Registration number 4217612

Grainger (Clapham) Limited

Directors' report and financial statements

for the year ended 30 September 2006

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Grainger (Clapham) Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson Michael P Windle Peter C G Schwerdt Richard Exley
Secretary	Marie L Glanville
Company number	4217612
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Independent auditors	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle Upon Tyne NE1 8HW
Business address	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
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 (Clapham) Limited

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Grainger (Clapham) Limited

Directors' report
for the year ended 30 September 2006

The directors present their report and the audited financial statements for the year ended 30 September 2006

Principal activity and review of the business
The principal activity of the company is property development and trading

The directors will continue to trade out the existing stock of properties with the intention of generating trading profits from this activity in future years

Results and dividends
The results for the year are set out on page 5

The directors do not recommend the payment of a dividend (2005 £nil)

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

Auditors and disclosure of information to auditors
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and establish that the company's auditors are aware of that information

Directors and their interests
The directors who served during the year are as stated below

Andrew R Cunningham	
Rupert J Dickinson	
Geoffrey J Davis	Resigned 02/11/2006
James Fielder	Resigned 30/04/2006
Michael P Windle	
Peter C G Schwerdt	
Richard Exley	Appointed 11/11/2005

The directors have no beneficial interest in the share capital of the company

The beneficial interests of the following directors in the shares of the ultimate holding company, Grainger plc (formerly Grainger Trust plc), are shown in the annual report of Grainger Trust plc
Andrew R Cunningham
Rupert J Dickinson

The beneficial interests of Michael P Windle and Richard Exley in the shares of the ultimate holding company, Grainger plc (formerly Grainger Trust plc), are shown in the annual report of Hatch Warren 1992

Directors' report
for the year ended 30 September 2006

The beneficial interests of all other directors in the shares of the ultimate holding company, Grainger plc (formerly Grainger Trust plc), are shown in the annual report of Northumberland and Durham Property Trust Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year In preparing these the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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

Independent auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the company will be put to the Annual General Meeting

This report was approved by the Board on 14 May 2007 and signed on its behalf by

Marie L Glanville
Secretary

Grainger (Clapham) Limited

Independent auditors' report to the members of Grainger (Clapham) Limited

We have audited the financial statements of Grainger (Clapham) Limited for the year ended 30 September 2006 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 auditors

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 (Clapham) Limited

Independent auditors' report to the members of Grainger (Clapham) Limited

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 2006 and of its loss 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
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
14 May 2007

Grainger (Clapham) Limited

Profit and loss account
for the year ended 30 September 2006

	Notes	2006 £	2005 £
Property expenses		(83,763)	7,441
Operating (loss)/profit	2	(83,763)	7,441
Other interest receivable and similar income	3	-	7,906
(Loss)/profit on ordinary activities before taxation		(83,763)	15,347
Tax on (loss)/profit on ordinary activities	4	25,128	(4,604)
(Loss)/profit on ordinary activities after taxation		(58,635)	10,743
(Loss)/retained profit for the year		(58,635)	10,743
Accumulated loss brought forward		(65,794)	(76,537)
Accumulated loss carried forward		(124,429)	(65,794)

All amounts relate to continuing operations

There are no recognised gains or losses other than the loss / profit for the above two financial years and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit retained for the financial years stated above, and their historical cost equivalents

The notes on pages 7 to 11 form an integral part of these financial statements.

Grainger (Clapham) Limited

Balance sheet
as at 30 September 2006

	Notes	2006 £	2006 £	2005 £	2005 £
Current assets					
Stocks	5	6,184,565		5,896,637	
Debtors	6	1,396		-	
		6,185,961		5,896,637	
Creditors: amounts falling due within one year	7	(6,210,390)		(5,862,431)	
Net current (liabilities)/assets			(24,429)		34,206
Net (liabilities)/assets			(24,429)		34,206
Capital and reserves					
Called up equity share capital	8		100,000		100,000
Profit and loss account			(124,429)		(65,794)
Equity shareholders' (deficit)/funds	9		(24,429)		34,206

The financial statements were approved by the Board on 14 May 2007 and signed on its behalf by

Andrew R Cunningham
Director

The notes on pages 7 to 11 form an integral part of these financial statements.

1. Statement of accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom A summary of the more important accounting policies, which have been applied consistently, is set out below

1.1. Accounting convention

These financial statements are prepared on the going concern basis under the historical cost convention, and 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

The company has consistently applied all relevant accounting standards

1.2. 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

1.3. Stock

Trading 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 improvement costs Net realisable value is the net sale proceeds which the company expects on sale of a property with vacant possession

Repairs are expensed in the profit and loss account as incurred Improvement costs are capitalised

1.4. 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 tax with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold,

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

2. Operating (loss)/profit

	2006 £	2005 £
Operating (loss)/profit is stated after charging		
Auditors' remuneration	400	400

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 period

3. Interest receivable and similar income

	2006 £	2005 £
Other interest	-	7,906

4. Tax on (loss)/profit on ordinary activities

Analysis of (credit)/charge in year	2006 £	2005 £
Current tax		
UK corporation tax	(25,128)	4,604

Factors affecting tax (credit)/charge for year

There is no difference between the tax assessed for the year and the standard rate of corporation tax in the UK (30%)

	2006 £	2005 £
(Loss)/profit on ordinary activities before taxation	(83,763)	15,347
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2005 30%)	(25,128)	4,604

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

Factors that may affect future tax charges

There are no factors that are expected to significantly affect the taxation charge in future years

5. Stocks

	2006 £	2005 £
Development Properties	6,184,565	5,896,637

6. Debtors

	2006 £	2005 £
Other debtors	1,396	-

7. Creditors: amounts falling due within one year	2006 £	2005 £
Trade creditors	15	630
Amounts owed to group undertakings	6,210,375	5,844,673
Corporation tax	-	4,604
Other taxes and social security costs	-	12,524
	6,210,390	5,862,431

8. Called up equity share capital	2006 £	2005 £
Authorised		
100,100 Ordinary shares of 100p each	100,100	100,100
Allotted, called up and fully paid		
100,000 Ordinary shares of 100p each	100,000	100,000

9. Reconciliation of movements in equity shareholders' deficit	2006 £	2005 £
(Loss)/profit for the year	(58,635)	10,743
Opening equity shareholders' funds	34,206	23,463
Closing equity shareholders' (deficit)/funds	(24,429)	34,206

10. Contingent liabilities

At 30 September 2006 the company, together with certain of its fellow subsidiaries, has guaranteed bank loans of £993,395,000 (2005 £850,000,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts

11. Related party disclosures

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

12. Ultimate parent undertaking

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 parent's consolidated financial statements may be obtained from The Secretary, Grainger plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE

13. Immediate parent

GIP Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company Copies of the parent's financial statements may be obtained from Companies House