

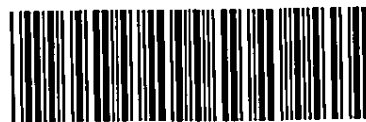
Registered number 4974627

Grainger Residential Management Limited

Directors' report and financial statements

for the year ended 30 September 2007

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Grainger Residential Management Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson Andrew Pratt Mark J Robson Debra R Yudolph
Company secretary	Marie L Glanville
Company number	4974627
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 Residential Management Limited

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Grainger Residential Management 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 management

Principal risks and uncertainties

The directors of Grainger plc manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Grainger Residential Management Limited's business. The principal risks and uncertainties of the Grainger plc group, which include those of the company, are discussed in the group's annual report, which does not form part of this

Key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of Grainger Residential Management Limited's business

Results and dividends

The results for the year are set out on page 6

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

Payments of creditors

It is the company's policy to pay all of its suppliers in accordance with their normal trading terms and conditions for both the current year and the following financial year. Payment in respect of the purchase of property is subject to and is in compliance with contractual terms. Trade creditors existing at 30 September 2007, relating to purchases of property stock, generally complete 28 days after exchange of contracts. Trade creditor days relating to other trade creditors of the Company were calculated as 18 days (2006 30 days)

Grainger Residential Management Limited

Directors' report for the year ended 30 September 2007

Directors

The directors who served during the year, and up to the date of signing, are as stated below

Andrew R Cunningham	
Rupert J Dickinson	
Andrew Pratt	Appointed 23/07/2007
Mark J Robson	
Debra R Yudolph	
Geoffrey J Davis	Resigned 02/11/2006
Peter C G Schwerdt	Resigned 30/06/2007

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.

Grainger Residential Management Limited

**Directors' report
for the year ended 30 September 2007**

This report was approved by the Board on 29 July 2008 and signed on its behalf by

Marie L Glanville
Company Secretary

A handwritten signature in black ink, consisting of a stylized 'M' and 'G' followed by a large loop.

Grainger Residential Management Limited

Independent auditors' report to the members of Grainger Residential Management Limited

We have audited the financial statements of Grainger Residential Management 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 Residential Management Limited

Independent auditors' report to the members of Grainger Residential Management 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 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 & Registered Auditors
Newcastle Upon Tyne
29 July 2008

Grainger Residential Management Limited

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

	Notes	2007 £	2006 £
Turnover	2	14,402,409	8,446,333
Cost of sales		-	-
		<u>14,402,409</u>	<u>8,446,333</u>
Administrative expenses		(13,502,268)	(7,296,409)
Operating profit		<u>900,141</u>	<u>1,149,924</u>
Other interest receivable and similar income	4	<u>1,825</u>	<u>-</u>
Profit on ordinary activities before taxation	3	901,966	1,149,924
Tax on profit on ordinary activities	5	<u>(270,590)</u>	<u>(344,977)</u>
Profit on ordinary activities after taxation		<u>631,376</u>	<u>804,947</u>
Retained profit for the year		631,376	804,947
Retained profit/(loss) brought forward		<u>792,255</u>	<u>(12,692)</u>
Retained profit carried forward		<u><u>1,423,631</u></u>	<u><u>792,255</u></u>

All amounts relate to continuing operations

There are no recognised gains or losses other than the profit 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 profit on ordinary activities before taxation and the retained profit for the financial years stated above, and their historical cost equivalents

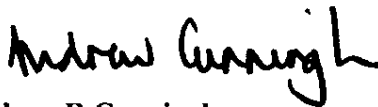
The notes on pages 8 to 13 form an integral part of these financial statements.

Grainger Residential Management Limited

**Balance sheet
as at 30 September 2007**

		2007		2006	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	6		1,080,114		747,966
Investments	7		1,000		-
			<u>1,081,114</u>		<u>747,966</u>
Current assets					
Debtors	8	11,947,964		901,550	
Cash at bank and in hand		-		1,179,005	
		<u>11,947,964</u>		<u>2,080,555</u>	
Creditors: amounts falling due within one year	9	(11,605,446)		(2,036,265)	
Net current assets			<u>342,518</u>		<u>44,290</u>
Total assets less current liabilities			<u>1,423,632</u>		<u>792,256</u>
Net assets			<u>1,423,632</u>		<u>792,256</u>
Capital and reserves					
Called up equity share capital	10		1		1
Profit and loss account			<u>1,423,631</u>		<u>792,255</u>
Equity shareholders' funds	11		<u>1,423,632</u>		<u>792,256</u>

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



Andrew R Cunningham
Director

The notes on pages 8 to 13 form an integral part of these financial statements.

Grainger Residential Management 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, 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 income from other group companies relating to the provision of management services, exclusive of VAT.

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. 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.

Grainger Residential Management Limited

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

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. Profit on ordinary activities before taxation

	2007	2006
	£	£
Profit on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible assets	238,367	119,886
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.

4. Interest receivable and similar income

	2007	2006
	£	£
Bank interest	1,825	-
	<u> </u>	<u> </u>

Grainger Residential Management Limited

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

5. Tax on profit on ordinary activities

Analysis of charge in year	2007	2006
	£	£
Current tax		
UK corporation tax	270,590	344,977
	<u>270,590</u>	<u>344,977</u>

Factors affecting tax 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 per cent)

	2007	2006
	£	£
Profit on ordinary activities before taxation	901,966	1,149,924
	<u>901,966</u>	<u>1,149,924</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	270,590	344,977
(30 September 2006 30%)	<u>270,590</u>	<u>344,977</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 Residential Management Limited

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

6. Tangible fixed assets	Fixtures, fittings and equipment £
Cost	
At 1 October 2006	914,648
Additions	570,515
At 30 September 2007	<u>1,485,163</u>
Depreciation	
At 1 October 2006	166,682
Charge for the year	238,367
At 30 September 2007	<u>405,049</u>
Net book values	
At 30 September 2007	<u>1,080,114</u>
At 30 September 2006	<u>747,966</u>

7. Fixed asset investments	Participating interests shares £
Cost	
Additions	1,000
At 30 September 2007	<u>1,000</u>
Net book values	
At 30 September 2007	<u>1,000</u>

7.1. Principal interests of the company

All companies are incorporated in England & Wales unless otherwise indicated

Company	Nature of business	Proportion of ordinary shares held
Participating interests		
Grainger Treasury Property (2006) LLP	Property Investment	less than 1%

Grainger Residential Management Limited

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

8. Debtors	2007	2006
	£	£
Trade debtors	126,421	269,500
Amounts owed by group undertakings	10,365,419	479,829
Other debtors	98,155	-
Prepayments and accrued income	1,357,969	152,221
	<u>11,947,964</u>	<u>901,550</u>
9. Creditors: amounts falling due within one year	2007	2006
	£	£
Bank overdraft	7,547,930	-
Trade creditors	598,808	-
Amounts owed to group undertakings	-	1,451,168
Other taxes and social security costs	27,130	36,297
Other creditors	12,274	5,662
Accruals and deferred income	3,419,304	543,138
	<u>11,605,446</u>	<u>2,036,265</u>
Bank loans and overdrafts are secured on the assets of the company and guaranteed by cross guarantees and floating charges which have been executed by the company, the ultimate parent company and certain fellow subsidiaries		
10. Called up equity share capital	2007	2006
	£	£
Authorised		
100 Ordinary shares of 100p each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 Ordinary share of 100p each	<u>1</u>	<u>1</u>
11. Reconciliation of movements in equity shareholders' funds	2007	2006
	£	£
Profit for the year	631,376	804,947
Opening equity shareholders' funds	792,256	(12,691)
Closing equity shareholders' funds	<u>1,423,632</u>	<u>792,256</u>

Grainger Residential Management Limited

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

12. 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.

13. 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

14. Immediate parent

Grainger plc is the immediate controlling party and parent company by virtue of its 100% shareholding in the company