number of Ordinary Shares that may be awarded to participants in accordance with the methodology set out above.

In relation to each award of Partnership Shares, the Board may (at its discretion) set a qualifying period during which an individual must have been employed in order to be eligible to participate in the award.

If there is an accumulation period, the qualifying period cannot exceed six months before the starting date of the accumulation period.

If there is no accumulation period, the qualifying period cannot exceed 18 months before the deduction of money from the individual's salary in respect of the award (and, for these purposes, each individual acquisition of Ordinary Shares will constitute an award).

Partnership Shares awarded on or before 2 June 2014 shall not be subject to forfeiture. Partnership Shares awarded after 2 June 2014 may be subject to a provision pursuant to which such Partnership Shares are required to be offered for sale provided that the consideration for such Partnership Shares is at least equal to the lower of the amount of salary deductions applied in acquiring the Partnership Shares on behalf of the participant and the market value of the Partnership Shares at the time that they are offered for sale.

Partnership Shares may be withdrawn from the SIP at any time.

(g) **Matching Shares**

If employees acquire Partnership Shares, the Board may also (at its discretion) give such employees Matching Shares. In such case, each eligible employee will acquire Matching Shares in proportion to the number of Partnership Shares acquired by that eligible employee. The maximum ratio for an award of Matching Shares to Partnership Shares is 2:1 (or such other maximum ratio as may from time to time be specified in Schedule 2 of ITEPA).

In relation to each award of Matching Shares, the Board must set a holding period determined at its discretion of between three and five years (or such other period as may from time to time be specified under Schedule 2 of ITEPA) from the date of the award of Matching Shares.

Whilst participants remain employed by the Company, or one of its subsidiaries, they must generally leave their Matching Shares within the hands of the SIP Trustee throughout the specified holding period.

In relation to each award of Matching Shares, the Board may determine whether the Matching Shares are subject to any restrictions. If the Board determines that the Matching Shares are to be subject to restrictions, such restrictions must be set out in the agreement between the Company and the employee pursuant to which the Matching Shares are acquired and the same restrictions must apply to all Matching Shares awarded to qualifying employees at the same time.

(h) **Dividends and Dividend Shares**

In relation to any dividends paid on Ordinary Shares held within the SIP, the Board shall decide whether:

(i) they are paid out fully in cash;

(ii) all or part of such dividends (as determined by the Board) are reinvested in Dividend Shares; or

(iii) the participants are given an individual choice to take either cash or have the proportion of the dividends determined by the Board applied in the acquisition of Dividend Shares.

In any case where only part of any dividends paid on Ordinary Shares held within the SIP may be reinvested in Dividend Shares, any amount of dividends that are not used to acquire Dividend Shares must be paid to the relevant participant as soon as practicable after receipt by the SIP Trustee.

Any amount of a cash dividend that is not reinvested because the amount of the cash dividend is insufficient to acquire an Ordinary Shares may be retained by the SIP Trustee and added to the amount of the next cash dividend to be reinvested in Dividend Shares. In the event that a participant for whom the SIP Trustee holds such carried forward cash dividends ceases to be in relevant employment for the purpose of the SIP or the SIP is terminated, the amount of such carried forward cash dividends must be returned to the participant concerned.

The rules for the SIP provide that Dividend Shares must be held in the SIP for a period of three years (or such other period specified from time to time in Schedule 2 of ITEPA) from acquisition.

Dividend Shares awarded after 2 June 2014 may be subject to a provision pursuant to which such Dividend Shares are required to be offered for sale provided that the consideration for such Dividend Shares is at least equal to the lower of the amount of the cash dividends applied in acquiring the Dividend Shares on behalf of the participant and the market value of the Dividend Shares at the time that they are offered for sale.

(i) **SIP Limits**

The number of Ordinary Shares which may be issued under the SIP on any date, when aggregated with the number of Ordinary Shares issued during the preceding ten years under the SIP or any other employee share scheme (other than a share option scheme) adopted by the Company in general meeting and the number of Ordinary Shares issued or issuable pursuant to any options granted during the preceding ten years under any employee share option scheme adopted by the Company in general meeting, shall not exceed 10 per cent. of the issued ordinary share capital of the Company at that date.

(j) **Other Award Terms**

Awards under the SIP will not be pensionable.

A participant may at any time during the relevant holding period applicable to the Free Shares, Matching Shares or Dividend Shares held by the SIP Trustee on behalf of the participant, direct the SIP Trustee to:

(i) accept any offer for such shares, if the acceptance of such offer would result in a new holding of shares being equated with the original shares for capital gains tax purposes;

(ii) agree to a transaction affecting such shares (or such of them as are of a particular class) which would, if entered into, be pursuant to a scheme, compromise or arrangement applicable to affecting: (i) all of the ordinary share capital of the Company or, as the case may be, all of the shares of the class in question; or (ii) all the shares, or all the shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or participation in a SIP meeting the requirements of Schedule 2 of ITEPA;

(iii) accept an offer for cash (with or without other assets) or accept an offer for a qualifying corporate bond (whether alone or with other assets or cash or both) for such shares if such offer forms part of a general offer which is made on the condition that if satisfied will result in the person making the offer obtaining control of the Company; or

(iv) exercise any right that arises under section 983 of the Companies Act 2006 in the case of a takeover offer on behalf of the participant, to require the offeror to acquire such shares or such of them as are of a particular class.

A participant may direct the SIP Trustee how to deal with any Partnership Shares held on behalf of the participant in relation to any offer, compromise, arrangement or scheme which affects the Partnership Shares.

In the event of a rights issue in respect of any Ordinary Shares held in the SIP, each participant may instruct the SIP Trustee in respect of all or any of the Ordinary Shares appropriated to him or her and held by the SIP Trustee to exercise the rights in respect of all or any of such Ordinary Shares or to exercise some of the rights and sell the remainder of the rights (the sale proceeds to be used to take up the rights exercised) or to sell all of the rights in respect of some or all of such Ordinary Shares.

In the event that the SIP Trustee is offered the opportunity to acquire shares pursuant to rights attaching to Ordinary Shares which it holds on behalf of any participant, it shall take up such opportunity only on the instructions of the participant concerned.

(k) **Amendments**

The Board may from time to time amend the provisions of the SIP with the SIP Trustees written consent. However, no amendment may be made:

(i) to the advantage of employees, to the provisions of the SIP which relate to eligibility, the individual limits on participation, the overall limits on the issuing of Ordinary Shares, the rights attaching to the Ordinary Shares received or the rights of participants upon any variation of share capital without the prior approval of the shareholders of the Company in general meeting, except for minor amendments in relation to the administration of the SIP, to take account of any change in law or to obtain or maintain favourable tax, exchange control or regulatory treatment for employees or for the Company or any of its subsidiaries;

(ii) which would adversely prejudice to a material extent the rights attaching to any Ordinary Shares awarded to or acquired by participants and held within the SIP;

(iii) which would give any participating company a beneficial interest in Ordinary Shares held in the SIP; or

(iv) which would cause the requirements of Parts 2 to 9 of Schedule 2 of ITEPA to cease to be met in relation to the SIP.

(l) **Termination**

The SIP may be terminated at any time by the Board issuing a plan termination notice in compliance with Schedule 2 of ITEPA and shall in any event terminate on the expiry of the trust period (being the period of 80 years beginning on the date that the trust deed relating to the SIP was executed).

Following termination of the SIP, no further Ordinary Shares may be awarded to individuals pursuant to the SIP.

11.8 **The Grainger plc Employee Share Trust—Trust (the "Trust")**

The Company operates the Trust which was established on 28 February 2007.

The Trust is a Jersey based discretionary employee benefit trust established by the Company which may be used to hold cash, Ordinary Shares and other property for the benefit of employees and former employees of the Company, any subsidiary of the Company, a holding company of the Company or any subsidiary of such holding Company and their spouses, civil partners and children and step children under the age of 18.

The trustee of the Trust is Computershare Trustees (Jersey) Limited. The trustee may acquire Ordinary Shares by buying them on the market, or by subscribing for new Ordinary Shares. Any Ordinary Shares or other assets of the Trust may be used at the discretion of the trustee to benefit any one or more of the beneficiaries referred to in the preceding paragraph.

11.9 **Employee pension programmes**

The Group operates a defined contribution scheme as well as a defined benefit scheme for employees of the Group.

The defined benefit scheme is closed to new entrants and accruals. However, the Group is required by UK law to fund over a recovery period any deficit in the scheme in accordance with a scheme funding valuation performed by the plan trustee board every three years and agreed by the employer. The last actuarial valuation of the scheme was performed as of 1 July 2016 and identified a funding shortfall of £3.6 million. To eliminate this funding shortfall, the Group agreed to pay deficit contributions to the scheme of £0.6 million per annum until 30 April 2022.

For more information, please see Note 29 to the 2018 Grainger Financial Information.

12. MATERIAL CONTRACTS OF THE ENLARGED GROUP

12.1 **Grainger**

The following are summaries of all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by Grainger or any other member of the Grainger Group (i) within the two years immediately preceding the date of this Prospectus which are, or may be, material to Grainger or the Grainger Group, or (ii) at any time and which contain any provision under which any member of the Grainger Group has any obligation or entitlement which is material to the Grainger Group as of the date of this Prospectus.

(a) **Acquisition Agreement**

The Acquisition Agreement dated 14 November 2018 between, Atlantic Metropolitan (U.K.) Ltd, Grainger and APG, further details of which are contained in Part II ("*Summary of the Principal Terms of the Acquisition*") of this Prospectus.

(b) **Underwriting Agreement**

On 14 November 2018, the Company, as issuer, and the Banks entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which the Company appointed: (i) each of the Banks, on a several basis, as underwriters and bookrunners in relation to the Rights Issue; and (ii) Numis as sponsor in relation to the Rights Issue (the "**Sponsor**").

Pursuant to the Underwriting Agreement, the Banks have agreed to fully underwrite the Rights Issue and may (but are not obliged to) seek sub-underwriters. Under the Underwriting Agreement, the Sponsor is obliged to use its reasonable endeavours to assist the Company in connection with the procedural steps required for the performance of obligations of the Company set out in the Underwriting Agreement.

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay, no later than the fifth dealing day after the last date for acceptances of the Rights Issue: (a) a base fee to the Banks of 2.25 per cent. of the aggregate gross amount raised under the Rights Issue; and (b) a discretionary fee of up to 0.25 per cent. of the aggregate gross amount raised under the Rights Issue.

No fees are payable if the Underwriting Agreement does not become unconditional or is terminated in accordance with its terms. Any sub-underwriting commissions payable to such persons (if any) as the Banks may procure to subscribe for New Ordinary Shares will be paid by the Banks out of the fees and commissions referred to above.

In addition, the Company will pay (whether or not the Underwriting Agreement becomes unconditional), all costs and expenses (properly incurred) in connection with the Rights Issue, the General Meeting, the allotment and issue and delivery of the New Ordinary Shares, the Receiving Agent Agreement (as defined in the Underwriting Agreement) and the Underwriting Agreement. This will include, but is not limited to, the FCA and London Stock Exchange listing and trading fees, other regulatory fees and expenses, printing and advertising costs, postage, the Receiving Agent's charges, its own and the Banks' properly incurred legal fees and expenses, all accountancy and other professional fees, public relations fees and expenses and all Transfer Taxes (as defined in the Underwriting Agreement).

The Banks' and the Sponsor's obligations under the Underwriting Agreement are subject to certain customary conditions, including, *inter alia*, on:

(i) Admission having occurred not later than 8.00 am on the first day of dealings in the New Ordinary Shares after the date of the General Meeting or such later time and/or date (not later than 17 December 2018) as the parties may agree; and

(ii) the representations and warranties of the Company in the Underwriting Agreement being true and accurate in all respects and not misleading in any respect on, and as of, the date of the Underwriting Agreement, the date of any supplementary prospectus required to be published before Admission and on Admission as if they had been given and made at such time by reference to the facts and circumstances then existing.

The conditions, other than, *inter alia*, Admission becoming effective, may be waived in the absolute discretion of the Banks.

The Company has given certain customary representations and warranties, agreed to comply with certain undertakings, including that during the period of 180 days from the date of settlement of the Banks' payment obligations to the Company under the Underwriting Agreement, without the prior consent of the Banks (not to be unreasonably withheld or delayed), it will not (and will procure that no member of the Group will): (a) undertake any consolidation or subdivision of its share capital or any capitalisation issue; (b) allot, issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell, allot or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any rights in respect of Ordinary Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Ordinary Shares (except for (i) the issue by the Company of the New Shares, (ii) the grant of options or rights under, and the allotment and issue of Ordinary Shares pursuant to options or grants granted under, the Company's existing employee share schemes or other employee award plans as disclosed in the Prospectus); (c) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any securities of the Company; or (d) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described in (a) or (b) above, whether any such transaction described in (a) or (b) above is to be settled by delivery of securities, in cash or otherwise and has given certain customary indemnities to the Banks. The liabilities under those warranties, undertakings and indemnities are unlimited as to time and amount.

The Banks' obligations under the Underwriting Agreement are also subject to certain customary termination rights and so, prior to Admission, the Banks may, by notice to the Company, terminate the Underwriting Agreement if, amongst other things:

(i) any of the conditions will not be satisfied (and not waived by the Banks); or

(ii) there has been an occurrence, which the Banks believe would make it impracticable or inadvisable to proceed with the Rights Issue, including, among other things, any material adverse change in the financial markets in the US, the UK or any Member State of the EEA, which the Banks, acting in good faith, consider to be material in the context of the Rights Issue.

The Banks have agreed that neither they, nor any other person acting on their behalf, will procure subscribers for any of the New Ordinary Shares in breach of the selling restrictions contained in the Underwriting Agreement.

(c) **Trust Deed**

The Trust Deed dated 24 April 2018 between the Company, as issuer, certain subsidiaries of the Company, as guarantors, and HSBC Corporate Trustee Company (UK) Limited, as trustee, further details of which are contained in Paragraph 12.2 of Part V ("*Grainger Operating and Financial Review*") of this Prospectus.

(d) **Core Debt Facilities**

The Grainger Group's Core debt Facilities represent £720 million of committed banking debt facilities with maturity dates ranging from 2020 to 2023, £50 million of which have extension options to 2023 and £450 million of which have extension options to 2024 (the "**Core Debt Facilities**" and the "**Core Debt Facilities Agreements**"). The Core Debt Facilities (of which £391 million are drawn) comprise six separate facilities:

(i) a term loan of £130 million (fully drawn and repayable in August 2020);

(ii) a term loan of £120 million (fully drawn and repayable in August 2023) (with a further one-year extension option available);

(iii) a revolving credit facility of £330 million (£1 million drawn and repayable in August 2023) (with a further one-year extension option available);

(iv) a bilateral term loan of £50 million with HSBC (fully drawn and repayable in November 2022) (with a further one-year extension option available);

(v) a bilateral term loan of £50 million with NatWest (fully drawn and with final maturity in November 2022); and

(vi) a bilateral term loan of £40 million with Svenska Handelsbanken AB (publ) (fully drawn and repayable in June 2023).

Debt under the Core Debt is secured against the property portfolio, and the Core Debt Facilities Agreements contain covenants, events of default, representations and warranties customary for such facilities.

(e) **GInvest Facilities Agreement**

In October 2015, HSBC and Abbey National Treasury Services plc (now Santander UK plc) granted a £150 million term loan to Grainger Invest No 1 LLP and Grainger Invest No 2 LLP, both wholly-owned subsidiaries of the Grainger Group (the "**GInvest Facilities**"). The GInvest Facilities are secured by fixed charges on certain properties owned by Grainger Invest No 1 LLP, Grainger Invest No 2 LLP, Grainger Bradley Ltd, Grainger Southwark Ltd and PHA Ltd. The value of such properties was £338.1 million as of 30 September 2018.

The GInvest Facilities mature in 2020, and the agreement relating to the GInvest Facilities contains customary financial and other covenants, events of default, and representations and warranties.

(f) **Grainger Pearl Notes Agreement**

In October 2017, Grainger Pearl Ltd, a wholly-owned subsidiary of the Grainger Group, issued £75 million of 10-year fixed rate secured notes to Rothesay Life Plc (the "**Grainger Pearl Notes**"). The Grainger Pearl Notes are secured by fixed charges on properties owned by Grainger Pearl Ltd and Grainger Pearl (Salford) Limited. The value of such properties was £159.2 million as of 30 September 2018.

The Grainger Pearl Notes mature in 2027, and the agreement relating to the Grainger Pearl Notes contains customary financial and other covenants, events of default, and representations and warranties.

12.2 **GRIP**

GRIP has not, nor has any other member of the GRIP Group entered into any contracts outside the ordinary course of business (i) within the two years immediately preceding the date of this Prospectus which are, or may be, material to GRIP or the GRIP Group, or (ii) at any time and which contains any provision under which any member of the GRIP Group has any obligation or entitlement which is material to the GRIP Group as of the date of this Prospectus.

13. **Employees**

13.1 **Number of the Company employees**

The average monthly number of employees of the Grainger Group (including Executive Directors of the Group) for each of the financial years covered by the Grainger Financial Information is as follows:

(a) 230 for the financial year ended 30 September 2018;

(b) 215 for the financial year ended 30 September 2017; and

(c) 246 for the financial year ended 30 September 2016.

13.2 **Headcount**

The table below sets forth a breakdown of the average monthly number of Group employees for the financial years ended at the dates indicated.

	30 September		
	2018	**2017**	**2016**
Residential	136	121	106
Development	13	8	12
Shared services	70	75	111
Group	11	11	17
Total employees	230	215	246

13.3 **Human Resources**

The Group's human resources department aims to encourage a culture that allows people to perform at their best and supports the recruitment, development and retention of staff. The human resources department enables the execution of the Group's business strategy by enhancing capabilities and fostering leadership and culture. The Group has introduced a talent forum, where senior management reviews key individuals in the business, identifying potential for growth and planning for succession. The Group encourages and supports its internal training and educational programme, with 99.6 per cent of employees taking part in training and development programmes. This includes specific "Learning Hour" sessions covering a range of topics from London housing policy to pensions. In addition, the Group undertook a third-party, independent and anonymous employee engagement survey, and has committed to do so annually and follows up with specific action plans to address issues raised by employees.

Further, the Group has recently introduced a health and wellbeing cash-back plan for all employees. The Group encourages the development of staff by providing opportunities to engage with and interact with senior management and external Stakeholders as appropriate.

14. **Related party transactions**

As of 12 November 2018 (the Latest Practicable Date prior to the publication of this Prospectus), no Directors nor experts named in this Prospectus have any interest in any assets which have been, or which are proposed to be, acquired by, disposed of by or leased to any member of the Group since 30 September 2018.

There are no contracts or arrangements subsisting at 12 November 2018 (the Latest Practicable Date prior to the publication of this Prospectus) in which a Director is materially interested and which is significant in relation to the business of the Group.

Save as disclosed in Note 35 on page 156 of the 2016 Grainger Financial Information, Note 35 on pages 133–134 of the 2017 Grainger Financial Information and Note 35 on page 137 of the 2018 Grainger Financial Information, each incorporated by reference into this document, the Company entered into no transactions with related parties during each of the financial years ended 30 September 2016, 2017 and 2018.

For the period between 30 September 2018 and 12 November 2018 (the Latest Practicable Date prior to the publication of this Prospectus), the Company has not entered into any transactions with related parties.

15. **Intellectual property and trademarks**

The Group has developed and maintains registered trademarks. In addition, the Group has its own proprietary trade secrets and know-how. Because of the nature of its business, the Directors do not believe that any single intellectual property right (other than certain trademarks for which the Company intends to maintain the applicable registrations) is material to the Group's business.

The Directors are not aware of any threatened, proposed or actual proceedings that have been, or will be, brought against the Group for infringement of third-party intellectual property and trademark rights or any infringement of its intellectual property and trademark rights by third parties that, if successfully prosecuted, would have a materially adverse effect on the Group's business.

16. **Licences, permits, authorisations, concessions and certifications**

The Group is subject to a number of licences, permits, authorisations, concessions and certifications that are required for its operations. The Directors believe that the Group holds all licences, permits, authorisations, concessions and certifications necessary to operate its business.

17. **Legal proceedings**

Grainger

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period covering the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Grainger Group.

GRIP

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period covering the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of GRIP and/or the GRIP Group.

18. **Working capital**

The Company is of the opinion that, taking into account the net proceeds of the Rights Issue, and the bank and other facilities available to the Group, the working capital available to the Group is sufficient for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

19. **No significant change**

Grainger

There has been no significant change in the financial or trading position of the Grainger Group since 30 September 2018, the date to which the latest audited financial information in relation to the Grainger Group was prepared and published.

GRIP

There has been no significant change in the financial or trading position of the GRIP Group since 30 June 2018, the date to which the latest unaudited financial information in relation to the GRIP Group was prepared and published.

20. **Dates of valuations in the Valuation Reports**

The property valuations in the Valuation Reports, as set out in Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*") are as at 30 September 2018. There has been no material change to the values of the properties since 30 September 2018.

21. **Consent**

Numis has given, and has not withdrawn, its written consent to the inclusion of its name in this Prospectus in the form and context in which it appears.

J.P. Morgan Cazenove has given, and has not withdrawn, its written consent to the inclusion of its name in this Prospectus in the form and context in which it appears.

KPMG LLP has given, and has not withdrawn, its written consent to the inclusion of its reports in Part B of Part VII ("*GRIP Historical Financial Information*") and Part D of Part VIII ("*Unaudited Pro Forma Financial Information*") of this Prospectus in the form and context in which they appear. A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the New Ordinary Shares have not been, and will not be, registered under the Securities Act, KPMG LLP has not filed a consent under Section 7 of the Securities Act.

CBRE Limited has given, and has not withdrawn, its written consent to the inclusion of its valuation of both the property held by Grainger set out in Part IX ("*Grainger Valuation Reports*") and the property held by GRIP set out in Part X ("*GRIP Valuation Report*") of this Prospectus in the form and context in which it appears.

Allsop LLP has given, and has not withdrawn, its written consent to the inclusion of its valuation of the property held by Grainger set out in Part IX ("*Grainger Valuation Reports*") of this Prospectus in the form and context in which it appears.

22. **Miscellaneous**

The total costs and expenses of, and incidental to, the Rights Issue and the Acquisition payable by the Grainger (relating to amongst other things underwriting commissions) are estimated to amount to approximately £15.1 million (excluding VAT).

Grainger intends to pay for all expenses arising from or in connection with the Rights Issue. Therefore, no expenses will be charged by Grainger to Shareholders who take up their rights in the Rights Issue.

23. **Information incorporated by reference**

The following information, available for inspection in accordance with paragraph 23 of this Part XIII ("*Additional Information*") of this Prospectus and also otherwise available on the Company's website at www.graingerplc.co.uk, is incorporated by reference into this document so as to provide the information required under the Prospectus Rules, and to ensure that Shareholders and others are aware of all information, which according to the particular nature of the Company and the New Ordinary Shares, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company and of the rights attaching to the New Ordinary Shares.

Document	Section	Page number(s) in document
Grainger 2016 Annual Report and Accounts	Independent auditor's report	90
	Consolidated income statement	94
	Consolidated statement of comprehensive income	95
	Consolidated statement of financial position	96
	Consolidated statement of changes in equity	97
	Consolidated statement of cash flows	99
	Notes to the financial statements	100
	Related Party Transaction	156
	Parent company statement of financial position	159
	Parent company statement of changes in equity	160
	Notes to the parent company financial statements	161
Grainger 2017 Annual Report and Accounts	Independent auditor's report	82
	Consolidated income statement	88
	Consolidated statement of comprehensive income	89
	Consolidated statement of financial position	90
	Consolidated statement of changes in equity	91
	Consolidated statement of cash flows	92
	Notes to the financial statements	93
	Related Party Transaction	133–134
	Parent company statement of financial position	136
	Parent company statement of changes in equity	137
	Notes to the parent company financial statements	138
Grainger 2018 Annual Report and Accounts	Independent auditor's report	81–86
	Consolidated income statement	87
	Consolidated statement of comprehensive income	88
	Consolidated statement of financial position	89
	Consolidated statement of changes in equity	90
	Consolidated statement of cash flows	91
	Notes to the financial statements	92–139
	Related Party Transaction	137
	Parent company statement of financial position	140
	Parent company statement of changes in equity	141
	Notes to the parent company financial statements	142–148

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this Prospectus. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this Prospectus and those portions which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

24. **Documents available for inspection**

Copies of the following documents will be available for inspection during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG and at the registered office of the Company, from the date of this Prospectus until the conclusion of the General Meeting on 30 November 2018:

(a) the Articles;

(b) the Acquisition Agreement;

(c) Grainger's Annual Report and Accounts 2018;

(d) Grainger's Annual Report and Accounts 2017;

(e) Grainger's Annual Report and Accounts 2016;

(f) the Valuation Reports for Grainger and GRIP as set out in Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*");

(g) the consent letters referred to in paragraph 21 of this Part XIII ("*Additional Information*"); and

(h) a copy of this Prospectus and the Form of Proxy.

25. **Announcement on results of the Rights Issue**

The Company will make appropriate announcements to a Regulatory Information Service giving details of the results of the Rights Issue.

Date: 14 November 2018

PART XIV
DEFINITIONS AND INTERPRETATION

The definitions set out below apply throughout this Prospectus, unless the context requires otherwise.

"acceptor"	the person lodging the Provisional Allotment Letter with payment and in accordance with the terms as described in paragraph 4 of Part III ("*Terms and Conditions of the Rights Issue*")
"**Acquisition**"	the proposed acquisition by Atlantic Metropolitan (U.K.) Ltd (a wholly owned subsidiary of Grainger) of APG's majority interest in GRIP
"**Acquisition Agreement**"	the acquisition agreement in relation to GRIP between Grainger, Atlantic Metropolitan (U.K.) Ltd (as buyer) and APG (as seller) dated 14 November 2018
"**Admission**"	the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
"**Admission and Disclosure Standards**"	the rules published by the London Stock Exchange containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's Main Market for listed securities
"**Allsop**"	Allsop LLP, a limited liability partnership with registered number OC315531 whose registered office is at 33 Wigmore Street, London W1U 1BZ, as independent property valuer
"**Annual Report and Accounts**"	the annual report and accounts prepared by the Company
"**APG**"	Stichting Depositary APG Strategic Real Estate Pool
"**Articles**"	the articles of association of the Company, details of which are set out in paragraph 6 of Part XIII ("*Additional Information*") of this Prospectus
"**Audit Committee**"	the audit committee of the Company
"**Banks**"	Numis and J.P. Morgan Cazenove
"**Board**"	the board of Directors of the Company
"**BPF**"	British Property Federation
"**BPT Scheme**"	the BPT Limited Retirement Benefits Scheme
"**Build to Rent**"	development schemes of purpose-built PRS assets which are intended to be held and let, as opposed to traditional house-building schemes, the purpose of which is for the assets to be sold
"**Business Day**"	any day on which banks are generally open for the transaction of normal business other than a Saturday or Sunday or public holiday in London
"**CBRE**"	CBRE Limited
"**CCSS**"	the CREST Courier and Sorting Service established by Euroclear to facilitate, among other things, the deposit and withdrawal of securities
"**certificated form**"	where a share or other security is not in uncertificated form
"**CGT**"	Capital Gains Tax
"**Chairman**"	the Chairman for the time being of the Company
"**CHARM Portfolio**"	the Company's financial interest in equity mortgages held by the Church of England Pensions Board as mortgagee

"**Chief Executive**" or "**CEO**"	the chief executive of the Company
"**Chief Financial Officer**" or "**CFO**"	the chief financial officer of the Company
"**City Code on Takeovers and Mergers**"	the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers
"**Cashless Take-up**"	the sale of such number of Nil Paid Rights as will generate sufficient sale proceeds to enable the direct or indirect holder thereof to take up all of their remaining Nil Paid Rights (or entitlements thereto) without being required to provide any further capital
"**Closing Price**"	the closing middle market quotation of an Existing Ordinary Share as derived from the Daily Official List on a given day
"**Company**" or "**the Company**"	Grainger plc
"**Companies Act**" or "**Act**"	the Companies Act 2006, as amended, modified or re-enacted from time to time
"**Conditional Award**"	a conditional right to acquire Ordinary Shares for zero consideration
"**Core Debt Facilities**"	the Grainger Group's £720 million of committed banking facilities, as detailed on page 136
"**Corporate Governance Code**"	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010, as amended
"**Corporations Act**"	the Australian *Corporations Act 2001* (Cth)
"**CREST**"	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear
"**CREST Manual**"	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended)
"**CREST member**"	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
"**CREST participant**"	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
"**CREST Proxy Instruction**"	the message used for a proxy appointment made by means of CREST
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
"**CREST-sponsor**"	a CREST participant admitted to CREST as a CREST-sponsor
"**CREST-sponsored member**"	a CREST member admitted to CREST as a sponsored member
"**CREST stock account**"	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited
"**Daily Official List**"	the Daily Official List of the Financial Services Authority
"**DBP**"	the Grainger plc 2010 Deferred Bonus Plan, adopted by the Remuneration Committee on 3 February 2010, as from time to time amended

"**DBSP**"	the Grainger plc Deferred Bonus Share Plan adopted by resolution of the Board on 28 November 2017, as from time to time amended
"**Dealing Day**"	a day on which the London Stock Exchange is open for the transaction of business
"**Directors**"	the directors of the Company, whose names are set out in Part XI ("*Directors, Senior Management and Corporate Governance*") of this Prospectus
"**Disclosure and Transparency Rules**" or "**DTR**"	the disclosure rules and transparency rules produced by the FCA under Part VI of FSMA, as amended
"**Dorrington**"	Dorrington Investment plc
"**EEA**"	European Economic Area
"**EEA State**"	member state of the EEA
"**Enlarged Group**"	the enlarged group following the Acquisition comprising the Grainger Group and the GRIP Group
"**Enlarged Share Capital**"	the issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Rights Issue
"**EPRA**"	European Public Real Estate Association
"**EPRA NAV**"	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
"**EPRA NNNAV**"	EPRA 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
"**EU**"	European Union
"**Euroclear**"	Euroclear UK & Ireland Limited, the operator of CREST
"**European Union IAS Regulation**"	the EU Regulation 1569/2007/EC establishing a mechanism for the determination of equivalence of accounting standards applied by third country issuers of securities pursuant to Directives 2003/71/EC and 2004/109/EC of the European Parliament and of the Council, as amended
"**Excluded Shareholders**"	Shareholders with a registered address in, or otherwise resident or located in, any Restricted Territory
"**Executive Directors**"	the executive directors of the Company, who are Helen Gordon and Vanessa Simms
"**Existing Ordinary Shares**"	in relation to a particular date, the Ordinary Shares existing as of that date
"**Ex-Rights Date**"	the date on which the New Ordinary Shares commence trading ex-rights, which is expected to be 3 December 2018
"**FCA**" or "**Financial Conduct Authority**"	Financial Conduct Authority of the United Kingdom
"**Financial Action Task Force**"	the non-European Union members of which are Argentina, Australia, Brazil, Canada, Gibraltar, Hong Kong, Iceland, India, Japan, the Republic of Korea, Mexico, New Zealand, Norway, the People's Republic of China, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the United States and, by virtue of their membership of the Gulf Co-operation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates

"**Form of Proxy**"	the form of proxy for use by Shareholders in connection with the General Meeting
"**FSMA**"	the Financial Services and Markets Act 2000, as amended
"**FTSE**"	Financial Times Stock Exchange 100 Index
"**Fully Paid Rights**"	rights to acquire New Ordinary Shares, fully paid
"**Funds and Third-Party Management business**" .	the business as described in paragraph 2.2 of Part IV ("*Information on the Company, GRIP and the Enlarged Group*")
"**GBP**"	Great British Pounds Sterling
"**General Meeting**"	the general meeting of the Company to be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG at 11.00 am on 30 November 2018, notice of which is set out at the end of this Prospectus
"**GInvest Facilities**"	has the meaning given to it on page 136
"**Grainger**"	Grainger plc
"**Grainger Financial Information**"	the 2016 Grainger Financial Information, the 2017 Grainger Financial Information, and the 2018 Grainger Financial Information
"**Grainger Group**" or "**Group**"	the Company, together with its subsidiaries and subsidiary undertakings from time to time
"**Grainger Group Share Plans**"	the 2007 SAYE Scheme, the 2017 SAYE Scheme, the DBP, the DBSP, the 2007 LTIP, the 2017 LTIP and the SIP
"**GRIP**"	GRIP REIT plc, incorporated in England and Wales with registered number 10172739
"**GRIP Financial Information**"	the 2016 GRIP Financial Information and the 2017 GRIP Financial Information
"**GRIP Group**"	GRIP, its subsidiaries and its subsidiary undertakings from time to time
"**HSBC**"	HSBC Bank plc or HSBC UK Bank plc
"**HMRC**"	Her Majesty's Revenue and Customs
"**IASB**"	the Information Accounting Standards Board
"**IFRS**"	International Financial Reporting Standards as adapted for use in the European Union
"**Investment Properties**" . .	properties where management's intention on acquisition was to hold such properties for long-term rental yield and/or capital appreciation
"**Investment Sales**"	sales of properties subject to an existing tenancy
"**ISIN**"	international securities identification number
"**ITEPA**"	Income Tax (Earnings and Pensions) Act 2003
"**J.P. Morgan Cazenove**" . .	J.P. Morgan Securities plc, which conducts its UK investment banking activities as J.P. Morgan Cazenove, which is acting as underwriter, bookrunner and lead financial adviser for the Company
"**KPI**"	key performance indicators
"**KPMG**"	KPMG LLP

"**Latest Practicable Date**"	12 November 2018, being the latest practicable date prior to the publication of this Prospectus
"**LIBOR**"	the London interbank offered rate
"**Listing Rules**"	the listing rules made by the FCA under Part VI of FSMA, as amended
"**London Stock Exchange**"	London Stock Exchange plc
"**LTV**"	means the Group's loan-to-value ratio
"**Market Value**"	the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
"**MEES**"	the UK Minimum Energy Efficiency Standards
"**member account ID**"	the identification code or number attached to any member account in CREST
"**Member State**"	a member state of the EEA
"**MiFID II**"	the EU Directive 2014/65/EU on markets in financial instruments, as amended
"**MiFID II Product Governance Requirements**"	MiFID II, Articles 9 and 10 of the Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
"**Money Laundering Regulations**"	the Money Laundering Regulations 2007 (SI 2007 No. 2157), as amended
"**MTM Instruction**"	many-to-many instruction which allows two CREST members to settle up to four movements of securities and create up to two assured payment obligations at the same time
"**NatWest**"	National Westminster Bank plc
"**New Ordinary Shares**"	the 194,748,913 ordinary shares being offered to Qualifying Shareholders pursuant to the Rights Issue
"**Nil Paid Rights**"	New Ordinary Shares in nil paid form provisionally allotted to Shareholders pursuant to the Rights Issue
"**Nominated Person**"	a person who has been nominated by a member to enjoy information rights under section 146 of the Companies Act
"**Nominations Committee**"	the nominations committee of the Company
"**Non-Executive Directors**"	the non-executive directors of the Company, who are Mark Clare (Chairman), Andrew Carr-Locke (Senior Independent Director), Tony Wray, Rob Wilkinson and Justin Read
"**Notice of General Meeting**"	the notice of General Meeting set out at the end of this Prospectus
"**Numis**"	Numis Securities Limited, which is acting as sponsor, underwriter and bookrunner for the Company
"**Official List**"	the Official List of the FCA
"**Ordinary Shares**"	the ordinary shares of 5 pence each in the share capital of the Company
"**Overseas Shareholders**"	Qualifying Shareholders with a registered address in, or who are a citizen or resident of, a country other than the United Kingdom
"**participant ID**"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant

"**Partners**"	has the meaning given to it on page 31
"**PRA**"	the Prudential Regulation Authority or its successor from time to time
"**Pro forma financial information**"	the pro forma financial information set out in Part VIII ("*Unaudited Pro Forma Financial Information*")
"**Prospectus**"	this document dated 14 November 2018, comprising a prospectus for the purposes of the Prospectus Rules and a circular containing notice of General Meeting (together with any supplements or amendments thereto)
"**Prospectus Directive**"	Directive 2003/71/EC of the European Parliament and of the Council of the European Union
"**Prospectus Directive Regulation**"	Prospectus Directive Regulation EC 809/2004, as amended
"**Prospectus Rules**"	the prospectus rules made by the FCA under Part VI of FSMA, as amended
"**Provisional Allotment Letter**"	the renounceable provisional allotment letter expected to be sent to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, Excluded Shareholders), in respect of the New Ordinary Shares to be provisionally allotted to them pursuant to the Rights Issue
"**PRS**"	private rented sector
"**PRS Portfolio**"	has the meaning given to it in paragraph 1 of Part IV ("*Information on the Company, GRIP and the Enlarged Group*")
"**PwC**"	PricewaterhouseCoopers
"**QIB**"	"qualified institutional buyer" within the meaning of Rule 144A
"**Qualified Investors**"	persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
"**Qualifying CREST Shareholders**"	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the Record Date are in uncertificated form and held through CREST
"**Qualifying Non-CREST Shareholders**"	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company at the Record Date are in certificated form
"**Qualifying Shareholders**"	Shareholders on the register of members of the Company at the Record Date
"**Receiving Agent**"	Link Asset Services
"**Record Date**"	5.00 pm on 28 November 2018
"**Registrar**"	Link Asset Services
"**Regulated Tenancies Portfolio**"	properties subject to a regulated tenancy and interests in, or relative to, properties subject to a regulated tenancy located in the United Kingdom
"**Regulation S**"	Regulation S under the Securities Act
"**Regulatory Information Service**"	any information service approved by the FCA as meeting the Primary Information Provider criteria and that is on the FCA's list of Regulatory Information Services
"**relevant shares**"	the number of New Ordinary Shares being allotted as referred to in the Provisional Allotment Letter and accepted by the acceptor
"**Remuneration Committee**"	the remuneration committee of the Company

"**Rent Act**"	the Rent Act 1977 (as amended by the Housing Act)
"**Residential Portfolio**"	has the meaning given to it on page 102
"**Resolution**"	the resolution to be proposed at the General Meeting (and set out in the Notice of General Meeting)
"**Restricted Territories**"	the United States, Australia, Canada, Japan and the Republic of South Africa
"**Reversionary Surplus**"	the difference between a property's Market Value and its Vacant Possession Value
"**Rights Issue**"	the offer to Qualifying Shareholders, constituting an invitation to apply for New Ordinary Shares, on the terms and subject to the conditions set out in this Prospectus and, in the case of Qualifying Non-CREST Shareholders, the Provisional Allotment Letters
"**Rights Issue Entitlement**"	the entitlement of a Qualifying Shareholder to apply for New Ordinary Shares on the basis of seven New Ordinary Shares for every 15 Existing Ordinary Shares held and registered in their name on the record date
"**Rights Issue Price**"	178.0 pence per New Ordinary Share
"**RPI**"	Retail price index
"**RTGS**"	real time gross settlement
"**Rule 144**"	Rule 144 under the Securities Act
"**Rule 144A**"	Rule 144A under the Securities Act
"**SDRT**"	Stamp Duty Reserve Tax
"**SEC**"	the United States Securities and Exchange Commission
"**Securities Act**"	the United States Securities Act of 1933, as amended
"**SEDOL**"	Stock Exchange Daily Official List
"**Senior Independent Director**"	the senior independent director of the Company
"**Senior Management**" or "**Senior Managers**"	the senior managers of the Company, whose names are set out in Part XI ("*Directors, Senior Management and Corporate Governance*") of this Prospectus
"**Shareholders**"	holders of Ordinary Shares whose names are registered on the Company's register of members
"**SIP**" or "**Share Incentive Plan**"	the Grainger Trust plc (2002) Share Incentive Plan
"**SIP Trust**"	the trust established for the purpose of the SIP
"**SIP Trustee**"	the entity or persons appointed as the trustee of the SIP Trust from time to time
"**Special Dealing Service**"	the dealing service being made available by Link Asset Services to Qualifying Non-CREST Shareholders who are individuals with a registered address in the United Kingdom or any other jurisdiction within the EEA who wish to sell all of their Nil Paid Rights or to effect a Cashless Take-up
"**Special Dealing Service Terms and Conditions**"	the terms and conditions of the Special Dealing Service
"**Target Market Assessment**"	has the meaning given to it on page 2

"Trading Properties" properties where the intention on acquisition was to trade such properties or to hold them for immediate sale upon receiving vacant possession within the ordinary course of business

"Transparency Directive" Directive 2004/109/EC of the European Parliament and the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, as amended

"Treasury Shares" Ordinary Shares held by the Company in treasury pursuant to the provisions of Chapter 6 of the Companies Act 2006

"Trust Deed" has the meaning given to it on page 137

"UK Listing Authority" or **"UKLA"** the Financial Conduct Authority acting in its capacity as the competent authority for listing under Part VI of FSMA

"Unaudited GRIP Interim Financial Information" the interim results of GRIP as of, and for, the six months ended 30 June 2017 and for, the six months ended 30 June 2018

"uncertificated form" recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

"Underwriting Agreement" the underwriting agreement dated 14 November 2018 between the Company and the Banks in relation to the Rights Issue, details of which are set out in paragraph 12.1(b) of Part XIII ("*Additional Information*")

"United Kingdom" or **"UK"** the United Kingdom of Great Britain and Northern Ireland

"United States" or **"US"** the United States of America, its territories and possessions, any state of the United States and the District of Columbia

"Vacant Possession Value" the difference between a property's Market Value whilst it is tenanted and the value that could be realised if such property became vacant and were sold as of that date

"Valuation Reports" the property valuation reports for Grainger and for GRIP as at 30 September 2018 which have been produced by the Valuers and which are included at Part IX ("*Grainger Valuation Reports*") and Part X ("*GRIP Valuation Report*")

"Valuers" third party professional valuers, including Allsop and CBRE

"VAT" UK value added tax

"WIP" Walworth Investment Properties Limited

"2007 LTIP" the Grainger 2007 Long Term Incentive Plan, approved by shareholders of the Company and adopted by the Board on 28 February 2007, as from time to time amended

"2007 SAYE Scheme" the Grainger plc SAYE Share Option Scheme 2007 adopted by the Company in general meeting on 28 February 2007, as from time to time amended

"2016 Grainger Financial Information" the audited consolidated financial statements of Grainger included in the 2016 Annual Report and Accounts as of, and for, the financial year ended 30 September 2016

"2016 GRIP Financial Information" the audited consolidated financial statements of GRIP included in the 2016 Annual Report and Accounts as of, and for, the financial year ended 31 December 2016

"**2017 Grainger Financial Information**"	the audited consolidated financial statements of Grainger included in the 2017 Annual Report and Accounts as of, and for, the financial year ended 30 September 2017
"**2017 GRIP Financial Information**"	the audited consolidated financial statements of GRIP included in the 2017 Annual Report and Accounts as of, and for, the financial year ended 31 December 2017
"**2017 LTIP**"	the Grainger 2017 Long Term Incentive Plan, approved by shareholders of the Company and adopted by the Board on 8 February 2017, as from time to time amended
"**2017 SAYE Scheme**" . . .	the Grainger plc Save As You Earn Scheme adopted by resolution of the Board on 8 February 2017, as from time to time amended
"**2018 AGM**"	the annual general meeting of the Company held on 7 February 2018
"**2018 Grainger Financial Information**"	the audited consolidated financial statements of Grainger included in the 2018 Annual Report and Accounts as of, and for, the financial year ended 30 September 2018

PART XV
NOTICE OF GENERAL MEETING

NOTICE OF GENERAL MEETING
of
GRAINGER PLC

(Incorporated and registered in England and Wales with registered number 00125575)

NOTICE IS HEREBY GIVEN THAT a general meeting (the "**General Meeting**") of Grainger plc (the "**Company**") will be held at the offices of Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London, EC1A 2FG on 30 November 2018 at 11.00 am to consider, and, if thought fit, pass the following resolution. The resolution will be proposed as an ordinary resolution (in which capitalised terms shall have the meanings given in the circular to Shareholders dated 14 November 2018 in connection with the Rights Issue of which this notice forms part (the "**Prospectus**") save where specified to the contrary herein).

Ordinary Resolution

Resolution to approve the Acquisition:

THAT the proposed acquisition by the Company of the ordinary share capital and shareholder loans of GRIP REIT plc ("**GRIP**") and minority interest in certain subsidiaries of GRIP that the Company does not already own, pursuant to an agreement between the Company and APG dated 14 November 2018 (the "**Acquisition**") substantially on the terms and subject to the conditions as described in the circular to shareholders of the Company dated 14 November 2018 (the "**document**"), of which this notice convening this General Meeting forms part be, and is, hereby approved and the directors of the Company (the "**Directors**") (or a duly authorised committee thereof) be, and are hereby authorised to do or procure to be done, all such acts and things as they consider necessary, expedient or appropriate in connection with the Acquisition and this resolution, and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Acquisition (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Acquisition for the purposes of the Financial Conduct Authority's Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the Directors (or a duly authorised committee thereof) may in their absolute discretion think fit.

Adam McGhin
Company Secretary

14 November 2018
CRN: 125575

Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

Notes

Entitlement to attend and vote

The Company specifies that only those shareholders registered in the register of members of the Company as of close of business on 28 November 2018 (or, if the meeting is adjourned, close of business on the day two days prior to the adjourned meeting) shall be entitled to attend or vote at the General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A member entitled to attend and vote at the General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf, whether by show of hands or on a poll. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different ordinary shares held by him or her. In order to be valid, an appointment of proxy (together with any authority under which it is executed or a duly certified copy of the authority) must be returned by one of the following methods and in each case must be received by the Company's registrars not less than 48 hours before the time of the meeting:

- in hard copy form by post, by courier or by hand to the Company's registrars, Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
- via www.signalshares.com. If you have not previously registered for electronic communications you will first be asked to register as a new user for which you will require your investor code (which can be found on your share certificate or dividend tax voucher/dividend confirmation), family name and postcode to log in. Once registered, a proxy voting link will be provided. You do not need to wait for an activation code; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

Completion and return of the form of proxy, or completion of the online voting process, will not preclude shareholders from attending and voting at the meeting. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.

Each shareholder entitled to attend the General Meeting as above, and each proxy appointed in accordance with the above, has one vote for each resolution voted on by a show of hands. If a proxy has been appointed by more than one member entitled to vote, and one of those members has instructed the proxy to vote for the resolution and one or more other of those members has instructed the proxy to vote against it, the proxy has one vote for and one vote against the resolution on a show of hands. In the event of a poll the proxy can exercise the respective voting rights of each appointing member.

Under section 324A of the Act, a proxy must vote in accordance with any instructions given by the member by whom they are appointed.

A copy of this Notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act (each a "**Nominated Person**"). The rights to appoint a proxy cannot be exercised by a Nominated Person; they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him or her and the member by whom he or she was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he or she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Shareholders entitled to attend and vote as above, have a right to ask questions related to the business put to the meeting as set out in this Prospectus. The Directors will endeavour to answer all such questions as fully as possible; however, they are not required to answer if:

- to do so would interfere unduly with the preparation for the meeting;
- to answer would involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Corporate representatives

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, provided that no more than one corporate representative exercises powers over the same share.

CREST members

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST-sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST-sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

Share capital

As of 12 November 2018 (being the latest practicable date prior to publication of this circular), the Company's issued share capital comprised 417,319,100 Ordinary Shares of 5p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company.

The Company holds 1,506,300 Ordinary Shares in treasury and is not permitted to exercise voting rights in respect of these shares.

Therefore the total number of voting rights in the Company as of 12 November 2018 is 417,319,100.

Website

A copy of this Notice and other information required by section 311A of the Act can be found at www.graingerplc.co.uk

Communication

Except as provided above, members who have general queries about the General Meeting should contact the Company Secretary at Grainger plc, Citygate, St. James' Boulevard, Newcastle upon Tyne NE1 4JE or on 0191 269 5934 (no other methods of communication will be accepted).

You may not use any electronic address provided either in this notice of General Meeting or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

Merrill Corporation Ltd, London
18-37101-1