

Registration number 5602531

**Grainger Unitholder No 2 Limited
(Formerly Crossco (903) Limited)**

**Directors' report and financial statements
for the period ended 30 September 2006**

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Grainger Unitholder No 2 Limited

Company information

Directors	Andrew R Cunningham Rupert J Dickinson
Secretary	Marie Glanville
Company number	5602531
Registered office	Citygate St James' Boulevard Newcastle Upon Tyne NE1 4JE
Independent 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 Unitholder No 2 Limited

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Grainger Unitholder No 2 Limited
Directors' report
for the period ended 30 September 2006

The directors present their report and the audited financial statements for the period from incorporation to 30 September 2006

Incorporation

The company was incorporated on 25 October 2005 as Crossco (903) Limited. The name of the company was changed to Grainger Unitholder No 2 Limited on 24 November 2005. The company commenced its activities on 2 December 2005.

Principal activity and review of the business

The principal activity of the company is property investment.

Results and dividends

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

The directors do not recommend the payment of a dividend.

Auditors and disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and establish that the company's auditors are aware of that information.

Directors and their interests

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

Andrew R Cunningham	Appointed 25/11/2005
Rupert J Dickinson	Appointed 25/11/2005
Prima Director Limited	Appointed 25/10/2005, resigned 25/11/2005

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 plc (formerly Grainger Trust plc), are shown in the annual report of Grainger plc:

Andrew R Cunningham
Rupert J Dickinson

Grainger Unitholder No 2 Limited

Directors' report for the period ended 30 September 2006

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period. 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 confirm that they have complied with the above requirements in preparing the financial statements

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

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 11 October 2007 and signed on its behalf by


Marie Glanville
Secretary

Grainger Unitholder No 2 Limited

Independent auditors' report to the members of Grainger Unitholder No 2 Limited

We have audited the financial statements of Grainger Unitholder No 2 Limited for the period ended 30 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Unitholder No 2 Limited

Independent auditors' report to the members of Grainger Unitholder No 2 Limited

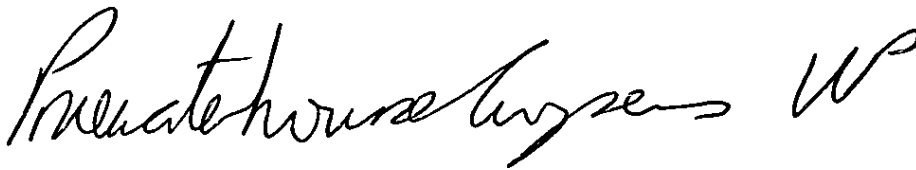
Opinion

In our opinion

The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the period then ended,

The financial statements have been properly prepared in accordance with the Companies Act 1985, and

The information given in the directors' report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers' followed by a stylized 'W' or 'P' mark.

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Newcastle Upon Tyne
11 October 2007

Grainger Unitholder No 2 Limited

**Profit and loss account
for the period ended 30 September 2006**

	Notes	Period ended 30/09/06 £
Investment income	3	15,750
Profit on ordinary activities before taxation	2	15,750
Tax on profit on ordinary activities	4	(4,725)
Profit on ordinary activities after taxation		11,025
Retained profit for the period		11,025

All amounts relate to continuing operations

There are no recognised gains or losses other than the profit for the above financial period 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 year stated above, and its historical cost equivalent

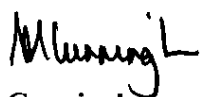
The notes on pages 7 to 11 form an integral part of these financial statements.

Grainger Unitholder No 2 Limited

**Balance sheet
as at 30 September 2006**

	Notes	30/09/06 £	£
Fixed assets			
Investments	5		1,250,000
Creditors: amounts falling due within one year	6	(1,238,974)	
Net current liabilities			(1,238,974)
Net assets			<u>11,026</u>
Capital and reserves			
Called up equity share capital	7		1
Profit and loss account			<u>11,025</u>
Equity shareholders' funds	8		<u>11,026</u>

The financial statements were approved by the Board on 11 October 2007 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.

Grainger Unitholder No 2 Limited

Notes to the financial statements for the period ended 30 September 2006

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

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom which have been applied consistently throughout the year.

1.2. Cash flow statement

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

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 or to receive more, tax, with the following exceptions.

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.

1.5. Group accounts

The financial statements contain information about Grainger Unitholder No 2 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 plc, a company registered in England and Wales.

Grainger Unitholder No 2 Limited

**Notes to the financial statements
for the period ended 30 September 2006**

2. Operating profit	Period ended 30/09/06 2006 £
Profit on ordinary activities before taxation is stated after charging	
Auditors' remuneration	<u>400</u>

There are no persons holding service contracts with the company. None of the directors received any remuneration from the company during the year.

3. Income from investments	Period ended 30/09/06 £
Income from subsidiary undertakings	<u>15,750</u>

Grainger Unitholder No 2 Limited

**Notes to the financial statements
for the period ended 30 September 2006**

4. Tax on profit on ordinary activities

	Period ended 30/09/06 £
Analysis of charge in period	
Current tax	
UK corporation tax	<u>4,725</u>

Factors affecting tax charge for year

There is no difference between the tax assessed for the year and the standard rate of corporation tax in the UK (30 per cent)

	2006 £
Profit on ordinary activities before taxation	<u>15,750</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	<u>4,725</u>

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements

Factors that may affect future tax charges

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. There are no other factors that are expected to significantly affect the taxation charge in future years.

5. Fixed asset investments

	Subsidiary undertakings units £
Cost	
Additions	<u>1,250,000</u>
At 30 September 2006	<u>1,250,000</u>
Net book value	
At 30 September 2006	<u>1,250,000</u>

Grainger Unitholder No 2 Limited

Notes to the financial statements for the period ended 30 September 2006

5.1. Principal interests of the company

Company	Nature of business	Country of Registration	Proportion of ordinary units held
Subsidiary undertaking			
Grainger Residential Property Unit Trust	Property letting	Channel Islands	1%
6. Creditors: amounts falling due within one year			
			30/09/06
			£
Amounts owed to group undertakings			1,238,974
			<u> </u>
7. Share capital			
			30/09/06
			£
Authorised			
100 Ordinary shares of 100p each			100
			<u> </u>
Allotted, called up and fully paid			
1 Ordinary shares of 100p each			1
			<u> </u>
8. Reconciliation of movements in equity shareholders' funds			
			30/09/06
			£
Profit for the period			11,025
Net proceeds of equity share issue			1
			<u> </u>
Net addition to shareholders' funds			11,026
			<u> </u>

9. 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 plc group

Grainger Unitholder No 2 Limited

Notes to the financial statements for the period ended 30 September 2006

10. Ultimate parent undertaking

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

11. Immediate parent

Grainger plc is the immediate controlling party and parent company by virtue of its 100% shareholding in the company.