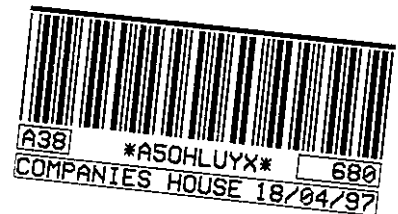


Citytowns Limited
Annual report
for the year ended 30 September 1996

Registered no: 1911852



Coopers
& Lybrand

Citytowns Limited

Annual report

for the year ended 30 September 1996

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Citytowns Limited

Annual report for the year ended 30 September 1996

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Directors and advisers

Directors

R H Dickinson
S Dickinson
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 1996**

The directors present their report and the audited financial statements for the year ended 30 September 1996.

Principal activities and review of business

The company did not trade during the year and does not intend to trade in the foreseeable future.

Results

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

Dividend

No dividend was paid during the year (1995: £42,540).

Directors

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

R H Dickinson (Chairman)
S Dickinson
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 and Mr P M Milburn 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..

Mr R H Dickinson is a partner in Dickinson Dees, Solicitors. 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 1996 amounted to £453,966 (1995: £648,868).

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 1996. 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

Report of the auditors to the members of Citytowns Limited

We have audited the financial statements on pages 5 to 9.

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 1996 and of its result and total recognised gains and 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

31. 1. 97

**Profit and loss account
for the year ended 30 September 1996**

	Notes	1996 £	1995 £
Loss on sale of subsidiary	2	-	(250,000)
Loss on ordinary activities before and after taxation		-	(250,000)
Dividends	4	-	(42,540)
Loss for the financial year		-	(292,540)

All activities of the company have been discontinued.

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

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

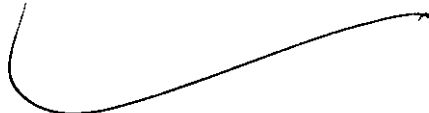
Balance sheet at 30 September 1996

	Notes	1996 £	1995 £
Current assets			
Debtors	5	11,475	11,475
		<u>11,475</u>	<u>11,475</u>
Creditors: amounts falling due within one year	6	(11,475)	(11,475)
		<u>-</u>	<u>-</u>
Net current assets		<u>-</u>	<u>-</u>
Net assets		<u>-</u>	<u>-</u>
Capital and reserves			
Called up share capital	7	250,000	250,000
Profit and loss account	8	(250,000)	(250,000)
		<u>-</u>	<u>-</u>
Equity shareholders' funds	9	<u>-</u>	<u>-</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 30.1.97 and were signed on its behalf by:



Director



Notes to the financial statements for the year ended 30 September 1996

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.

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.

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 Loss on sale of subsidiary

In 1995, the company sold Bartoglo Limited, a wholly owned subsidiary, for £740,238, making a loss of £250,000.

3 Directors and employees

There are no persons holding service contracts with Citytowns Limited.

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

4 Dividend

	1996	1995
	£	£
Ordinary dividend paid	-	42,540

5 Debtors

	1996 £	1995 £
Amounts falling due within one year:		
Amounts owed by parent company and fellow subsidiaries	<u>11,475</u>	<u>11,475</u>

6 Creditors: amounts falling due within one year

	1996 £	1995 £
Corporation tax	<u>11,475</u>	<u>11,475</u>

7 Called up share capital

	1996 £	1995 £
Authorised		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

8 Reserves

	Profit and loss account £
At 1 October 1995 and 30 September 1996	<u>(250,000)</u>

9 Reconciliation of movements in equity shareholders' funds

	1996 £	1995 £
Loss for the financial year	-	(250,000)
Dividends	-	(42,540)
Net reduction in equity shareholders' funds	-	<u>(292,540)</u>
Opening equity shareholders' funds	-	<u>292,540</u>
Closing equity shareholders' funds	<u>-</u>	<u>-</u>

10 Contingent liabilities

The company, together with certain of its fellow subsidiaries, has guaranteed mortgages and loans of £68,565,000 of certain fellow subsidiaries by means of a floating charge over its assets.

11 Ultimate holding company

The directors regard Grainger Trust p.l.c., a company registered in England and Wales, as the ultimate parent company. Copies of the consolidated financial statements of that company may be obtained from Chaucer Buildings, 57 Grainger Street, Newcastle upon Tyne, NE1 5LE.