

Registered number 4736078

Grainger Rural Limited
Directors' report and financial statements
for the year ended 30 September 2007

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Grainger Rural Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson Andrew Pratt Debra R Yudolph Mark J Robson Marie L Glanville
Company secretary	Marie L Glanville
Company number	4736078
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Independent auditors	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 Rural Limited

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Grainger Rural Limited

Directors' report for the year ended 30 September 2007

The directors present their report and the audited financial statements for the year ended 30 September 2007

Principal activity and review of the business

The principal activity of the company is property development and trading

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Results and dividends

The results for the year are set out on page 5

The directors do not recommend the payment of a dividend (2006 £nil)

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, and up to the date of signing, are as stated below

Andrew R Cunningham

Rupert J Dickinson

Geoffrey J Davis Resigned 02/11/2006

Andrew Pratt Appointed 23/07/2007

Peter C G Schwerdt Resigned 30/06/2007

Debra R Yudolph

Mark J Robson

Marie L Glanville

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

Grainger Rural Limited

Directors' report for the year ended 30 September 2007

Statement of 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 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 UK 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, in which case there should be supporting assumptions or qualifications as necessary.

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

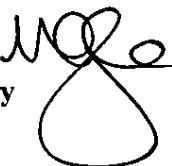
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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 29 April 2008 and signed on its behalf by

Marie L Glanville
Company Secretary



Grainger Rural Limited

Independent auditors' report to the members of Grainger Rural Limited

We have audited the financial statements of Grainger Rural Limited for the year ended 30 September 2007 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 Rural Limited

Independent auditors' report to the members of Grainger Rural 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 2007 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

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
29 April 2008

Grainger Rural Limited

**Profit and loss account
for the year ended 30 September 2007**

	Notes	2007 £	2006 £
Turnover	2	957,268	579,204
Cost of sales		(191,671)	(6,609)
		<u>765,597</u>	<u>572,595</u>
Property expenses		(190,910)	(171,428)
Administrative expenses		(109,016)	(102,688)
Operating profit		<u>465,671</u>	<u>298,479</u>
Amount written off investments	4	(70,049)	(155,753)
Interest payable and similar charges	5	(564,203)	(522,363)
		<u></u>	<u></u>
Loss on ordinary activities before taxation	3	(168,581)	(379,637)
Tax on loss on ordinary activities	6	<u>29,560</u>	<u>67,165</u>
Loss on ordinary activities after taxation		(139,021)	(312,472)
Loss for the year		<u>(139,021)</u>	<u>(312,472)</u>
Accumulated loss brought forward		(396,038)	(83,566)
Accumulated loss carried forward		<u>(535,059)</u>	<u>(396,038)</u>
All amounts relate to continuing operations			

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

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

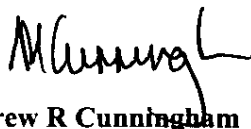
The notes on pages 7 to 13 form an integral part of these financial statements.

Grainger Rural Limited

**Balance sheet
as at 30 September 2007**

		2007		2006	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	7		29,013		39,253
Investments	8		872,259		942,308
			<u>901,272</u>		<u>981,561</u>
Current assets					
Stocks	9	14,313,111		11,504,970	
Debtors	10	21,109		82,825	
Cash at bank and in hand		700,695		329,712	
		<u>15,034,915</u>		<u>11,917,507</u>	
Creditors: amounts falling due within one year	11	(13,722,621)		(10,546,481)	
Net current assets			<u>1,312,294</u>		<u>1,371,026</u>
Total assets less current liabilities			<u>2,213,566</u>		<u>2,352,587</u>
Net assets			<u>2,213,566</u>		<u>2,352,587</u>
Capital and reserves					
Called up equity share capital	12		2,748,625		2,748,625
Profit and loss account			(535,059)		(396,038)
Equity shareholders' funds	13		<u>2,213,566</u>		<u>2,352,587</u>

The financial statements were approved by the Board on 29 April 2008 and signed on its behalf by



Andrew R Cunningham
Director

The notes on pages 7 to 13 form an integral part of these financial statements.

Grainger Rural Limited

Notes to the financial statements for the year ended 30 September 2007

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, in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom which have been applied consistently throughout the year.

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. 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 undertaking.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	- 20% straight line
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1.5. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6. Stock

Trading properties and development land 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.

Grainger Rural Limited

Notes to the financial statements for the year ended 30 September 2007

1.7. 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

1.8. Group accounts

The financial statements contain information about Grainger Rural Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the ultimate parent company, Grainger plc, a company registered in England and Wales

2. Turnover

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

3. Loss on ordinary activities before taxation

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation and other amounts written off tangible assets	10,240	11,947
Auditors' remuneration	400	400
	<u> </u>	<u> </u>

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. Amounts written off investments

	2007	2006
	£	£
Amounts written off fixed asset investments		
- temporary diminution in value	70,049	155,753
	<u> </u>	<u> </u>

Grainger Rural Limited

Notes to the financial statements for the year ended 30 September 2007

5. Interest payable and similar charges	2007	2006
	£	£
On amounts payable to group companies	<u>564,203</u>	<u>522,363</u>
6. Tax on loss on ordinary activities		
Analysis of credit in year	2007	2006
	£	£
Current tax		
UK corporation tax	<u>(29,560)</u>	<u>(67,165)</u>
Factors affecting tax credit for year		
The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent) The differences are explained below		
	2007	2006
	£	£
Loss on ordinary activities before taxation	<u>(168,581)</u>	<u>(379,637)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2006 30%)	(50,574)	(113,891)
Effects of:		
Expenses not deductible for tax purposes	<u>21,014</u>	<u>46,726</u>
Current tax charge for period	<u>(29,560)</u>	<u>(67,165)</u>

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

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement. These were enacted in the 2007 Finance Act or are expected to be 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 Rural Limited

**Notes to the financial statements
for the year ended 30 September 2007**

7. Tangible fixed assets	Fixtures, fittings and equipment £	Total £
Cost		
At 1 October 2006	51,200	51,200
At 30 September 2007	51,200	51,200
Depreciation		
At 1 October 2006	11,947	11,947
Charge for the year	10,240	10,240
At 30 September 2007	22,187	22,187
Net book values		
At 30 September 2007	29,013	29,013
At 30 September 2006	39,253	39,253

8. Fixed asset investments	Subsidiary undertakings shares £	Total £
Cost		
At 1 October 2006		
At 30 September 2007	1,098,061	1,098,061
Provisions for diminution in value:		
At 1 October 2006	155,753	155,753
Movement	70,049	70,049
At 30 September 2007	225,802	225,802
Net book values		
At 30 September 2007	872,259	872,259
At 30 September 2006	942,308	942,308

Grainger Rural Limited

Notes to the financial statements for the year ended 30 September 2007

8.1. Principal interests of the company

All companies are incorporated in England & Wales unless otherwise indicated

Company	Nature of business	Proportion of ordinary shares held
Subsidiary undertaking		
Grainger Rural Development Limited	Property development and trading	100%

9. Stocks	2007 £	2006 £
Trading Properties	12,907,223	10,099,082
Development Land	1,405,888	1,405,888
	<u>14,313,111</u>	<u>11,504,970</u>

The replacement value of stock is £15,245,945 (2006 £13,650,563) based on market value at 30 September 2007

10. Debtors	2007 £	2006 £
Trade debtors	431	448
Other debtors	20,678	82,377
	<u>21,109</u>	<u>82,825</u>

Grainger Rural Limited

**Notes to the financial statements
for the year ended 30 September 2007**

11. Creditors: amounts falling due within one year	2007 £	2006 £
Rents received in advance	-	341
Trade creditors	6,760	7,483
Amounts owed to group undertakings	13,703,033	10,475,412
Other taxes and social security costs	-	8,480
Other creditors	12,828	54,765
	<u>13,722,621</u>	<u>10,546,481</u>

Included in amounts owed to group undertakings are loan notes totalling £8,233,547. These are charged at an annual interest rate of 6.35% and are repayable on demand. All other amounts owed to group undertakings are unsecured, bear no interest, and are repayable on demand.

12. Called up equity share capital	2007 £	2006 £
Authorised		
2,748,724 Ordinary shares of 100p each	<u>2,748,724</u>	<u>2,748,724</u>
Allotted, called up and fully paid		
2,748,625 Ordinary shares of 100p each	<u>2,748,625</u>	<u>2,748,625</u>

13. Reconciliation of movements in equity shareholders' funds	2007 £	2006 £
Loss for the year	(139,021)	(312,472)
Net proceeds of equity share issue	-	2,748,624
Net addition to shareholders' funds	(139,021)	2,436,152
Opening equity shareholders' funds	2,352,587	(83,565)
Closing equity shareholders' funds	<u>2,213,566</u>	<u>2,352,587</u>

14. Contingent liabilities

At 30 September 2007 the company, together with certain of its fellow subsidiaries, has guaranteed bank loans of £1,125,474,000 (2006: £993,395,000) of certain fellow subsidiaries by means of a legal charge over its assets and book debts.

Grainger Rural Limited

Notes to the financial statements for the year ended 30 September 2007

15. 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

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

17. Immediate parent

Northumberland & Durham Property Trust Limited is the immediate controlling party and parent company by virtue of its 100% shareholding in the company