COMPANY REGISTRATION NUMBER 4152466

Grainger (Elder No. 6) Limited

Financial statements

30 September 2008

Grainger (Elder No. 6) Limited

Financial statements

Year ended 30 September 2008

Contents **Page**

Grainger (Elder No. 6) Limited

Officers and professional advisers

The board of directors	Andrew R Cunningham Rupert J Dickinson Andrew Pratt Nick On
Company secretary	Michael P Windle
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Auditor	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors 89 Sandyford Road Newcastle Upon Tyne NE1 8HW
Bankers	Barclays Bank Plc Barclays House 71 Grey Street Newcastle Upon Tyne NE99 1JP
Solicitors	Dickinson Dees St Ann's Wharf 112 Quayside Newcastle Upon Tyne NE99 1SB

Grainger (Elder No. 6) Limited

The directors' report

Year ended 30 September 2008

The directors present their report and the financial statements of the company for the year ended 30 September 2008.

Principal activities
The principal activity of the company during the year was property development and trading.

Liquidity risk and going concern
The company is a wholly owned subsidiary of Grainger plc. The going concern assessment of the company is linked to the going concern assessment of the Grainger plc group as the company's activities and trading are financed by way of a committed core borrowing facility with a syndicate of leading banks. This core borrowing facility is both arranged and managed on a group basis.

After making such enquiries as deemed necessary the directors have a reasonable expectation that the company, via the Grainger group, has adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the company's financial statements.

More details of the core borrowing facility, liquidity risk and going concern analysis may be found in note 1 to the accounts.

Directors
The directors who served the company during the year were as follows:

Andrew R Cunningham
Rupert J Dickinson
Andrew Pratt
Andrew Scrivener
Michael P Windle

Nick On was appointed as a director on 23 January 2009.
Andrew Scrivener resigned as a director on 19 December 2008.
Michael P Windle resigned as a director on 22 January 2009.

Directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Grainger (Elder No. 6) Limited

The directors' report

Year ended 30 September 2008

Directors' responsibilities (continued)
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
A resolution to re-appoint PricewaterhouseCoopers LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Small company provisions
This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by order of the directors

Michael P Windle
Company Secretary

Approved by the directors on 30 July 2009

Grainger (Elder No. 6) Limited

Independent auditor's report to the shareholders of Grainger (Elder No. 6) Limited

Year ended 30 September 2008

We have audited the financial statements of Grainger (Elder No. 6) Limited for the year ended 30 September 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditor
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Grainger (Elder No. 6) Limited

Independent auditor's report to the shareholders of Grainger (Elder No. 6) Limited ***(continued)***

Year ended 30 September 2008

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle Upon Tyne

30 July 2009

Grainger (Elder No. 6) Limited

Profit and loss account

Year ended 30 September 2008

	Note	2008 £	2007 £
Turnover	2	**1,661**	17,714
Cost of sales		-	(7,546)
Gross profit		**1,661**	10,168
Profit on ordinary activities before taxation		**1,661**	10,168
Tax on profit on ordinary activities	4	**(482)**	(3,050)
Profit for the financial year		**1,179**	7,118
Balance brought forward		**(741,230)**	(748,348)
Balance carried forward		**(740,051)**	(741,230)

All of the activities of the company are classed as continuing.

Statement of total recognised gains and losses
There are no recognised gains or losses other than the profit of £1,179 attributable to the shareholders for the year ended 30 September 2008 (2007 - profit of £7,118).

The notes on pages 8 to 12 form part of these financial statements.

Grainger (Elder No. 6) Limited

Balance sheet

30 September 2008

	Note	2008 £	£	2007 £
Current assets				
Stocks	5	383,278		383,278
Creditors: Amounts falling due within one year	6	(1,123,328)		(1,124,507)
Net current liabilities			(740,050)	(741,229)
Total assets less current liabilities			(740,050)	(741,229)
Capital and reserves				
Called-up equity share capital	8		1	1
Profit and loss account			(740,051)	(741,230)
Deficit	9		(740,050)	(741,229)

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors and authorised for issue on 30 July 2009, and are signed on their behalf by:

Andrew R Cunningham
Director

The notes on pages 8 to 12 form part of these financial statements.

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable UK accounting standards.

The financial statements are prepared on the going concern basis in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year.

Grainger plc has confirmed to the directors of the company that it will provide such financial support as shall enable the company to continue as a going concern for at least 12 months from the signing of these accounts.

Cash flow statement

The company is a wholly owned subsidiary of Grainger plc and the cash flows of the company are included in the consolidated cash flow statement of Grainger plc. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 (Revised 1996) from preparing a cash flow statement.

Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income, exclusive of VAT. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding contract.

Stocks

Development properties are shown in the financial statements at the lower of cost to the company and net realisable value. Cost to the company includes legal and surveying charges incurred during the acquisition plus development costs. Net realisable value is the estimated sale proceeds less costs of the completed development.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1. ***Accounting policies (continued)***

Liquidity risk and going concern

The company is a wholly owned subsidiary of Grainger plc. The going concern assessment of the company is linked to the going concern assessment of the Grainger plc group as the company's activities and trading are financed by way of a committed core borrowing facility with a syndicate of leading banks. This core borrowing facility is both arranged and managed on a group basis.

As at 30 September 2008, the core borrowing facility was £1,528m of which £1,225.2 m was drawn and the remaining £302.8m was undrawn. The core borrowing facility has a range of maturities as follows:

Amount repayable	£m	Maturity
£400 million	400	30 June 2010
£475 million	475	30 June 2011
£228 million	228	30 June 2013
£225 million	225	30 June 2013
£200 million	200	30 June 2014
Total repayable	1,528	

The first significant debt maturity is the facility of £400m as at 30 June 2010. The headroom as at 30 September 2008 of £302.8m represents some 76% of this first debt maturity.

Challenging market conditions have persisted throughout the second half of the 2008 financial year and these have continued into the first few months of the 2009 financial year. These periods have been characterised by falls in both the value and volume of residential property transactions. Although market conditions remain difficult, there have been some signs of the market improving over the last few months with an improvement in sales prices and buyer interest and increasing optimism from local agents. However, the market remains fragile and it is too early to predict whether these indicators represent a permanent shift in momentum.

The group's forecasts and projections for the period to 30 June 2010 show that based upon reasonable assumptions, the group will be able to operate within its current facilities assuming that the repayment of £400m takes place on 30 June 2010. They also show that the group will remain compliant with both its loan-to-value and interest cover covenants. If market conditions deteriorate such that the actual outturn is worse than that assumed in the group's forecasts and projections then the group's short term liquidity may come under some pressure. However, the group does have other sources of funding available to it that would mitigate any additional funding requirements. These include additional individual or portfolio property sales and the introduction of third party capital in the groups' German portfolio. In addition the group is currently in discussions with its lending group of banks to refinance its borrowing facilities.

After making such enquiries as deemed necessary the directors have a reasonable expectation that the company, via the Grainger group, has adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the company's financial statements.

2. **Turnover**

The total turnover of the company has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

Grainger (Elder No. 6) Limited

Notes to the financial statements

Year ended 30 September 2008

3. Operating profit

Operating profit is stated after charging:

	2008	2007
	£	£
Auditor's fees	**400**	400

Audit fees are borne by another Group company.

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year, or in the previous year.

4. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008	2007
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 29% (2007 - 30%)	**482**	3,050
Total current tax	**482**	3,050

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 29% (2007 - 30%).

	2008	2007
	£	£
Profit on ordinary activities before taxation	**1,661**	10,168
Profit on ordinary activities by rate of tax	**482**	3,050
Total current tax (note 4(a))	**482**	3,050

(c) Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the 2008 Budget Statement and were enacted in the 2008 Finance Act. All changes that had been enacted or substantively enacted at the balance sheet date are included in these financial statements where applicable. There are no other factors that are expected to significantly affect the taxation charge in future years.

Grainger (Elder No. 6) Limited

Notes to the financial statements

Year ended 30 September 2008

5. Stocks

	2008	2007
	£	£
Development property	**383,278**	383,278

The replacement value of stock is £408,000 (2007: £488,000) based on market value at 30 September 2008.

Stock is stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is the estimated sales proceeds less costs which the company expects on sale of a completed development. The directors have reviewed the estimated net sales proceeds of the development property. They have concluded that the net realisable value exceeds the book cost of the property and therefore no provision against the carrying value of stock is required.

6. Creditors: Amounts falling due within one year

	2008	2007
	£	£
Amounts owed to group undertakings	**1,120,714**	1,122,846
Other creditors	**2,614**	1,661
	1,123,328	1,124,507

The amount owed to group undertakings is unsecured, is repayable on demand, and does not bear interest.

7. Related party transactions

The company has taken advantage of the exemption available under Financial Reporting Standard No 8 and has not disclosed transactions with companies that are part of the Grainger plc group.

8. Share capital

Authorised share capital:

	2008	2007
	£	£
100 Ordinary shares of £1 each	**100**	100

Allotted, called up and fully paid:

	2008		2007	
	No	£	No	£
Ordinary shares of £1 each	**1**	**1**	1	1

9. Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	**1,179**	7,118
Opening shareholders' deficit	**(741,229)**	(748,347)
Closing shareholders' deficit	**(740,050)**	(741,229)

10. Post balance sheet events
In 2009 the company sold its development property for gross sales proceeds of £707,700.

11. Ultimate parent undertaking and controlling party
The directors regard Grainger plc, a company registered in England and Wales, as the ultimate parent undertaking and the ultimate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Grainger plc consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.

GIP Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

Grainger plc has confirmed to the directors of the company that it will provide such financial support as shall enable the company to continue as a going concern for at least 12 months from the signing of these accounts.