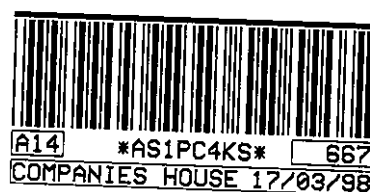


Grainger Trust Commercial Limited

Annual report

for the year ended 30 September 1997

Registered no: 2955426



Coopers
& Lybrand

Grainger Trust Commercial Limited

Annual report for the year ended 30 September 1997

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Directors and advisers

Directors

S Dickinson
P M Milburn
A R Cunningham
G J Davis

Secretary and registered office

G J Davis
Chaucer Buildings
Grainger Street
Newcastle upon Tyne
NE1 5LE

Registered Auditors

Coopers & Lybrand
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB

Bankers

Barclays Bank Plc
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3PN

Directors' report for the year ended 30 September 1997

The directors present their report and the audited financial statements for the year ended 30 September 1997.

Principal activities and review of business

The principal activity of the company is that of property investment. The directors consider the year end financial position and prospects of the company to be satisfactory.

Results

The results for the period are set out on page 5.

Dividends

The directors do not recommend a dividend for the year. The profit for the financial year of £128,620 (1996: £1,519,978) will be added to reserves.

Directors

The directors who served during the year and to the date of this report were:

S Dickinson	(Chairman)
P M Milburn	
A R Cunningham	(appointed 20 May 1997)
G J Davis	

The directors have no beneficial interest in the share capital of the company. The beneficial interests of Mr S Dickinson, Mr P M Milburn and Mr A R Cunningham in the shares of the ultimate holding company, Grainger Trust p.l.c., are shown in the annual report of Grainger Trust p.l.c..

The beneficial interest of the other director in the shares of Grainger Trust p.l.c. was as follows:

	30 September 1997 Number	30 September 1996 Number
G J Davis	<u>13,092</u>	<u>11,746</u>

Directors share options at 30 September 1997

Option price	Date exercisable	Ordinary shares of 25p each Mr G J Davis	
		1997	1996
Revenue approved schemes			
448p	3 January 1992 to 3 January 1999	20,000	20,000
128.4p	19 July 1994 to 18 July 2001	20,000	20,000
342.5p	23 December 1999 to 23 December 2006	-	-
LTIP scheme			
267.1p	9 July 2000 to 9 July 2007	8,911	-
SAYE scheme			
214p	5 August 2002 to 5 February 2003	8,060	-
Total number of share options		<u>56,971</u>	<u>40,000</u>

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.


The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the board


Secretary
30.11.98

**Report of the auditors to the members of
Grainger Trust Commercial Limited**

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 1997 and of its profit and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Newcastle upon Tyne

30 January 1998

**Profit and loss account
for the year ended 30 September 1997**

	Notes	30 September 1997 £	30 September 1996
Turnover	1	<u>2,471,137</u>	<u>2,098,896</u>
Gross rental income		2,455,301	2,095,286
Other income		<u>15,836</u>	<u>3,610</u>
		2,471,137	2,098,896
Less:			
Property expenses		(265,287)	(322,991)
Management expenses		<u>(109,370)</u>	<u>(17,010)</u>
Profit on ordinary activities before interest		2,096,480	1,758,895
Interest payable and similar charges	2	<u>(1,965,055)</u>	<u>(3,278,873)</u>
Profit/(loss) on ordinary activities before taxation	3	131,425	(1,519,978)
Taxation	4	<u>(2,805)</u>	<u>-</u>
Profit/(loss) for the financial period	12	<u>128,620</u>	<u>(1,519,978)</u>

All activities of the company are continuing.

There is no difference between the loss on ordinary activities before taxation and the results for the year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

	30 September 1997 £	30 September 1996
Profit/(loss) on ordinary activities after taxation	128,620	(1,519,978)
Unrealised (deficit)/surplus on revaluation of properties	(389,544)	22,977
Total recognised losses for the period	(260,924)	(1,497,001)

Balance sheet at 30 September 1997

	Notes	1997 £	1996
Fixed assets			
Tangible assets	6	<u>18,182,938</u>	<u>18,152,938</u>
Current assets			
Debtors	7	1,317,341	873,458
Cash at bank and in hand		<u>59,874</u>	<u>214,530</u>
Total current assets		<u>1,377,215</u>	<u>1,087,988</u>
Creditors: amounts falling due within one year	8	<u>(12,184,794)</u>	<u>(11,604,643)</u>
Net current liabilities		<u>(10,807,579)</u>	<u>(10,516,655)</u>
Total assets less current liabilities		<u>7,375,359</u>	<u>7,636,283</u>
Creditors: amounts falling due after more than one year	9	<u>(9,250,000)</u>	<u>(9,250,000)</u>
Net liabilities		<u>(1,874,641)</u>	<u>(1,613,717)</u>
Capital and reserves			
Called up share capital	11	1	1
Revaluation reserve	12	(265,350)	124,194
Profit and loss account	12	<u>(1,609,292)</u>	<u>(1,737,912)</u>
Equity shareholders' funds	13	<u>(1,874,641)</u>	<u>(1,613,717)</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 30 January 1998 and were signed on its behalf by:

AR Cunningham

Director

**Notes to the financial statements
for the year ended 30 September 1997****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP 19 "Accounting for investment properties", requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the result of the departure is given in the note relating to tangible fixed assets below. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

Cash flow

The company is a wholly owned subsidiary of Grainger Trust p.l.c. and the cash flows of the company are included in the consolidated cash flow statement of Grainger Trust p.l.c.. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Turnover

Turnover comprises gross rentals and sundry other income.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

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 1985 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 note 6.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Interest payable and similar charges

	1997 £	1996 £
Penalty on early redemption of loan	-	1,265,000
On bank loans and overdrafts	785,055	1,019,873
On inter group loans	1,180,000	994,000
	<u>1,965,055</u>	<u>3,278,873</u>

3 Profit/(loss) on ordinary activities before taxation

	1997 £	1996 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	-	2,000
	<u>-</u>	<u>2,000</u>

4 Taxation

	1997 £	1996 £
UK corporation tax at 32% (1996: 33%)	2,805	-
	<u>2,805</u>	<u>-</u>

The current year tax charge is reduced as a result of group relief received at no charge.

5 Directors and employees

There are no persons holding service contracts with Grainger Trust Commercial Limited.

No director received any remuneration from the company during the year or in the previous period.

6 Tangible fixed assets

	Investment properties £	Plant & machinery £	Total £
Cost or valuation			
At 30 September 1996	18,145,000	9,614	18,154,614
Additions	419,544	-	419,544
Revaluations	(389,544)	-	(389,544)
At 30 September 1997	18,175,000	9,614	18,184,614
Depreciation			
At 30 September 1996 and 1997	-	1,676	1,676
Net book value			
At 30 September 1997	18,175,000	7,938	18,182,938
At 30 September 1996	18,145,000	7,938	18,152,938

Investment properties at net book value comprise:

	1997 £'000	1996 £'000
Freeholds	3,645,000	3,610,000
Leaseholds	14,530,000	14,535,000
	18,175,000	18,145,000

The company's investment properties were revalued at their open market value at 30 September 1997 by Jones Lang Wootton, Chartered Surveyors.

If land and buildings had not been revalued they would have been included at the following amounts:

	1997 £	1996 £
Cost	18,440,350	18,020,806

7 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Trade debtors	218,360	196,273
Amounts due from parent company and subsidiary undertakings	1,074,311	671,891
Other debtors	-	2,608
Prepayments and accrued income	24,670	2,686
	<u>1,317,341</u>	<u>873,458</u>

8 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	100,567	-
Amounts owed to parent company and fellow subsidiaries	11,275,867	10,839,514
Sundry creditors	20,604	9,551
Corporation tax	2,805	-
Other tax and social security	-	172,037
Accruals and deferred income	784,951	583,541
	<u>12,184,794</u>	<u>11,604,643</u>

9 Creditors: amounts falling due in more than one year

	1997 £	1996 £
Amounts falling due after more than one year		
Bank loans and mortgages	<u>9,250,000</u>	<u>9,250,000</u>
 Bank loans and mortgages are repayable as follows:		
	£	£
In more than five years, not by instalments	<u>9,250,000</u>	<u>9,250,000</u>

The bank loans and mortgages are secured by a fixed charge over the company's investment properties.

10 Deferred taxation

	Amount provided		Amount unprovided	
	1997	1996	1997	1996
	£	£	£	£
Excess of tax allowances over depreciation	-	-	34,000	-
On gains on disposal of investment properties	-	-	2,395,000	2,756,000
	<u>-</u>	<u>-</u>	<u>2,429,000</u>	<u>2,756,000</u>
	<u>-</u>	<u>-</u>	<u>2,429,000</u>	<u>2,756,000</u>

11 Called up share capital

	1997	1996
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 ordinary shares of £1 each	1	1
	<u>1</u>	<u>1</u>

12 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1 October 1996	124,194	(1,737,912)
Profit for the period	-	128,620
Deficit on revaluation of properties	(389,544)	-
	<u>(265,350)</u>	<u>(1,609,292)</u>
At 30 September 1997	<u>(265,350)</u>	<u>(1,609,292)</u>

13 Reconciliation of movements in equity shareholders' funds

	1997	1996
	£	£
Profit/(loss) for the financial period	128,620	(1,519,978)
Other recognised (losses)/gains	(389,544)	22,977
	<u>(260,924)</u>	<u>(1,497,001)</u>
Net reduction in equity shareholders' funds	(260,924)	(1,497,001)
Opening equity shareholder funds	(1,613,717)	(116,716)
	<u>(1,613,717)</u>	<u>(116,716)</u>
Closing equity shareholders' funds	<u>(1,874,641)</u>	<u>(1,613,717)</u>

14 Contingent liabilities

The company in conjunction with certain of its fellow subsidiaries has guaranteed mortgages and loans of £64,380,000 of certain fellow subsidiaries by means of a floating charge over its assets.

15 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No.8 and has not disclosed transactions with companies that are part of the Grainger Trust p.l.c. group.

Mr R H Dickinson was a partner in Dickinson Dees, Solicitors until 31 March 1997. Total net payments, which have been made on normal commercial terms from Grainger Trust p.l.c and its subsidiaries to Dickinson Dees for the year ended 30 September 1997 amounted to £367,134 (1996: £453,966).

16 Controlling parties

The directors regard Grainger Trust p.l.c., a company registered in England and Wales, as the immediate and ultimate controlling party and parent company by virtue of its 100% shareholding. Copies of the parent's consolidated financial statements may be obtained from Chaucer Buildings, 57 Grainger Street, Newcastle upon Tyne, NE1 5LE.