

Registration number 1976688

Rotation Finance Limited

Directors' report and financial statements

for the year ended 30 September 2005



Rotation Finance Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson Geoffrey J Davis
Secretary	Marie L Glanville
Company number	1976688
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Auditors	PricewaterhouseCoopers LLP 89 Sandyford Road Newcastle Upon Tyne NE1 8HW
Business address	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
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

Rotation Finance Limited

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Rotation Finance Limited

Directors' report for the year ended 30 September 2005

The directors present their report and the financial statements for the year ended 30 September 2005.

Principal activity and review of the business

The principal activity of the company is investment holding

Results and dividends

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

The directors do not recommend payment of a final dividend (2004: £nil).

Reduction in share capital of subsidiary

Following a written resolution dated 17 August 2005, the High Court sanctioned on 14 September 2005 the reduction of the share capital of Frincon Holdings 1986 Limited a wholly owned subsidiary of the company. Details of the reduction can be found in the accounts of the subsidiary. On reduction of the share capital the shareholders were paid a premium. The total amount receivable in relation to the share capital reduction is £40,255,000.

Directors and their interests

The directors who served during the year are as stated below:

Andrew R Cunningham

Rupert J Dickinson

Geoffrey J Davis

Sean A Slade Resigned 12/11/2004

The directors have no beneficial interest in the share capital of the company.

The beneficial interests of the following directors in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Grainger Trust plc.

Andrew R Cunningham

Rupert J Dickinson

The beneficial interests of the other director in the shares of the ultimate holding company, Grainger Trust plc, are shown in the annual report of Northumberland and Durham Property Trust Limited.

Rotation Finance Limited

**Directors' report
for the year ended 30 September 2005**

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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 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.

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.

This report was approved by the Board on 26 July 2006 and signed on its behalf by

Marie L Glanville
Secretary



Rotation Finance Limited

Independent auditors' report to the members of Rotation Finance Limited

We have audited the financial statements of Rotation Finance Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

Basis of audit 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.

Rotation Finance Limited

Independent auditors' report to the shareholders of Rotation Finance Limited continued

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers', followed by the letters 'UP' in a similar cursive style.

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
26 July 2006

Rotation Finance Limited

**Profit and loss account
for the year ended 30 September 2005**

	Notes	Continuing operations	
		2005	2004
		£	£
Administrative expenses		(26,224,049)	-
Operating loss	2	(26,224,049)	-
Receivable on reduction in share capital of subsidiary	3	40,255,000	-
Profit on ordinary activities before interest		14,030,951	-
Investment income	4	12,132	-
Profit on ordinary activities before taxation		14,043,083	-
Tax on profit on ordinary activities	5	(3,640)	-
Profit on ordinary activities after taxation		14,039,443	-
Retained profit for the year		14,039,443	-
Retained profit brought forward		27,557	27,557
Retained profit carried forward		14,067,000	27,557

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 difference between the profit on ordinary activities before taxation and the retained profit for the financial years stated above, and their historical cost equivalents.

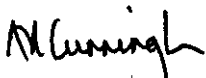
The notes on pages 7 to 11 form an integral part of these financial statements.

Rotation Finance Limited

**Balance sheet
as at 30 September 2005**

		2005		2004	
	Notes	£	£	£	£
Fixed assets					
Investments	6		1,213,582		27,437,631
Current assets					
Debtors	7	40,255,000		-	
		40,255,000		-	
Creditors: amounts falling due within one year	8	(27,401,482)		(27,409,974)	
Net current assets/(liabilities)			12,853,518		(27,409,974)
Net assets			14,067,100		27,657
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account			14,067,000		27,557
Equity shareholders' funds	10		14,067,100		27,657

The financial statements were approved by the Board on 26 July 2006 and signed on its behalf by


Andrew R Cunningham
 Director

The notes on pages 7 to 11 form an integral part of these financial statements.

Rotation Finance Limited

Notes to the financial statements for the year ended 30 September 2005

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, which have been applied consistently, is set out below.

1.1. Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985.

The company has consistently applied all relevant accounting standards.

1.2. Cash Flow

The company is a wholly owned subsidiary of Grainger Trust plc and the cash flows of the company are included in the consolidated cash flow statement of Grainger Trust 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. Investments

Fixed asset investments are stated at cost less provision for impairment. Impairment is calculated by comparison to the carrying value for each investment with the net assets adjusted for the market value of property.

1.4. 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 tax with the following exceptions:

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 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.

Rotation Finance Limited

Notes to the financial statements for the year ended 30 September 2005

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1.5. Group accounts

The financial statements contain information about Rotation Finance Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the ultimate parent company, Grainger Trust plc, a company registered in England and Wales.

2. Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Provision against the carrying value of investments	26,224,049	-

The audit fee has been included in the overall audit fee for the Grainger Trust group, which has been paid for by Grainger Trust plc.

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 period.

3. Receivable on reduction in share capital of subsidiary

Following a written resolution dated 17 August 2005, the High Court sanctioned on 14 September 2005 the reduction of the share capital of the Frincon Holdings 1986 Limited a wholly owned subsidiary of the company. Details of the reduction can be found in the accounts of the subsidiary. On reduction of the share capital the shareholders were paid a premium. The total amount receivable in relation to the share capital reduction is £40,255,000.

4. Income from investments

	2005	2004
	£	£
Income from subsidiary undertakings	12,132	-

Rotation Finance Limited

Notes to the financial statements for the year ended 30 September 2005

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5. Tax on profit on ordinary activities

Analysis of charge in period	2005	2004
	£	£
Current tax		
UK corporation tax	3,640	-

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2005	2004
	£	£
Profit on ordinary activities before taxation	14,043,083	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2004 : 30%)	4,212,925	-
Effects of:		
Non taxable receipt on reduction in share capital of subsidiary	(12,076,500)	-
Write-down of investment	7,867,215	-
Current tax charge for period	3,640	-

6. Fixed asset investments

	Subsidiary undertakings shares £	Total £
Cost		
At 1 October 2004		
At 30 September 2005	27,437,631	27,437,631
Provisions for diminution in value:		
Movement	26,224,049	26,224,049
At 30 September 2005	26,224,049	26,224,049
Net book values		
At 30 September 2005	1,213,582	1,213,582
At 30 September 2004	27,437,631	27,437,631

Rotation Finance Limited

Notes to the financial statements for the year ended 30 September 2005

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6.1. Principal interests of the company

All companies are incorporated in England & Wales unless otherwise indicated.

Company	Nature of business	Proportion of ordinary shares held
Subsidiary undertaking		
Frincon Holdings 1986 Limited	Investment holding company	100%

7. Debtors	2005	2004
	£	£
Amounts owed by group undertakings	40,255,000	-

8. Creditors: amounts falling due within one year	2005	2004
	£	£
Amounts owed to group undertaking	27,397,842	27,409,974
Corporation tax	3,640	-
	<u>27,401,482</u>	<u>27,409,974</u>

9. Share capital	2005	2004
	£	£
Authorised		
100 Ordinary shares of 100p each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of 100p each	100	100

Rotation Finance Limited

**Notes to the financial statements
for the year ended 30 September 2005**

..... continued

10. Reconciliation of movements in equity shareholders' funds	2005	2004
	£	£
Profit for the year	14,039,443	-
Opening shareholders' funds	<u>27,657</u>	<u>27,657</u>
Closing shareholders' funds	<u>14,067,100</u>	<u>27,657</u>

11. Ultimate parent undertaking

The directors regard Grainger Trust plc, a company registered in England and Wales, as the ultimate and immediate controlling party, being the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Grainger Trust plc, Citygate, St James' Boulevard, Newcastle upon Tyne, NE1 4JE.