

Registration number 2955426

Grainger Trust Commercial Limited
Directors' report and financial statements
for the year ended 30 September 2004



Grainger Trust Commercial Limited

Company information

Directors	Andrew R Cunningham	
	Rupert J Dickinson	Appointed 05/05/2004
	Geoffrey J Davis	
	James Fielder	Appointed 17/01/2005
Secretary	Marie L Glanville	
Company number	2955426	
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	

Grainger Trust Commercial Limited

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Grainger Trust Commercial Limited

Directors' report for the year ended 30 September 2004

The directors present their report and the financial statements for the year ended 30 September 2004.

Principal activity and review of the business

The principal activity of the company is property investment.

The directors consider the level of the company's activities to be satisfactory and expect it to continue to be so in future years.

Results and dividends

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

The directors do not recommend the payment of a dividend (2003: £nil).

Directors and their interests

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

Andrew R Cunningham	
Rupert J Dickinson	Appointed 05/05/2004
Stephen Dickinson	Resigned 05/05/2004
Geoffrey J Davis	
Sean A Slade	Appointed 05/05/2004, Resigned 12/11/2004
James Fielder	Appointed 17/01/2005

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

Sean A Slade

The beneficial interest of the other directors in the shares of Grainger Trust plc were as follows:

	30 September 2004	30 September 2003
	Number	Number
Geoffrey J Davis	26,504	37,772

Directors' share options at 30 September 2004

			2004	2003	
	Scheme	Price	Options	Options	Date exercisable
Geoffrey J Davis	SAYE	818.0p	1,161	1,161	8 Aug 05 to 8 Feb 06

No options were exercised during the year.

Grainger Trust Commercial Limited

**Directors' report
for the year ended 30 September 2004**

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:

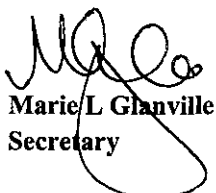
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 19 July 2005 and signed on its behalf by


Marie L Glanville
Secretary

Grainger Trust Commercial Limited

Independent auditors' report to the members of Grainger Trust Commercial Limited

We have audited the financial statements of Grainger Trust Commercial Limited for the year ended 30 September 2004 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, 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.

Grainger Trust Commercial Limited

Independent auditors' report to the shareholders of Grainger Trust Commercial 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, likely belonging to a representative of PricewaterhouseCoopers LLP, positioned above the printed name of the firm.

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
19 July 2005

Grainger Trust Commercial Limited

**Profit and loss account
for the year ended 30 September 2004**

	Notes	2004 £	2003 £
Turnover	2	36,559	112,659
Gross rents		36,559	112,659
Property expenses		2,360	(4,300)
Operating profit	3	38,919	108,359
Investment income	4	71,538	-
Interest payable and similar charges	5	(303,850)	-
(Loss)/profit on ordinary activities before taxation		(193,393)	108,359
Tax on (loss)/profit on ordinary activities	6	79,479*	(32,507)
(Loss)/profit on ordinary activities after taxation		(113,914)	75,852
(Loss)/retained profit for the year		(113,914)	75,852
Retained profit brought forward		5,400,461	4,799,609
Retained profit carried forward		5,286,547	4,875,461

There are no recognised gains or losses other than the loss / profit for the above two financial years and therefore no separate statement of total recognised gains and losses has been presented.

Note of historical cost profits and losses

(Loss)/profit on ordinary activities before taxation	(193,393)	108,359
Realisation of property revaluation gains from previous years	525,000	-
Historical cost profit on ordinary activities before taxation	331,607	108,359
Historic cost profit for the year retained after taxation and dividends	411,086	75,852

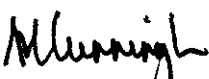
The notes on pages 7 to 12 form an integral part of these financial statements.

Grainger Trust Commercial Limited

**Balance sheet
as at 30 September 2004**

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	7		-		1,325,000
Current assets					
Debtors	8	5,286,597		4,152,101	
		<u>5,286,597</u>		<u>4,152,101</u>	
Creditors: amounts falling due within one year	9	<u>(49)</u>		<u>(76,639)</u>	
Net current assets			<u>5,286,548</u>		<u>4,075,462</u>
Net assets			<u><u>5,286,548</u></u>		<u><u>5,400,462</u></u>
Capital and reserves					
Called up share capital	10		1		1
Other reserves	11		-		525,000
Profit and loss account	11		<u>5,286,547</u>		<u>4,875,461</u>
Equity shareholders' funds	12		<u><u>5,286,548</u></u>		<u><u>5,400,462</u></u>

The financial statements were approved by the Board on 19 July 2005 and signed on its behalf by


Andrew R Cunningham
 Director

The notes on pages 7 to 12 form an integral part of these financial statements.

Grainger Trust Commercial Limited

Notes to the financial statements for the year ended 30 September 2004

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. Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income, exclusive of VAT. Sales of properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding undertaking.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings - See investment property accounting policy note

1.5. Investment Property

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 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 7.

Grainger Trust Commercial Limited

**Notes to the financial statements
for the year ended 30 September 2004**

..... continued

1.6. 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.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK as defined in the directors' report.

3. Profit on ordinary activities before taxation

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.

4. Income from investments

	2004	2003
	£	£
Profit on disposal of investments	<u>71,538</u>	<u>-</u>

Grainger Trust Commercial Limited

**Notes to the financial statements
for the year ended 30 September 2004**

..... continued

5. Interest payable and similar charges	2004	2003
	£	£
On amounts payable to group companies	<u>303,850</u>	<u>-</u>

6. Tax on (loss)/profit on ordinary activities

Analysis of charge in period	2004	2003
	£	£
Current tax		
UK corporation tax	<u>(79,479)</u>	<u>32,507</u>

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%). The differences are explained below:

	2004	2003
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(193,393)</u>	<u>108,359</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2003 : 30%)	(58,018)	32,507
Effects of:		
Difference between accounting profits and taxable profits	<u>(21,461)</u>	<u>-</u>
Current tax charge for period	<u>(79,479)</u>	<u>32,507</u>

Factors that may affect future tax charges

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

Grainger Trust Commercial Limited

**Notes to the financial statements
for the year ended 30 September 2004**

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7. Tangible fixed assets	Freehold Investment Property £	Plant and machinery £
Cost		
At 1 October 2003	1,325,000	9,614
Disposals	(1,325,000)	(9,614)
At 30 September 2004	-	-
Depreciation		
At 1 October 2003	-	9,614
On disposals	-	(9,614)
At 30 September 2004	-	-
Net book values		
At 30 September 2004	-	-
At 30 September 2003	1,325,000	-

8. Debtors	2004 £	2003 £
Amounts owed by group undertakings	5,128,298	4,082,100
Other debtors	158,299	-
Prepayments and accrued income	-	70,001
	<u>5,286,597</u>	<u>4,152,101</u>

9. Creditors: amounts falling due within one year	2004 £	2003 £
Trade creditors	49	-
Corporation tax	-	16,254
Accruals and deferred income	-	60,385
	<u>49</u>	<u>76,639</u>

Grainger Trust Commercial Limited

**Notes to the financial statements
for the year ended 30 September 2004**

..... continued

10.	Share capital	2004	2003	
		£	£	
	Authorised			
	100 Ordinary shares of 100p each	100	100	
	Allotted, called up and fully paid			
	1 Ordinary share of 100p each	1	1	
11.	Reserves	Profit and loss account	Revaluation reserve	Total
		£	£	£
	At 1 October 2003	4,875,461	525,000	5,400,461
	Transfer of realised profit	525,000	(525,000)	-
	(Loss)/retained profit for the year	(113,914)		(113,914)
	At 30 September 2004	5,286,547	-	5,286,547
12.	Reconciliation of movements in equity shareholders' funds	2004	2003	
		£	£	
	(Loss)/profit for the year	(113,914)	75,852	
	Opening shareholders' funds	5,400,462	5,324,610	
	Closing shareholders' funds	5,286,548	5,400,462	

13. Contingent liabilities

The company together with certain of its fellow subsidiaries, has guaranteed bank loans of £nil (2003: £175,919,000) of certain fellow subsidiaries by means of a floating charge over its assets.

14. Related party disclosures

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 Trust plc group.

Grainger Trust Commercial Limited

**Notes to the financial statements
for the year ended 30 September 2004**

..... continued

15. Ultimate parent undertaking

The directors regard Grainger Trust plc, a company registered in England and Wales, as the ultimate 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.