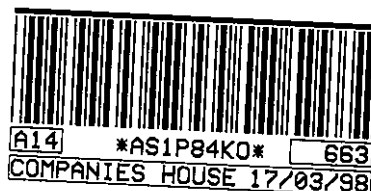


The Owners of the Middlesbrough
Estates Limited
Annual report
for the year ended 30 September 1997

Registered no: 22906



Coopers
& Lybrand

The Owners of the Middlesbrough Estates Limited

Annual report for the year ended 30 September 1997

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The Owners of the Middlesbrough Estates Limited

1

Directors and advisers

Directors

R H Dickinson
S Dickinson
A R Cunningham
G J Davis
P M Milburn

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

The principal activity of the company during the year was that of investment.

Review of business developments and prospects

The directors consider the results for the year to be satisfactory and are confident that the current level of activity will be maintained.

Results

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

Dividend

The directors do not recommend the payment of a dividend (1996: £Nil). The profit for the financial year of £13,443 (1996: £19,852) will be transferred to reserves.

Directors

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

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

The directors have no beneficial interest in the share capital of the company. The beneficial interests of Mr R H Dickinson, 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

		Ordinary shares of 25p each Mr G J Davis	
Option price	Date exercisable	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	-
		<hr/>	<hr/>
Total number of share options		56,971	40,000

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 Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the board


Secretary
30.1.98

Report of the auditors to the members of The Owners of the Middlesbrough Estates Limited

We have audited the financial statements on pages 5 to 11.

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.

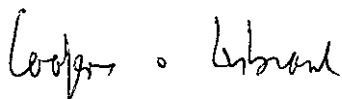
Basis of opinion

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 for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Newcastle upon Tyne

30 January 1998

Profit and loss account for the year ended 30 September 1997

	Notes	1997 £	1996 £
Other income	2	10,905	28,310
Administrative expenses		-	(17)
Profit on ordinary activities before taxation		10,905	28,293
Taxation	4	2,538	(8,441)
Retained profit for the financial year		13,443	19,852

All of the company's activities are continuing.

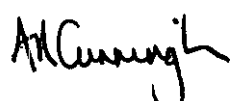
The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet at 30 September 1997

	Notes	1997 £	1996 £
Fixed assets			
Investments	5	<u>21,150</u>	<u>21,150</u>
Current assets			
Debtors: amounts falling due within one year	6	2,718,739	2,711,382
Creditors: amounts falling due within one year	7	<u>(1,010,681)</u>	<u>(1,016,767)</u>
Net current assets		<u>1,708,058</u>	<u>1,694,615</u>
Total assets less current liabilities		<u>1,729,208</u>	<u>1,715,765</u>
Net assets		<u>1,729,208</u>	<u>1,715,765</u>
Capital and reserves			
Called up share capital	8	496,752	496,752
Profit and loss account	9	42,662	29,219
Share premium	9	600	600
Other reserves	9	<u>1,189,194</u>	<u>1,189,194</u>
Equity shareholders' funds	10	<u>1,729,208</u>	<u>1,715,765</u>

The financial statements on pages 5 to 11 were approved by the board of directors on 30 January 1998, and were signed on its behalf by:


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. 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.

Consolidated accounts

The company does not prepare consolidated accounts as it is the wholly owned subsidiary of a parent undertaking established under the law of a member state of the European Economic Area into the accounts of which its results have been consolidated.

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.

Investments

Investments in subsidiaries and other investments are included in the financial statements at cost less provisions for permanent diminution in value.

2 Other income

	1997 £	1996 £
Income from listed investments	2,742	2,166
Income from unlisted investments	-	425
Other income	8,163	25,719
	<u>10,905</u>	<u>28,310</u>

3 Directors and employees

There are no persons holding service contracts with The Owners of the Middlesbrough Estates Limited.

No directors received any remuneration from the company during the year, or in the previous year.

4 Taxation

	1997 £	1996 £
UK corporation tax at 22.5% (1996: 33%):		
Current	1,837	7,348
Tax on franked investment income	546	518
(Over)/under provision in respect of prior years	(4,921)	575
	<u>(2,538)</u>	<u>8,441</u>

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

5 Fixed asset investments

	Subsidiary £	Other £	Total £
Cost:			
At 1 October 1996 and 30 September 1997	18,108	21,150	39,258
Amounts written off:			
At 1 October 1996 and 30 September 1997	18,108	-	18,108
Net book value			
At 30 September 1997 and 30 September 1996	-	21,150	21,150

The Owners of the Middlesbrough Estates Limited

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The following information relates to the company's wholly owned dormant subsidiary which is registered in England and Wales:

The Cleveland Car Company Limited

All shares held are ordinary £1 shares.

At 30 September 1997 the company held 30,947 (1996: 30,947) 25p ordinary shares in its holding company, Grainger Trust p.l.c., which had a market value at that date of £95,000 (1996: £89,592).

6 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Amount owed by parent company and fellow subsidiaries	<u>2,718,739</u>	<u>2,711,382</u>

7 Creditors: amounts falling due within one year

	1997 £	1996 £
Amounts owed to parent company and fellow subsidiaries	1,008,844	1,009,419
Corporation tax	1,837	7,348
	<u>1,010,681</u>	<u>1,016,767</u>

8 Called up share capital

	1997 £	1996 £
Authorised		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid		
496,752 ordinary shares of £1 each	<u>496,752</u>	<u>496,752</u>

9 Reserves

	Share premium	Other reserves	Profit and loss account
	£	£	£
At 1 October 1996	600	1,189,194	29,219
Profit for the year	-	-	13,443
At 30 September 1997	<u>600</u>	<u>1,189,194</u>	<u>42,662</u>

10 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	<u>13,443</u>	<u>19,852</u>
Net addition to equity shareholders' funds	13,443	19,852
Opening equity shareholders' funds	<u>1,715,765</u>	<u>1,695,913</u>
Closing equity shareholders' funds	<u>1,729,208</u>	<u>1,715,765</u>

11 Contingent liabilities

The company, in conjunction with 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.

12 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 £376,134 (1996: £453,966).

14 Controlling parties

The directors regard Grainger Investment Properties Limited, a company registered in England and Wales, as the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

The directors regard Grainger Trust p.l.c., a company registered in England and Wales, as the ultimate controlling party and parent company by virtue of its majority shareholding. Copies of the parent's consolidated financial statements may be obtained