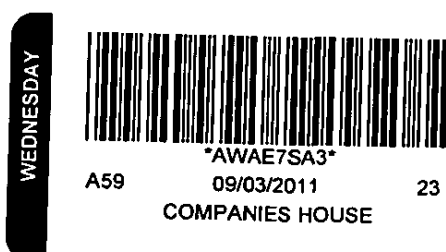


Grainger Real Estate Limited
Financial statements
30 September 2010



Grainger Real Estate Limited

Financial statements

Year ended 30 September 2010

Contents	Page
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the shareholders	4
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9

Grainger Real Estate Limited

Officers and professional advisers

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

Grainger Real Estate Limited

The directors' report

Year ended 30 September 2010

The directors present their report and the financial statements of the company for the year ended 30 September 2010

Principal activities

The principal activity of the company during the year was property investment and trading

Directors

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

Andrew R Cunningham
Rupert J Dickinson
Andrew Pratt
Mark J Robson
Nick P On

Rupert J Dickinson resigned as a director on 20 October 2009

Andrew Pratt resigned as a director on 31 December 2010

Directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 those 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Grainger Real Estate Limited

The directors' report (*continued*)

Year ended 30 September 2010

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

PricewaterhouseCoopers LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

Signed by order of the directors



Michael P Windle
Company Secretary

Approved by the directors on 4 March 2011

Grainger Real Estate Limited

Independent auditor's report to the shareholders of Grainger Real Estate Limited

Year ended 30 September 2010

We have audited the financial statements of Grainger Real Estate Limited for the year ended 30 September 2010, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the directors' report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grainger Real Estate Limited

Independent auditor's report to the shareholders of Grainger Real Estate Limited *(continued)*

Year ended 30 September 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare financial statements and the directors' report in accordance with the small company regime



**Jonathan Greenaway (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle Upon Tyne**

4 March 2011

Grainger Real Estate Limited

Profit and loss account

Year ended 30 September 2010

		2010 £	2009 £
Turnover	Note 2	350,440	336,347
Cost of sales		<u>(71,936)</u>	<u>(33,425)</u>
Gross profit		278,504	302,922
Operating profit	3	278,504	302,922
Interest payable and similar charges		<u>(274,620)</u>	<u>(291,382)</u>
Profit on ordinary activities before taxation		3,884	11,540
Tax on profit on ordinary activities	4	<u>(1,088)</u>	<u>(3,231)</u>
Profit for the financial year		<u>2,796</u>	<u>8,309</u>

All of the activities of the company are classed as continuing

The notes on pages 9 to 13 form part of these financial statements.

Grainger Real Estate Limited

Statement of total recognised gains and losses

Year ended 30 September 2010

	2010	2009
	£	£
Profit for the financial year attributable to the shareholders	2,796	8,309
Unrealised profit/(loss) on revaluation of certain fixed assets	<u>1,487,415</u>	<u>(787,627)</u>
Total gains and losses recognised since the last annual report	<u>1,490,211</u>	<u>(779,318)</u>

The notes on pages 9 to 13 form part of these financial statements

Grainger Real Estate Limited

Balance sheet

30 September 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	5	<u>6,175,744</u>	<u>4,688,187</u>
Current assets			
Debtors	6	215	—
Cash at bank		<u>490</u>	<u>—</u>
		705	—
Creditors Amounts falling due within one year	7	<u>(7,214,880)</u>	<u>(7,216,829)</u>
Net current liabilities		<u>(7,214,175)</u>	<u>(7,216,829)</u>
Total assets less current liabilities		<u>(1,038,431)</u>	<u>(2,528,642)</u>
Capital and reserves			
Called-up equity share capital	9	1	1
Revaluation reserve	10	(922,620)	(2,410,035)
Profit and loss account	11	<u>(115,812)</u>	<u>(118,608)</u>
Deficit	12	<u>(1,038,431)</u>	<u>(2,528,642)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006

These financial statements were approved by the directors and authorised for issue on 4 March 2011, and are signed on their behalf by



Nick P On
Director

Company Registration Number 5018216

The notes on pages 9 to 13 form part of these financial statements.

Grainger Real Estate Limited

Notes to the financial statements

Year ended 30 September 2010

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards

The financial statements are prepared on the going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently throughout the year

Going concern

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 and sundry other income, exclusive of VAT

Fixed assets

All fixed assets are initially recorded at cost

Investment properties

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Repairs are expensed to the profit and loss account as incurred. Improvement costs are capitalised. In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, unless any diminution in value of an individual property is considered permanent, in which case the deficit is taken to the profit and loss account and (ii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. Full valuations are made by independent professionally qualified valuers every year. The basis of valuation is explained in the investment property note.

Grainger Real Estate Limited

Notes to the financial statements

Year ended 30 September 2010

1 Accounting policies (continued)

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

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 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 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

3 Operating profit

Operating profit is stated after charging

	2010	2009
	£	£
Auditor's fees	<u>400</u>	<u>400</u>

Audit fees are statutory audit fees only and 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

	2010	2009
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	<u>1,088</u>	<u>3,231</u>
Total current tax	<u>1,088</u>	<u>3,231</u>

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

Grainger Real Estate Limited

Notes to the financial statements

Year ended 30 September 2010

4 Taxation on ordinary activities *(continued)* (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 28% (2009 - 28%)

	2010 £	2009 £
Profit on ordinary activities before taxation	<u>3,884</u>	<u>11,540</u>
Profit on ordinary activities by rate of tax	<u>1,088</u>	<u>3,231</u>
Total current tax (note 4(a))	<u>1,088</u>	<u>3,231</u>

(c) Factors that may affect future tax charges

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

5 Tangible fixed assets

	Freehold Property £
Cost or valuation	
At 1 October 2009	4,688,187
Additions	142
Revaluation	<u>1,487,415</u>
At 30 September 2010	<u>6,175,744</u>
Net book value	
At 30 September 2010	<u>6,175,744</u>
At 30 September 2009	<u>4,688,187</u>

The company's investment properties have been valued at their open market value at the balance sheet date by our in house Chartered Surveyors and the valuations were reviewed and approved by the directors. A structured sample of the in house valuations were reviewed by Allsop & Co, Chartered Surveyors, independent of the company. Based on the results of that review, Allsop & Co have concluded that they have a high degree of confidence in those valuations. These represent estimates of the open market value of the properties subject to the tenancies then existing. The historical cost of these properties is £7,098,364 (2009 £7,098,222)

6 Debtors

	2010 £	2009 £
Other debtors	<u>215</u>	<u>—</u>

Grainger Real Estate Limited

Notes to the financial statements

Year ended 30 September 2010

7 Creditors: Amounts falling due within one year

	2010 £	2009 £
Overdrafts	–	280
Trade creditors	2,815	1,326
Amounts owed to group undertakings	7,160,881	7,162,609
Other creditors	51,184	52,614
	<u>7,214,880</u>	<u>7,216,829</u>

Included within amounts owed to group undertakings is an unsecured loan with a year end balance of £6,888,601 (2009 £6,867,998). The loan bears interest at LIBOR plus margin plus costs, which averaged 3.64% in the year (2009 4.28%), and is repayable on demand but is not expected to be repaid within the next 12 months. All other amounts owed by group undertakings are unsecured, bear no interest, and are repayable on demand.

8 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.

9. Share capital

Authorised share capital

	2010 £	2009 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2010 No	£	2009 No	£
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

10. Revaluation reserve

	2010 £	2009 £
Balance brought forward	(2,410,035)	(1,622,408)
Revaluation of fixed assets	1,487,415	(787,627)
Balance carried forward	<u>(922,620)</u>	<u>(2,410,035)</u>

11 Profit and loss account

	2010 £	2009 £
Balance brought forward	(118,608)	(126,917)
Profit for the financial year	2,796	8,309
Balance carried forward	<u>(115,812)</u>	<u>(118,608)</u>

Grainger Real Estate Limited

Notes to the financial statements

Year ended 30 September 2010

12. Reconciliation of movements in shareholders' funds

	2010	2009
	£	£
Profit for the financial year	2,796	8,309
Other net recognised gains and losses	1,487,415	(787,627)
Net addition/(reduction) to shareholders' deficit	1,490,211	(779,318)
Opening shareholders' deficit	(2,528,642)	(1,749,324)
Closing shareholders' deficit	(1,038,431)	(2,528,642)

13. 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

Grainger plc 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