

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services Act 1986 immediately.**

The Directors of New Grantchester, whose names appear on page 4 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors of New Grantchester (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or otherwise transferred all of your Grantchester Shares, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws in such jurisdiction.

J P Morgan, which is regulated in the UK by The Securities and Futures Authority Limited, is advising Grantchester and New Grantchester in connection with the proposals described in this document and no-one else and will not be responsible to anyone other than Grantchester and New Grantchester for providing the protections afforded to customers of J P Morgan nor for providing advice in relation to the proposals.

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# GRANTCHESTER HOLDINGS PLC

*(incorporated in England and Wales  
under the Companies Act 1985 with registered number 2489293)*

## **Proposed return of £140 million to shareholders by way of the introduction of a new holding company, Grantchester PLC**

*(by means of a scheme of arrangement under section 425 of the Companies Act 1985)*

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Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Shares issued and to be issued pursuant to the Scheme set out at the end of this document to be admitted to: (a) the Official List; and (b) the London Stock Exchange's market for listed securities (together "Admission"). It is expected that Admission of the New Shares to the Official List will become effective and that dealings for normal settlement will commence on the London Stock Exchange at 8.00 a.m. on 20 December 2000.

A copy of this document, which includes listing particulars relating to New Grantchester prepared in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of the Financial Services Act 1986.

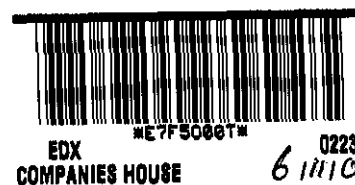
In respect of the information relating to New Grantchester, this document has been prepared on the basis that the Scheme has become effective.

Grantchester and New Grantchester have been advised that the New Shares to be issued to Grantchester Shareholders pursuant to the Scheme are exempt from the registration requirements of the United States Securities Act of 1933 (the "US Securities Act") by virtue of section 3(a)(10) thereof and, as a consequence, the New Shares to be issued pursuant to the Scheme have not been registered under the US Securities Act.

The attention of overseas shareholders is drawn to paragraph 10 of the Explanatory Statement on page 20. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.

A letter from the chairman of Grantchester recommending that you vote in favour of the proposals appears on pages 10 to 14 of this document. A letter from J P Morgan to the shareholders of Grantchester explaining the Scheme appears on pages 15 to 23 of this document.

Notices of a meeting of shareholders of Grantchester convened by order of the High Court of Justice of England and Wales and of an extraordinary general meeting of Grantchester to be held at 3 Finsbury Square, London EC2A 1AE on 30 November 2000 commencing respectively at 10.30 a.m. and 10.45 a.m. (or as soon as the Court Meeting concludes or is adjourned) are set out at the end of this document. **Whether or not you intend to be present at the meetings, please complete and sign both forms of proxy accompanying this document (blue for the Court Meeting and white for the Extraordinary General Meeting) and return them to the Registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Kent BR3 4TU as soon as possible, and in any event not later than 48 hours before the relevant meeting. Forms of proxy for the Court Meeting may, alternatively, be delivered in person to the chairman of that meeting. The return of a completed form of proxy will not prevent you from attending the Court Meeting or the Extraordinary General Meeting and voting in person if you wish.**



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## Expected Timetable of Principal Events<sup>1</sup>

Latest time and date for receipt of blue form of proxy for the Court Meeting <sup>2</sup>	10.30 a.m. on 28 November 2000
Latest time and date for receipt of white form of proxy for the Extraordinary General Meeting	10.45 a.m. on 28 November 2000
Latest time and date for receipt of green form of proxy for the Annual General Meeting	11.00 a.m. on 28 November 2000
Voting Record Time	5.30 p.m. on 28 November 2000
Court Meeting	10.30 a.m. on 30 November 2000
Extraordinary General Meeting <sup>3</sup>	10.45 a.m. on 30 November 2000
Annual General Meeting <sup>4</sup>	11.00 a.m. on 30 November 2000
Court hearing of petition to sanction the Scheme	18 December 2000
Last dealing time for Grantchester Shares	4.30 p.m. on 19 December 2000
Scheme Record Time	2.30 p.m. on 19 December 2000
Effective Date for the Scheme	19 December 2000
Delisting of Grantchester Shares	20 December 2000
New Shares admitted to the Official List and dealings commence	8.00 a.m. on 20 December 2000
Crediting of New Shares to CREST accounts	by 20 December 2000
Payment through CREST	by 4 January 2001
Despatch of share certificates and cheques	by 4 January 2001

1. These times and dates are indicative only and will depend, amongst other things, on the timetable fixed by the Court and the date upon which the Court sanctions the Scheme and the date on which steps are taken to make the Scheme effective. All times stated in this document are London times.
2. Forms of proxy for the Court Meeting not returned by this time may be handed to the chairman at the Court Meeting.
3. To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the Court Meeting.
4. To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the Extraordinary General Meeting.

## Directors, Secretary and Advisers of Grantchester and New Grantchester

### Directors

<i>Name</i>	<i>Role</i>
Andrew Nicholas Hewson, MA, FCA	Executive Chairman
Timothy Paul Walton, LLB, ACA	Chief Executive
Christopher Mark Stephen Evans, BSC, ARICS	Property Director
Paul Laurence Huberman, BA, FCA, ATII	Finance Director
Christopher Patrick Jolly, MA	Non-Executive Director
Edward Thomas Luker, FRICS	Non-Executive Director
Frederick John Reeder, FRICS, FCIS	Non-Executive Director

### Secretary

all of Ian Michael Hollocks, ACCA  
3 Finsbury Square, London EC2A 1AE

**Registered office** 3 Finsbury Square, London EC2A 1AE

**Sponsor and financial adviser** J.P. Morgan Securities Limited  
60 Victoria Embankment  
London EC4Y 0JP

**Broker** Credit Suisse First Boston de Zoete & Bevan Limited  
1 Cabot Square  
London E14 4QJ

**Legal advisers** Clifford Chance  
Limited Liability Partnership  
200 Aldersgate Street  
London EC1A 4JJ

**Auditors and reporting accountants** BDO Stoy Hayward  
Chartered Accountants and Registered Auditors  
8 Baker Street  
London W1U 3LL

**Tax advisers** PricewaterhouseCoopers  
35 Bull Street  
Birmingham B4 6JT

**Registrars** Capita IRG Plc  
Bourne House  
34 Beckenham Road  
Kent BR3 4TU

**Principal bankers** Eurohypo AG London Branch  
1 Great Winchester Street  
London EC2N 2DB

Royal Bank of Scotland plc  
1 Princes Street  
London EC2R 8PB

**Property valuer** Colliers Conrad Ritblat Erdman Limited  
Milner House  
14 Manchester Square  
London W1U 3PP

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>"Accounts"</b>	the audited consolidated report and financial statements for the Group for the financial year ended 30 September 2000
<b>"Act"</b>	the Companies Act 1985 (as amended)
<b>"Admission" or "Listing"</b>	the admission of shares in New Grantchester to the Official List and to trading on the main market of the London Stock Exchange becoming effective in accordance with the listing rules of the UK Listing Authority and the admission and disclosure standards made by the London Stock Exchange
<b>"Annual General Meeting"</b>	the annual general meeting of Grantchester (or any adjournment thereof) convened by the Board to be held at 11.00 a.m. on 30 November 2000 (or as soon as the EGM concludes or is adjourned) notice of which has been despatched with this document
<b>"Articles" or "New Grantchester Articles"</b>	the articles of association of New Grantchester
<b>"business day"</b>	any day on which banks are generally open for business in the City of London other than a Saturday or Sunday
<b>"CIN"</b>	Coal Pension Properties Limited
<b>"City Code"</b>	The City Code on Takeovers and Mergers
<b>"closing mid-market price"</b>	the middle market quotation for a Grantchester Share as derived from the London Stock Exchange Daily Official List at the close of trading on the relevant date
<b>"Combined Code"</b>	the principles of good governance and code of best practice prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel, published in June 1998 and appended to, but not forming part of, the listing rules of the UK Listing Authority
<b>"Company" or "New Grantchester"</b>	Grantchester PLC, incorporated in England and Wales with registered number 4035681, the proposed new holding company of the Group, which, conditional upon the Scheme becoming effective, will immediately change its name to Grantchester Holdings PLC
<b>"Court"</b>	The High Court of Justice in England and Wales
<b>"Court Hearing"</b>	the hearing of the petition by the Court to sanction the Scheme and to confirm the reduction of share capital which forms part of the Scheme, or the hearing of the petition by the Court to sanction the New Grantchester Reduction, as the context requires
<b>"Court Meeting"</b>	the meeting (or any adjournment thereof) of Grantchester Shareholders convened by order of the Court to be held at 10.30 a.m. on 30 November 2000, notice of which is set out at the end of this document
<b>"Court Order"</b>	the order of the Court sanctioning the Scheme and confirming the reduction of share capital which forms part of the Scheme

<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
<b>“CRESTCo”</b>	CRESTCo Limited
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272), including any modifications thereof or any regulations in substitution therefor made under section 207 of the Companies Act 1989 and for the time being in force
<b>“dealing day”</b>	any day on which the London Stock Exchange is open for the transaction of business
<b>“Debenture Stock 2020”</b>	7 <sup>3</sup> / <sub>8</sub> per cent. debenture stock of Grantchester Finance PLC due 2020 constituted pursuant to a trust deed dated 25 September 1997 between Grantchester Finance PLC as issuer, Grantchester Investment Properties Company Limited and Prudential Trustee Company Limited as trustee for the registered holders of the stock
<b>“Directors” or “Board”</b>	the directors of Grantchester or the directors of New Grantchester for the time being, as the context may require
<b>“Edge”</b>	Edge Properties plc
<b>“Effective Date”</b>	the date on which the Scheme becomes effective in accordance with its terms, expected to be 19 December 2000
<b>“Eurohypo”</b>	Eurohypo AG Europäische der Deutschen Bank
<b>“Explanatory Statement”</b>	the explanatory statement by J P Morgan in compliance with section 426 of the Act set out in Part II of this document
<b>“Extraordinary General Meeting” or “EGM”</b>	the extraordinary general meeting of Grantchester (or any adjournment thereof) convened by the Board to be held at 10.45 a.m. on 30 November 2000 (or as soon as the Court Meeting concludes or is adjourned) notice of which is set out at the end of this document
<b>“Financial Services Act 1986”</b>	the Financial Services Act 1986 (as amended)
<b>“Grantchester”</b>	Grantchester Holdings PLC, incorporated in England and Wales with registered number 2489293 which, conditional upon the Scheme becoming effective, will immediately be re-registered as a private limited company and change its name to Grantchester Limited
<b>“Grantchester Articles”</b>	the existing articles of association of Grantchester
<b>“Grantchester Executive Reward Scheme”</b>	the Grantchester Executive Reward Scheme
<b>“Grantchester Employee Trust”</b>	the Grantchester Employee Trust established to operate in conjunction with the Grantchester Executive Reward Scheme
<b>“Grantchester Incentive Schemes”</b>	the Grantchester Share Scheme, the Grantchester Phantom Scheme, the Grantchester Executive Reward Scheme, the Grantchester Employee Trust and the deferred bonuses awarded to two Directors in February 1999
<b>“Grantchester Phantom Scheme”</b>	the Grantchester Phantom Share Option Scheme

<b>“Grantchester Shareholder” or “Grantchester Shareholders”</b>	a holder or holders for the time being of Grantchester Shares
<b>“Grantchester Shares”</b>	the issued ordinary shares of 10p each in the share capital of Grantchester
<b>“Grantchester Share Scheme”</b>	the Grantchester Unapproved Executive Share Option Scheme
<b>“Group”</b>	Grantchester and its subsidiary undertakings before the Effective Date
<b>“Hearing Date”</b>	the date of the Court Hearing
<b>“holder”</b>	includes any person entitled by transmission
<b>“Initial Shareholders”</b>	Nick Hewson and Chris Evans, directors of Grantchester and New Grantchester
<b>“IPD”</b>	Investment Property Databank Limited
<b>“J P Morgan”</b>	J. P. Morgan Securities Limited
<b>“LIBOR”</b>	London Interbank offered rates of prime banks for sterling deposits
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“L&amp;M”</b>	London & Metropolitan PLC and subsidiary undertakings
<b>“New Executive Scheme”</b>	the New Grantchester Executive Share Option Scheme
<b>“New Grantchester Incentive Schemes”</b>	the New Executive Scheme and the New Sharesave Scheme
<b>“New Grantchester Reduction”</b>	the reduction of share capital of New Grantchester pursuant to section 135 of the Act details of which are set out in Part II of this document
<b>“New Group”</b>	New Grantchester and its subsidiary undertakings on and after the Effective Date
<b>“New Shareholder”</b>	holders for the time being of New Shares
<b>“New Shares”</b>	ordinary shares of £1.60 each in the capital of New Grantchester, the par value of which is expected to be reduced to 50p per share pursuant to the New Grantchester Reduction
<b>“New Sharesave Scheme”</b>	the New Grantchester Sharesave Scheme
<b>“Official List”</b>	the official list of the UK Listing Authority
<b>“Preliminary Announcement”</b>	the preliminary announcement of results for Grantchester for the year ended 30 September 2000 made on 31 October 2000, extracts of which are set out in Part IV(A) of this document
<b>“Proposal”</b>	the Scheme and related proposals for the return of value to Grantchester Shareholders involving the acquisition by New Grantchester of the entire issued share capital of Grantchester, details of which are set out in this document
<b>“RBS”</b>	Royal Bank of Scotland plc and its subsidiaries
<b>“Redeemable Shares”</b>	the non-voting redeemable preference shares of £1 each in the capital of New Grantchester
<b>“Sale Properties”</b>	the properties in Huddersfield, Darlington, Southport and Twickenham, which certain companies within the Group sold to CIN pursuant to an agreement dated 4 October 2000

<b>“Scheme” or “Scheme of Arrangement”</b>	the scheme of arrangement under section 425 of the Act relating to Grantchester and set out at the end of this document
<b>“Scheme Record Date”</b>	the Effective Date
<b>“Scheme Record Time”</b>	2.30 p.m. on the Scheme Record Date
<b>“Scheme Shares”</b>	all the Grantchester Shares: <ul style="list-style-type: none"> <li>(a) in issue at the date of this Scheme;</li> <li>(b) (if any) issued thereafter and prior to the Voting Record Time; and</li> <li>(c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of share capital which forms part of the Scheme in respect of which the original or any subsequent holder shall be bound by this Scheme or shall have agreed in writing to be bound by this Scheme</li> </ul>
<b>“Scheme Shareholders”</b>	the persons who appear as holders of Scheme Shares in the register of members of Grantchester at the Scheme Record Time
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK GAAP”</b>	generally accepted accounting principles in the UK
<b>“UK Listing Authority”</b>	the Financial Services Authority, which regulates banking business in the UK and is the competent authority under section 142(6) of the Financial Services Act 1986 for the purpose of the admission of securities to the Official List
<b>“uncertificated” or “in uncertificated form”</b>	a share the title to which is recorded on the relevant register of the share concerned as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and any other areas subject to its jurisdiction
<b>“US Securities Act”</b>	the US Securities Act of 1933 (as amended)
<b>“Voting Record Time”</b>	5.30 p.m. on the second day before the day of the Court Meeting or any adjournment thereof

All times stated in this document are London times.



## GLOSSARY

<b>big box</b>	large retail warehouse units, typically in excess of 70,000 square feet, let to a single occupier
<b>equivalent yield</b>	the rate at which the current rental income and anticipated future income following the next review (based on the estimated rental value) must be discounted in order to equate to the current capital value. The equivalent yield is often used by buyers and sellers of investment property to determine market prices
<b>estimated rental value or ERV</b>	the current rental that might reasonably be expected in the open market for a particular property
<b>FRS</b>	Financial Reporting Standard
<b>NAV</b>	net asset value
<b>open consent</b>	a planning consent which permits the sale of any non-food goods, and where appropriate "open" refers to a food use as well
<b>part open consent</b>	an open consent which restricts explicitly the type of goods which may or may not be sold
<b>pre-let</b>	an agreement between a landlord and a tenant whereby a landlord contracts to construct a unit for a tenant and the tenant contracts to take a lease at a pre-agreed rent upon completion of the unit
<b>pre-sale</b>	an agreement between a developer and a purchaser whereby the purchaser contracts to purchase a building following construction
<b>prime schemes</b>	a prime scheme will normally be a retail park in excess of 100,000 square feet (or 50,000 square feet in London), which dominates its catchment area, and may also benefit from unrestricted planning consent, be located on a primary road, in a bigger town/city. The Group will tend to hold these schemes for rental value growth
<b>restricted consent</b>	a consent which limits the goods which may be sold to DIY, and/or furniture, carpets etc.
<b>retail park</b>	a scheme of at least three retail warehouse units of at least 50,000 square feet in aggregate with share parking
<b>retail warehouse scheme</b>	a broad description for any retail warehouse development, from one unit to a retail park
<b>secondary schemes</b>	are often stand alone units, in predominately industrial areas with competition in their catchment areas from prime schemes. The Group will tend to hold these schemes for refurbishment or redevelopment purposes
<b>solus</b>	a stand alone unit which is not part of a retail park
<b>SSAP</b>	Statement of Standard Accounting Practice

## PART I

### Letter from the Chairman of Grantchester



# GRANTCHESTER

#### *Directors*

Andrew Nicholas Hewson  
Timothy Paul Walton  
Christopher Mark Stephen Evans  
Paul Laurence Huberman  
Christopher Patrick Jolly  
Edward Thomas Luker  
Frederick John Reeder

#### *Registered and Head Office*

Grantchester Holdings PLC  
3 Finsbury Square  
London  
EC2A 1AE

*Registered in England No. 2489293*

6 November 2000

*To holders of Grantchester Shares and, for information only, to holders of options under the Grantchester Incentive Schemes*

Dear Shareholder,

#### **Proposed return of £140 million to shareholders by way of the introduction of a new holding company, Grantchester PLC**

#### **1. Introduction**

On 31 October 2000, your Board announced the proposed return of £140 million to shareholders, representing 76.2p per Grantchester Share or 46 per cent. of Grantchester's market capitalisation as at 30 October 2000.

The Proposal will involve the creation of a new holding company, New Grantchester, in order to facilitate the proposed return of cash, ensure equal treatment between all shareholders and increase the flexibility of New Grantchester to return further excess cash in the future. New Grantchester will acquire Grantchester in a court-approved scheme of arrangement.

The purpose of this letter is to explain the reasons behind the Proposal, how this will affect you and what action you need to take. Shareholder approval will be required at both the Court Meeting and the Extraordinary General Meeting which have been convened for 10.30 a.m. and 10.45 a.m. respectively on 30 November 2000. The Proposal is conditional, among other things, on the sanction of the Court. We urge you to vote because it is important that a high proportion of votes are cast to satisfy the Court that the result fairly represents the view of all shareholders.

Grantchester's annual report and financial statements for the year ended 30 September and a notice of the Annual General Meeting have been despatched with this document.

#### **2. Background to the Proposal**

Grantchester's strategy since its flotation in November 1996 has been to outperform the property market in terms of growth in net asset value per share by remaining focused on the UK retail warehouse market. This

has been achieved by adding value to its retail warehouse portfolio through active management of the units on each property and by exploiting development opportunities to increase the number and size of those units.

During this period, the supply of retail warehousing has continued to be restricted primarily as a result of strict government planning policies. At the same time, demand for retail warehouse space, particularly in the larger space formats and for those schemes with an open planning consent, has continued to drive rents forward. These factors have led to a strong demand for retail warehouse properties, primarily from institutional investors, which has driven the values of such properties higher.

Consequently, Grantchester's adjusted net asset value per share has grown from 73p as at 23 September 1996 before its flotation (as adjusted for the subsequent rights issue), to 228p as at 30 September 2000, an increase of 212 per cent. In the five years ended 30 September 2000, Grantchester has achieved an annualised return of 28.7 per cent., outperforming the IPD Monthly Index Fund retail warehouse benchmark of 15.1 per cent. per annum. The investment property portfolio has grown from £61 million as at 23 September 1996 to £522 million as at 30 September 2000 (excluding the disposal of four properties to CIN after 30 September 2000).

More recently, the Directors have shifted the emphasis of the Group more strongly in favour of development rather than investment activity. The Group currently has a development programme consisting of nine schemes covering 1.2 million square feet. As at 30 September 2000, the Directors estimated the costs of completing these schemes at £167 million, of which the Directors anticipate committing to £108 million during the year to 30 September 2001.

Since October 1999, the Directors have considered various options to enhance equity returns and to enable value to be returned to shareholders. In pursuit of this objective the Group has:

- completed a programme of property sales, raising £241 million
- repurchased 11.8 million Grantchester Shares at an average price of 149p
- purchased the entire £100 million nominal of the Debenture Stock 2020 allowing the assets secured by the Debenture Stock 2020 to be re-gearred, increasing borrowings against those assets by £60 million before costs of redemption
- refinanced the majority of the Group's bank borrowings into a new £400 million seven year syndicated facility arranged by Eurohypo
- entered into a new £50 million revolving committed development facility with RBS.

The recent disposals, together with the restructuring of the Group's borrowings, have significantly increased the cash resources available to the Group. The Directors believe that the current cash and borrowing facilities are more than sufficient to manage and develop the Group's assets efficiently, including the existing development portfolio, and to take advantage of new opportunities in the market. The Directors are therefore proposing to distribute surplus cash to shareholders and believe that equity returns will be enhanced by so doing. The Proposal involves the return of £140 million of surplus cash to all shareholders *pro rata* to their shareholdings and offers a continuing shareholding in a more efficiently geared company focused on development of retail warehousing.

### 3. Summary of the Proposal

It is proposed that the return of value will be effected by way of a scheme of arrangement under section 425 of the Act. Under the Scheme, Grantchester Shareholders will receive:

**For every 100 Grantchester Shares  
held at the Scheme Record Time**

**54 New Shares and  
£76.20 in cash**

and so in proportion for any number of Grantchester Shares held at the Scheme Record Time. The Explanatory Statement (set out in Part II of this document) provides further details in relation to the Scheme. The conditions of the Scheme are set out in detail in paragraph 3 of the Explanatory Statement in Part II and paragraph 15 of Part VIII of this document.

The number of New Shares to be issued has been determined, with reference to the closing mid-market price of 166p per Grantchester Share on 30 October 2000 in order that the presentation of per share figures for historical periods will not require adjustment under UK GAAP.

The proportion of the issued ordinary share capital of New Grantchester held by each Scheme Shareholder following the Scheme will remain the same.

Application has been made for the New Shares to be admitted to the Official List. Information on New Grantchester is set out in Parts III, IV, V, VI and VIII of this document.

Information concerning the taxation consequences of the Scheme is contained in paragraph 11 of the Explanatory Statement in Part II and in Part VII of this document. Grantchester Shareholders who are not resident in the UK for tax purposes or are otherwise in any doubt as to the taxation consequences of the Scheme should seek advice from their own independent professional advisers.

#### **4. Financial effects of the Proposal**

The pro forma statement of net assets of the New Group is set out in Part VI of this document. On completion of the Scheme, for every 100 Grantchester Shares held, Grantchester Shareholders will receive £76.20 in cash and 54 New Shares, each with a pro forma adjusted net asset value per share as at 30 September 2000 of 279p. This compares to adjusted net asset value per Grantchester Share of 228p as at 30 September 2000. Pro forma adjusted net gearing is 105.5 per cent., compared to reported adjusted net gearing of 66.3 per cent. as at 30 September 2000.

#### **5. Third party approach**

Grantchester has received an unsolicited approach from an unrelated UK private company that may or may not lead to an offer for the company. The Board has determined that, given its heavily conditional nature and the proposed timescale involved, the approach is unsatisfactory. In these circumstances, the Board believes that the proposed return of cash announced on 31 October 2000 is in the best interests of shareholders and, in any event should not prejudice any potential offer. As Grantchester is the subject of an approach, rule 21 of the City Code restricts Grantchester entering into arrangements otherwise than in the ordinary course of business without shareholder approval. The shareholder approval for the Proposal that is being sought at the Extraordinary General Meeting shall also constitute approval for the purposes of rule 21.

#### **6. Employee incentive proposals**

The Directors and employees have agreed that their entitlements under the Grantchester Incentive Schemes will not be triggered by the Proposal. Participants' rights under the Grantchester Executive Scheme and the Grantchester Phantom Scheme will automatically convert into options over and rights relative to New Shares on the terms described in paragraph 8 of the Explanatory Statement.

Once the Scheme becomes effective, no future grants of options and no future grants of awards of any kind will be made under any of the existing Grantchester Incentive Schemes as described above. New Grantchester proposes to adopt new incentive schemes which are described in paragraph 6 of Part III and paragraph 5 of Part VIII. The New Executive Scheme will permit the annual grant of options to participants. The remuneration committee will decide the level of awards in each year in the light of market practice. A normal limit will be set, but a higher limit may be applied in exceptional circumstances when required specifically to recruit or retain an executive director. Each executive Director is expected to receive a grant of options under the New Executive Scheme shortly after the Scheme becomes effective.

Although the New Grantchester Incentive Schemes are to be operated by New Grantchester and not by Grantchester, as a matter of best practice, the approval of the Grantchester Shareholders to the New Grantchester Incentive Schemes is being sought through ordinary resolutions which are to be proposed at the Extraordinary General Meeting.

## **7. Management changes**

Tim Walton was appointed as Chief Executive on 31 October 2000. Tim has been Deputy Chief Executive since November 1999 and has been focusing on strategy and corporate development. I shall remain as Executive Chairman.

## **8. Current trading and prospects for the New Group**

The recent trading of the Group is discussed in my letter accompanying the Preliminary Announcement and included in Part IV(A) of this document. Particular highlights include:

- over £241 million proceeds from 17 asset sales, comprising over 1.1 million square feet
- construction of over 500,000 square feet of new retail warehouse space completed during the year
- current portfolio of 2.5 million square feet
- development portfolio of 1.2 million square feet, of which over 700,000 has planning consent.

The Board remains committed to maximising shareholder value and is exploring various options for delivering value to shareholders. The Directors will keep the New Group's capital requirements under review and intend to continue to explore means for returning to shareholders further surplus cash in the future.

## **9. New Grantchester Reduction**

Shortly after the introduction of New Grantchester as the new holding company of the Group, New Grantchester will seek to reduce its share capital with the sanction of the Court. The introduction of New Grantchester and, if approved by the Court, the Scheme and the New Grantchester Reduction will increase the flexibility of New Grantchester to return further cash to shareholders in the future. If the nominal amount of each New Share is reduced from £1.60 per share to 50p per share pursuant to the New Grantchester Reduction, the Directors will only exercise *pro rata* the remaining authority and power to allot New Shares described in paragraphs 2.3.2(d) and (e) of Part VIII of this document. Further details relating to the New Grantchester Reduction are set out in paragraph 6 of the Explanatory Statement in Part II of this document.

## **10. Annual general meetings**

Notice of the Annual General Meeting (together with an explanatory letter and a green form of proxy) has been despatched with the Accounts and this document.

A number of items to be considered at the Annual General Meeting, including proposed amendments to the Grantchester Share Scheme and the introduction of the Grantchester Sharesave Scheme, will only be of relevance if the Scheme does not become effective. If the Scheme does become effective no further awards will be made under either the Grantchester Share Scheme or the Grantchester Sharesave Scheme.

Once the Scheme becomes effective we plan to have future annual general meetings in January each year. The first annual general meeting of New Grantchester will take place in early 2001.

## **11. Dividend policy**

The Directors have proposed a final dividend of 0.9p per Grantchester Share for the year ended 30 September 2000 which will be paid on 5 January 2001 to shareholders registered in the register of members of Grantchester as at 5.30 p.m. on 1 December 2000. The Directors intend to maintain a progressive dividend policy, having regard to prudent levels of dividend cover, excluding profits generated from the disposal of properties.

## **12. Overseas shareholders**

The implications of the Scheme for persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom may be affected by the laws and regulations of the relevant jurisdiction. The attention of overseas shareholders is drawn to paragraph 10 of the Explanatory Statement.

### **13. Meetings and actions to be taken**

A detailed explanation of the action to be taken by Grantchester Shareholders is set out in paragraph 14 of the Explanatory Statement.

The implementation of the Scheme is conditional, *inter alia*, on the approval of Grantchester Shareholders at both the Court Meeting and the Extraordinary General Meeting on 30 November 2000. Approval at both meetings is required by three quarters of the votes cast and, additionally, by a majority in number of persons who vote, either in person or by proxy, at the Court Meeting.

Other resolutions to be proposed at the EGM include the change of name of Grantchester Holdings PLC to Grantchester Limited. The implementation of the Scheme is also dependent on the sanction of the Court at the Court Hearing which is expected to be held on 18 December 2000.

Accordingly, you are urged to complete and return both the WHITE form of proxy for the EGM and the BLUE form of proxy for the Court Meeting. Completed forms of proxy should be returned to the Registrars as soon as possible but in any event, so as to arrive by 10.30 a.m. and 10.45 a.m. respectively on 28 November 2000. Forms of proxy for the Court Meeting may, alternatively, be delivered in person to the chairman of that meeting. The completion and return of the forms of proxy will not preclude you from attending the relevant meeting and voting in person if you wish to do so.

### **14. Recommendation**

Your Board, which has been so advised by J P Morgan, believes that the Proposal is in the best interests of Grantchester Shareholders as a whole. In providing advice to Directors, J P Morgan has placed reliance on the Directors' commercial assessment of the Proposal.

Accordingly, your Board unanimously recommends that Grantchester Shareholders vote in favour of the Scheme requiring approval at the Court Meeting and the resolutions to be proposed at the Extraordinary General Meeting, both meetings to be held on 30 November 2000. The Directors intend to vote in favour in respect of their own beneficial holdings, amounting to 8,273,024 Grantchester Shares, representing approximately 4.5 per cent. of the Grantchester Shares in issue.

Yours sincerely,

Nick Hewson  
*Executive Chairman*

## PART II

### Explanatory Statement

(IN COMPLIANCE WITH SECTION 426 OF THE ACT)

**JPMorgan**

J.P. Morgan  
Securities Ltd.

60 Victoria Embankment  
London EC4Y 0JP

6 November 2000

*To the holders of Grantchester Shares and, for information only, to holders of options under the Grantchester Incentive Schemes*

Dear Shareholder,

**Proposed return of £140 million to shareholders by way of the  
introduction of a new holding company, Grantchester PLC**

#### 1. Introduction

On 31 October 2000, Grantchester announced its intention to implement a capital reorganisation which will return £140 million to Grantchester Shareholders.

The reorganisation will involve the introduction of New Grantchester, a new holding company for the Group, by way of a scheme of arrangement under section 425 of the Act. The Scheme will be between Grantchester and the Scheme Shareholders and is subject to, among other things, the sanction of the Court. If the Scheme becomes effective, all Grantchester Shareholders will be bound by its terms including any Grantchester Shareholders who did not vote to approve the Scheme at the Court Meeting or the Extraordinary General Meeting. This letter sets out and explains the provisions of the Scheme which are set out at the end of this document.

**Your attention is drawn to the letter from the chairman of Grantchester set out in Part I of this document, which forms part of this Explanatory Statement and summarises the Proposal and recommends Grantchester Shareholders to vote in favour of the Scheme at the forthcoming meetings.**

#### 2. Details of the Scheme

It is intended that New Grantchester will acquire the entire issued capital of Grantchester by means of a scheme of arrangement under section 425 of the Act.

Under the Scheme, all the Scheme Shares will be cancelled. In consideration of the cancellation, Scheme Shareholders on the register at the Scheme Record Time will receive:

**For every 100 Scheme Shares held  
at the Scheme Record Time**

**54 New Shares and  
£76.20 in cash**

and so in proportion for any other number of Scheme Shares held.

If the resulting number of New Shares is not a whole number, the number of New Shares receivable by a Scheme Shareholder will be rounded down to the nearest whole number. Fractional entitlements for New Shares will not be issued to Scheme Shareholders. Instead, they will be aggregated and sold in the market and the net proceeds will be distributed *pro rata* to the Scheme Shareholders entitled thereto.

Following the cancellation of the Scheme Shares, the authorised share capital of Grantchester will be restored to its former amount and the resulting reserve arising in the books of Grantchester will be applied in paying up in full new ordinary shares of 10p each in Grantchester, equal in nominal value to the Scheme Shares cancelled. These new ordinary shares will be issued to New Grantchester which will thereby become the holding company of the New Group. For accounting purposes, the New Shares issued in consideration for Grantchester Shares will be issued at their nominal value. New Shares issued in consideration for the cancellation of Grantchester Shares will be issued credited as fully paid.

The number of New Shares to be issued has been determined, with reference to the closing mid-market price of 166p per Grantchester Share on 30 October 2000, in order that the presentation of per share figures for historical periods will not require adjustment under UK GAAP.

New Grantchester is currently wholly owned by the Initial Shareholders. Each of them holds five New Shares. Nick Hewson has subscribed for 49,998 Redeemable Shares in the capital of New Grantchester. It is intended that the Redeemable Shares will be redeemed following the Scheme becoming effective. If the Scheme becomes effective, the Grantchester Shares held by the Initial Shareholders will be cancelled and each of them will be allotted New Shares. Their entitlement to receive New Shares on cancellation of their Grantchester Shares will be reduced by the New Shares that each of them already holds.

### **3. Conditions of the Scheme**

The Scheme will become effective only if the following conditions are satisfied:

- (a) the Scheme is approved by a majority in number representing three-quarters in value of the Grantchester Shares held by those members present and voting, either in person or by proxy, at the Court Meeting;
- (b) the resolution to approve the matters necessary to enable effect to be given to the Scheme set out in the notice of Extraordinary General Meeting at the end of this document is duly passed as a special resolution;
- (c) the Scheme is sanctioned with or without modification and the reduction of share capital of Grantchester which forms part of the Scheme is confirmed by the Court; and
- (d) an office copy of the order of the Court sanctioning the Scheme and confirming the reduction of share capital which forms part of the Scheme is delivered to, and in relation to the reduction of share capital registered by, the Registrar of Companies.

The Court Hearing of the petition to sanction the Scheme is expected to be held on 18 December 2000 at the Royal Courts of Justice, The Strand, London WC2A 2LL. Shareholders have the right to attend the Court Hearing and to appear in person or be represented by counsel to support or oppose the sanctioning of the Scheme.

The Directors will not take the necessary steps to enable the Scheme to become effective unless the UK Listing Authority and the London Stock Exchange have agreed to admit the New Shares issued and to be issued pursuant to the Scheme to the Official List and to trading on the main market of the London Stock Exchange. The Scheme is also subject to a number of other conditions set out in full in paragraph 15 of Part VIII of this document which may be waived by the Board.

If the Scheme is sanctioned by the Court and the conditions to the Scheme have been satisfied or waived, it is expected that the Scheme will become effective on 19 December 2000 and that dealings in the New Shares will commence on 20 December 2000. If the Scheme has not become effective by 30 June 2001 (or such later date as the Court may allow and Grantchester and New Grantchester may agree), it will lapse. If the Scheme lapses, Grantchester Shareholders will remain shareholders of Grantchester, the Grantchester Shares



will continue to be listed on the Official List and traded on the London Stock Exchange, no New Shares will be issued and no payment of cash will be made.

#### **4. Effect of the Scheme**

The full text of the Scheme is set out at the end of this document. If the Scheme is implemented, New Grantchester will become the holding company of Grantchester. New Grantchester will, in turn, be owned by Scheme Shareholders (subject to fractional differences) in the proportions in which they own Grantchester at the Effective Date, the Scheme having no effect on their proportionate interest in the profits, dividends and net assets of the New Group. New Grantchester has the same directors as Grantchester and immediately following the Scheme becoming effective, will have no assets other than the entire issued share capital of Grantchester and Grantchester Land Limited.

#### **5. Financing the Scheme**

If the Scheme becomes effective, it is proposed that Grantchester will lend £140 million to New Grantchester to enable it to pay the cash consideration under the Scheme. A subsidiary of Grantchester will make a loan to Grantchester to fund in part the loan to New Grantchester. These loans will be repayable on demand and will be non-interest bearing. The consolidated net assets of the New Group will not be affected by these loans. Grantchester also proposes to pay the costs incurred by New Grantchester in relation to the Scheme and the listing of New Shares.

The making of the loan to New Grantchester by Grantchester and the paying of the costs by Grantchester in relation to the Scheme will constitute financial assistance for the acquisition of the shares in Grantchester, but will be lawful pursuant to the Act if it is sanctioned by the Court and effected pursuant to the Scheme. Private companies may give financial assistance by carrying out the procedures set out in sections 155 to 158 of the Act and this would be available as a course open to Grantchester if Grantchester was a private company. Grantchester will be adducing evidence at the hearing of the petition to sanction the Scheme that if Grantchester had been a private company at that date, it would have been in a position to give such financial assistance by carrying out such procedures.

The loan by the subsidiary of Grantchester to Grantchester will also constitute financial assistance but will be lawful when Grantchester re-registers as a private company pursuant to section 139(3) of the Act and the procedures set out in sections 155 to 158 of the Act are completed. The directors of the subsidiary of Grantchester and the auditors to that company expect to be able to carry out the requisite procedures once Grantchester is re-registered as a private company pursuant to section 139(3) of the Act. The Directors will only take the steps necessary to make the Scheme effective if they remain satisfied that the subsidiary will be able to comply with the relevant procedures on or shortly after the Effective Date.

#### **6. Reduction of share capital of New Grantchester**

The New Grantchester Reduction is intended to create profits available for distribution by New Grantchester so as to increase the flexibility of New Grantchester to return value to shareholders in the future. As described in paragraph 2.3.2(f) of Part VIII, New Grantchester will have authority to purchase in the market up to 14,887,280 New Shares representing 14.99 per cent. of the New Shares expected to be in issue pending New Grantchester's first annual general meeting.

Under the New Grantchester Reduction, following the implementation of the Scheme, the share capital of New Grantchester will be reduced by reducing the nominal value of each New Share in issue by £1.10 per New Share and its total paid up share capital by approximately £109 million accordingly. The paid up share capital so cancelled will, subject to confirmation by the Court, be transferred to New Grantchester's reserves.

The reserve arising on the New Grantchester Reduction will be available for distribution by New Grantchester once all New Grantchester's creditors at the time of the New Grantchester Reduction have been discharged or have consented to the New Grantchester Reduction. The Directors expect that the only material creditors of New Grantchester at the time of the New Grantchester Reduction will be the lenders under certain of the Group's credit facilities and New Grantchester has obtained their consent to the New Grantchester Reduction.

The New Grantchester Reduction will be carried out under section 135 of the Act and is subject, *inter alia*, to confirmation by the Court and the Court order being filed with and registered by the Registrar of Companies.

The New Grantchester Reduction process will be commenced before the Scheme has become effective. Although the New Grantchester Reduction will require certain resolutions to be passed at an extraordinary general meeting of New Grantchester, such resolutions will be voted on by the Initial Shareholders of New Grantchester prior to the Scheme becoming effective. Accordingly, they will be the only shareholders entitled to vote on such resolutions.

The Court Hearing to confirm the New Grantchester Reduction will, however, be held after the Scheme becomes effective. It is expected to be held on 20 December 2000.

The Board expects that it will be in the best interests of the New Group and shareholders as a whole to fund any purchase of own shares by New Grantchester or other returns of value by way of loans from Grantchester to New Grantchester. The Scheme is expected to permit Grantchester to make further loans of up to £110 million to New Grantchester (which may otherwise be prohibited for the purpose of any acquisition of its own shares). The aggregate amount of such loans must not exceed the amount of profits available for distribution by Grantchester at the time of advance. The Directors will need to be satisfied that the making of such loans is in the best interests of Grantchester and will not prejudice the Group's creditors.

The maximum amount of the further loans of £110 million referred to above has been set to allow New Grantchester as much flexibility as is reasonably practicable and may bear no relation to the amount actually borrowed by New Grantchester to return value to shareholders in the future. If this provision of the Scheme is modified prior to the sanction of the Scheme in a manner which would limit the flexibility of New Grantchester, New Grantchester may determine not to proceed with the New Grantchester Reduction or, prior to the Scheme becoming effective, seek to obtain a resolution of the Initial Shareholders reducing the amount of the New Grantchester Reduction. If the Court modifies the Scheme or the New Grantchester Reduction is modified, Scheme Shareholders will be notified when New Grantchester despatches the consideration under the Scheme.

## **7. Information on New Grantchester and the Group**

Information on New Grantchester and the Group is set out in Parts I, III, IV, V, VI and VIII of this document.

## **8. Employee incentives**

Grantchester currently has the following incentive arrangements in place:

- (i) the Grantchester Share Scheme;
- (ii) the Grantchester Phantom Scheme; and
- (iii) the Grantchester Executive Reward Scheme.

In addition two directors of Grantchester, Tim Walton and Chris Evans, have received awards of deferred bonuses (the "Deferred Bonuses").

### *Grantchester Share Scheme*

Under the rules of the Grantchester Share Scheme as originally drafted, the reorganisation of the Group would have allowed the option holders to exercise their options early. The remuneration committee considers that it would be inappropriate for options to be exercised early as a result of the Proposal and has sought agreement from the option holders for amendments to the Grantchester Share Scheme. The option holders have agreed to changes to the Grantchester Share Scheme, such that upon the Scheme becoming effective the options will be automatically converted into options over New Shares. Options will have the same exercise price per share and be in respect of the same number of shares, except that the shares will be New Shares rather than Grantchester Shares. The performance condition will continue to apply, save that, where applicable, in future it will relate to New Shares rather than Grantchester Shares.

The rules of the Grantchester Share Scheme were amended in September 1999 so that, rather than options being exercisable in full on the third anniversary of grant, they vest in three equal tranches over the third to fifth anniversaries of grant. This amendment was made with the consent of a majority of the option holders. In view of the option holders agreeing to the conversion of their options into options over New Shares the remuneration committee has agreed that option holders (other than those who are Directors) will be entitled to exercise all their options over New Shares three years after their original grant. The options of the Directors will remain exercisable in three equal tranches over the third to fifth anniversaries of grant.

The remuneration committee has been advised that, as the amendments taken as a whole were not to the advantage of option holders, shareholder approval was not required.

In the case of options granted before 6 April 1999 under the Grantchester Share Scheme, there is currently no National Insurance payable on the exercise of those options. Following the conversion into options over New Shares, there may be National Insurance on the conversion and on the exercise if the market price of a New Share on the first day of dealing is higher than the market price of a Grantchester Share on the last day of dealing before the Scheme becomes effective.

#### *Grantchester Phantom Scheme*

As originally drafted, rights granted under the Grantchester Phantom Scheme would have become exercisable early upon the reorganisation of the Group. The Board considered this to be inappropriate and sought agreement from participants for amendments to be made to the Grantchester Phantom Scheme. Participants agreed to changes so that their rights relative to Grantchester Shares would automatically be converted into rights relative to New Shares. As set out above, the number of shares and exercise price will remain the same, save that this will now be in respect of New Shares instead of Grantchester Shares.

Again, the performance condition will continue to apply, save that, where applicable, in future it will relate to New Shares rather than Grantchester Shares.

#### *Grantchester Executive Reward Scheme*

No awards have yet been made under the Grantchester Executive Reward Scheme and it is intended not to make any awards.

#### *Deferred Bonuses*

On 25 February 1999, deferred bonuses were awarded to two Directors which pay out a cash sum provided the director remains in employment on 1 September 2001. The Proposal would have resulted in the deferred bonuses being payable within seven days of the Scheme being sanctioned by the Court. However, the two Directors have agreed that the terms will be amended so that early payment is not triggered.

#### *New Grantchester Incentive Schemes*

Once the Scheme becomes effective, no future grants of options and no future grants of awards of any kind will be made under any of the existing Grantchester Incentive Schemes as described above. New Grantchester proposes to adopt new incentive schemes which are described in paragraph 6 of Part III and paragraph 5 of Part VIII. New Grantchester is not proposing to adopt an executive reward scheme in lieu of the Grantchester Reward Scheme but the New Executive Scheme will permit the annual grant of options to participants. The remuneration committee will decide the level of awards in each year in the light of market practice. A normal limit will be set, but a higher limit may be applied in exceptional circumstances when required specifically to recruit or retain an executive director. Each executive Director is expected to receive a grant of options under the New Executive Scheme shortly after the Scheme becomes effective.

Although the New Grantchester Incentive Schemes are to be operated by New Grantchester and not by Grantchester, as a matter of best practice, the approval of the Grantchester Shareholders to the New Grantchester Incentive Schemes is being sought through ordinary resolutions which are to be proposed at the Extraordinary General Meeting.

## **9. Directors' interests in the Proposal**

All of the Directors have been appointed directors of New Grantchester. Save as otherwise disclosed in paragraph 8 above and this paragraph 9, the effect of the Scheme on the interests of the Directors does not differ from the like interests of other persons. Information on the Directors and their interests in the share capital of Grantchester and New Grantchester and their service agreements is set out in paragraphs 6 and 7 of Part VIII to this document. Each of the Directors has agreed to the arrangements described in paragraph 8 above in relation to their respective options and, if applicable, their deferred bonuses. Furthermore, each executive Director is expected to receive a grant of options under the New Executive Scheme shortly after the Scheme becomes effective.

As mentioned in paragraph 2 above, Nick Hewson and Chris Evans currently each hold five New Shares. If the Scheme becomes effective, their respective entitlements to receive New Shares will be reduced by the five New Shares each of them already holds. Nick Hewson has subscribed for 49,998 Redeemable Shares in the capital of New Grantchester. It is intended that the Redeemable Shares will be redeemed following the Scheme becoming effective.

## **10. Overseas shareholders**

The implications of the Scheme for overseas shareholders may be affected by the laws of the relevant jurisdictions. Such overseas shareholders should inform themselves about and observe all applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdictions.

The provisions of the Scheme are subject to any prohibition or condition imposed by law. If, in respect of any holder of Scheme Shares, New Grantchester is advised that the allotment and issue of New Shares would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require compliance with any governmental or other consent or any other registration, filing or other formality which Grantchester or New Grantchester (as the case may be) is unable to comply with, or regards as unduly onerous to comply with, New Grantchester may, in its sole discretion, determine that no New Shares shall be allotted to such holder. In such circumstances, New Grantchester will instead allot the New Shares to which such holder would otherwise be entitled to a nominee appointed on terms that such nominee shall sell such shares and remit the net proceeds to such holder.

New Shares issuable to Scheme Shareholders under the Scheme are expected to be exempt from the registration requirements of the US Securities Act pursuant to an exemption from such requirement provided by section 3(a)(10) thereof and, as a consequence, the New Shares issuable pursuant to the Scheme have not been registered under the US Securities Act.

For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof with respect to the New Shares issued pursuant to the Scheme (as described above), Grantchester will advise the Court that its sanctioning of the Scheme will be relied upon by New Grantchester as an approval of the Scheme following a court hearing on its fairness to shareholders, at which court hearing all such holders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.

Overseas shareholders should consult their own legal and tax advisers with respect to legal and tax consequences of the Scheme in their particular circumstances. This document has been prepared for the purposes of complying with English law and the rules of the UK Listing Authority and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any jurisdiction outside the UK.

## **11. Taxation**

Information relating to the tax consequences of the Proposal is set out in Part VII of this document. The comments set out in this paragraph and Part VII are for general purposes only and address the position under UK Inland Revenue practice (which may be subject to change). Comments are made only in connection with Grantchester Shareholders who hold their shares as investments and are resident and, where applicable ordinarily resident, in the UK for tax purposes.

Grantchester has not sought tax clearances in relation to the Proposal. Shareholders should consult their own professional advisers regarding their individual tax position.

In general, UK shareholders will be treated as making a part disposal of their shares to the extent that they receive cash under the Scheme. This part disposal may give rise to a chargeable gain, which is taxable in the UK.

Under current UK legislation, a Grantchester Shareholder who, together with persons connected to him (for example his spouse), does not hold more than five per cent. of the issued ordinary share capital of Grantchester, should not be treated as making a disposal for the purposes of UK taxation of chargeable gains to the extent that he receives New Shares, although a capital gain or loss may arise on a subsequent disposal of the New Shares.

A Grantchester Shareholder who, either alone or together with persons connected to him, holds more than five per cent. of Grantchester may not benefit from the treatment described in the preceding paragraph and may be treated as having disposed of all his Grantchester Shares and acquiring New Shares at their market value at the time of acquisition. This may result in a liability to UK capital gains tax.

## **12. Listing, dealings, certificates and settlement**

Application has been made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for the New Shares to be admitted to trading. The last day of dealings in Grantchester Shares is expected to be 19 December 2000. It is expected that admission of the New Shares to the Official List will become effective (together with the delisting of the Grantchester Shares), and that dealings in the New Shares, will, subject to the sanction of the Court, commence on 20 December 2000.

Once the Scheme becomes effective, share certificates for the Grantchester Shares will cease to be valid and CREST will be instructed to cancel the entitlements of the relevant Scheme Shareholders with respect to Grantchester Shares held in uncertificated form. The last date for registration of transfers of Grantchester Shares is expected to be 19 December 2000.

For Scheme Shareholders who hold their shares through CREST, New Shares are expected to be credited to CREST accounts by 20 December 2000 and the cash amount will be paid through CREST by 4 January 2001. For those holding shares in certificated form, definitive certificates for New Shares together with cheques for cash, are expected to be despatched by 4 January 2001. Pending despatch of such certificates, transfers of New Shares will be certified by the Registrars against the share register. No temporary documents of title have been or will be issued in respect of the New Shares. Notwithstanding the above, New Grantchester reserves the right to issue New Grantchester Shares in certificated form to all Scheme Shareholders and to pay the cash consideration by cheque (regardless of whether they hold their Grantchester Shares in certificated or uncertificated form) if, for any reason, it wishes to do so.

In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register or in accordance with any special instruction which such joint holders may have given.

All mandates in force at the Scheme Record Time relating to payment of dividends on Grantchester Shares and all instructions given relating to notices and communications will, unless and until varied or revoked, be deemed to be effective mandates or instructions to New Grantchester in relation to the corresponding holding of New Shares.

All documents, certificates, cheques or other communications sent by or to Shareholders, or as such persons shall direct, will be sent at their own risk and may be sent by post.

### 13. Meetings and resolutions

You will find set out at the end of this document notices of the meetings which are being convened to enable Grantchester Shareholders to consider and, if thought fit, to approve, the Scheme and the associated reduction of share capital. The Scheme will require the approval of Grantchester Shareholders at the Court Meeting and at the separate Extraordinary General Meeting, both of which will be held on 30 November 2000. The Court Meeting is being held at the direction of the Court to seek the approval of Grantchester Shareholders for the Scheme. The Extraordinary General Meeting is being convened to enable the Directors to implement the Scheme.

Notices of both the Court Meeting and Extraordinary General Meeting are set out at the end of this document.

#### (a) Court Meeting

The Court meeting has been convened for 10.30 a.m. on 30 November 2000 to enable Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll: each Shareholder present in person or by proxy will be entitled to one vote for each Grantchester Share held. The statutory majority required to approve the Scheme at the Court Meeting is a majority in number representing three-quarters in value of Grantchester Shares held by those present and voting, in person or by proxy. **In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the Shareholders, it is important that as many votes as possible are cast at the Court Meeting. Shareholders are therefore urged to take the action referred to in paragraph 14 below.**

#### (b) Extraordinary General Meeting

The Extraordinary General Meeting has been convened for 10.45 a.m. on 30 November 2000, following the Court Meeting, to consider and, if thought fit, pass the resolutions contained in the notice convening the meeting set out at the end of this document.

The resolutions provide for:

- (i) the approval of the Scheme;
- (ii) the approval of the reduction of share capital of Grantchester by cancelling and extinguishing the Grantchester Shares;
- (iii) subject to the approval referred to in paragraph (ii) being given, increasing the authorised share capital of Grantchester to create such number of new shares as is equal to the number of Grantchester Shares cancelled;
- (iv) authorising the Directors to allot the new shares referred to in paragraph (iii) above, pursuant to sections 80 and 95 of the Act;
- (v) capitalising and applying the reserve arising in Grantchester, as a result of the cancellation of the Grantchester Shares, to pay up in full at par all of the new shares allotted as referred to in paragraph (iv) above;
- (vi) changing the company name of Grantchester from Grantchester Holdings PLC to Grantchester Limited, conditional upon the Scheme becoming effective; and
- (vii) approval of the proposed New Grantchester Incentive Schemes.

The majority required for the passing of the resolution is not less than three-quarters of the votes cast. On a show of hands every Grantchester Shareholder present in person will have one vote and on a poll each Grantchester Shareholder present in person or by proxy will have one vote for each share held.

#### **14. Voting rights and action to be taken**

Forms of proxy are enclosed as follows:

- (a) for the Court Meeting, a BLUE form of proxy; and
- (b) for the Extraordinary General Meeting, a WHITE form of proxy.

Whether or not you intend to be present at the meetings, you are requested to complete and sign both forms of proxy accompanying this document and return them to the Registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Kent BR3 4TU, as soon as possible and in any event so as to be received no later than 48 hours before the relevant meeting.

The blue form of proxy in respect of the Court Meeting may also be handed to the chairman at the Court Meeting. However, in the case of the Extraordinary General Meeting, unless the white form of proxy is lodged so as to be received at least 48 hours before the meeting, it will be invalid.

The lodging of a form of proxy will not prevent you from attending either the Court Meeting or the Extraordinary General Meeting and voting in person should you wish to do so.

Only those shareholders registered on the register of members of Grantchester as at the Voting Record Time shall be entitled to attend or vote at the Court Meeting and the Extraordinary General Meeting in respect of the number of shares registered in their name as at the Voting Record Time. Changes to entries in the relevant register of securities after the Voting Record Time shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting and the Extraordinary General Meeting.

#### **15. Further information**

Your attention is drawn to the Scheme and to the information regarding Grantchester and New Grantchester set out in Parts III to VIII of this document. The Scheme is set out in full at the end of this document.

Yours sincerely

Henry Lloyd  
*Vice President*

## **PART III**

### **Information on the New Group**

#### **1. Business**

The principal activity of the New Group is that of carrying out property investment and development of retail warehousing in the United Kingdom.

#### **2. History and development**

Grantchester was started in 1990, primarily in order to exploit development opportunities and invest in the UK retail warehouse market. Grantchester was listed on the London Stock Exchange in November 1996. At that time, it had six investment properties valued at £61.4 million.

Following flotation, the Group focused on building up its portfolio. On 20 February 1997, it contracted to acquire nine schemes from J Sainsbury Developments Limited and Morrison Construction Group plc by way of forward-commitment and forward-funding contracts. This was accompanied by a rights issue which raised £65 million.

In June 1998, Grantchester acquired Edge, a quoted property company, which also specialised in the investment in and development of retail warehouses. This acquisition brought a further seven investment schemes valued at £158 million into the portfolio together with a significant development programme. Since 1998, the Group has continued to actively manage its current portfolio and pursue planning and lettings in respect of its development portfolio.

#### **3. Summary of property portfolio**

A list of properties, their respective valuations as at 30 September 2000 and the accompanying notes are set out in pages 34 to 36 of this document. The portfolio is focused on:

- very large destination parks with substantial opportunities to develop for large space occupiers;
- a big box portfolio of large single occupier retail warehouses; and
- a development portfolio of 1.2 million square feet (of which over 700,000 square feet has planning consent).

In summary, the current portfolio of completed schemes:

- covers 2.5 million square feet, and is valued at £544 million;
- has total income of £30.6 million, of which £24.1 million is passing, £5.7 million is contracted and £0.8 million is the estimated rent achievable from the unlet space. The estimated rental value of the portfolio is £37.5 million;
- has an average unexpired lease length of 21 years; and
- derives approximately 50 per cent. of its income from FTSE 100 groups.

In addition, the development portfolio:

- covers 1.2 million square feet over nine schemes; and
- has an estimated completion cost of approximately £167 million.



#### **4. Corporate governance**

##### *Compliance*

The Board recognises that it is accountable to the New Shareholders and following Admission will observe the requirements of the Combined Code. The Board will monitor new developments in order to maintain continuing compliance with best practice corporate governance standards.

##### *Board of directors*

The Board will consist of four executive and three non-executive directors. Procedures will be established to enable directors to obtain external professional advice, where necessary, at the Company's expense.

The non-executive directors will represent a strong independent element on the Board. Edward Luker is the senior non-executive director. Details of the Directors' service contracts are given at paragraph 7 of Part VIII of this document.

##### *Board committees*

The audit committee will comprise the three non-executive directors. The committee will review the interim and annual results and the interim and annual report and financial statements prior to their submission to the Board as well as any matters raised by the auditors. It will monitor the controls established to ensure the integrity of financial information reported to shareholders. The chairman of the audit committee will attend the annual general meeting and will be available to answer any questions.

The Board will not establish a nomination committee because it regards itself as a small board and believes that the approval and appointment of directors will be a matter for the entire board.

The remuneration committee will comprise the three non-executive directors and will meet at least twice a year to consider all aspects of the directors' and other employees' remuneration. None of the non-executive directors will have any personal financial interest or conflict of interest arising from cross-directorships or day-to-day involvement in the running of the Company. The remuneration of the non-executive directors is considered by the Board within the limits proposed in the Articles. No Director will participate in setting his own remuneration.

The chairman of the remuneration committee will attend the annual general meeting and will be available to answer questions about the remuneration of the Directors. The objective of the Company's remuneration policy will be to attract, retain and motivate high calibre individuals, who are committed to attaining the Company's aims.

Basic salaries will be reviewed annually by the remuneration committee, having regard to competitive market practice and also to the performance of the New Group and the individual.

The remuneration committee will keep under review the structure and mix of incentives overall and will be responsible for supervising the New Grantchester Incentive Schemes in accordance with the rules thereof. Awards will be on a discretionary basis within the limits set down in the rules of the schemes with emphasis on performance and job responsibilities.

#### **5. Directors**

##### **Nick Hewson (executive chairman)**

Aged 42, Nick has been directly involved in the development of and investment in retail warehouse property since 1984. In 1990, he co-founded Grantchester. He is a chartered accountant, having qualified with Arthur Andersen, and has a degree in law from Cambridge University.

**Tim Walton (chief executive)**

Aged 38, Tim was a partner at Coopers & Lybrand from November 1994 until he joined the Board in May 1998 as director of finance and corporate development director. He became deputy chief executive in November 1999. He is a chartered accountant and has a degree in law.

**Chris Evans (property director)**

Aged 35, Chris has over 10 years' experience in the retail warehouse market and joined Grantchester in 1991. He was appointed to the Board in January 1998. He is a chartered surveyor and has a degree in estate management.

**Paul Huberman (finance director)**

Aged 39, Paul was finance director of Asda Property Holdings plc from 1990 until 1998 and Regent Inns plc from 1998 until he joined the Board in January 2000. He is a chartered accountant, a member of the Institute of Taxation and has a degree in economics and decision theory from Manchester University.

**Christopher Jolly (non-executive director)**

Aged 47, Christopher is currently deputy general manager of Commerzbank London Branch. He was previously deputy chief executive of Daiwa Europe Bank plc, deputy chief executive of Societe Generale's UK operations and a director of S.G. Warburg. He has been involved in the financing of property for over fifteen years and he was appointed to the Board in September 1998.

**Edward Luker (non-executive director)**

Aged 51, Edward is a chartered surveyor and has been a director of Richard Ellis since 1980. As director of the Investment Agency, he specialises in major transactional business on behalf of significant UK insurance companies, pension funds and property companies. He is also a director and past chairman of the Investment Property Forum. He was appointed to the Board in October 1996.

**Fred Reeder (non-executive director)**

Aged 63, Fred was a director of Commercial Union Properties, the director of property investment at Postel Investment Management and a partner of Jones Lang Wootton. He is also a non-executive director of Bride Hall Group Limited. He was appointed to the Board in October 1999.

**6. Employee incentives**

New Grantchester proposes to adopt the following incentive schemes:

**(i) The New Executive Scheme**

The New Executive Scheme has two parts. Application will be made to the Inland Revenue for approval of Part A under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988. Part B of the New Executive Scheme will be unapproved.

The New Executive Scheme will permit the annual grant of options to participants. The remuneration committee will decide the level of awards in each year in the light of market practice. A normal limit will be set, but a higher limit may be applied in exceptional circumstances when required specifically to recruit or retain an executive director. In addition, the aggregate market value of shares which an executive may acquire upon exercise of options granted under Part A of the New Executive Scheme may not exceed £30,000.

**(ii) The New Sharesave Scheme**

This is a savings related share option scheme. Application will be made to the Inland Revenue for approval of the New Sharesave Scheme and all UK resident employees of New Grantchester and its subsidiaries who satisfy the service qualification will be eligible to participate.

Full details of the New Grantchester Schemes described above are set out at paragraph 5 of Part VIII of this document. The New Executive Scheme differs from the Grantchester Share Scheme in that annual grants can be made under the New Executive Scheme. The performance condition for the New Executive Scheme is different in that it will be determined by the Board at the date of grant. For the first year the condition will be that New Grantchester's total shareholder return must be higher than the total return of the FTSE Property Index over the three years from the date of the grant. In addition, options can be exercised in full after three years if the performance condition is satisfied. The New Executive Scheme also has Part A which is designed for approval by the Inland Revenue. Each executive Director is expected to receive a grant of options under the New Executive Scheme shortly after the Scheme becomes effective. The New Sharesave Scheme is an entirely new scheme. Although Grantchester has established the Grantchester Executive Reward Scheme and the Grantchester Phantom Share Option Scheme, it is not intended that New Grantchester will establish similar schemes.

## **PART IV**

### **Financial Information on Grantchester**

#### **Part A: Extracts from the preliminary announcement of results for Grantchester for the year ended 30 September 2000**

The following are extracts from the text of the preliminary announcement on 31 October 2000 of Grantchester's audited results for the year ended 30 September 2000:

##### **"HIGHLIGHTS and KEY EVENTS for the year**

- Adjusted net assets per share up 13% to 228p (1999: 202p)
- Adjusted earnings per share up 65% to 4.84p (1999: 2.93p)
- Gross profit up 32% to £36.1m (1999: £27.4m)
- Proposed return of £140m surplus cash to shareholders
- Over £241m proceeds from 17 asset sales, comprising over 1.1 million square feet
- Construction of over 500,000 square feet of new retail warehouse space completed during the year
- Current portfolio of 2.5 million square feet
- Development portfolio of 1.2 million square feet, of which over 700,000 square feet has planning consent
- Purchased entire debenture stock and increased the leverage on assets securing it
- New £400m bank facility for investment properties
- New £50m bank facility for development properties

##### **Corporate statement**

Grantchester is one of the leading developers of retail warehouse property in the UK.

The directors' aim is to maximise the returns available from developing properties in this market, whilst employing the appropriate level of equity.

##### **CHAIRMAN'S STATEMENT**

The year has been one of substantial change in the group's activities, with the shift in emphasis strongly in favour of development rather than investment activity, and a sustained effort to improve returns to shareholder equity, culminating in the proposed repayment of £140m of surplus cash to shareholders.

##### **Financial results**

The adjusted net asset value per share at 30 September 2000 is 228p, including 3p of unrealised revaluation surplus on the completed trading properties.

Gross profit for the year was £36.1m, an increase of 32% on the previous year. Profit on ordinary activities before tax, and before exceptional costs of £7.1m relating to the purchase of the debenture stock, was £10.4m, up from £5.7m in the previous year. Administrative expenses have decreased by 14% and are in line with other property companies of our size and nature.

The directors recommend a final dividend of 0.9p per share, payable on 5 January 2001 to shareholders on the register at 1 December 2000.

## **The market**

The fundamental drivers of our business remain positive. The supply of new space continues to decline as a result of government policy, whilst demand for space continues at very high levels driven by the large space users such as the DIY and electrical stores looking to establish category and catchment dominating formats.

## **The portfolio**

The portfolio is focused on:

- Very large destination parks with substantial opportunities to develop for large space occupiers;
- A 'big box' portfolio of large single occupier retail warehouses; and
- A development portfolio of 1.2m square feet (of which over 700,000 square feet has planning consent).

We remain very active in the development of our portfolio; capital expenditure in the year totalled £36m and we have already authorised expenditure of £126m for the year to 30 September 2001.

Our property portfolio remains highly secure. The average unexpired lease length is 21 years and we see no pressure from our tenant base to move away from the traditional institutional 25 year lease with upward only rent reviews.

Overall, the tenant covenant remains strong with the completed portfolio deriving approximately 50% of its income from FTSE100 groups. Furthermore, over 85% of the portfolio benefits from an open planning consent in some respect, giving the group further opportunities for active management of the tenants to meet the demand from new retailers entering the sector.

In addition, the institutional demand for our product is robust with yields for prime retail warehouse property below 6%. Since 1 October 1999, we have taken advantage of this demand to sell, for more than £241m, 17 schemes which no longer met our criteria. We shall sell further properties which do not meet our investment criteria in due course.

## **Finance**

We remain very soundly financed. Our £100m debenture stock has now been purchased in the market at a saving of £17m for shareholders over the Spens formula for redemption as set out in the debenture trust deed. This together with a new £400m banking facility with no continuing loan to value covenant will provide greater flexibility going forward. After the proposed return of capital, adjusted net gearing will rise to 106% with cash and undrawn facilities of over £150m to finance expenditure on the portfolio.

## **Benchmarking**

We remain committed to benchmarking our performance, and are pleased to report that we have again outperformed our IPD comparator.

During the year to 30 September 2000, our property portfolio achieved a total return of 14.1%, compared to the IPD Monthly Index Fund retail warehouse benchmark return of 12.4%.

## **People and prospects**

Tim Walton, who has been deputy chief executive for a year, has today been appointed chief executive, reflecting his exceptional contribution to the group. I shall remain executive chairman.

I would like finally to express my sincere thanks to our chief assets, our people, including the non-executive directors, all of whom have again delivered an excellent contribution to the group, setting up the circumstances whereby shareholder value can best be created and delivered. I have every reason to believe that the prospects for delivering shareholder value in the coming year continue to be strong.

## **Nick Hewson**

*Executive Chairman*

31 October 2000

## OPERATING AND FINANCIAL REVIEW

### UK retail market trends

By the end of 1999, the number of UK retail warehouse and food superstore outlets was over 5,600, comprising selling space of over 128 million square feet. This represented almost 24% of total UK retail floorspace, and nearly 30% of total UK retail sales, some £59 billion. 40% of this space is now controlled by just ten non-food retailers, reflecting the consolidation in the sector and driving the trend towards bigger unit sizes, which increasingly dominate their catchment areas. Market analysts such as Verdict predict that the market will grow to over £76 billion by 2004, representing nearly one third of total sales.

The trend for growth in sales in the non-food sector is increasingly concentrated in the larger units. Over the last two years, non-food sales in smaller stores have on average declined at the expense of larger units, which have grown by 15% (*source: GVA Grimley research*).

This increase in store sizes has been driven principally by DIY operators such as B&Q, and more recently Homebase and Focus Do It All. B&Q is easily the largest operator here with its 'Warehouse' format. As at January 2000, there were 48 Warehouse stores which accounted for 37% of B&Q's total sales of £2.3 billion. Average annual Warehouse sales of £17.7m dwarfs the comparable figure of £5.9m for the B&Q Supercentre chain. Indeed these figures hide the fact that two thirds of the Warehouse stores achieve sales of over £20m per annum (*source: Verdict Research*).

Matalan has also increased certain of its store sizes up to 60,000 square feet and the Big W format of Kingfisher is now based on a 100,000 square feet model.

The electrical sector has put e-commerce concerns to one side and is also going for bigger stores, particularly the Dixons group and Comet.

The effect of the increased competition for these stores has shifted rents from under £10 per square foot to well over £15 and in some cases £20 per square foot.

New players such as TK Maxx, Next, Gap and JD Sports are active, despite their traditional high street roots.

At the same time, food retailers led by Tesco and Asda Walmart are retailing significantly more non-food merchandise and where possible are taking new space on retail parks adjacent to their food stores.

### Planning process

The planning process becomes more and more difficult to predict, with referral to central government often making the local and regional planning process only a preliminary stage.

Planning for extensions to, or redevelopment of, existing schemes remains relatively easier to achieve. However, new space openings have been declining at a rate of 15% per annum over the last two years and this trend, certainly for retail parks, can be expected to continue within the current planning climate.

This is having a marked effect on the new build pipeline. 23 new retail parks were developed in the market in 1999, providing more than 2.6 million square feet of new space.

This all underpins our strategy of concentrating on creating a land bank or a scheme bank of property that can accommodate new schemes or can be redeveloped to accommodate a new scheme. Whilst it is pleasing to report that against this background new planning consents for 227,000 square feet of retail space were obtained during the year, the planning process is inevitably having an impact on schemes such as Middlesbrough, where we are awaiting the result of a call in by central government following local authority approval for a 110,000 square feet extension.

### Development activity

We decided a year ago to concentrate more of the group's effort into redeveloping existing schemes as well as new schemes, where both planning could reasonably be expected to be achieved and where opportunities for significant surpluses could be realised, whilst employing the minimum level of equity.

Capital expenditure in the year amounted to £36m largely directed to development opportunities. In the interim report we outlined five significant developments that the group had embarked upon. We are pleased to report that progress has been made in respect of all these schemes.

At Gloucester, we have now secured B&Q as an anchor tenant at a record rent for the town and we submitted a planning application in April covering 192,000 square feet of retail warehousing and 80,000 square feet of leisure space. We have also reached agreement to sell all of the land earmarked for residential development.

At Reading, we have secured Homebase for a 130,000 square feet store which will anchor a proposed 171,000 square feet scheme.

At Cardiff, we shall shortly be submitting a planning application for a new 109,000 square feet scheme.

At the Forge, Glasgow, we have now let the final phase of 107,500 square feet to B&Q and construction will commence in January. The Big W 100,000 square feet store opened this month. We expect the presence of these two huge draw retailers to have a significant impact on the rest of the scheme and evidence of this is already emerging with the recent letting to Going Places.

At Falkirk, the second development phase will complete this November. It is fully let with over 300,000 square feet of retail and leisure space. Retail rents have already risen by 14% on this phase.

The group now has the opportunity to develop 1.2 million square feet of new retail warehouse space, 705,000 square feet of which already has planning permission. We shall continue to pursue planning permission in respect of the balance of the space during the coming year.

### **Letting activity**

We believe the letting prospects to be excellent for new retail warehouse space, particularly where the larger 'big box' format can be accommodated into the scheme. The demand for such space has, if anything, intensified during the year and we believe should not be affected by the potential sale of Homebase by its parent, J Sainsbury. We have recently completed deals with B&Q, the biggest and most profitable DIY operator in the UK, to build and lease three new big box stores to them which, when complete, would bring the total number of big box retail warehouse investments owned by the group to ten.

We believe the rental growth prospects for these properties are significantly ahead of current estimates, and that the prospective rental values are affordable and sustainable by occupiers who benefit from economies of scale and domination of the local catchment.

The doom and gloom about retailers being unable to afford higher rental levels seems to have abated and we have let over one million square feet of space over the year. In each case this has been either the result of new build or active management of the tenancies on the properties. Those tenants finding the rental levels too high have moved on and those remaining have found ways to increase profitability and thus bid for the units at higher levels. Some retail sectors have worked hard enough to permit rents in Solihull, for example, to reach £20 for traditional DIY units of 35,000 square feet. We anticipate achieving the same level or higher on our own scheme in Birmingham.

We continue to actively manage the portfolio to pursue new letting opportunities. New high rents have been achieved on the following schemes:

	<i>Rent per square foot</i>
Leeds	£25.00
Catford	£21.00
Norwich	£20.00
The Forge, Glasgow	£18.50
Falkirk	£17.00
Thanet	£13.00
Middlesbrough	£12.50

Overall, we have achieved an increase on review of 60% above passing rent as a direct result of establishing new rental value evidence on each park shortly ahead of review. In the case of the Asda Walmart unit in Glasgow, this was achieved by adopting techniques and arguments at review which examined the likely profitability of the store and extrapolating a fair rent from that process. The expert at Glasgow found the process "helpful" in reaching his conclusions. We anticipate that this approach will become more applicable to the rent review process generally.

### **Investment strategy**

Prime retail warehouse yields have dropped significantly in the last four years from 6% in 1996 to 5.25%-5.5% in 1998 and have held steady since then (*source: Knight Frank Out of Town Retail Review July 2000*).

In the last 12 months or so, there has been some £2 billion of retail warehouse product transacted in the market place, mainly driven by sales due to re-balancing portfolios, or the effect of institutional allocations to the sector seeking the rental growth lacking generally in the high street. This has sharpened prime equivalent yields to 5.25% and improved yields for the better big box solus investments to 6% (equivalent) (*source: CCRE Midsummer Retail Report 2000*). In keeping with our policy of retaining only large schemes with development potential, the group has taken advantage of the solid investment market and sold 17 properties since September 1999, raising over £241m.

Included in the 17 properties sold are four retail parks which were sold after the year end to Coal Pension Properties Ltd. (formerly CIN) for a total cash consideration of £129.1m. The sale contract provides for further sums to be paid, principally in respect of the value of extensions to three of the schemes, which we may elect to complete at our own cost. We estimate the total surplus arising from these further sums to be in the region of £4.5m.

Where properties do not meet our investment criteria, it is the intention of the directors to sell or joint venture these investments so that the value of past efforts can be crystallised into cash for reinvestment either into new developments or into other methods of creating added value for shareholders.

### **Finance and debt**

In our continuing effort to improve the efficiency and flexibility of the financing of the group, we have refinanced the majority of the group's bank borrowings into a new £400m seven year syndicated facility arranged by Eurohypo. The amounts drawn under this facility have been fully hedged at an average interest rate (including margin) of 6.4%. There is no continuing loan to value covenant, only covenants as to income. We have total substitution rights and half the facility is revolving with no break costs on repayment. The group has also recently taken up a revolving committed development facility with The Royal Bank of Scotland to assist with the development programme, so as to minimise further the equity capital required from group resources.

For some time, the directors had considered that the inflexibility built into the group's £100m debenture stock 2020 was restricting the ability of the group to carry out its activities efficiently. The assets securing the stock were valued at well over twice the debt. Furthermore, the Spens formula for redeeming the stock would have cost the group over £23m, or 13p per share which would have significantly reduced the value of the group accruing to shareholders. When the sterling debenture market was relatively weak in August 2000, the group tendered for and bought the majority of the stock. Since the year end, we have purchased the remainder of the debenture stock. The purchase of the entire debenture stock has allowed borrowings on the assets previously secured on it to be increased by £60m before costs of redemption. The total charge to the profit and loss account for the year resulting from the purchase of the stock was £7.1m.

The directors have been actively pursuing methods by which returns to shareholders can be improved. Following a programme of repurchasing shares in the market place in the first half of the year, when the group repurchased nearly 12 million shares for cancellation at an average price of 149p, the directors are now proposing a return of capital of £140m to shareholders.



Following the return of capital, the group will have cash and undrawn borrowing facilities of in excess of £150m, to cover current committed capital expenditure of £11m. The balance of the funds will be available to finance the group's development activities.

### **Valuations**

Valuations are prepared quarterly for IPD purposes by external valuers, Colliers Conrad Ritblat Erdman Ltd.

During the year, the investment property revaluation surplus of £42.3m has been generated principally from the following schemes:

	<i>£m</i>
Falkirk	8.1
The Forge, Glasgow	6.3
Birmingham	5.2
Leeds	5.0
Luton	3.2
Romford	2.8
Others (net)	11.7
	<hr/> 42.3 <hr/>

The surpluses arising on the schemes at Falkirk and Glasgow result from development activities and the surpluses on other schemes are the result of increases in rental value.

### **Benchmarking**

The group's out performance of the IPD retail warehouse benchmark, as detailed in the chairman's statement, can be attributed to above average capital growth of 8.8% compared with 5.9% for the benchmark.

Over the past three years the group has achieved an annualised return of 18.4%, out performing the benchmark of 13.8%. Over the longer five year period, the group has achieved an annualised return of 28.7%, compared to the benchmark return of 15.1%. This consistent level of performance was recognised at the Estates Gazette Property Investment Awards 2000, when the group was presented with the award for top performing portfolio over the three years to December 1999, as measured by IPD, in the category of 'property companies, limited partnerships and other specialist funds'.

### **Corporate information**

The group pursues a policy of delivering the maximum level of disclosure of its activities, whilst maintaining appropriate levels of confidentiality of key business information. We are pleased, therefore, to report that, for the second year in succession, the group has won the BDO Stoy Hayward Property Accounts Awards.

**Tim Walton**

*Chief Executive*

31 October 2000

## THE PROPERTY PORTFOLIO

The following tables comprise a full list of all properties either owned by the group or over which the group has conditional contracts to purchase and should be read in conjunction with the notes to the portfolio on page 36.

### Current portfolio

			Gross			Net valuation at		
			Income	Valuation	Estimated	Investment	Trading	
		Area	per	at 30 Sept.	completion	properties	properties	Total
		sq ft	annum	2000	costs			
	Note	'000	£'000	£'000	£'000	£'000	£'000	£'000
The Forge, Glasgow	10	385	4,807	85,215	5,839	79,376		79,376
Central Retail Park, Falkirk	11	303	3,617	60,500	4,159	56,341		56,341
Battery Retail Park, Birmingham		136	1,803	42,700		42,700		42,700
Sprowston Retail Park, Norwich		132	1,516	35,000		35,000		35,000
Cleveland Retail Park, Middlesbrough		121	968	16,400		16,400		16,400
Park Tawe Retail Park II, Swansea		118	1,401	23,750		23,750		23,750
West Yorkshire Retail Park, Leeds		111	2,485	48,000		48,000		48,000
B & Q 'Warehouse' store, Luton		109	1,051	23,200		23,200		23,200
Central/Rooksley Retail Parks, Milton Keynes		107	1,816	29,000			29,000	29,000
East Kent Retail Park, Thanet		106	1,229	19,500		19,500		19,500
Airdrie Retail Park, Airdrie		104	1,012	15,000		15,000		15,000
Homebase Store, Dundee		100	800	16,250		16,250		16,250
Kingstown Retail Park, Carlisle		97	960	16,250			16,250	16,250
Wren/Riviera Retail Parks, Torquay		91	1,199	21,300		21,300		21,300
Asda Foodstore, Bearsden, Glasgow		82	1,024	16,150		16,150		16,150
Homebase/Currys Stores, Southend	12	76	767	14,000	1,369	12,631		12,631
Ravensbourne Retail Park, Catford		72	1,394	27,000		27,000		27,000
B&Q 'Warehouse' Store, Romford		72	904	20,250		20,250		20,250
Wickes/Matalan, Newport Road, Cardiff		61	599	9,450		9,450		9,450
Homebase Store, Theale, Reading		53	788	9,500		9,500		9,500
Barnstaple Retail Park, Barnstaple		53	508	6,750		6,750		6,750
<b>Total current retail warehouse portfolio</b>		<b>2,489</b>	<b>30,648</b>	<b>555,165</b>	<b>11,367</b>	<b>498,548</b>	<b>45,250</b>	<b>543,798</b>

### Non-retail warehouse properties

Abbey Industrial Centre, Paisley						4,084	4,084
Motor Dealership, Ipswich						1,034	1,034
Industrial Units, Middlesbrough						450	450
Other Properties						1,008	3,354
						<u>1,458</u>	<u>7,464</u>
							<u>8,922</u>

## Development portfolio

			Gross			Net valuation at		
			Income	Valuation	Estimated	Investment	Trading	
		Area	per	at 30 Sept.	completion	properties	properties	Total
	Note	sq ft	annum	2000	costs			
		'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Development properties owned or under contract with retail warehouse consent</b>								
Bridgend Retail Park, Bridgend	16	315	3,125		37,433		465	465
Welsh Star Retail Park, Merthyr Tydfil	16	145	1,766		17,900	70		70
B&Q 'Warehouse' Store, Norwich	17	105	1,313		2,791	16,764		16,764
Cleveland Retail Park, Middlesbrough	13,15	98	1,229		10,299	414		414
Baglan Bay Retail Park, Port Talbot		42	423		2,200	1,382		1,382
		<u>705</u>	<u>7,856</u>		<u>70,623</u>	<u>18,630</u>	<u>465</u>	<u>19,095</u>
<b>Development properties owned or under contract without retail warehouse consent</b>								
St Oswald's Park, Gloucester	14	272	4,133		52,500	498		498
Homebase Store, Theale, Reading	13	118	2,303		29,985			
Newport Road, Cardiff	15	48	946		6,790	2,796		2,796
Roaring Meg South, Stevenage		40	600		5,650	96		96
Baglan Bay Retail Park, Port Talbot		25	250		1,400			
		<u>503</u>	<u>8,232</u>		<u>96,325</u>	<u>3,390</u>		<u>3,390</u>
<b>Total development programme</b>	<b>9</b>	<b><u>1,208</u></b>	<b><u>16,088</u></b>		<b><u>166,948</u></b>	<b><u>22,020</u></b>	<b><u>465</u></b>	<b><u>22,485</u></b>
<b>Portfolio total excluding disposals</b>		<b><u>3,697</u></b>	<b><u>46,736</u></b>	<b><u>555,165</u></b>	<b><u>178,315</u></b>	<b><u>522,026</u></b>	<b><u>53,179</u></b>	<b><u>575,205</u></b>
<b>Properties sold since 30 September 2000</b>								
Leeds Road Retail Park, Huddersfield	13	180	1,829	38,219		38,219		38,219
Meols Cop Retail Park, Southport	13	149	2,123	33,762		33,762		33,762
Darlington Retail Park, Darlington	13	139	1,952	31,732		31,732		31,732
Ivybridge Retail Park, Twickenham	13	66	1,220	25,378		25,378		25,378
		<u>534</u>	<u>7,124</u>	<u>129,091</u>		<u>129,091</u>		<u>129,091</u>
<b>Portfolio total as at 30 September 2000</b>		<b><u>4,231</u></b>	<b><u>53,860</u></b>	<b><u>684,256</u></b>	<b><u>178,315</u></b>	<b><u>651,117</u></b>	<b><u>53,179</u></b>	<b><u>704,296</u></b>
<b>Revaluation surplus on completed trading properties</b>							<b><u>(5,186)</u></b>	<b><u>(5,186)</u></b>
<b>Carrying value per consolidated balance sheet</b>						<b><u>651,117</u></b>	<b><u>47,993</u></b>	<b><u>699,110</u></b>

## Notes to the portfolio

1. All properties are owned freehold (or the Scottish equivalent), with the exception of Parc Tawe II Retail Park, Swansea, and Kingstown Retail Park, Carlisle, which are held on long leases at a peppercorn rent.
2. All of the leases within the existing retail warehouse portfolio are institutional leases with a term of 25 years or more. Two leases contain tenant break clauses, both at fifteen years. All leases are reviewed every five years to the higher of open market or passing rent.
3. The estimated rental value of the current portfolio is £37.5m.
4. All of the valuations and estimated rental values in these schedules have been prepared by the group's external valuers, Colliers Conrad Ritblat Erdman Ltd.
5. Of the total income from the current portfolio of £30.6m, £24.1m is passing, £5.7m is contracted and £0.8m is the estimated rent achievable from the unlet space.
6. The rental income figures for properties within the development portfolio are based on rents pre-let, under negotiation or anticipated minimum per sq ft.
7. It is anticipated that a further surplus of up to £4.5m will arise as a result of additional development activity in respect of the properties sold since 30 September 2000. The capital cost to the group of this development activity is estimated at £7m.
8. The current market value of the completed trading properties at Milton Keynes and Carlisle is £45.2m, £5.2m above cost. The investment and trading properties within the development portfolio, as well as the non-retail warehouse properties, have not been revalued and are stated at cost.
9. Of the total development expenditure of £167m, the directors anticipate committing to £108m during the year to 30 September 2001.
10. The Forge, Glasgow, includes 107,500 sq ft of ground floor and mezzanine space which is pre-let to B&Q. Construction is scheduled for completion by Summer 2001.
11. Central Retail Park, Falkirk, includes 67,000 sq ft of pre-let space currently under construction, but excludes the Tesco foodstore of 63,000 sq ft which is let on a long lease at a peppercorn rent.
12. The scheme at Southend includes 26,500 sq ft currently under construction, of which 20,000 sq ft is pre-let to Currys.
13. These are extensions to retail warehouse schemes within the current portfolio.
14. St Oswald's Park, Gloucester, includes 80,000 sq ft of leisure.
15. The scheme at Middlesbrough is subject to a call-in by central government. The planning application covers an extension of 110,000 sq ft. However, implementation will require a reduction in the existing scheme of 12,000 sq ft, leaving net space of 98,000 sq ft.
16. These properties have received a resolution to grant planning consent.
17. The group has contracted to acquire this property in exchange for its existing land interests at Culverhouse Cross, Cardiff, plus approximately £3m."

## Part B: Financial and other information relating to Grantchester

The following financial information relating to the Group has been extracted, without material adjustment, from the audited financial statements of Grantchester for the three years ended 30 September 2000. The information set out in this Part has been extracted from previously published sources and does not constitute statutory accounts within the meaning of section 240 of the Act. Audited statutory accounts have been delivered to the Registrar of Companies for the two accounting periods ended 30 September 1998 and 1999. Unqualified audit reports in accordance with section 235-237 of the Act for each of the three accounting periods ended 30 September 1998, 1999 and 2000 have been given by BDO Stoy Hayward, Chartered Accountants and Registered Auditors, being the auditors of Grantchester for the relevant financial periods.

### 1. Consolidated profit and loss accounts

		Year ended 30 September 1998	Year ended 30 September 1999	Year ended 30 September 2000
	Note	£'000	£'000	£'000
Net rental income from investment properties		13,969	23,592	27,833
Net rental income from trading properties		579	2,124	2,416
Profit from property trading		968	1,696	5,809
<b>Gross profit</b>	8(a)	15,516	27,412	36,058
Administrative expenses		(4,856)	(7,470)	(6,397)
Reorganisation costs		(997)	—	—
<b>Operating profit</b>	8(b)	9,663	19,942	29,661
Surplus/(deficit) on sales of investment properties	8(c)	589	769	(550)
Financing costs	8(d)			
– exceptional costs of part redemption of Debenture Stock 2020		—	—	(7,138)
– other		(7,675)	(15,040)	(18,664)
		(7,675)	(15,040)	(25,802)
<b>Profit on ordinary activities before taxation</b>		2,577	5,671	3,309
Taxation (charge)/credit on profit on ordinary activities	8(g)	(600)	45	777
<b>Profit on ordinary activities after taxation</b>		1,977	5,716	4,086
Dividends	8(h)	(1,855)	(2,342)	(2,389)
<b>Retained profit for the year</b>		122	3,374	1,697
<b>Earnings per share – basic</b>	8(i)	1.36p	2.93p	2.18p
<b>Earnings per share – diluted</b>	8(i)	1.35p	2.92p	2.17p
<b>Earnings per share – adjusted</b>	8(i)	1.36p	2.93p	4.84p

All amounts relate to continuing activities.

## 2. Consolidated statement of total recognised gains and losses

		<i>Year ended 30 September 1998</i>	<i>Year ended 30 September 1999</i>	<i>Year ended 30 September 2000</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit after tax for the financial year		1,977	5,716	4,086
Unrealised surplus on revaluation of investment properties	8(u)	64,394	46,235	42,311
Corporation tax charge on appropriation of trading properties	8(g)	—	—	(1,507)
Corporation tax on revaluation surplus realised	8(u)	(302)	—	—
Other recognised gains and losses for the year	8(u)	17	—	—
<b>Total recognised gains and losses for the year</b>		<u>66,086</u>	<u>51,951</u>	<u>44,890</u>
 <b>Total combined shareholders' return per share</b>		<u>45.59p</u>	<u>26.63p</u>	<u>23.91p</u>

## 3. Note of consolidated historical cost profits and losses

		<i>Year ended 30 September 1998</i>	<i>Year ended 30 September 1999</i>	<i>Year ended 30 September 2000</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit on ordinary activities before taxation		2,577	5,671	3,309
Valuation surpluses of previous years realised on sales of investment properties		5,817	9,780	11,168
Historical cost profit on ordinary activities before taxation		8,394	15,451	14,477
Taxation (charge)/credit		(2,302)	45	777
Historical cost profit on ordinary activities after taxation		6,092	15,496	15,254
Dividends	8(h)	(1,855)	(2,342)	(2,389)
<b>Retained historical cost profit for the year</b>		<u>4,237</u>	<u>13,154</u>	<u>12,865</u>

#### 4. Consolidated reconciliation of movements in shareholders' funds

		<i>Year ended 30 September 1998</i>	<i>Year ended 30 September 1999</i>	<i>Year ended 30 September 2000</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit after tax for the financial year		1,977	5,716	4,086
Dividends	8(h)	(1,855)	(2,342)	(2,389)
		122	3,374	1,697
Unrealised surplus on revaluation of investment properties	8(u)	64,394	46,235	42,311
Corporation tax charge on appropriation of trading properties	8(g)	—	—	(1,507)
Merger reserve created	8(u)	103,927	20	—
		168,443	49,629	42,501
Shares issued		12,607	—	375
Purchase of own shares		—	—	(17,642)
Corporation tax charge on revaluation surplus realised	8(u)	(302)	—	—
Other recognised gains and losses for year	8(u)	17	—	—
Net increase in shareholders' funds		180,765	49,629	25,234
Opening shareholders' funds		155,572	336,337	385,966
Closing shareholders' funds		336,337	385,966	411,200

## 5. Consolidated balance sheets

		<i>As at</i> <i>30 September</i> <i>1998</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>1999</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>2000</i> <i>£'000</i>
	<i>Note</i>			
<b>Fixed assets</b>				
Investment properties	8(j)	501,547	620,623	651,117
Other tangible assets	8(k)	544	567	639
Investments	8(l)	102	102	156
Investments – own shares	8(m)	100	100	100
		<u>502,293</u>	<u>621,392</u>	<u>652,012</u>
<b>Current assets</b>				
Trading properties	8(n)	44,735	58,399	47,993
Debtors	8(o)	10,633	10,174	30,870
Cash at bank		10,268	58,283	88,453
		<u>65,636</u>	<u>126,856</u>	<u>167,316</u>
<b>Creditors falling due within one year</b>	8(p)	<u>25,686</u>	<u>43,299</u>	<u>53,408</u>
<b>Net current assets</b>		<u>39,950</u>	<u>83,557</u>	<u>113,908</u>
<b>Total assets less current liabilities</b>		<u>542,243</u>	<u>704,949</u>	<u>765,920</u>
<b>Creditors falling due after more than one year</b>	8(q)	204,328	317,405	352,290
<b>Provisions for liabilities and charges</b>				
Deferred taxation	8(v)	1,578	1,578	2,430
<b>Net assets</b>		<u>336,337</u>	<u>385,966</u>	<u>411,200</u>
<b>Capital and reserves</b>				
Called up share capital	8(t)	19,517	19,517	18,379
Share premium account	8(u)	71,257	71,257	71,593
Investment revaluation reserve	8(u)	107,761	144,216	173,852
Capital redemption reserve	8(u)	2,013	2,013	3,190
Merger reserve	8(u)	131,924	131,944	131,944
Profit and loss account	8(u)	3,865	17,019	12,242
<b>Equity shareholders' funds</b>		<u>336,337</u>	<u>385,966</u>	<u>411,200</u>



## 6. Consolidated cash flow statements

		Year ended 30 September 1998 £'000	Year ended 30 September 1999 £'000	Year ended 30 September 2000 £'000
	Note			
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>				
Operating profit		9,663	19,942	29,661
Depreciation charges		124	239	324
Loss/(profit) on sale of fixed assets		39	(23)	18
Exchange differences		17	—	—
Increase in trading properties		(2,812)	(18,646)	(22,183)
(Increase)/decrease in debtors		(2,658)	459	(9,745)
Increase in creditors		3,438	3,236	12,290
Net cash inflow from operating activities		<u>7,811</u>	<u>5,207</u>	<u>10,365</u>
<b>Consolidated cash flow statements</b>				
Net cash inflow from operating activities		7,811	5,207	10,365
Returns on investments and servicing of finance	8(x)	(4,115)	(20,370)	(32,369)
Taxation		(558)	(423)	(414)
Capital expenditure and financial investment	8(x)	(58,918)	(59,625)	33,028
Acquisitions	8(x)	78	—	—
Equity dividends paid		<u>(1,678)</u>	<u>(2,148)</u>	<u>(2,296)</u>
Cash (outflow)/inflow before financing and management of liquid resources		(57,380)	(77,359)	8,314
Management of liquid resources		(3,882)	(14,150)	(61,529)
Financing	8(x)	<u>21,797</u>	<u>126,040</u>	<u>21,856</u>
(Decrease)/increase in cash in the year		<u>(39,465)</u>	<u>34,531</u>	<u>(31,359)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>				
(Decrease)/increase in cash in the year		(39,465)	34,531	(31,359)
Cash inflow from increase in debt financing		(21,764)	(124,895)	(36,596)
Cash outflow from increase in liquid resources		<u>3,882</u>	<u>14,150</u>	<u>61,529</u>
Change in net debt resulting from cash flows		(57,347)	(76,214)	(6,426)
Amortisation of loan issue costs		(128)	(475)	(2,675)
Loans and finance leases acquired with subsidiaries		(84,476)	—	—
Other movements		<u>—</u>	<u>—</u>	<u>2,383</u>
Movement in net debt in the year		(141,951)	(76,689)	(6,718)
Net debt at beginning of year	8(y)	<u>(52,859)</u>	<u>(194,810)</u>	<u>(271,499)</u>
Net debt at end of year	8(y)	<u>(194,810)</u>	<u>(271,499)</u>	<u>(278,217)</u>

## **7. Accounting policies**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and investments in subsidiary undertakings, and are in accordance with applicable accounting standards.

### *Accounting periods*

Grantchester's accounting reference date is 30 September. The results are for the three 52 week periods ended 30 September 1998, 1999 and 2000.

### *Basis of consolidation*

The consolidated financial statements include the audited financial statements of the Company and of all its subsidiary undertakings for the three years ended 30 September 2000. The results of new subsidiary undertakings are included in the Group results from the date of acquisition.

### *Goodwill*

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill arising on the acquisition of subsidiary undertakings is capitalised as an intangible fixed asset and either amortised over the useful life, when this can be identified, or amortised over a period of 20 years or less. Any impairment is charged directly to the profit and loss account.

Goodwill arising on acquisitions prior to 30 September 1998 was written off against reserves and, as permitted by FRS 10, has not been reinstated on the balance sheet.

### *Turnover*

Turnover comprises rents receivable from investment and trading properties, proceeds from sales of trading properties, (which are recognised on unconditional exchange of contract) and project management fee income. No rental income is recognised during rent free periods granted to tenants under operating leases.

### *Investments in subsidiary undertakings*

In the company's financial statements, the investments in subsidiary undertakings are stated at directors' valuation which reflects the underlying assets and liabilities. Surpluses and temporary deficits arising on valuations are taken to the investment revaluation reserve. Permanent diminutions in value are taken to the profit and loss account.

### *Completed investment properties*

Completed investment properties are revalued semi-annually by external professional valuers on the basis of open market value, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors, not of purchaser's costs. The aggregate surplus or deficit arising from such revaluation is transferred to the revaluation reserve. However, if on an individual property, a deficit arising from a valuation below cost is expected to be permanent, it is charged to the profit and loss account. Proceeds from sales of investment properties are recognised on unconditional exchange of contract.

### *Investment properties under development*

Substantially completed investment properties under development are stated at estimated open market value on completion, carried out by external professional valuers, less estimated costs to complete. Other investment properties under development are stated at cost.

Costs include reverse premiums, capitalised interest and other outgoings, excluding overheads, less any attributable rental income.

### *Trading properties*

Trading properties are stated at the lower of cost, including capitalised interest, and net realisable value.

Some trading properties in the course of development are the subject of pre-sale contracts. The construction work on these contracts may fall into different accounting years and the transactions are therefore treated as long term contracts. If the outcome of the development can be assessed with reasonable certainty then a proportion of the contract value, based on costs incurred to date, is taken to turnover.

Where properties are appropriated from trading properties to investment properties, they are transferred at cost.

### *Capitalised interest*

Interest is capitalised gross of any tax relief in accordance with FRS 15. For this purpose, the interest rate applied is either the actual rate paid on specific borrowings or, if financed out of general funds, the average rate paid to fund the group's assets, excluding the debenture stock. Interest is capitalised on investment and trading properties under development from the date of commencement of the development to the date of practical completion.

### *Depreciation*

In accordance with SSAP 19 investment properties, no depreciation or amortisation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years to expiry. This treatment may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

For tangible fixed assets, except investment properties, depreciation is provided to write off the cost, less estimated residual values over the expected useful life of each asset.

### *Operating leases*

Annual rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

### *Financial instruments*

Short-term debtors and creditors are excluded from the analysis of financial instruments given in note 8(s).

The Group does not trade in derivative financial instruments. Hedging instruments are used to fix interest rates over certain of the Group's borrowings.

Gains or losses are deferred until the related interest in the hedging instrument is realised.

### *Loan issue and hedging costs*

Costs relating to the raising of loan facilities and debenture stock, including costs associated with the purchase of hedging instruments, are amortised over the life of the loan or hedging instrument as appropriate and charged to the profit and loss account as part of the interest expense so that the amount charged is at a constant rate on the carrying amount. The bank loans and Debenture Stock 2020 are disclosed net of unamortised loan issue and hedging costs.

### *Deferred taxation*

Deferred taxation is provided in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Provision is made for deferred taxation attributable to the unrealised surpluses on revaluation of investment properties, where the directors consider that tax is likely to become payable on properties sold in the foreseeable future.

### *Liquid resources*

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

### *Pension costs*

The Group operates money purchase pension schemes for certain subsidiary company directors and two defined contribution pension schemes for certain employees. The assets of these schemes are held separately from those of the Group in independently administered funds. The rules of the money purchase schemes limit the liability in respect of any member to whatever may be secured by contributions actually paid in respect of that member, together with investment income thereon.

The Group also operates an Executive Pension Plan into which scheme contributions are made by deduction from salary. In respect of the money purchase schemes and the Executive Pension Plan the Group is only committed to forward contributions which represent deductions from salary.

In addition to the above schemes the Group also pays contributions to certain employee's personal pension schemes.

Group contributions to any of the above schemes are charged to the profit and loss account as they become payable.

## **8. Notes to the financial information**

### **(a) Rental income and property trading**

	<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
Gross rental income from investment properties	14,020	24,043	28,409
Gross rental income from trading properties	579	2,124	2,416
Property trading income	4,619	9,083	28,777
Turnover	<u>19,218</u>	<u>35,250</u>	<u>59,602</u>
Irrecoverable property outgoings	(51)	(451)	(576)
Property trading cost of sales	<u>(3,651)</u>	<u>(7,387)</u>	<u>(22,968)</u>
Gross profit	<u>15,516</u>	<u>27,412</u>	<u>36,058</u>

The turnover and gross profit of the Group is mainly attributable to investment activity and property development in the United Kingdom.

**(b) Operating profit**

	<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
Operating profit is stated after charging/(crediting):			
Reorganisation costs	997	—	—
Depreciation of tangible fixed assets:			
– owned assets	92	231	324
– assets held under finance leases	32	8	—
Operating lease rentals:			
– land and buildings	176	288	414
– other assets	57	65	7
Auditors' remuneration:			
– audit services	109	95	105
– other services	10	107	170
Loss/(profit) on disposal of fixed assets	39	(23)	18

In addition, the auditors were paid £76,000 (1999: £98,000; 1998: £157,900) in respect of non-audit services which have been capitalised as loan issue costs (1999: loan issue costs; 1998: costs of investment in subsidiaries).

**(c) (Deficit)/surplus on sales of investment properties**

	<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
Gross proceeds on sales	25,130	20,226	81,507
Historical cost of properties sold	(18,383)	(9,417)	(70,285)
Selling expenses	(341)	(260)	(604)
Historical cost profit	6,406	10,549	10,618
Valuation surpluses of previous years realised	(5,817)	(9,780)	(11,168)
(Deficit)/surplus on sales of investment properties	589	769	(550)

**(d) Financing costs**

	<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
Interest on borrowings:			
– wholly repayable within five years	2,250	5,760	4,445
– not wholly repayable within five years	8,091	15,297	20,991
Amortisation of loan issue and hedging costs	149	475	892
Premium and costs payable on part redemption of Debenture Stock 2020	–	–	5,354
Accelerated write off of Debenture Stock 2020 loan issue costs	–	–	1,784
Other costs	–	–	1,199
Exceptional costs of termination of hedge agreements*	–	1,626	–
Finance lease charges	5	–	–
	<u>10,495</u>	<u>23,158</u>	<u>34,665</u>
Interest capitalised:			
– investment properties	(572)	(5,176)	(3,106)
– trading properties	(217)	(381)	(1,196)
Bank and other interest receivable	(2,031)	(2,561)	(4,561)
	<u>7,675</u>	<u>15,040</u>	<u>25,802</u>

\*Exceptional costs comprise penalty charges and associated costs which arise as a result of the decision to terminate various of the Group's interest rate hedge agreements.

**(e) Employees**

	<i>Year ended 30 September 1998 Number</i>	<i>Year ended 30 September 1999 Number</i>	<i>Year ended 30 September 2000 Number</i>
The average monthly number of employees, including executive directors, during the year was as follows:			
– property portfolio management and administration	<u>30</u>	<u>36</u>	<u>28</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Staff costs for all employees, including executive directors, consist of:			
– wages and salaries	2,643	3,677	3,461
– social security costs	342	390	426
– pension contributions	48	88	3
	<u>3,033</u>	<u>4,155</u>	<u>3,890</u>

Included in wages and salaries is an amount of £443,000 (1999: £244,000; 1998: £nil) relating to the costs of the phantom share option scheme for employees, excluding directors.

**(f) Directors' emoluments, interests and service contracts**

**(i) Emoluments**

*Year ended 30 September 1998*

	<i>Basic salary £'000</i>	<i>Performance related bonus £'000</i>	<i>Benefits in kind £'000</i>	<i>Fees £'000</i>	<i>Total emoluments £'000</i>
<b>Directors</b>					
Nick Hewson	198	225	12	—	435
Tim Walton (appointed 11 May 1998)	67	75	108	—	250
Chris Evans (appointed 26 January 1998)	87	80	4	—	171
Christopher Jolly (appointed 28 September 1998)	—	—	—	—	—
Edward Luker	—	—	—	25	25
Paul Whight	198	225	15	—	438
Nigel Wray	—	—	—	25	25
Robin Binks (resigned 5 May 1998)	—	—	—	15	15
	<u>550</u>	<u>605</u>	<u>139</u>	<u>65</u>	<u>1,359</u>

Tim Walton's benefits in kind include a payment on joining the Group of £103,174 to cover his relocation costs.

The Group has not paid any directors' pension contributions during the year ended 30 September 1998 except to the extent to which such were deductions from individual director's gross salary.

The bonus payments made to the executive directors in respect of the year ended 30 September 1998 were awarded by the remuneration committee in recognition of the exceptional progress made by the Group during the year.

The fees of Nigel Wray were paid to Brendon Street Investments Limited; the fees of Edward Luker were paid to Richard Ellis Holdings Limited and the fees of Robin Binks were paid to Deloitte & Touche.

*Year ended 30 September 1999*

	<i>Basic salary £'000</i>	<i>Performance related bonus £'000</i>	<i>Deferred bonus* £'000</i>	<i>Benefits in kind £'000</i>	<i>Fees £'000</i>	<i>Total emoluments £'000</i>
<b>Directors</b>						
Nick Hewson	221	238	—	12	—	471
Tim Walton	200	212	176	8	—	596
Chris Evans	100	106	189	6	—	401
Christopher Jolly	—	—	—	—	25	25
Edward Luker	—	—	—	—	25	25
Paul Whight**	147	—	—	17	13	177
Nigel Wray (resigned 30 September 1999)	—	—	—	—	25	25
	<u>668</u>	<u>556</u>	<u>365</u>	<u>43</u>	<u>88</u>	<u>1,720</u>

\* On 1 September 1998 the Company had granted Tim Walton and Chris Evans, rights under the Grantchester Phantom Share Option Plan to subscribe for 675,000 and 350,066 Phantom ordinary shares respectively at an exercise price of 120p each. Subsequent to the granting of these options, the Board were advised that prior shareholders' approval should have been obtained. The remuneration committee recommended cancelling the options granted to Tim Walton and Chris Evans and instead compensating them with deferred bonuses of £176,634 and £189,143 respectively. These bonuses are payable on 1 September 2001, subject to certain conditions.

**(f) Directors' emoluments, interests and service contracts (continued)**

The performance related bonus payments made to the executive directors in respect of the year ended 30 September 1999 were awarded by the remuneration committee to reflect broadly the performance of the Group over the year in comparison with benchmarking indicators provided by IPD.

During the year ended 31 September 1999, Nick Hewson, Chris Evans and Paul Whight waived £12,500, £40,000 and £12,500 of their respective performance related bonus entitlements in respect of the year ended 30 September 1998.

The Group has not paid any directors' pension contributions during the year ended 30 September 1999 except to the extent that such were deductions from the individual directors' gross salaries.

**\*\*** In addition to the amounts disclosed above, Paul Whight received an aggregate payment of £480,000 consisting of a payment in lieu of notice, compensation for loss of executive office and a final bonus in accordance with the terms of his executive director service contract.

The fees of Christopher Jolly were paid to Commerzbank; the fees of Edward Luker were paid to Richard Ellis Holdings Limited, the fees of Nigel Wray were paid to Brendon Street Investments Limited; the fees of Paul Whight were paid to Heritage Ventures Limited.

*Year ended 30 September 2000*

<b>Directors</b>	<i>Basic salary</i> <i>£'000</i>	<i>Performance related bonus</i> <i>£'000</i>	<i>Benefits in kind</i> <i>£'000</i>	<i>Fees</i> <i>£'000</i>	<i>Total emoluments</i> <i>£'000</i>
Nick Hewson	230	230	19	—	479
Tim Walton	200	250	15	—	465
Chris Evans	150	150	12	—	312
Paul Huberman (appointed 6 January 2000)	147	200	13	—	360
Christopher Jolly	—	—	—	25	25
Edward Luker	—	—	—	25	25
Fred Reeder (appointed 4 October 1999)	—	—	—	25	25
Paul Whight (resigned 31 March 2000)	—	—	—	17	17
	<u>727</u>	<u>830</u>	<u>59</u>	<u>92</u>	<u>1,708</u>

The performance related bonuses have been determined by the remuneration committee and are based on both corporate and individual performance.

The group has not paid any directors' pension contributions during the year except to the extent that such were deductions from the individual directors' gross salaries.

The fees of Christopher Jolly were paid to Commerzbank, the fees of Edward Luker were paid to Insignia Richard Ellis, the fees of Fred Reeder were paid to Rocklands Estates Limited and the fees of Paul Whight were paid to Heritage Ventures Limited.



(f) **Directors' emoluments, interests and service contracts (continued)**

(ii) Interests in share options

The Grantchester Unapproved Executive Share Option Scheme.

*Year ended 30 September 1998*

At 30 September 1998 the following directors held options to subscribe for ordinary shares:

	<i>Exercise price</i>	<i>Date of grant</i>	<i>Date first exercisable</i>	<i>Date of 30 September expiry</i>	<i>Ordinary Shares of 10p each 30 September 1998</i>	<i>Net value of share options £'000</i>
<b>Directors</b>						
Paul Whight	87p	3.10.96	3.10.99	3.10.2003	687,365	354
Nick Hewson	87p	3.10.96	3.10.99	3.10.2003	687,365	354
Chris Evans	87p	3.10.96	3.10.99	3.10.2003	229,121	118

The ordinary share price closed at 126.5p on 30 September 1998.

The lowest price for the year ended 30 September 1998 was 120p (1 September 1998) and the highest price for the year ended 30 September 1998 was 200p (28 May 1998).

The net value of share options has been computed as the market value of the shares under option at 17 November 1998 less the cost to purchase those shares at the relevant exercise price. The directors do not become entitled to the net value in the share options granted until the relevant conditions set out below are met and the options are exercised.

*Year ended 30 September 1999*

At 30 September 1999 the following executive and non-executive directors held options to subscribe for ordinary shares:

	<i>Exercise price</i>	<i>Date of grant</i>	<i>Date first exercisable</i>	<i>Date of 30 September expiry</i>	<i>Ordinary Shares of 10p each 30 September 1999</i>	<i>Net value of share options £'000</i>
<b>Directors</b>						
Nick Hewson	87p	3.10.96	3.10.99	3.10.2003	687,365	516
Chris Evans	87p	3.10.96	3.10.99	3.10.2003	229,121	172
Chris Evans	137.5p	23.12.98	23.12.01	23.12.2005	145,455	36
Tim Walton	137.5p	23.12.98	23.12.01	23.12.2005	581,818	143
Paul Whight	87p	3.10.96	3.10.99	3.10.2003	229,122	172

On 28 May 1999 Paul Whight renounced his rights to options over 458,243 ordinary shares of 10p each, at an exercise price of 87p, which were granted to him on 3 October 1996.

The ordinary share price closed at 146p on 30 September 1999.

The lowest price for the year ended 30 September 1999 was 121.5p (15 October 1998) and the highest price for the year ended 30 September 1999 was 184.5p (31 March 1999).

The net value of share options has been computed as the market value of the shares under option at 15 November 1999 less the cost to purchase those shares at the relevant exercise price. The directors do not become entitled to the net value in the share options granted until the relevant conditions set out below are met and the options are exercised.

**(f) Directors' emoluments, interests and service contracts (continued)**

*Year ended 30 September 2000*

At 30 September 2000 the following directors held options to subscribe for shares:

<b>Directors</b>	<i>Exercise price</i>	<i>Date of grant</i>	<i>Date first exercisable</i>	<i>Date of expiry</i>	<i>Shares of 10p each 2000 Number</i>	<i>Net value of share options (£) £'000</i>
Nick Hewson	87.3p	3.10.96	3.10.99	3.10.03	687,365	527
Nick Hewson	153.5p	21.12.99	21.12.02	21.12.09	829,616	87
Tim Walton	137.5p	23.12.98	23.12.01	23.12.05	581,818	154
Tim Walton	153.5p	21.12.99	21.12.02	21.12.09	552,133	58
Chris Evans	87.3p	3.10.96	3.10.99	3.10.03	229,121	176
Chris Evans	137.5p	23.12.98	23.12.01	23.12.05	145,455	39
Chris Evans	153.5p	21.12.99	21.12.02	21.12.09	380,300	40
Paul Huberman	151.5p	7.01.00	7.01.03	7.01.10	528,052	66

On 4 May 2000 Paul Whight exercised his right to acquire 229,122 shares at an exercise price of 87.3p per share. The market price at the date of exercise was 151.5p resulting in a gain of £147,000.

The share price was 169.5p on 30 September 2000.

During the year the lowest share price was 136.5p (15 October 1999) and the highest share price was 191.5p (4 September 2000).

The net value of share options has been computed as being the market value of the shares under option at 30 September 2000 (calculated by reference to the closing mid market price of 164p on 25 October 2000) less the cost to purchase those shares at the relevant exercise price. The directors do not become entitled to the net value of the share options granted until the relevant conditions set out below are met and the options are exercised.

Each grant of options is split into three tranches: one third is first exercisable on the third anniversary of the date of issue of the grant; one third on the fourth anniversary; and one third on the fifth anniversary, provided that the performance conditions determined by the remuneration committee at the time of the grant have been satisfied.

Exercise of each grant of options is subject to either of the following two performance conditions:

- (a) any increase in the company's share price plus dividends declared from the date of grant to any anniversary of the date of grant commencing on the third anniversary exceeding the total return (capital and income) from the FT Property Index over the same period; or
- (b) the growth in net asset value per share from the date of grant to any anniversary of the date of grant commencing on the third anniversary exceeding the increase in the All Properties Annual Index of IPD by at least 10% over the same period.

**(f) Directors' emoluments, interests and service contracts (continued)**

**(iii) Interests in shares**

According to the register kept by the Company, as at 30 September the directors with beneficial interests in the shares of the Company were as follows:

	<i>Ordinary shares of 10p each 30 Sept 1998 Number</i>	<i>Ordinary shares of 10p each 30 Sept 1999 Number</i>	<i>Ordinary shares of 10p each 30 Sept 2000 Number</i>
Nick Hewson	9,373,535	9,373,535	7,473,535
Chris Evans	799,489	799,489	799,489
Paul Whight (resigned 31 March 2000)	9,373,535	9,373,535	—
Nigel Wray (resigned 30 September 1999)	291,611	—	—

As at 30 September 1998, 1999 and 2000, Jasmine Trustees Limited, as trustee of the Grantchester Employee Share Trust, held 66,870 shares in the company. Each of Nick Hewson, Tim Walton, Chris Evans and Paul Huberman, being the executive directors of the Company, by virtue of being, together with other employees of the Group, a potential beneficiary under that trust, is taken to be interested in these shares.

There have been no changes in directors' interests since 30 September 2000 (other than the grant of options to Directors referred to on page 91 of this document).

**(iv) Service contracts**

The executive directors in office at 30 September 2000 have service contracts which are determinable as follows:

<b>Director</b>	<i>Notice period</i>
Nick Hewson	12 months on either side
Tim Walton	12 months by the Company, 6 months by the director
Chris Evans	12 months on either side
Paul Huberman	12 months on either side

The non-executive directors do not have formal fixed term contracts and their re-appointment is not automatic.

**(g) Taxation on profit on ordinary activities**

<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
---	---	---

The (charge)/credit for taxation is based on the profit on ordinary activities for the year and comprises:

Current year :

- UK corporation tax (charge)/credit on operating activities	(600)	-	1,256
- Deferred tax	-	-	(852)

Prior years:

- UK corporation tax credit	-	45	373
	<u>(600)</u>	<u>45</u>	<u>777</u>

The current year taxation (credit)/charge can be reconciled to the assumed taxation charge based on the current UK corporation tax rate as follows:

<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
799	1,730	993
(175)	(529)	(383)
95	75	(57)
(172)	(1,579)	(932)
80	—	—
(27)	303	(25)
—	(45)	(373)
<hr/> 600	<hr/> (45)	<hr/> (777)

The directors anticipate that the overall tax charge in the future will continue to be below the standard rate of corporation tax.

*Year ended 30 September 2000*

The corporation tax charge of £1,507,000 on the revaluation surplus arising on the appropriation of three trading properties to investment properties has been included in the statement of total recognised gains and losses and the investment revaluation reserve.

**(h) Dividends**

<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
1,367	1,561	1,654
488	781	735
<hr/> 1,855	<hr/> 2,342	<hr/> 2,389

**(i) Earnings per share**

The calculation of earnings per ordinary share for the year ended 30 September 2000 is based on the profit after taxation of £4,086,000 (1999: £5,716,000; 1998: £1,977,000). The calculation of basic earnings per share is based on a weighted average number of shares in issue during the year of 187,769,055 (1999: 195,107,222; 1998: 144,956,919). The calculation of diluted earnings per share is based on a weighted average number of shares in issue during the year of 188,454,072 (1999: 195,874,077; 1998: 145,853,483).

The calculation of adjusted earnings per share is based on adjusted profits of £9,083,000 (1999: £5,716,000; 1998: £1,977,000) and a weighted average number of shares in issue of 187,769,055 (1999: 195,107,222; 1998: 144,956,919).

The calculation of adjusted profits is based on the profit after taxation of £4,086,000 (1999: £5,716,000; 1998: £1,977,000) as adjusted for the exceptional costs of part redemption of Debenture Stock 2020, net of tax at 30 per cent., of £4,997,000 (1999: £nil; 1998: £nil).

The calculation of basic, diluted and adjusted earnings per share excludes 66,870 shares which are held in the Grantchester Employee Share Trust at a cost of £100,000.

Reconciliation of denominators used for basic, diluted and adjusted earnings per share calculations:

	<i>Basic and adjusted Number</i>	<i>Effect of share options Number</i>	<i>Diluted Number</i>
30 September 2000	187,769,055	685,017	188,454,072
30 September 1999	195,107,222	766,855	195,874,077
30 September 1998	144,956,919	896,564	145,853,483

The total combined shareholders' return per share for the year entitled 30 September 2000 is based on the total recognised gains and losses for the year of £44,890,000 (1999: £51,951,000; 1998: £66,086,000) and is based on a weighted average number of shares in issue during the year of 187,769,055 (1999: 195,107,222; 1998: 144,956,919).

**(j) Investment properties**

	<i>Freehold</i> £'000	<i>Long leasehold</i> £'000	<i>Total</i> £'000
<b>At 30 September 1997</b>	201,826	9,100	210,926
Additions at cost	63,667	20,190	83,857
Subsidiary undertakings acquired	166,570	–	166,570
Disposals	(15,100)	(9,100)	(24,200)
Surplus on revaluation	61,584	2,810	64,394
<b>At 30 September 1998</b>	478,547	23,000	501,547
Additions at cost	86,374	304	86,678
Appropriations from trading properties at cost	5,363	–	5,363
Disposals	(19,200)	–	(19,200)
Surplus on revaluation	46,039	196	46,235
<b>At 30 September 1999</b>	597,123	23,500	620,623
Additions at cost	35,851	–	35,851
Appropriations from trading properties at cost	33,785	–	33,785
Disposals	(81,453)	–	(81,453)
Surplus on revaluation	42,061	250	42,311
<b>At 30 September 2000</b>	627,367	23,750	651,117
<b>Comprised of:</b>			
Completed properties at external valuation	401,200	23,000	424,200
Substantially completed properties under development at external valuation	72,629	–	72,629
Properties under development at cost	4,718	–	4,718
<b>At 30 September 1998</b>	478,547	23,000	501,547
Completed properties at external valuation	548,350	23,500	571,850
Substantially completed properties under development at external valuation	34,425	–	34,425
Properties under development at cost	14,348	–	14,348
<b>At 30 September 1999</b>	597,123	23,500	620,623
Completed properties at external valuation	455,541	23,750	479,291
Substantially completed properties under development at external valuation	148,348	–	148,348
Properties under development at cost	23,478	–	23,478
<b>At 30 September 2000</b>	627,367	23,750	651,117

All the completed properties and substantially completed properties under development were valued at 30 September 2000 on an open market value basis by external valuers, Colliers Conrad Ritblat Erdman Ltd. The external valuation of substantially completed properties under development assumes they are completed. The estimated completion costs of £11,367,000 (1999: £25,725,000; 1998: £36,421,000) have been deducted from the external valuation of £159,715,000 (1999: £60,150,000; 1998: £109,050,000) in determining the value in the balance sheet. The historical cost of investment properties is £475,758,000 (1999: £476,407,000; 1998: £393,786,000) which includes interest capitalised of £8,745,000 (1999: £6,453,000; 1998: £1,392,000).

At 30 September 2000, the Group had contracted but not provided for estimated capital expenditure on investment properties of £11,367,000 (1999: £33,325,000; 1998: £119,960,000), as set out in note 8(bb).

**(k) Other tangible assets**

Leasehold improvements, fixtures, equipment and motor vehicles:

	<i>Total</i> <i>£'000</i>
<i>Cost</i>	
<b>At 30 September 1997</b>	410
Additions	482
Subsidiary undertakings acquired	64
Disposals	(204)
<b>At 30 September 1998</b>	752
Additions	329
Disposals	(165)
<b>At 30 September 1999</b>	916
Additions	431
Disposals	(104)
<b>At 30 September 2000</b>	1,243
<i>Depreciation</i>	
<b>At 30 September 1997</b>	189
Charge for the year	124
Disposals	(105)
<b>At 30 September 1998</b>	208
Charge for the year	239
Disposals	(98)
<b>At 30 September 1999</b>	349
Charge for the year	324
Disposals	(69)
<b>At 30 September 2000</b>	604
<i>Net book value</i>	
<b>At 30 September 2000</b>	639
<b>At 30 September 1999</b>	567
<b>At 30 September 1998</b>	544

**(l) Investments**

	<i>Unlisted Investments £'000</i>
<i>Cost and net book value</i>	
At 30 September 1997	–
Additions on acquisition of subsidiaries	102
At 1 October 1998 and 30 September 1999	102
Additions at cost	54
At 30 September 2000	156

**(m) Investments – own shares**

As at 30 September 2000, the Grantchester Employee Share Trust held 66,870 shares of 10p each in Grantchester Holdings PLC at a cost of £100,000 (1999: £100,000; 1998: £100,000).

**(n) Trading properties**

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Completed properties	38,250	50,372	40,064
Properties under development	6,485	8,027	7,929
	<u>44,735</u>	<u>58,399</u>	<u>47,993</u>

The completed retail warehouse properties were valued at 30 September 2000, on an open market basis, by external valuers Colliers Conrad Ritblat Erdman Ltd., at an amount of £45,250,000 (1999: £69,200,000; 1998: £41,750,000) less estimated costs to complete of £nil (1999: £10,800,000; 1998: £nil).

At 30 September 2000, the surplus over cost of the completed properties of £5,186,000 (1999: £8,028,000; 1998: £3,505,000) is equivalent to an additional 3p per share (1999: 4p per share; 1998: 2p per share).

**(o) Debtors**

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Amounts falling due within one year:			
Rental debtors	2,732	2,006	9,030
Deferred tax asset	–	–	4,520
Other debtors	7,345	3,858	15,608
Prepayments and accrued income	556	4,310	1,712
	<u>10,633</u>	<u>10,174</u>	<u>30,870</u>



**(p) Creditors falling due within one year**

	<i>As at</i> <i>30 September</i> <i>1998</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>1999</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>2000</i> <i>£'000</i>
Trade creditors	1,793	4,407	558
Bank loans and overdrafts (see note (s))	736	12,377	14,380
ACT payable	464	—	—
Corporation tax	1,904	1,848	1,312
Other taxation and social security	530	38	113
Obligations under finance leases	14	—	—
Proposed dividend	1,367	1,561	1,654
Other creditors	2,311	2,511	13,451
Accruals and deferred income	16,567	20,557	21,940
	<u>25,686</u>	<u>43,299</u>	<u>53,408</u>

Included within other creditors is an amount of £1,000,000 (1999: £1,500,000; 1998: £2,000,000) which is secured against a bank deposit of the same amount included in cash at bank.

**(q) Creditors falling due after more than one year**

	<i>As at</i> <i>30 September</i> <i>1998</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>1999</i> <i>£'000</i>	<i>As at</i> <i>30 September</i> <i>2000</i> <i>£'000</i>
Debenture Stock 2020 (secured) (see note (r))	97,979	98,116	12,500
Bank loans (secured) (see note (s))	106,323	219,289	339,790
Obligations under finance leases	26	—	—
	<u>204,328</u>	<u>317,405</u>	<u>352,290</u>

After taking into account the various interest rate hedging instruments entered into by the Group, the weighted average costs of borrowings inclusive of margins (before deducting loan issue costs) at 30 September 2000 were:

	<i>At</i> <i>30 September</i> <i>1998</i>	<i>At</i> <i>30 September</i> <i>1999</i>	<i>At</i> <i>30 September</i> <i>2000</i>
Debenture Stock 2020	7.38%	7.38%	7.38%
Bank borrowings	<u>7.70%</u>	<u>6.81%</u>	<u>6.49%</u>

**(r) Debenture Stock 2020**

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Debenture Stock 2020 (secured)	100,000	100,000	12,500
Unamortised loan issue costs	(2,021)	(1,884)	–
	<u>97,979</u>	<u>98,116</u>	<u>12,500</u>

The Group issued £100,000,000 7½ per cent. Debenture Stock 2020 on 26 September 1997 at an issue price of £99,368,000.

Interest at the rate of 7½ per cent. per annum is payable semi-annually in arrears on 30 April and 31 October.

During the year, the group redeemed £87,500,000 of this stock in the market. Since 30 September 2000, the group purchased the remaining £12,500,000 of stock.

At 30 September 2000 the stock was secured by a first legal charge over an investment property with a valuation of £35,000,000.

The year end valuation of the remaining £12,500,000 of the stock, based on the prevailing middle market price, was £13,300,000 (1999: £100,000,000 valued at £108,250,000).

**(s) Bank borrowings**

The Group's bank borrowings fall due for repayment as follows:

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Bank loans and overdrafts falling due within one year	736	12,377	14,380
Bank loans falling due after more than one year:			
– Between one and two years	–	130	2,390
– Between two and three years	–	9,140	13,310
– Between three and four years	9,000	57,170	1,412
– Between four and five years	68,950	12,543	5,046
– Between five and six years	6,469	4,373	4,932
– Between six and seven years	975	4,678	317,992
– Between seven and eight years	1,000	4,958	500
– Between eight and nine years	1,000	21,900	–
– Between nine and ten years	19,580	105,938	–
	<u>107,710</u>	<u>233,207</u>	<u>359,962</u>
Unamortised loan issue costs	(651)	(1,541)	(3,444)
Unamortised hedging costs	–	–	(2,348)
Total bank borrowings (net)	<u>107,059</u>	<u>231,666</u>	<u>354,170</u>

The bank loans bear interest at rates of between 0.8% and 1% above LIBOR (1999: between 0.8% and 1% above LIBOR; 1998: between 0.5% and 1.0625% above LIBOR). The bank loans are secured over certain of the Group's investment and trading properties which are included in the balance sheet at an amount of £509,790,000 (1999: £384,702,000; 1998: £187,246,000).

(s) **Bank borrowings (continued)**

The Group had the following undrawn committed bank facilities available at 30 September as follows:

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Expiring beyond one year	60,500	28,500	119,539

After taking into account the various interest rate hedging instruments entered into by the Group, the interest rate exposure of the Group's bank borrowings at 30 September was:

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Floating rate borrowings	736	39,207	61,606
Hedged borrowings	106,974	194,000	298,356
	<u>107,710</u>	<u>233,207</u>	<u>359,962</u>

Following the investment property disposals made since 30 September 2000 described in note 8(cc), £43,275,000 of the group's floating rate borrowings have been repaid and £48,020,000 of the Group's undrawn committed bank facilities have been cancelled.

Interest rates are hedged by the following instruments:

*As at 30 September 1998*

<i>Instrument</i>	<i>Principal £'000</i>	<i>Rate %</i>	<i>Expiry</i>	<i>Valuation Positive/(Negative) £'000</i>
Swap	10,000	8.5	October 1998	(17)
Swap	10,000	8.46	October 2000	(391)
Semi fixed Swap	10,000	7.06–8.5	October 2002	(347)
Collar	20,000	6.5–9.0	April 2002	(658)
Swap	20,000	6.22	April 2008	(429)
Swap	11,000	6.22	April 2008	(203)
Swap	9,000	6.22	April 2008	(167)
Swap	20,000	6.34	April 2008	(530)
Mark-to-market valuation deficit as at 30 September 1998				<u>(2,742)</u>

(s) **Bank borrowings (continued)**

*As at 30 September 1999*

<i>Instrument</i>	<i>Principal</i> £'000	<i>Rate</i> %	<i>Expiry</i>	<i>Valuation</i>
				<i>Positive/(Negative)</i> £'000
Swap	10,000	8.46	October 2000	(303)
Semi fixed Swap	10,000	7.06–8.5	October 2002	(48)
Collar	20,000	6.5–9.0	April 2002	(222)
Swap	94,000	5.5375	December 2008	6,485
Swap	31,000	5.5425	December 2008	2,199
Swap	9,000	6.22	April 2008	219
Swap	20,000	6.34	April 2008	337
Swap	80,000	{ 5.98 6.40	{ September 2009 September 2014 }	2,284
Mark to market valuation as at 30 September 1999				10,951
Less unamortised hedging costs				(2,514)
Mark to market valuation surplus as at 30 September 1999				8,437

Included within prepayments at 30 September 1999 is an amount of £2,514,000 which represents the premium paid on the £80,000,000 SWAP taken out on 15 September 1999 to hedge against the new bank facility of £175,000,000, which was completed after the balance sheet date. This premium will be accounted for as a loan issue cost in the year ending 30 September 2000.

*As at 30 September 2000*

<i>Instrument</i>	<i>Principal</i> £'000	<i>Rate</i> %	<i>Expiry</i>	<i>Valuation</i>
				<i>Positive/(Negative)</i> £'000
Collar	3,150	6.5 – 9	April 2002	(18)
Semi-fixed Swap	10,000	7.06 – 8.5	October 2002	(150)
Swap	51,206	5.5 – 6.31	April 2007	–
Swap	29,000	6 – 6.36	January 2008	(66)
Swap	94,000	5.54	December 2008	4,177
Swap	31,000	5.54	December 2008	1,454
Swap	80,000	5 – 6.42	September 2014	770
As at 30 September 2000	298,356			6,167
Less: unamortised hedging costs				(2,348)
Mark to market valuation surplus as at 30 September 2000				3,819

(t) **Called up share capital**

	<i>As at</i> <i>30 September 1998</i>		<i>As at</i> <i>30 September 1999</i>		<i>As at</i> <i>30 September 2000</i>	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Authorised:						
Ordinary shares of 10p each	240,000,000	<u>24,000</u>	240,000,000	<u>24,000</u>	240,000,000	<u>24,000</u>
Allotted, issued and fully paid:						
Ordinary shares of 10p each	195,174,092	<u>19,517</u>	195,174,092	<u>19,517</u>	183,793,589	<u>18,379</u>

Movements in share capital are as follows:

	<i>Ordinary shares of 10p each Number</i>	<i>Ordinary shares of 10p each £'000</i>
At 30 September 1997	118,999,007	11,900
– Option shares issued for cash	334,261	33
– Shares issued on acquisition of Edge Properties plc	73,091,722	7,309
– Shares issued on acquisition of London and Metropolitan PLC	<u>2,749,102</u>	<u>275</u>
At 30 September 1998 and 1999	195,174,092	19,517
– Shares issued on exercise of options	392,947	39
– Purchase of own shares	<u>(11,773,450)</u>	<u>(1,177)</u>
At 30 September 2000	<u>183,793,589</u>	<u>18,379</u>

The total consideration received during the year ended 30 September 2000 on exercise of options was £375,0000.

The aggregate cost of the purchase of the company's own shares during the year ended 30 September 2000 was £17,642,000 inclusive of expenses and stamp duty.

(t) Called up share capital (continued)

At 30 September 2000 the following share options were outstanding under the 1996 unapproved executive share option scheme:

<i>Number of directors</i>	<i>Number of employees</i>	<i>Exercise price</i>	<i>Date of issue</i>	<i>Date first exercisable</i>	<i>Date of expiry</i>	<i>Number of share options outstanding</i>
2	2	87.3	3.10.96	3.10.99	3.10.03	1,200,597
—	1	167.5p	19.11.97	19.11.00	19.11.04	53,731
2	—	137.5p	23.12.98	23.12.01	23.12.05	727,273
—	10	168.5p	9.06.99	9.06.02	9.06.06	532,345
3	6	153.5p	21.12.99	21.12.02	21.12.09	2,098,601
1	—	151.5p	7.01.00	7.01.03	7.01.10	528,052
—	2	161.5p	16.06.00	16.06.03	16.06.10	207,430
						<u>5,348,029</u>

Movements during the three years ended 30 September 2000 in the number of share options were:

	<i>Number of share options</i>		
	<i>1993</i>	<i>1996</i>	
	<i>Approved</i>	<i>Unapproved</i>	
	<i>Executive</i>	<i>Executive</i>	
	<i>Share</i>	<i>Share</i>	
	<i>Option</i>	<i>Option</i>	
	<i>Scheme</i>	<i>Scheme</i>	<i>Total</i>
At 30 September 1997	334,261	2,002,523	2,336,784
New options granted during the year	—	579,291	579,291
Options exercised during the year	(334,261)	—	(334,261)
Options cancelled during the year	—	(525,560)	(525,560)
At 30 September 1998	—	2,056,254	2,056,254
New options granted during the year	—	1,297,007	1,297,007
Options cancelled during the year:			
– as a result of renoucement (see note 8(f)(ii))	—	(458,243)	(458,243)
– as a result of forfeiture	—	(17,211)	(17,211)
At 30 September 1999	—	2,877,807	2,877,807
Options granted	—	2,883,348	2,883,348
Options exercised	—	(392,947)	(392,947)
Options lapsed	—	(20,179)	(20,179)
At 30 September 2000	—	5,348,029	5,348,029

**(u) Share premium account and reserves**

	<i>Share premium account £'000</i>	<i>Investment revaluation reserve £'000</i>	<i>Capital redemption reserve £'000</i>	<i>Merger reserve £'000</i>	<i>Profit and loss account £'000</i>
At 30 September 1997	66,267	47,784	2,013	27,997	(389)
Ordinary shares issued on the acquisition of a subsidiary at a premium	4,990	—	—	—	—
Merger reserve arising on acquisition of subsidiaries	—	—	—	129,738	—
Goodwill eliminated on acquisition of subsidiaries	—	—	—	(25,811)	—
Unrealised surplus on revaluation of investment properties	—	64,394	—	—	—
Valuation surpluses of previous years realised on sale of properties net of deferred taxation	—	(4,417)	—	—	4,417
Corporation tax on revaluation realised	—	—	—	—	(302)
Retained profits for the year	—	—	—	—	122
Other movements	—	—	—	—	17
At 30 September 1998	71,257	107,761	2,013	131,924	3,865
Reduction in cost of previous acquisition	—	—	—	20	—
Unrealised surplus on revaluation of investment properties	—	46,235	—	—	—
Valuation surpluses of previous years realised on sale of investment properties	—	(9,780)	—	—	9,780
Retained profit for the year	—	—	—	—	3,374
At 30 September 1999	71,257	144,216	2,013	131,944	17,019
Premium on issue of shares	336	—	—	—	—
Unrealised surplus on revaluation of investment properties	—	42,311	—	—	—
Corporation tax charge on appropriation of trading properties	—	(1,507)	—	—	—
Valuation surpluses of previous years realised on sale of investment properties	—	(11,168)	—	—	11,168
Purchase of own shares	—	—	1,177	—	(17,642)
Retained profit for the year	—	—	—	—	1,697
At 30 September 2000	71,593	173,852	3,190	131,944	12,242

The cumulative amount of goodwill resulting from acquisitions which has been eliminated against the merger reserve is £25,791,000 (1999: £25,791,000; 1998: £25,811,000).

**(v) Provisions for liabilities and charges**

*Deferred taxation*

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
<b>Provided</b>			
Short term timing differences	200	200	1,052
Fair value adjustment on acquisition of subsidiary undertaking in prior year	1,720	1,720	1,720
ACT recoverable	(342)	(342)	(342)
	<u>1,578</u>	<u>1,578</u>	<u>2,430</u>
<b>Unprovided</b>			
Unrealised surpluses on revaluation of investment properties	<u>50,000</u>	<u>61,200</u>	<u>64,500</u>

*As at 30 September 2000*

Deferred taxation of £12,200,000 arising on the revaluation of the investment properties sold after the balance sheet date has not been provided on the basis that the directors anticipate that the capital gains arising on these disposals will be offset against capital losses.

Deferred taxation of £52,300,000 arising on the revaluation of the remaining investment properties has not been provided on the basis that the directors do not believe that it is probable that a liability will crystallise in the foreseeable future.

During the year ended 30 September 2000, the group acquired two companies with tax losses, although these have not yet been agreed with the Inland Revenue.



(w) Net assets per share

	<i>As at 30 September 1998</i>	<i>As at 30 September 1999</i>	<i>As at 30 September 2000</i>
Net assets per share – basic	172p	198p	224p
Net assets per share – basic (as adjusted for the unrealised surplus on revaluation of completed trading properties)	174p	202p	227p
Net assets per share – basic (as adjusted for the unrealised surplus on revaluation of completed trading properties and the FRS 13 disclosure adjustments referred to below)	165p	202p	228p
Net assets per share – diluted	<u>172p</u>	<u>197p</u>	<u>223p</u>

The calculation of net assets per share is based on the net asset values as set out below:

	<i>As at 30 September 1998 £'000</i>	<i>As at 30 September 1999 £'000</i>	<i>As at 30 September 2000 £'000</i>
Consolidated net assets per the balance sheet less investment in own shares*	336,237	385,866	411,100
Unrealised surplus on revaluation of completed trading properties ( <i>see note 8(n)</i> )	<u>3,505</u>	<u>8,028</u>	<u>5,186</u>
Net assets (as adjusted for the unrealised surplus on revaluation of completed trading properties)	339,742	393,894	416,286
Mark to market valuation surplus on the hedging instruments	(2,742)	8,437	3,819
Valuation deficit on the Debenture Stock 2020	<u>(14,625)</u>	<u>(8,250)</u>	<u>(800)</u>
Net assets (as adjusted for the unrealised surplus on revaluation of completed trading properties and the mark to market valuation surplus on the hedging instruments and valuation deficit on the Debenture Stock 2020)	<u>322,375</u>	<u>394,081</u>	<u>419,305</u>

\* Equity shareholders funds' at the relevant date less £100,000 representing the cost of 66,870 of the company's shares which are held in the Grantchester Employee Trust.

The calculation of basic and diluted net assets per share is based on the following number of shares in issue:

	<i>Basic and adjusted Number</i>	<i>Effect of share options Number</i>	<i>Diluted Number</i>
30 September 2000	183,726,719	987,351	184,714,070
30 September 1999	195,107,222	666,400	195,773,622
30 September 1998	195,107,222	625,294	195,732,516

(x) Analysis of cash flows for headings netted in the cash flow statement

	<i>Year ended 30 September 1998 £'000</i>	<i>Year ended 30 September 1999 £'000</i>	<i>Year ended 30 September 2000 £'000</i>
<b>Returns on investments and servicing of finance</b>			
Interest received	2,031	2,561	4,561
Interest paid	(6,141)	(21,787)	(29,049)
Exceptional costs of part redemption of Debenture Stock 2020	—	—	(5,354)
Loan issue costs paid	—	(1,144)	(2,527)
Interest element of finance leases	(5)	—	—
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(4,115)</b>	<b>(20,370)</b>	<b>(32,369)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of investment properties	(83,285)	(79,355)	(33,942)
Purchase of other tangible assets	(482)	(329)	(431)
Purchase of investments	—	—	(54)
Sale of investment properties	24,789	19,969	67,438
Sale of other tangible assets	60	90	17
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>	<b>(58,918)</b>	<b>(59,625)</b>	<b>33,028</b>
<b>Acquisitions*</b>			
Cash acquired with subsidiaries	4,358	—	—
Costs of purchase of subsidiaries	(4,280)	—	—
<b>Net cash inflow from acquisitions</b>	<b>78</b>	<b>—</b>	<b>—</b>
<b>Financing</b>			
Issue of shares	33	—	375
Purchase of own shares	—	—	(17,642)
Debt due within one year:			
— increase in bank loans	—	12,307	2,003
Debt due beyond one year:			
— increase in bank loans	21,848	113,773	124,620
— decrease in Debenture Stock 2020	(43)	—	(87,500)
Capital element of finance lease payments	(41)	(40)	—
<b>Net cash inflow from financing</b>	<b>21,797</b>	<b>126,040</b>	<b>21,856</b>

\* Major non-cash transactions.

Part of the consideration for the purchase of subsidiary undertakings that occurred during the year ended 30 September 1998 comprised the issue of shares. Further details of the acquisitions are set out in note (z).

(y) Analysis of changes in net debt

	Short term deposits	Cash at Bank	(net of Overdrafts	Debt due after one Year within one issue assets)	Debt due Finance Year	Leases	Total
At 30 September 1997	–	45,185	–	(97,963)	–	(81)	(52,859)
Cashflows	3,882	(38,799)	(666)	(21,805)	–	41	(57,347)
Acquisition (excl. cash and overdrafts)	–	–	–	(84,406)	(70)	–	(84,476)
Non cash movements	–	–	–	(128)	–	–	(128)
At 30 September 1998	3,882	6,386	(666)	(204,302)	(70)	(40)	(194,810)
Cash flows	14,150	33,865	666	(112,628)	(12,307)	40	(76,214)
Non cash movements	–	–	–	(475)	–	–	(475)
At 30 September 1999	18,032	40,251	–	(317,405)	(12,377)	–	(271,499)
Cashflows	61,529	(31,359)	–	(34,593)	(2,003)	–	(6,426)
Other non-cash changes	–	–	–	(292)	–	–	(292)
At 30 September 2000	79,561	8,892	–	(352,290)	(14,380)	–	(278,217)

Included in short term deposits at 30 September 2000 is an amount of £13,750,000 which is cash collateralised in favour of bank loans falling due within one year of £13,750,000. Subsequent to the balance sheet date these bank loans were repaid out of the short term deposits.

Included in cash at bank at 30 September 1999 is an amount of £21,518,000 that is secured by a charge in favour of the Debenture Stock 2020 and is available to the Group when additional property is substituted. A further amount of £11,663,000 is held in an escrow account under the terms of a banking facility and is available for draw down against approved property expenditure.

(z) Purchase of subsidiary undertakings

Acquisitions in the year ended 30 September 1998

	Consideration and costs £'000	Fair value of assets acquired £'000	Goodwill £'000
Edge Properties plc ("Edge")	139,466	120,385	19,081
London and Metropolitan PLC ("L&M")	7,126	396	6,730
Total acquisitions in the year	146,592	120,781	25,811
Consideration:			
Shares issued Edge acquisition (187.5p per share)	137,047		
Shares issued L&M acquisition (191.5p per share)	5,265		
Cash	1,345		
Share issue cost and professional fees	2,935		
	146,592		

**(z) Purchase of subsidiary undertakings (continued)**

*Acquisition of Edge Properties plc*

On 3 June 1998 the Group announced that all of the conditions relating to the offer for the entire issued share capital of Edge had been satisfied and accordingly the offer was declared wholly unconditional.

Adjustments have been made to reflect the fair value of assets acquired as follows:

	<i>Book value of net assets acquired £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value to the group £'000</i>
Fixed assets	166,604	—	166,604
Stock of trading properties	33,087	5,733	38,820
Debtors	1,282	—	1,282
Cash	4,190	—	4,190
Creditors	(88,791)	—	(88,791)
Deferred taxation	—	(1,720)	(1,720)
	<u>116,372</u>	<u>4,013</u>	<u>120,385</u>

The fair value adjustment of £5,733,000 less deferred taxation of £1,720,000 relates to the valuation of certain Edge properties included in current assets at cost.

The audited financial statements of Edge for the year ended 31 March 1998 showed a profit after taxation of £1,545,000. The unaudited summarised profit and loss account for Edge for the period 1 April 1998 to 3 June 1998, the effective date of the acquisition is set out below:

	<i>£'000</i>
Net rental income from investment properties	1,269
Profit from property trading	<u>197</u>
Gross profit	1,466
Administrative expenses	(578)
Professional fees relating to the takeover	<u>(1,390)</u>
Operating loss	(502)
Cost of finance (net)	<u>(1,030)</u>
Net loss before and after taxation	<u>(1,532)</u>

All recognised gains and losses are included in the profit and loss account set out above.

**(z) Purchase of subsidiary undertakings (continued)**

*Acquisition of London & Metropolitan PLC*

On 14 April 1998 the Group announced that all of the conditions relating to the offer for the entire issued share capital of L&M had been satisfied and accordingly the offer was declared wholly unconditional.

Adjustments have been made to reflect the fair value of assets acquired as follows:

	<i>Book value of net assets acquired £'000</i>	<i>Fair value adjustments £'000</i>	<i>Fair value to the group £'000</i>
Fixed assets	1,160	(1,028)	132
Current assets	2,540	275	2,815
Creditors	(2,170)	–	(2,170)
Secured loans	(1,681)	1,300	(381)
	<u>(151)</u>	<u>547</u>	<u>396</u>

The fair value adjustments relate principally to the revaluation of certain property investment partnerships and ring fenced bank loans.

The audited financial statements of L&M for the year ended 31 December 1997 showed a profit after taxation of £6,770,000. The unaudited summarised profit and loss account for L&M for the period 1 January 1998 to 14 April 1998, the effective date of the acquisition, is set out below:

	<i>£'000</i>
Profit from property trading	96
Administrative expenses	(712)
Professional fees relating to the takeover	<u>(322)</u>
Operating loss	(938)
Cost of finance (net)	<u>(73)</u>
Loss on ordinary activities before and after taxation	<u>(1,011)</u>

**(aa) Lease commitments**

The Group had annual commitments under non-cancellable operating leases as set out below:

	<i>At 30 September 1998</i>		<i>At 30 September 1999</i>		<i>At 30 September 2000</i>	
	<i>Land and buildings £'000</i>	<i>Other £'000</i>	<i>Land and buildings £'000</i>	<i>Other £'000</i>	<i>Land and buildings £'000</i>	<i>Other £'000</i>
Operating lease which expire:						
– within one year	30	2	–	20	–	–
– in two to five years	–	16	–	28	–	7
– after five years	453	–	414	–	414	–
	<u>483</u>	<u>18</u>	<u>414</u>	<u>48</u>	<u>414</u>	<u>7</u>

**(bb) Contracted capital expenditure**

The following is a summary of the Group's contracted capital expenditure:

	<i>At 30 September</i>
	<i>1998</i>
	<i>£'000</i>
Welsh Star Retail Park, Merthyr Tydfil	17,854
Catford Retail park, Catford, London	17,470
West Yorkshire Retail Park, Leeds	12,172
South Bristol Retail Park, Bristol	9,455
Hereford Retail Park, Hereford	9,000
Warrington Retail park, Warrington	8,279
Cheltenham Retail Park, Cheltenham	7,835
East Kent Retail Park, Thanet	7,076
Homebase Unit, Dundee	6,459
Warren Retail Park, Ashford	5,806
Waterside Retail Park, Chichester	5,500
Barnstaple Retail Park, Barnstaple	3,538
Ringwood Road Retail Park, Bournemouth	3,348
Land adjacent to Homebase, Southend	2,200
Riviera Way Retail Park, Torquay	2,149
Phase 1, Baglan Bay Retail Park, Port Talbot	1,819
	<u>119,960</u>
	<i>At 30 September</i>
	<i>1999</i>
	<i>£'000</i>
Forge Shopping Park, Glasgow	17,500
Catford Retail Park, Catford, London	8,225
Central Retail Park, Falkirk (Phase II)	4,000
Homebase Unit, Southend (extension)	3,600
Hereford Retail Park, Hereford	4,100
South Bristol Retail Park, Bristol	3,600
Central Retail Park, Milton Keynes	2,700
Kingstown Retail Park, Carlisle	400
	<u>44,125</u>
	<i>At 30 September</i>
	<i>2000</i>
	<i>£'000</i>
The Forge, Glasgow	5,839
Central Retail Park, Falkirk	4,159
Currys, Southend	1,369
	<u>11,367</u>

**(cc) Post balance sheet events**

At 30 September 1999:

The Group has sold three investment properties included in the balance sheet at 30 September 1999 at a valuation of £22,450,000 for a total consideration of £22,642,000.

At 30 September 2000:

On 5 October 2000 the group announced the disposal of four retail parks to Coal Pension Properties Limited (formerly CIN) for a total cash consideration of £129.1 million. The sale contract provides for further sums to be paid, principally in respect of the value of extensions to three of the schemes, which the company may elect to complete at its own expense. The directors estimate the total surplus arising from these further sums to be in the region of £4.5 million.

These properties are included in the balance sheet at 30 September 2000 at a valuation of £129.1 million. Following this disposal, £43,275,000 of the group's bank borrowings were repaid.

On 31 October 2000 the group announced a proposed return of £140 million in cash to shareholders, equivalent to 76.2 pence per share in issue at 30 September 2000. The return of value will be effected through the introduction of a new holding company, Grantchester PLC, via a court-approved scheme of arrangement. Shareholders will receive £76.20 in cash and 54 shares in Grantchester PLC for every 100 shares held at the proposed last dealing date for the company shares.

## PART V

### Accountants' Report on New Grantchester



**BDO Stoy Hayward**  
Chartered Accountants

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J.P. Morgan Securities Limited  
60 Victoria Embankment  
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EC4Y 0JP

6 November 2000

Dear Sirs

#### GRANTCHESTER PLC

Grantchester PLC (the "Company") was incorporated on 18 July 2000 as Steelgrange plc with company number 4035681 and changed its name to Grantchester PLC on 28 September 2000.

On incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which two were issued, fully paid, to the subscribers to the Company's Memorandum of Association. The shares were transferred, fully paid on 28 September 2000 to the initial shareholders.

On 28 September 2000, 49,998 unissued ordinary shares of £1 each were reclassified as 49,998 Redeemable Shares of £1 each and were issued to Nick Hewson one quarter paid up at par to enable the Company to obtain a trading certificate. On 3 November 2000 the authorised share capital of the Company was increased to £50,014 by the creation of an additional 14 ordinary shares of £1 each and seven ordinary shares of £1 each were issued to each of Nick Hewson and Chris Evans. The 16 issued ordinary shares of £1 each in the capital of the Company were then consolidated into two ordinary shares of £8 each and then divided into ten ordinary shares of £1.60 each in the capital of the Company. On 3 November 2000 the authorised share capital of the Company was increased to £240,049,998 by the creation of an additional 149,999,990 ordinary shares of £1.60 each.

Assuming that no further shares have been issued after 3 November 2000, 99,248,528 New Shares will, subject to Admission, be issued pursuant to the scheme of arrangement under section 425 of the Companies Act 1985 on the date on which the scheme becomes effective, expected to be 19 December 2000.

At the date of this document the Company has one subsidiary, Grantchester Land Limited, which is wholly owned by the Company, and has an issued share capital of one ordinary share of £1.

Details of the authorised and issued share capital of the Company is set out in section 2 of Part VIII of this document.

The Company has not yet commenced trading.

No audited financial statements have been prepared in respect of any period since incorporation. No dividends have been declared or paid.

Yours faithfully

**BDO Stoy Hayward**  
*Chartered Accountants and Registered Auditors*



## PART VI

### Pro Forma Statement of Net Assets of the New Group

The unaudited statement of net assets, (the "pro forma statement") has been prepared as if the sale of the four properties to CIN (announced 5 October 2000) and the Scheme had been completed on 30 September 2000. This pro forma statement was set out in the announcement by Grantchester in relation to the Proposal dated 31 October 2000. The pro forma statement has been prepared on the bases referred to below. No adjustments have been made to take account of the trading or changes in the financial position of the Group after 30 September 2000, save for the sale of the four properties and the Scheme.

The pro forma statement is for illustrative purposes only, to provide information about how the sale of the four properties and the Scheme might have affected the financial information presented. Due to the nature of the pro forma statement it may not give a true picture of what the New Group's financial position actually would have been if the sale of the four properties and the Scheme had in fact occurred on 30 September 2000.

	<i>Net assets of the Group as at 30 September 2000 (Note 1) £'000</i>	<i>Adjustment: Sale of the four properties to CIN (Note 6) £'000</i>	<i>Pro forma net assets immediately prior to the return of cash (Note 7) £'000</i>	<i>Adjustment: Return of cash (Note 7) £'000</i>	<i>Pro forma net assets of the New Group (Note 12) £'000</i>
Investment properties	651,117	(129,091)	522,026	—	522,026
Trading properties	47,993	—	47,993	—	47,993
Cash at bank	88,453	85,616	174,069	(142,551)	31,518
Borrowings (Note 2)	(366,670)	43,275	(323,395)	—	(323,395)
Other net liabilities	(7,263)	—	(7,263)	—	(7,263)
Deferred taxation	(2,430)	—	(2,430)	—	(2,430)
<b>Net assets as per consolidated balance sheet</b>	<b>411,200</b>	<b>(200)</b>	<b>411,000</b>	<b>(142,551)</b>	<b>268,449</b>
Unrealised surplus on revaluation of certain trading properties (Note 3)	5,186	—	5,186	—	5,186
Adjustment for amounts disclosed in accordance with FRS 13 (Note 4)	3,019	—	3,019	—	3,019
<b>Adjusted net assets</b>	<b>419,405</b>	<b>(200)</b>	<b>419,205</b>	<b>(142,551)</b>	<b>276,654</b>
Number of shares in issue (million) (Note 5)	183.8	—	183.8	(84.6)	99.2
<b>Net assets per share</b>					
Basic (Note 8)	224p		224p		270p
Adjusted (Note 9)	228p		228p		279p
Net gearing (Note 10)	67.7%		36.3%		108.7%
Adjusted net gearing (Note 11)	66.3%		35.6%		105.5%

#### Notes

- The net assets of the Group have been extracted without adjustment from the financial and other information relating to Grantchester which is set out in Part IV(B) ('Comparative Table').
- The borrowings (which comprise bank borrowings and Debenture Stock 2020) at 30 September 2000 are stated net of unamortised loan issue and hedging costs.

- 3 The unrealised surplus of £5,186,000 on the revaluation of completed trading properties at 30 September 2000 has been extracted from the Comparative Table.
- 4 The adjustment of £3,019,000 for amounts disclosed in accordance with FRS 13 at 30 September 2000 has been extracted from the Comparative Table.
- 5 The number of Grantchester Shares in issue at 30 September 2000 has been extracted from the Comparative Table. The pro forma number of New Shares in issue is based on an exchange ratio of 54 New Shares for every 100 Grantchester Shares.
- 6 The sale of the four properties to CIN was announced on 5 October 2000. The proceeds from the sale and the valuations in respect of these four properties at 30 September 2000 together with the part repayment of bank borrowings have been extracted from the Comparative Table. Deferred taxation of £12,200,000, arising on the revaluation of the investment properties sold after the balance sheet date has not been provided on the basis that the Directors anticipate that the capital gains arising on these disposals will be offset against capital losses.
- 7 The acquisition of Grantchester by New Grantchester, in exchange for £140 million payable in cash and the issue of 99.2 million New Shares. The estimated costs of the transaction are approximately £2.5 million.
- 8 The basic net assets per share has been calculated on the basis of the net assets prior to the adjustments in notes 3 and 4 above, after deducting £100,000 representing the carrying cost of 66,870 of the Company's shares held in the Grantchester Employee Trust, and the number of shares in issue at 30 September 2000 (excluding the shares held by the Grantchester Employee Trust) and the pro forma number of New Shares issued. The pro forma number of New Shares to be held by the Grantchester Employee Trust is 36,109.
- 9 The adjusted net assets per share have been calculated as in note 8 after taking into account the adjustments in notes 3 and 4 above.
- 10 Net gearing represents the net debt (borrowings less cash at bank) expressed as a percentage of net assets.
- 11 Adjusted net gearing represents the net debt (borrowings less cash at bank) expressed as a percentage of adjusted net assets.
- 12 The net assets of the New Group have been prepared on the basis of merger accounting and do not reflect the Group's trading in the period since 30 September 2000.

*The Directors*

Grantchester PLC  
3 Finsbury Square  
London  
EC2A 1AE

J P Morgan Securities Limited  
60 Victoria Embankment  
London  
EC4Y 0JP

6 November 2000

Dear Sirs

**GRANTCHESTER PLC (THE "COMPANY")**

We report on the pro forma statement of net assets of the New Group set out in Part VI of the document dated 6 November 2000. The pro forma statement of net assets has been prepared, for illustrative purposes only, to provide information about how the completion of the proposed scheme of arrangement, whereby the Company effectively acquires Grantchester Holdings PLC, affects the financial information presented.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the pro forma statement of net assets in accordance with paragraph 12.29 of the listing rules of the UK Listing Authority.

It is our responsibility to form an opinion, as required by the listing rules of the UK Listing Authority, on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the directors of the Company.

**Opinion**

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets as disclosed pursuant to paragraph 12.29 of the listing rules of the UK Listing Authority.

Yours faithfully

**BDO Stoy Hayward**  
*Chartered Accountants and Registered Auditors*

## PART VII

### Taxation

#### 1. Introduction

The comments set out are for general purposes only and address the position under current UK law and published UK Inland Revenue practice (which may be subject to change). Comments are made only in connection with Grantchester Shareholders who hold their shares as investments and are resident and, where applicable, ordinarily resident in the UK for tax purposes.

Grantchester has not sought tax clearances from the Inland Revenue in relation to the Proposal.

#### 2. UK taxation position

Liability to UK taxation in respect of chargeable gains arising on the Scheme becoming effective will depend upon the individual circumstances of Grantchester Shareholders. Under current UK legislation, the Scheme will constitute a scheme of reconstruction or amalgamation within the meaning of section 136 Taxation of Chargeable Gains Act 1992 ("TCGA"). As a result of the application of section 136, Grantchester Shareholders, who together with persons connected to them do not own more than five per cent. of the Grantchester Shares, will not, under the Scheme, be treated as making a disposal for UK taxation purposes to the extent that they receive New Shares as a result of the Scheme.

Section 137 TCGA applies to shareholders who, either alone or together with persons connected with them, own more than five per cent. of a company's issued share capital or any class thereof. It provides that section 136 TCGA shall not apply, *inter alia*, to any shares issued under a scheme of reconstruction unless the reconstruction is effected for *bona fide* commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is the avoidance of liability to capital gains tax or corporation tax. If the Inland Revenue consider that the Scheme has not been effected as required by section 137 TCGA, a Grantchester Shareholder who, either alone or together with persons connected with him, owns more than five per cent. of Grantchester's issued share capital, will not benefit from the treatment described above. If this is the case, he may be treated as disposing of his Grantchester Shares for a consideration equal to the cash element of the Scheme consideration and the market value of the New Shares issued to him. This may result in a liability to UK capital gains tax.

In assessing whether or not a shareholder, together with connected persons, owns in excess of five per cent. of the Grantchester share capital it is necessary to consider the beneficial ownership of the Grantchester Shares and not those shares held in the capacity of nominee. A connection for this purpose is interpreted by section 286 TCGA. The connection test is a broad one. However, this will only affect the tax treatment for Grantchester Shareholders who, together with any connected persons, beneficially own in excess of five per cent. of Grantchester's issued share capital.

Any Grantchester Shareholder who is unsure as to whether or not he is the beneficial owner of the shares and furthermore whether he is connected within the meaning of section 286 TCGA is recommended to consult his or her professional adviser.

#### (a) Scheme proceeds

##### (i) Cash element of the consideration

A Grantchester Shareholder will, to the extent that he receives cash consideration under the Scheme, be treated as making a disposal which may, depending upon his individual circumstances, give rise to a liability to UK capital gains tax. In calculating the chargeable gain, the shareholder will be able to deduct from the cash consideration part of the base cost of his Grantchester Shares, together, if appropriate, with indexation and taper relief.

(ii) *New Shares*

Subject to the comments in paragraph 2 above, a Grantchester Shareholder will not be treated as making a disposal for the purposes of UK tax on chargeable gains to the extent that he receives New Shares as a result of the Scheme. Any gain or loss which would otherwise have arisen on the disposal of his Grantchester Shares will be "rolled-over" into his New Shares and such New Shares will be treated as the same asset as his original Grantchester Shares. The New Shares will therefore be treated as having been acquired at the same time and for part of the consideration given for the original Grantchester Shares as stated in paragraph 2(a)(i) above. A capital gain or loss may arise on the subsequent disposal of the New Shares.

**(b) Apportionment**

The original cost of a shareholder's Grantchester Shares will be attributed to the cash and New Share elements of the Scheme consideration *pro rata* to the value of the such cash and the market value of the New Shares on the first day of dealing in the New Shares.

**3. New Grantchester Reduction**

Under the New Grantchester Reduction, subject to the matters described in paragraph 6 of Part II, the par value of each New Share will be reduced from £1.60 to 50p and the resulting reduction in paid up capital will be transferred to New Grantchester's reserves. The New Grantchester Reduction will constitute a reorganisation of New Grantchester's share capital for the purposes of section 126 TCGA. Accordingly, by virtue of section 127 TCGA, the New Grantchester Reduction will not be treated as involving any disposal of New Shares for capital gains purposes. The base cost of the New Shares following the New Grantchester Reduction will therefore not be affected by the New Grantchester Reduction.

**4. Stamp duty and stamp duty reserve tax**

No stamp duty or stamp duty reserve tax will be payable by Grantchester Shareholders on the cancellation of Grantchester Shares or on the issue of new Grantchester Shares or New Shares upon the Scheme becoming effective. No stamp duty reserve tax will be payable in respect of the issue of New Shares pursuant to the Scheme.

**5. Dividends**

Under current UK tax legislation, no tax is withheld from dividends paid by companies. Advance corporation tax was abolished in relation to distributions after 5 April 1999.

Individual shareholders who are resident in the UK for tax purposes are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit; the tax credit is 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one-ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic, but not higher, rate income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as the top slice of income.

Registered charities may reclaim tax credits from the Inland Revenue on a reducing balance basis until 5 April 2004.

Corporate shareholders who are resident in the UK for tax purposes will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

A UK pension fund, as defined in section 231A of the Income and Corporation Taxes Act 1988, is restricted from claiming repayment of the tax credit.

Shareholders not resident in the UK for tax purposes are generally not taxed in the UK on dividends received by them. By virtue of double taxation agreements between the UK and the other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they received from UK companies. Such shareholders should note however that, since 6 April 1999, most shareholders who are entitled to claim a payment of a portion of tax credits pursuant to double taxation agreements have either ceased to be able to obtain payments or have seen the amount payable fall to a very small percentage of the dividends to which the tax credits relate. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

**Any Grantchester Shareholder who has any doubt about his own tax position or who is subject to taxation in any jurisdiction other than the UK is strongly recommended to consult his or her independent professional adviser immediately.**

## PART VIII

### Additional Information

#### 1. New Grantchester

New Grantchester was incorporated and registered in England and Wales on 18 July 2000 (registered number 4035681) under the Act as a public company limited by shares with the name Steelgrange plc. On 28 September 2000, New Grantchester changed its name to Grantchester PLC. New Grantchester has not traded since its incorporation. The registered office of New Grantchester is 3 Finsbury Square, London EC2A 1AE.

#### 2. Share capital of New Grantchester

- 2.1 The New Shares are in registered form and are capable of being held in uncertificated form. Application has been made for Admission and it is expected that dealings in the New Shares will commence on 20 December 2000. No temporary documents of title have been or will be issued in respect of the New Shares. None of the New Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Shares to be admitted to the Official List otherwise than pursuant to the Scheme. It is expected that share certificates will be posted first class to shareholders by 4 January 2001.
- 2.2 On incorporation, New Grantchester had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which two were issued, fully paid, to the subscribers to New Grantchester's memorandum of association. One ordinary share of £1 each was transferred, fully paid, on 28 September 2000 to each of the Initial Shareholders.
- 2.3 Since incorporation there have been the following changes in the authorised share capital and the issued share capital of New Grantchester:
  - 2.3.1 on 28 September 2000, 49,998 unissued ordinary shares of £1 each were reclassified as 49,998 Redeemable Shares of £1 each by a resolution of New Grantchester and were issued to Nick Hewson one quarter paid up at par to enable New Grantchester to obtain a trading certificate pursuant to the provisions of the Act;
  - 2.3.2 on 3 November 2000:
    - (a) the authorised share capital of New Grantchester was increased to £50,014 by the creation of an additional 14 ordinary shares of £1 each and seven ordinary shares of £1 each were issued to each of Nick Hewson and Chris Evans;
    - (b) the 16 issued ordinary shares of £1 each in the capital of New Grantchester were consolidated into two ordinary shares of £8 each and immediately thereafter the two issued ordinary shares of £8.00 each arising as a result of the such consolidation were divided into ten ordinary shares of £1.60 in the capital of New Grantchester;
    - (c) the authorised share capital of New Grantchester was then increased to £240,049,998 by the creation of an additional 149,999,990 ordinary shares of £1.60 each;
    - (d) the directors were generally and unconditionally authorised for the purposes of section 80(1) of the Act to exercise all the powers of New Grantchester to allot relevant securities (within the meaning of section 80(2) of the Act) pursuant to the Scheme and otherwise up to an aggregate nominal amount of £211,730,219 such authority to expire on 31 December 2001 or, if earlier, at the conclusion of the annual general meeting of New Grantchester in 2001;
    - (e) the directors were empowered until 31 December 2001 or, if earlier, at the conclusion of the annual general meeting of New Grantchester to be held in 2001 to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in

paragraph 3.3.2(d) above as if section 89 of that Act did not apply to any such allotment, such power being limited to:

- (i) the allotment of equity securities in connection with an offer or issue to holders of New Shares or other equity securities in proportion (as nearly as may be practicable) to the respective numbers of New Shares or other equity securities held by them but including in connection with such an issue, the making of such arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or problems under the laws of any territory or the requirements of any regulatory body or any stock exchange; and
  - (ii) the allotment (other than pursuant to the powers referred to in sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £7,939,883 (representing approximately 5 per cent. of the aggregate nominal amount of all shares expected to be issued and fully paid immediately after the Scheme becomes effective).
- (f) New Grantchester was authorised to make market purchases of up to 14,887,280 ordinary shares at a minimum price equal to the par value per share and a maximum price of an amount equal to 105 per cent. of the average of the middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List over a five day period (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked).
- 2.4 Assuming that no further shares have been issued after 3 November 2000 (the latest practicable date prior to publication of this document) on the Effective Date, 99,248,528 New Shares will, subject to Admission be issued pursuant to the Scheme.
- 2.5 As at the date of this document, New Grantchester has an authorised share capital of £240,049,998 divided into 150,000,000 ordinary shares of £1.60 each and 49,998 Redeemable Shares and an issued share capital of ten ordinary shares of £1.60 each and 49,998 Redeemable Shares.
- 2.6 On the Scheme becoming effective, the authorised share capital of New Grantchester will be £240,049,998 divided into 150,000,000 New Shares and 49,998 Redeemable Shares of which, assuming that no further Grantchester Shares have been issued after 3 November 2000 (the latest practicable date prior to publication of this document), 99,248,538 New Shares will be in issue and will be fully paid or credited as fully paid and 49,998 Redeemable Shares will be in issue one quarter paid up.
- 2.7 The provisions of section 89(1) of the Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 89(2) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued share capital except to the extent disapplied by the resolution referred to in paragraph 2.3.2(e) above.
- 2.8 The Redeemable Shares will be paid up in full at par by Nick Hewson and redeemed at par by New Grantchester following the Scheme becoming effective and the authorised share capital represented by the Redeemable Shares will be cancelled.
- 2.9 Upon cancellation of the authorised share capital represented by the Redeemable Shares of the Redeemable Shares, assuming that no further shares have been issued after 3 November 2000 (the latest practicable date prior to the issue of this document) the authorised share capital of New Grantchester will comprise 150,000,000 New Shares of which 99,248,538 New Shares will be in issue and credited as fully paid.
- 2.10 Upon the New Grantchester Reduction becoming effective, assuming that no further shares have been issued after 3 November 2000 (the latest practicable date prior to the issue of this document) the authorised and issued share capital of New Grantchester will comprise 150,000,000 New Shares of 50p each of which 99,248,538 New Shares will be in issue and credited as fully paid.



- 2.11 No commissions, discounts, brokerages or other special terms have been granted by New Grantchester in connection with the issue or sale of any share or loan capital of New Grantchester.
- 2.12 The Articles of Association of New Grantchester are, in all respects, consistent with (a) the holding of the New Shares in uncertificated form, (b) the transfer of title to New Shares by means of a relevant system and (c) The Uncertificated Securities Regulations 1995 (SI 1995 No: 3272). Accordingly, the Directors have resolved to permit the holding of New Shares in uncertificated form and the transfer of title to New Shares by means of a relevant system. For these purposes CREST is a relevant system.

### **3. Share capital of Grantchester**

- 3.1 During the three years prior to the date of this document there have been the following changes in the authorised share capital and the issued share capital of Grantchester:

3.1.1 At an extraordinary general meeting of Grantchester held on 28 May 1998, an ordinary resolution was passed as follows:

- (a) the authorised share capital of Grantchester was increased from £15 million to £24 million by the creation of an additional 90 million ordinary shares; and
- (b) the existing authority conferred on the directors generally and unconditionally pursuant to and in accordance with section 80 of the Act, to allot relevant securities (as defined in that section) was extended for the period ending on 28 May 2003 unless otherwise revoked.

3.1.2 At the annual general meeting of Grantchester held on 18 December 1998:

- (a) the directors were generally and unconditionally authorised pursuant to and in accordance with section 80 of the Act, to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £4,482,590.80 (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked) and pursuant to a special resolution the directors were empowered to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply, such power being limited to the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares and to the allotment of equity securities (otherwise than pursuant to above) having a nominal sum not exceeding in the aggregate the sum of £975,870 (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked); and
- (b) Grantchester was authorised to make market purchases of ordinary shares to a maximum of 19,517,409 at a minimum price of 10p per share and a maximum price of an amount equal to 105 per cent. of the average of the middle market quotation for an ordinary share according to the London Stock Exchange Daily Official List over a five day period (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked).

3.1.3 At the annual general meeting of Grantchester held on 20 December 1999:

- (a) the directors were generally and unconditionally authorised pursuant to and in accordance with section 80 of the Act, to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £4,482,590.80 (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked) and pursuant to a special resolution the directors were empowered to allot equity securities (as defined in section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply, such power being limited to the allotment of equity securities in connection with a rights issue in favour of holders of ordinary shares and to the allotment of equity securities (otherwise than pursuant to above) having a nominal sum not exceeding in the aggregate the sum

of £975,870 (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked); and

- (b) Grantchester was authorised to make market purchases of ordinary shares to a maximum of 27,324,372 at a minimum price of 10p per share and a maximum price of an amount equal to 105 per cent. of the average of the middle market quotation for an ordinary share according to the London Stock Exchange Daily Official List over a five day period (such authority to expire at the earlier of the conclusion of the next annual general meeting or fifteen months from the passing of the resolution unless renewed, varied or revoked).

3.1.4 As at 3 November 2000 (the latest practicable date prior to the issue of this document), Grantchester has an authorised share capital of £24,000,000 divided into 240,000,000 ordinary shares of 10p each and an issued share capital of 183,793,589 ordinary shares of 10p each and there were 5,969,117 share options outstanding.

3.1.5 The following table summarises information relating to the number of shares under option and those which were exercisable at 3 November 2000 (the latest practicable date prior to the issue of this document):

<i>Date of Grant</i>	<i>No. of Options outstanding</i>	<i>Exercise Price per Share Option</i>	<i>Number of Share Options Exercisable at 3 November 2000</i>
3 October 1996	1,200,597	0.873	800,398
19 November 1997	53,731	1.675	—
23 December 1998	727,273	1.375	—
9 June 1999	449,259	1.685	—
21 December 1999	2,098,601	1.535	—
7 January 2000	528,052	1.515	—
16 June 2000	207,430	1.615	—
1 November 2000	503,240	1.815	—
2 November 2000	200,934	1.835	—
	<u>5,969,117</u>		<u>800,398</u>

The only options outstanding are options granted to employees (including executive directors) under the Grantchester Share Scheme.

3.1.6 During the three years prior to the date of this document, the following changes in the issued share capital of Grantchester have been made:

<i>Date</i>	<i>No. of Shares allotted/ bought back</i>	<i>Price allotted/paid</i>	<i>Reasons for allotment/buy back</i>
1 October 1997– 30 September 1998	334,261	10p ordinary shares allotted at 10p per share	Option shares issued for cash
	73,091,722	10p ordinary shares allotted at 10p per share	Acquisition of Edge Properties plc
	2,749,102	10p ordinary shares allotted at 191.5p per share	Acquisition of London & Metropolitan PLC
1 October 1998– 30 September 1999	No movements from previous year		
1 October 1999– 3 November 2000	11,773,450	10p ordinary shares bought back at £1.40–£1.50	Off-market share repurchase
	392,947	10p ordinary shares allotted at 87.3p–153.5p	Issued to satisfy the exercise of unapproved options

#### **4. Memorandum and articles of association of New Grantchester**

- 4.1 The Memorandum of Association of New Grantchester (the “Memorandum of Association”) provides that New Grantchester’s principal objects are, *inter alia*, to acquire land for development, investment or resale and to carry on the business of a holding company. The objects of New Grantchester are set out in full in clause 4 of the Memorandum of Association, which is available for inspection at the address set out in paragraph 17 below.
- 4.2 The Articles of Association of New Grantchester (the “Articles”) were adopted pursuant to a written resolution of the shareholders of New Grantchester passed on 28 September 2000 subject to and conditional upon the Listing becoming effective. The Articles contain provisions, *inter alia*, to the following effect:

##### **4.2.1 Voting rights**

Subject to any rights or restrictions attached to any New Shares and to any other provisions of the Articles, at any general meeting on a show of hands every member who is present in person will have one vote and on a poll every member will have one vote for every New Share of which he is the holder. On a poll, votes may be cast either personally or by proxy and a member may appoint more than one proxy to attend on the same occasion. There are no special restrictions attaching to the ordinary shares.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and seniority will be determined by the order in which the names of the holders appears in the register of members of New Grantchester.

Unless the Board otherwise determines, no member, or person to whom any of that member’s shareholding is transferred other than by a transfer approved under the Articles, may vote at any general meeting or at any separate meeting of holders of any class of shares in New Grantchester either in person or by proxy or exercise any other right or privilege as a member: (A) in respect of any share in New Grantchester held by him unless all monies presently payable by him in respect of that share have been paid; or (B) in respect of any New Share comprised in relevant share capital (as defined in section 198(2) of the Act) held by him if he or any other person appearing to be interested in the New Share has been given a notice under section 212 of the Act

and has failed to give New Grantchester the information required by the notice within the applicable period and New Grantchester has then given the holder of those New Shares a further notice ("restriction notice") to the effect that from the service of the restriction notice those New Shares will be subject to such restriction.

#### **4.2.2 Dividends and other distributions**

Subject to the provisions of every statute for the time being in force concerning companies and affecting New Grantchester (the "Statutes"), New Grantchester may by ordinary resolution declare dividends in accordance with the respective rights of the members but not exceeding the amount recommended by the Board. If it appears to the Board that such payments are justified by the financial position of New Grantchester, the Board may pay: (A) interim dividends; or (B) at intervals settled by it, any dividend payable at a fixed date.

Except insofar as the rights attaching to any share otherwise provide, all dividends will be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in which the dividend is paid.

Dividends may be satisfied wholly or partly by the distribution of assets and may be declared or paid in any currency. The Board may, if authorised by an ordinary resolution of New Grantchester, offer the holders of New Shares the right to elect to receive New Shares credited as fully paid, instead of cash for all or part of the dividend specified by that ordinary resolution.

New Grantchester may stop sending any cheque or warrant through the post for any dividend or other monies payable in respect of a New Share if in respect of at least two consecutive dividends, the cheques or warrants have been returned undelivered or remain uncashed. New Grantchester must resume sending cheques or warrants if the shareholder or person entitled by transmission claims the arrears.

Any dividend unclaimed for 12 years from the date when it became due for payment will be forfeited and revert to New Grantchester.

In a winding up, a liquidator may, with the sanction of a special resolution of New Grantchester and any other sanction required by the Statutes, divide among the members the whole or any part of the assets of New Grantchester (whether the assets are of the same kind or not).

Unless the Board determines otherwise, no member holding New Shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of share capital of New Grantchester will be entitled to receive payment of any dividend or other distribution if he or any person appearing to be interested in such New Shares has been given a notice under section 212 of the Act and has failed to give New Grantchester the information required by the notice within the applicable period and New Grantchester has then given the holder of those New Shares a restriction notice to the effect that from the service of the restriction notice those New Shares will be subject to such restrictions.

#### **4.2.3 Capitalisation of profits**

If the Board so recommends, New Grantchester may pass an ordinary resolution to capitalise all or any part of any undivided profits of New Grantchester not required for paying any preferential dividend (whether or not they are available for distribution) or all or any part of any sum standing to the credit of any reserve or fund (whether or not they are available for distribution). The Board may appropriate the capitalised sum to those members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any New Shares held by them respectively, or in the paying up in full unissued shares or debentures of New Grantchester or a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly one way or partly in the other; but for the purposes of the Articles the share premium account, the

capital redemption reserve, and any reserve or fund representing profits which are not available for distribution may only be applied in paying up in full unissued shares of New Grantchester.

#### **4.2.4 Variation of rights**

Subject to the Statutes, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of the shares of that class) be varied with the written consent of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. The provisions of the Statutes and of the Articles relating to general meetings will *mutatis mutandis* apply to any such separate meeting, except that:

- (a) the necessary quorum will be a person or persons holding or representing by proxy not less than one-third in nominal amount of the issued shares of that class or, at any adjourned meeting of holders of shares of that class at which such a quorum is not present, will be any such holder who is present in person or by proxy whatever the number of shares held by him;
- (b) any holder of shares of that class present in person or by proxy may demand a poll; and
- (c) every holder of shares of that class will, on a poll, have one vote in respect of every share of that class held by him.

#### **4.2.5 Transfer of shares**

Subject to such restrictions of the Articles as may be applicable, a member may transfer all or any of his New Shares by an instrument of transfer in any usual form which the Board may approve. An instrument of transfer will be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. The transferor will be determined to remain the holder of the New Share until the name of the transferee is entered in the register of members in respect of it.

Subject to the Statutes, the Board may refuse to register the transfer of a New Share which is not fully paid without giving any reason for so doing, provided that where such shares are admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.

The Board may also refuse to register the transfer of a share if:

- (a) it is not lodged, duly stamped (if necessary), at the registered office of New Grantchester or at such other place as the Board may appoint and accompanied by the certificate for the New Shares to which it relates where a certificate has been issued in respect of the shares) and/or such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;
- (b) it is not in respect of one class of share only;
- (c) it is not in favour of four or less transferees; and
- (d) it is in favour of a minor, bankrupt or person of mental ill health.

If the Board refuses to register a transfer it will, within two months of the date on which the transfer was lodged, send to the transferee a notice of refusal. The registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any calendar year) as the Board may determine.

No fee will be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share. Any instrument of transfer which is registered may be retained by New Grantchester, but any instrument of transfer which the Board refuses to register will be returned to the person lodging it when notice of the refusal is given.

Unless the Board otherwise determines, no member holding shares representing 0.25 per cent. or more in nominal value of the issued shares of any class of relevant share capital (as defined in section 198(2) of the Act) in New Grantchester will be entitled to transfer any such shares otherwise than pursuant to an arm's length sale (as defined in the Articles), if he or any person appearing to be interested in such shares has been given a notice under section 212 of the Act and has failed to supply New Grantchester with the information required by the notice within the applicable period and New Grantchester has then given the holder of those shares a restriction notice to the effect that from the service of the restriction notice those shares will be subject to such restrictions.

#### **4.2.6 CREST**

The Articles enable the New Shares to be held in uncertificated form and to be eligible for transfer and settlement in CREST, in accordance with the Statutes and the CREST rules and otherwise in such manner as the board in its absolute discretion shall determine.

#### **4.2.7 Alteration of capital**

New Grantchester may by ordinary resolution increase, consolidate, divide and sub-divide its share capital. Subject to the Statutes, New Grantchester may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

#### **4.2.8 Purchase of own shares**

Subject to the Statutes, and to any rights conferred on the holder of any class of shares, New Grantchester may purchase all or any of its shares of any class (including any redeemable shares).

#### **4.2.9 General meetings**

Annual general meetings will be held in accordance with the requirements of the Statutes. The Board may convene an extraordinary general meeting whenever it thinks fit.

#### **4.2.10 Directors**

##### **(a) Appointment of directors**

Directors may be appointed by New Grantchester by ordinary resolution or by the Board. A director appointed by the board holds office only until the next following annual general meeting and is not taken into account in determining the directors or the number of directors who are to retire by the rotation at such meeting.

Unless otherwise determined by ordinary resolution of New Grantchester, the number of directors (disregarding alternate directors) will not be less than two but will not be subject to any maximum. The directors are not required to hold any qualification shares in New Grantchester.

##### **(b) Age of directors**

No person will be disqualified from being appointed a director, and no director will be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age nor will it be necessary by reason of his age to give special notice of resolutions under the Statutes. Where the Board convenes any general meeting of New Grantchester at which (to the knowledge of the Board) a director will be proposed for appointment or re-appointment who will have attained the age of 70 years or more at the date for which the meeting is convened, the Board will give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so will not invalidate any proceedings, or any appointment or re-appointment of that director, at that meeting.

(c) *Retirement of directors by rotation*

At every annual general meeting one-third of the directors who are subject to retirement by rotation, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office but, if there is only one director who is subject to retirement by rotation, he shall retire.

Subject to the Statutes and to the Articles, the directors to retire will be those who have been longest in office but, as between those who were appointed or re-appointed on the same day, those to retire will be selected by lot or otherwise agreed amongst themselves. The directors to retire (both as to number and identity) will be determined by the composition of the Board at start of business on the date of the notice convening the annual general meeting.

(d) *Remuneration of directors*

Each of the directors will be paid a fee for his services at such rate as may from time to time be determined by the Board or by a committee authorised by the Board provided that the aggregate of such fees (excluding any executive remuneration or other amounts payable under any other provision of the Articles) will not exceed £200,000 per annum or such higher amount as New Grantchester, by ordinary resolution, may determine from time to time. Directors' fees will be deemed to accrue from day to day.

The directors may be paid all travelling, hotel and other expenses properly incurred by them in performing their duties as directors including all such expenses incurred in connection with attending and returning from meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of New Grantchester or otherwise in connection with the business of New Grantchester.

In addition, any director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of New Grantchester or goes or resides abroad for any purposes of New Grantchester shall (unless New Grantchester by ordinary resolution determines otherwise) receive such remuneration or extra remuneration by way of salary, commission, participation in profits or otherwise as the Board or any committee authorised by the Board may determine.

(e) *Pensions and gratuities for directors*

The Board or any committee authorised by the Board may exercise all the powers of New Grantchester to provide benefits, whether by the payment of gratuities, pensions, annuities, allowances, bonuses or by insurance or otherwise, for any director or former director who holds or who has held but no longer holds any executive office, other office, place or profit or employment with New Grantchester or with any body corporate which is or has been as subsidiary undertaking of New Grantchester or a predecessor in business of New Grantchester or of any such subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (before as well as after he ceases to hold such office, place of profit or employment) establish, maintain, support, subscribe to and contribute to any scheme trust or fund for the benefit of all or any such persons and pay premiums for the purpose or provision of any such benefits.

The Board or any committee authorised by the Board may procure any of these matters to be done by New Grantchester either alone or in conjunction with any other person. No director or former director shall be accountable to New Grantchester or the members for any benefit provided pursuant to this provision of the Articles and the receipt of any such benefit shall not disqualify any person from being or becoming a director.

(f) *Permitted interests of directors*

Subject to the Statutes, and provided he has declared the nature of his interest to the Board (if he knows of it), a director is not disqualified by his office from contracting with New

Grantchester in any manner nor is any contract in which he is interested liable to be avoided and any director who is so interested is not liable to account to New Grantchester or the members for any benefit realised by the contract by reason of the director holding that office.

A director may hold any other office or place of profit with New Grantchester (except that of auditor) in conjunction with his office of director and may act by himself or through his firm in a professional capacity for New Grantchester (otherwise than as auditor) and in either case may be paid such additional remuneration for so doing as the board may decide, either in addition to or in lieu of any remuneration provided for by other Articles. A director may also be or become a director or other officer of, or otherwise interested in, any company promoted by New Grantchester or in which New Grantchester may be interested and will not be liable to account to New Grantchester or the members for any remuneration or benefits received by him.

(g) *Restrictions on voting*

Save as otherwise provided by the Articles, a director will not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any matter in which he has to his knowledge, directly or indirectly, an interest (other than his interest in shares or debentures or other securities of or otherwise in or through New Grantchester) or duty which (together with any interest of a person connected with him, as described in the Articles) is material and, if he does so vote, his vote will not be counted.

A director will be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters namely:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, New Grantchester or any of its subsidiary undertakings;
- (ii) the giving by New Grantchester of any guarantee, security or indemnity to a third party in respect of a debt or obligation of New Grantchester or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of New Grantchester or any of its subsidiary undertakings or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures or other securities by New Grantchester or any of its subsidiary undertakings for subscription, purchase or exchange;
- (iv) any contract concerning any company, not being a company in which the director owns one per cent. or more of the equity share capital of such company or of the voting rights available to the members of such company, in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise;
- (v) any arrangement for the benefit of employees of New Grantchester or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the arrangement relates;
- (vi) any contract concerning any insurance which New Grantchester is empowered to purchase or maintain for, or for the benefit of, any directors or for persons who include directors.

A director will not vote or be counted in the quorum in relation to any resolution of the Board concerning his own appointment as the holder of any office or place of profit with New Grantchester or any company in which New Grantchester is interested, including settling or varying the terms, or the termination, of his appointment.



#### **4.2.11 Borrowing and other powers**

Subject to the Statutes, the Memorandum of Association and the Articles and to any directions given by New Grantchester in general meeting by special resolution, the business of New Grantchester will be managed by the Board which may exercise all the powers of New Grantchester. In particular, the Board may exercise all the powers of New Grantchester to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of New Grantchester and, subject to the Statutes, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of New Grantchester or of any third party. The Board will restrict the borrowings of New Grantchester and exercise all voting and other rights or powers of control exercisable by New Grantchester in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only insofar as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) will not at any time without the previous sanction of an ordinary resolution of New Grantchester exceed an amount equal to the greater of £500,000,000 or three times the adjusted capital and reserves (as defined in the Articles).

#### **4.2.12 Indemnity of officers**

Subject to the Statutes, New Grantchester may indemnify any director or other officer against any liability and purchase and maintain for any director, other officer or auditor, insurance against any liability. Subject to this, but without prejudice to any indemnity to which the person concerned may otherwise be entitled every director or other officer and the auditors will be indemnified out of the assets of New Grantchester against any liability incurred as a director, officer or auditor in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or he is acquitted or in connection with any application under the Statutes in which relief is granted to him by the court.

#### **4.2.13 Untraced shareholders**

New Grantchester may sell at the best price reasonably obtainable any shares of a holder or any share to which a person is entitled by transmission after:

- (a) giving notice of its intention to do so by two advertisements;
- (b) waiting for three months after the later of the dates of such advertisements (if published on different dates); and
- (c) notifying New Grantchester of its intention to sell; if for a period of at least twelve years (the "qualifying period") no cheque or warrant sent by New Grantchester has been cashed and during that period at least three cash dividends have become payable and have not been claimed and New Grantchester has not received any communication during the qualifying period, or the period of three months after the later of the dates of the advertisements (if published on different dates), from the holder of the shares or any person entitled to them by transmission. Upon any such sale, New Grantchester will become indebted to the former holder or person entitled by transmission for an amount equal to the net proceeds of sale.

### **5. Summary of New Grantchester Incentive Schemes**

#### **5.1 The New Executive Scheme**

The New Executive Scheme has two parts, Part A and Part B. Application will be made to the Inland Revenue for approval of Part A of the New Executive Scheme under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988. Part B of the New Executive Scheme will be unapproved. All employees and full-time executive directors of the Company and its subsidiaries will be eligible to be granted options under Part A of the New Executive Scheme. Options may be granted under Part B of

the New Executive Scheme to any director or employee of New Grantchester or its subsidiaries. The Board shall determine which eligible individuals are granted options.

Options may normally only be granted (over newly issued or existing New Shares) within six weeks after Admission or announcement of New Grantchester's results for any period. Options may also be granted on any day on which the Board determines that exceptional circumstances justify a grant.

Options may only be granted within the period of 10 years from the date on which the New Executive Scheme is adopted by New Grantchester.

Exercise of options will be made conditional on the achievement of objective performance conditions determined by the New Board at the date of grant. For the first year the condition will be that New Grantchester's total shareholder return over the three year period from the date of grant will exceed the total return from the FT Property Index over the same period.

Options will entitle the option holder to acquire New Shares at a price determined by the New Board. The exercise price of options will be not less than the middle-market quotation of a New Share derived from the London Stock Exchange Daily Official List on the dealing day immediately before the date of grant, or, if the Board so decides, the average middle-market quotation of a New Share over the three dealing days immediately preceding the date of grant. Notwithstanding the above, in the case of any option under which New Shares are to be issued, the exercise price will not be less than the nominal value of such a New Share.

The New Executive Scheme will permit the annual grant of options to participants. The remuneration committee will decide the level of awards in each year in the light of market practice. A normal limit will be set, but a higher limit may be applied in exceptional circumstances when required specifically to recruit or retain an executive director. In addition, the aggregate market value of shares which an executive may acquire upon exercise of options granted under Part A of the New Executive Scheme may not exceed £30,000.

No options shall be granted in any year which would, at the time they were granted, cause the number of shares in New Grantchester which shall have been or may be issued in pursuance of options granted in the period of 10 calendar years ending with that year, or been issued in that period otherwise than in pursuance of options, under the New Executive Scheme or under any other employees' share scheme adopted by New Grantchester to exceed such number as represents 10 per cent. of the ordinary share capital of New Grantchester in issue at that time.

No options shall be granted in any year which would, at the time they are granted, cause the number of shares in New Grantchester which shall have been or may be issued in pursuance of options granted in the period of 10 calendar years ending with that year under the New Executive Scheme or under any other executive share option scheme adopted by New Grantchester to exceed such number as represents 5 per cent. of the ordinary share capital of New Grantchester in issue at that time.

Options may normally be exercised between the third and tenth anniversaries of the date of grant, at the end of which period they will lapse. Options will generally only be exercisable if the performance conditions have been satisfied.

Early exercise of options is permitted where the option holder leaves employment with the New Group in circumstances of death, injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement, the company for which the option holder works ceasing to be a member of the New Group, the business for which the option holder works being transferred out of the New Group or (if the Board so decides) for some other reason.

Options may also be exercised in the event of a take-over, reconstruction, amalgamation or winding up of New Grantchester (or, in certain circumstances, may be exchanged for options over shares in an acquiring company).

In the event of any variation in the share capital of New Grantchester, the Board may adjust the number of New Shares subject to options and the price payable on their exercise.

Options are not transferable and may only be exercised by the persons to whom they were granted or, in the case of the option holder's death, their personal representatives. New Shares allotted or transferred under the New Executive Scheme will rank *pari passu* with shares of the same class then in issue (except in respect of entitlements arising prior to the date of allotment). On allotment New Grantchester will apply to the UK Listing Authority for the listing of any newly issued New Shares.

Amendments to the New Executive Scheme which are to the advantage of eligible employees or option holders and which relate to eligibility, exercise price calculation, limits, exercise rights and variations in capital are subject to the prior approval of New Grantchester in general meeting. However, the New Board may make minor amendments to those provisions without the prior approval of New Grantchester in general meeting to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment or to benefit the administration of the New Executive Scheme. No alteration to the disadvantage of option holders may be made without their majority consent.

## **5.2 The New Sharesave Scheme**

All UK resident employees and full-time executive directors of New Grantchester or any of its participating subsidiaries who satisfy such service qualifications (not exceeding 5 years) as the Board shall determine from time to time will be eligible to participate in the New Sharesave Scheme.

Application will be made to the Inland Revenue for approval of the New Sharesave Scheme under the provisions of Schedule 9 to the Income and Corporation Taxes Act 1988.

Invitations to participate in the New Sharesave Scheme may normally only be issued (over newly issued or existing New Shares) during the period of six weeks following Inland Revenue approval of the Sharesave Scheme or the date of Admission and thereafter within six weeks after the announcement of New Grantchester's results for any period. Options may also be granted on any day on which the Board determines that exceptional circumstances justify a grant.

Invitations to participate in the New Sharesave Scheme may only be given within the period of 10 years from the date on which the New Sharesave Scheme is adopted by New Grantchester.

If the Board receives more acceptances than there are Ordinary Shares available, applications may be scaled down.

The exercise price of options may not be less than 80 per cent. of the average of the middle market quotations of a New Share derived from the London Stock Exchange Daily Official List averaged over three dealing days immediately before the date of invitation, or in the case of any option under which New Shares are to be issued, the nominal value of a New Share.

At the time of receiving options, participants must enter into a savings contract with a nominated savings institution under which they agree to make monthly contributions, of up to £250 (or any higher amount permitted by legislation), from their pay. The number of New Shares over which a participant is granted an option will be the number that can be acquired, at the exercise price, with the savings made plus a bonus payable on maturity of the savings contract.

No options shall be granted in any year which would, at the time they were granted, cause the number of shares in New Grantchester which shall have been or may be issued in pursuance of options granted in the period of 10 calendar years ending with that year, or been issued in that period otherwise than in pursuance of options, under the New Sharesave Scheme or under any other employees' share scheme adopted by New Grantchester to exceed such number as represents 10 per cent. of the ordinary share capital of New Grantchester in issue at that time.

Options may normally only be exercised during the six month period following the date on which the related savings contract matures. This may be after the third, fifth or seventh anniversary of the date of grant. Early exercise of options is permitted where the option holder leaves employment with the New Group in circumstances of death, injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement, the company for which the option holder works ceasing to be a member

of the New Group, the business for which the option holder works being transferred out of the New Group or (if the Board decides) for some other reason.

Options may also be exercised in the event of a takeover, reconstruction, amalgamation or winding up of New Grantchester (or, in certain circumstances, may be exchanged for options over shares in an acquiring company).

In the event of any variation in the share capital of New Grantchester the Board may adjust the number of New Shares subject to options and the price payable on their exercise with the prior approval of the Inland Revenue.

Options are not transferable and may only be exercised by the persons to whom they were granted or, in the case of an option holder's death, their personal representatives. New Shares allotted or transferred under the New Sharesave Scheme will rank *in specie* with shares of the same class then in issue (except in respect of entitlements arising prior to the date of allotment). New Grantchester will apply to the UK Listing Authority for the listing of any newly issued New Shares.

Amendments to the New Sharesave Scheme which are to the advantage of eligible employees or option holders and which relate to eligibility, limits, exercise rights and variations in capital are subject to the prior approval of New Grantchester in general meeting. However, the Board may make minor amendments to those provisions without the prior approval of New Grantchester in general meeting to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment or to benefit the administration of the New Sharesave Scheme. No alteration to the disadvantage of option holders may be made without their majority consent. All changes are subject to prior approval of the Inland Revenue.

## 6. Directors' and other interests

6.1 The interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the interests of persons connected with the directors for the purposes of section 346 of the Act in the share capital of Grantchester as at the date of this document and in the share capital of New Grantchester on Admission which:

- 6.1.1 have been notified to Grantchester and New Grantchester pursuant to section 324 or 328 of the Act;
- 6.1.2 are required pursuant to section 325 of the Act to be entered in the register referred to therein; or
- 6.1.3 are interests of a connected person of a director which would, if such person were a director, be required to be disclosed under 6.1.1 or 6.1.2 above and the existence of which is known or could with reasonable diligence be ascertained by that director, are and will be as follows:

<i>Name</i>	<i>Number of Grantchester Shares</i>	<i>Equivalent number of New Shares</i>	<i>Percentage of issued share capital</i>
Nick Hewson	7,473,535	4,035,708	4.07
Chris Evans	799,489	431,724	0.43

As at 3 November 2000 (the latest practicable date prior to the posting of this document), Jasmine Trustees Limited, as trustee of the Grantchester Employee Trust, held 66,870 Grantchester Shares (equivalent to 36,109 New Shares). Each of Nick Hewson, Tim Walton, Chris Evans and Paul Huberman, being the executive directors of Grantchester, by virtue of being, together with other employees of Grantchester and its subsidiaries, a potential beneficiary under that trust, is taken to be interested in those shares.

6.2 Save as set out in this paragraph 6, upon Admission, no Director will have any interest in the share capital of New Grantchester or any of its subsidiaries.

6.3 Save as disclosed in this paragraph 6, none of the Directors (or any person connected with any such director within the meaning of section 346 of the Act) or their immediate families had, as at 3 November 2000 (the latest practicable date prior to the posting of this document), so far as the directors are aware, any interest (beneficial or non beneficial) in the Grantchester Shares, or on Admission will have, any interest (beneficial or non beneficial) in the New Shares, which interest would be required to be notified to Grantchester or New Grantchester pursuant to section 324 or section 328 of the Act or entered in the register of directors' interests maintained by Grantchester or New Grantchester under the provisions of section 325 of the Act.

6.4 As at 3 November 2000 (the latest practicable date prior to the posting of this document), the following directors have options outstanding under the Grantchester Share Scheme:

	<i>Exercise price</i>	<i>Date of grant</i>	<i>Date first exercisable</i>	<i>Date of expiry</i>	<i>Ordinary shares of 10p each 3 November 2000</i>	<i>Net value of share options (£'000)</i>
Nick Hewson	87.3p	03.10.96	03.10.99	03.10.03	687,365	716
Nick Hewson	153.5p	21.12.99	21.12.02	21.12.09	829,616	315
Tim Walton	137.5p	23.12.98	23.12.01	23.12.05	581,818	314
Tim Walton	153.5p	21.12.99	21.12.02	21.12.09	552,133	210
Tim Walton	183.5p	02.11.00	02.11.03	02.11.10	83,093	7
Chris Evans	87.3p	03.10.96	03.10.99	03.10.03	229,121	239
Chris Evans	137.5p	23.12.98	23.12.01	23.12.05	145,455	79
Chris Evans	153.5p	21.12.99	21.12.02	21.12.09	380,300	145
Chris Evans	183.5p	02.11.00	02.11.03	02.11.10	117,841	9
Paul Huberman	151.5p	07.01.00	07.01.03	07.01.10	528,052	211
Paul Huberman	181.5p	01.11.00	01.11.03	01.11.10	361,093	36

The total net value of share options has been computed as £2,281,000 being the market value of the shares under option at 3 November 2000 (calculated by reference to the closing mid market price of Grantchester Shares on the London Stock Exchange of 191.5p on 3 November 2000) (the latest practicable date prior to the posting of this document) less the cost to purchase those shares at the relevant exercise price. The directors do not become entitled to the net value in the share option granted until the relevant conditions set out below are met and the options are exercised.

Each grant of options is split into three tranches: one third is first exercisable on the third anniversary of the date of issue of the grant; one third on the fourth anniversary; and one third on the fifth anniversary, provided that the performance conditions determined by the remuneration committee at the time of the grant have been satisfied. Although the terms of options granted to executives who are not directors have been amended to allow exercise in full after three years, this does not apply to the options which are held by the directors.

Exercise of each grant of options is subject to either of the following two performance conditions:

- (i) any increase in the company's share price plus dividends declared from the date of grant to any anniversary of the date of grant commencing on the third anniversary exceeding the total return (capital and income) from the FTSE Property Index over the same period; or
- (ii) the growth in net asset value per share from the date of grant to any anniversary of the date of grant commencing on the third anniversary exceeding the increase in the All Properties Annual Index of IPD by at least 10 per cent. over the same period.

6.5 Save as disclosed below, New Grantchester is not aware of any person (other than any of the Directors) who directly or indirectly will have an interest which represents 3 per cent. or more of the issued share capital of New Grantchester on Admission or of any other person who, directly or indirectly, jointly or severally, will exercise or could exercise control over New Grantchester:

<i>Name</i>	<i>Number of Grantchester Shares held on 3 November</i>		<i>Percentage of issued ordinary share capital</i>
	<i>Equivalent number of New Shares</i>		
CGNU	21,491,691	11,605,513	11.69
Newton Investment Management Ltd	17,779,486	9,600,922	9.67
Schroder Investment Management Ltd	15,354,299	8,291,321	8.35
Mr P. J. Whight	9,467,754	5,112,587	5.15
Legal and General Assurance Society Ltd	7,369,976	3,979,787	4.01
Henderson Investors	7,249,076	3,914,501	3.94
Standard Life Assurance Co.	7,183,337	3,879,001	3.91
Gartmore Investment Limited	6,587,577	3,557,291	3.58
Deutsche Asset Management	5,637,195	3,044,085	3.07
Aberforth Partners	5,551,000	2,997,540	3.02

- 6.6 New Grantchester is not aware of any person who exercises, or could exercise directly or indirectly, jointly or severally, control over New Grantchester.
- 6.7 No Grantchester Director or New Grantchester Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group or the New Group and which was effected by any member of the Group or the New Group in the current or immediately preceding financial year or which was effected during an earlier financial year and which remains in any respect outstanding or unperformed.
- 6.8 There are no outstanding loans granted to any member of the Group or the New Group to any director nor has any guarantee been provided by any member of the Group for the benefit of any director.

## **7. Directors' service contracts**

- 7.1 Save as disclosed in this paragraph 7, there are no existing or proposed service agreements with any of the Directors of Grantchester or any of its subsidiaries.
- 7.2 The remuneration committee has approved the amendments to the Directors' service agreements described below. As Grantchester is the subject of the approach referred to in paragraph 5 of the Chairman's Letter in Part I of this document, rule 21 of the City Code restricts Grantchester implementing these amendments at present.
- 7.3 On the Effective Date, each of the executive Directors' service agreements with Grantchester will terminate and service agreements with New Grantchester will commence. There will be no sums payable to the Directors upon termination of their service agreements in these circumstances.
- 7.4 The non-executives do not have formal fixed term agreements. The re-appointment of the non-executive Directors is not automatic. Prior to the Effective Date, the non-executives will enter into new terms of appointment in substantially the same terms, save that the appointment will be for a fixed term of three years or until the date they are next required to retire by rotation, under the articles of association of Grantchester, which ever is the earlier. On the Effective Date, the non-executive Directors will enter into terms of appointment with New Grantchester on substantively the same terms as their appointments with Grantchester.

### *Nick Hewson*

- 7.5 Nick Hewson has a service agreement with Grantchester which is terminable by either party giving twelve months' notice. He is entitled to a salary of £230,000, family healthcare insurance, life assurance, permanent health insurance, accident insurance and is provided with a company car. He may also receive a bonus, subject to the discretion of the remuneration committee. In the event that his employment is terminated without notice, he is entitled to receive a payment equal to his salary and the value of other benefits and bonuses over twelve months, less five per cent. (the "liquidated sum"). Additionally, he is entitled to this payment if he elects to leave within six months of a change of control

of Grantchester, as a result of a public offer to acquire the share capital of Grantchester which has not been recommended to shareholders of the Company by the Grantchester Board. Prior to the Effective Date, if permitted by rule 21 of the City Code he will enter into a new service agreement with Grantchester on substantively the same terms except that he will be entitled to the liquidated sum if he elects to leave within six months of a change of control of Grantchester as a result of any public offer. On the Effective Date, Nick will enter into a service agreement with New Grantchester on substantively the same terms as his service agreement with Grantchester at such time.

*Tim Walton*

- 7.6 Tim Walton has a service agreement with Grantchester which is terminable by the company giving twelve months' notice and Tim Walton giving six months' notice. He is entitled to a salary of £220,000, family healthcare insurance, life assurance, permanent health insurance, accident insurance and is provided with a company car. He may also receive a bonus, subject to the discretion of the remuneration committee. Prior to the Effective Date, if permitted by rule 21 of the City Code, Tim will enter into a new service agreement with Grantchester on substantively the same terms, save that it will be terminable by either party giving twelve months' notice and in the event that employment is terminated without notice, he will be entitled to receive a payment equal to his salary and the value of other benefits and bonuses over twelve months, less five per cent. Additionally, he will be entitled to this payment if he elects to leave within six months of a change of control of Grantchester as a result of a public offer to acquire the share capital of Grantchester. On the Effective Date, Tim will enter into a service agreement with New Grantchester on substantively the same terms as his service agreement with Grantchester at such time.

*Chris Evans*

- 7.7 Chris Evans has a service agreement with Grantchester which is terminable by either party giving twelve months' notice. He is entitled to a salary of £150,000, family healthcare insurance, life assurance, permanent health insurance, accident insurance and is provided with a company car. He may also receive a bonus, subject to the discretion of the remuneration committee. Prior to the Effective Date, if permitted by rule 21 of the City Code Chris will enter into a new service agreement with Grantchester on substantively the same terms, save that in the event that employment is terminated without notice, he will be entitled to receive a payment equal to his salary and the value of other benefits and bonus over twelve months, less five per cent. Additionally, he will be entitled to this payment if he elects to leave within six months of a change of control of Grantchester, as a result of a public offer to acquire the share capital of Grantchester. On the Effective Date, Chris will enter into a service agreement with New Grantchester on substantively the same terms as his service agreement with Grantchester at such time.

*Paul Huberman*

- 7.8 Paul Huberman has a service agreement with Grantchester which is terminable by either party giving twelve months' notice. He is entitled to a salary of £200,000, family healthcare insurance, life assurance, permanent health care, accident insurance and is provided with a company car. He may also receive a bonus, subject to the discretion of the remuneration committee. In the event that employment is terminated without notice, he is entitled to receive a payment equal to his salary and the value of other benefits and bonus over twelve months without deduction of five per cent. Prior to the Effective Date, if permitted by rule 21 of the City Code he will enter into a service agreement with Grantchester on substantively the same terms, save that in the event that his employment is terminated without notice he will be entitled to a payment equal to his salary and the value of other benefits and bonuses over twelve months, less five percent. Additionally, he will be entitled to this payment if he elects to leave within six months of a change of control of Grantchester, as a result of a public offer to acquire the share capital of Grantchester. On the Effective Date, he will enter into a service agreement with New Grantchester on substantively the same terms as his service agreement with Grantchester at such time.

7.9 The remuneration, including the bonuses and benefits in kind, to be paid to the Directors of New Grantchester are the same as those payable to them under their service agreements with Grantchester. The aggregate annual remuneration of the Directors of Grantchester for the year ended 30 September 2000 was £1,708,000 of which £830,000 was in respect of performance related bonuses. The performance related bonuses are determined by the remuneration committee and are based on both corporate and individual performance. The aggregate annual remuneration (including benefits in kind, but excluding bonuses) of the Directors of New Grantchester is estimated to be £936,000 for the year ending 30 September 2001.

7.10 The Directors:

7.10.1 are or have been directors or partners of the following companies and partnerships at any time in the previous five years other than companies within the Group:

<i>Director</i>	<i>Company/Partnership</i>	<i>Position still held</i>
Nick Hewson	Clipstand Limited	Director (Resigned)
	De Baer PLC	Director
	E-Maginists Limited	Director
	Janic Limited	Director
	Philex Plc	Director
	Tonic Boat Charters Limited	Director
Tim Walton	PricewaterhouseCoopers	Partner (Resigned)
	Savoy Holdings Limited	Director
	Texthurst Limited	Director (Resigned)
Chris Evans	Stakelogic Limited	Director
Paul Huberman	Across The Miles Communication Limited	Director (Resigned)
	Angloarch Limited	Director (Resigned)
	Asda Property Holdings Plc	Director (Resigned)
	Asda St. James Limited	Director (Resigned)
	Regent Inns Plc	Director (Resigned)
	Swanarch Limited	Director (Resigned)
	Unchained Growth	
	Pubs II Plc	Director (Resigned)
	Unchained Growth	
	Pubs III Plc	Director (Resigned)
	Unchained Growth	
	Pubs IV Plc	Director (Resigned)
	Unchained Growth	
	Pubs V Plc	Director (Resigned)
	Unchained Growth	
	Pubs VI Plc	Director (Resigned)



<i>Director</i>	<i>Company/Partnership</i>	<i>Position still held</i>
Christopher Jolly	Cheriton Resources 3 Limited	Director (Resigned)
	Commerz Export Finance Limited	Director
	DAIWA Securities Trust and	
	Banking (Europe) Plc	Director (Resigned)
	DEB Leasing Limited	Director (Resigned)
	DEBL 1 Limited	Director (Resigned)
	DEBL 2-97 Limited	Director (Resigned)
	Delphmarsh Limited	Director (Resigned)
	FHD Leasing 3 Limited	Director (Resigned)
	FHD Leasing 4 Limited	Director (Resigned)
	First Sloane Street Limited	Director
	Gracechurch Management	
	Services Limited	Director (Resigned)
	Serbar Lease Limited	Director (Resigned)
	SGVF (December) Limited	Director (Resigned)
	SG Leasing (December) Limited	Director (Resigned)
	SG Leasing (June) Limited	Director (Resigned)
	SG Leasing (September) Limited	Director (Resigned)
	Shuttlebay Limited	Director (Resigned)
	SOCGEN Lease (October) Limited	Director (Resigned)
Edward Luker	European Properties Inc. Limited	Director (Resigned)
	Insignia Richard Ellis Corporate	
	Capital Limited	Director
	Insignia Richard Ellis Europe Limited	Director
	Insignia Richard Ellis Limited	Director (Resigned)
	Oil Property Holdings Limited	Director (Resigned)
Fred Reeder	Oil Property Investment Limited	Director (Resigned)
	Bride Hall Group Limited	Director
	Hemingway Properties PLC	Director (Resigned)
	Longbrook Management Limited	Director
	Rocklands Estates Limited	Director

7.10.2 have no unspent convictions relating to indictable offences;

7.10.3 have had no bankruptcies or individual voluntary arrangements;

7.10.4 have not been directors with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company save that Nick Hewson was a director of Citygrove PLC until 6 June 1990 having tendered his resignation on 30 November 1989; Citygrove PLC went into liquidation on 23 January 1991 and was wound up with an excess of liabilities over realised assets of not more than £20 million;

7.10.5 have not been partners of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangements of such partnership;

7.10.6 have not been partners of any partnership at the time of or within 12 months preceding a receivership of any assets of such partnership;

7.10.7 have not had any of their assets subject to any receivership; and

7.10.8 have not received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) and have not been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

## 8. Material Contracts

Grantchester Retail Parks PLC entered into a sale and purchase agreement on 27 September 2000 with Anglo United Limited for the purchase of the entire issued share capital of Limitgood Limited and Prizedome Limited for a consideration of £4 million (which consideration was paid on 27 September 2000). These companies have tax losses, as yet not agreed with the Inland Revenue, which the Directors are advised should be available to offset certain profits of the New Group.

Save for the foregoing no member of the New Group has entered into (a) any material contract (not being a contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document or (b) any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which any member of the New Group has any obligation or entitlement which is material to the New Group as at the date of this document.

## 9. Subsidiaries and Associated Companies

- 9.1 At the date of this document New Grantchester has one subsidiary, Grantchester Land Limited which is wholly-owned by New Grantchester and has its registered office at 3 Finsbury Square, London EC2A 1AE. The issued share capital of Grantchester Land Limited comprises one ordinary share of £1.
- 9.2 Upon the Scheme becoming effective, Grantchester and its subsidiaries (details of which are set out in paragraph 9.4 below) will all become subsidiaries of New Grantchester.
- 9.3 Grantchester is the holding company of a group of companies, of which the principal business activity is that of carrying out property investment and development of out of town retail warehousing in the United Kingdom.
- 9.4 The following table contains a list of the principal subsidiaries of Grantchester as at 3 November 2000 (the last practicable date prior to the posting of this document) which are considered by Grantchester to be likely to have a significant effect in relation to an assessment of the assets and liabilities, the financial position and/or the profits and losses of Grantchester.

All of the companies listed transact the business of either investment and/or development of retail warehousing:

<i>Name</i>	<i>Percentage held</i>
Alderberry Limited	100
Crocusford Limited	100
Edge Developments (Croydon) Limited	100
Edge Developments (Croydon No 2) Limited	100
Edge Developments (Culverhouse) Limited	100
Edge Developments Limited	100
Edge Investments (Foodstores) Limited	100
Edge Investments (Glasgow) Limited	100
Edge Properties Developments Limited	100
Edge Properties (Holdings) Limited	100
Edge Retail Properties Limited	100
Freereign Limited	100
Grantchester Demerger Subsidiary Limited	100
Grantchester Development Finance Limited <sup>1</sup>	100
Grantchester Estates Holdings Limited	100
Grantchester Estates Limited <sup>1</sup>	100
Grantchester Finance Holdings Limited <sup>1</sup>	100
Grantchester Finance PLC <sup>1</sup>	100

<i>Name</i>	<i>Percentage held</i>
Grantchester Group PLC <sup>2</sup>	100
Grantchester International Limited	100
Grantchester Investment Finance Company Limited <sup>1</sup>	100
Grantchester Investment Properties Company Limited	100
Grantchester Properties (Airdrie) Limited	100
Grantchester Properties (Barnstaple) Limited	100
Grantchester Properties (Birmingham) Limited	100
Grantchester Properties (Bournemouth) Limited	100
Grantchester Properties (Carlisle) Limited	100
Grantchester Properties (Catford) Limited	100
Grantchester Properties (Chichester) Limited	100
Grantchester Properties (Darlington) Limited	100
Grantchester Properties (Falkirk) Limited	100
Grantchester Properties (Glasgow) Limited	100
Grantchester Properties (Haverfordwest) Limited	100
Grantchester Properties (Huddersfield) Limited	100
Grantchester Properties (Leeds) Limited	100
Grantchester Properties (Luton) Limited	100
Grantchester Properties (Middlesbrough) Limited	100
Grantchester Properties (Milton Keynes) Limited	100
Grantchester Properties (Norwich) Limited	100
Grantchester Properties (Port Talbot) Limited	100
Grantchester Properties (Riviera) Limited	100
Grantchester Properties (Romford A12) Limited	100
Grantchester Properties (Scotland) Limited	100
Grantchester Properties (Selly Oak) Limited	100
Grantchester Properties (Southend) Limited	100
Grantchester Properties (Southport) Limited	100
Grantchester Properties (Sunderland) Limited	100
Grantchester Properties (Swansea) Limited	100
Grantchester Properties (Torbay) Limited	100
Grantchester Properties (Twickenham) Limited	100
Grantchester Properties (Westwood) Limited	100
Grantchester Properties (Wren Torquay) Limited	100
Grantchester Retail Parks PLC	100
Grantchester Securities Limited <sup>1</sup>	100
Glitterglen Limited	100
Howsmoor Developments Limited	25
London and Metropolitan Estates Limited	100
London & Metropolitan (Northern) Ltd	100
London & Metropolitan Project Management Ltd	100
London & Metropolitan PLC	100
London y Metropolitan SA (incorporated in Spain)	100
Oysterland Limited	100

<sup>1</sup>These companies transact finance business.

<sup>2</sup>This company conducts the Group's treasury activities.

All of the above companies (save for London y Metropolitan SA) have their registered office at 3 Finsbury Square, London EC2A 1AE.

- 9.5 On implementation of the Scheme New Grantchester will not be a close company or a close investment company within the meaning of the Income and Corporation Taxes Act 1988.

- 9.6 Save as disclosed in the description of material contracts in paragraph 8 of this Part VIII and in note (z) of the financial information set out in Part IV(B) of this document, there have been no other material investments in undertakings in the last three and current financial years by the Grantchester Group.

#### 10. Principal establishments

New Grantchester has the following principal establishment:

<i>Description</i>	<i>Location</i>	<i>Appropriate gross internal area (sq ft)</i>	<i>Tenure</i>	<i>Unexpired term and Rent</i>
Head Office	3 Finsbury Square London EC2A 1AE	5,050	Leasehold	£157,500 pa (next review March 2005) Term to 21 March 2010

#### 11. No significant change

There has been no significant change in the financial or trading position of the Group since 30 September 2000, the date to which the Accounts were made up.

Since incorporation, New Grantchester has not traded nor has there been any significant change in its financial or trading position.

#### 12. Working Capital

The Directors are of the opinion that taking into account available bank and other facilities, the New Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

#### 13. Employees

The average monthly number of employees of the Group, including executive directors during the three year period to 3 November 2000 was 31, employed in property development and administration.

#### 14. Litigation

Grantchester and its subsidiaries are not and have not been engaged in any legal or arbitration proceedings nor, so far as Grantchester or its subsidiaries are aware, are any such proceedings pending or threatened by or against Grantchester or its subsidiaries which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position.

New Grantchester is not and has not been engaged in any legal or arbitration proceedings and, so far as New Grantchester is aware, no such proceedings are pending or threatened by or against New Grantchester which may have, or have had during the 12 months preceding the date of this document, a significant effect on the New Group's financial position.

#### 15. Conditions to the implementation of the Scheme

The Directors will not take the necessary steps to enable the Scheme to become effective unless the following conditions are satisfied or are waived:

- (a) all authorisations, orders, grants, recognitions, confirmations, consents, clearances, certificates, licences, permissions and approvals ("Consents") necessary or considered by Grantchester to be appropriate for or in respect of the Group having been obtained, in terms and in a form reasonably satisfactory to Grantchester and, where the absence of any such Consents would, in the opinion of Grantchester, have a material adverse effect on the Group taken as a whole, these remaining in full force and effect, and no intimation of an intention to revoke or not renew any of these having been received and all necessary notifications and filings having been made and all necessary waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction

having expired or having been terminated (as appropriate) and all necessary statutory and regulatory obligations in connection with the Scheme in any jurisdiction having been complied with; and

(b) since the date of this document:

- (i) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff or defendant or otherwise), in each case which is material and adverse in the context of the Group taken as a whole, having been instituted or threatened; and
- (ii) there having been no material adverse change or deterioration in the business, assets, financial or trading position or profits or prospects of the Group taken as a whole.

## **16. General**

16.1 J P Morgan Securities Limited and BDO Stoy Hayward have each given and not withdrawn their written consents to the issue of this document with the inclusion herein of their respective letters and reports and references to their names in the form and context in which they appear for the purposes of section 152(1)(e) of the Financial Services Act 1986.

16.2 The auditors of Grantchester and New Grantchester are BDO Stoy Hayward, Chartered Accountants and Registered Auditors, of 8 Baker Street, London W1U 3LL. No audited accounts have been delivered to the Registrar of Companies in respect of any period subsequent to 30 September 1999.

16.3 The registrar of New Grantchester is Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

16.4 The total costs and expenses relating to the Scheme and to obtaining Admission are payable by the New Group and are estimated to amount to £2.5 million (including VAT).

## **17. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Clifford Chance Limited Liability Partnership, 200 Aldersgate Street, London EC1A 4JJ up to and including the date of Admission:

- (a) the memoranda and articles of association of Grantchester and New Grantchester;
- (b) the audited consolidated accounts of the Group for the three financial years ended 30 September 1998, 30 September 1999 and 30 September 2000;
- (c) the service agreements of the Directors referred to in paragraph 7 of Part VIII of this document;
- (d) the accountants' report set out in Part V of this document;
- (e) the announcement of Grantchester in relation to the Proposal dated 31 October 2000;
- (f) the consent letters referred to in paragraph 16.1 of Part VIII of this document;
- (g) the contract referred to in paragraph 8 of Part VIII of this document;
- (h) the rules of the Grantchester Incentive Schemes and the New Grantchester Incentive Schemes; and
- (i) this document.

Date: 6 November 2000

# **SCHEME OF ARRANGEMENT**

**IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT**

**No. 006037 of 2000**

**IN THE MATTER OF GRANTCHESTER HOLDINGS PLC**

**– and –**

**IN THE MATTER OF THE COMPANIES ACT 1985**

**SCHEME OF ARRANGEMENT  
(under section 425 of the Companies Act 1985)**

**– between –**

**GRANTCHESTER HOLDINGS PLC**

**– and –**

**THE HOLDERS OF SCHEME SHARES  
(as hereinafter defined)**

## **PRELIMINARY**

(A) In this scheme of arrangement, unless the context otherwise requires, the following expressions shall bear the following meanings:

“Act”	the Companies Act 1985 (as amended)
“business day”	any day on which banks are generally open for business in the City of London other than a Saturday or Sunday
“Court”	The High Court of Justice in England and Wales
“Court Hearing”	the hearing of the petition by the Court to sanction the Scheme and to confirm the reduction of capital
“Court Meeting”	the meeting of holders of Grantchester Shares convened by order of the Court pursuant to section 425 of the Act to consider and, if thought fit, approve the Scheme
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the operator (as defined in the CREST Regulations)
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertified Securities Regulations 1995 (S.I. 1995 No 3272) including any modifications thereof or any regulations in substitution therefor made under section 207 of the Companies Act 1989 and for the time being in force
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Grantchester”	the company now known as Grantchester Holdings PLC incorporated in England and Wales with registered number 2489293 which, conditional upon the Scheme becoming effective will immediately re-register and change its name to Grantchester Limited

"Grantchester Shares"	the issued ordinary shares of 10p each in the share capital of Grantchester
"holder"	includes any person entitled by transmission
"Initial Shareholders"	Andrew Nicholas Hewson and Christopher Mark Stephen Evans
"New Grantchester"	Grantchester PLC incorporated in England and Wales with registered number 4035681, the proposed new holding company of Grantchester which, conditional upon the Scheme becoming effective will immediately change its name to Grantchester Holdings PLC
"New Shares"	the ordinary shares of £1.60 each in the capital of New Grantchester
"Redeemable Shares"	the non-voting redeemable preference shares of £1 each in the capital of New Grantchester
"Scheme" or "Scheme of Arrangement"	this scheme of arrangement under section 425 of the Act in its present form or with any modification, addition or condition approved or imposed by the Court
"Scheme Record Date"	the Effective Date
"Scheme Record Time"	2.30 p.m. on the Scheme Record Date
"Scheme Shares"	all the Grantchester Shares:  (a) in issue at the date of this Scheme;  (b) (if any) issued thereafter and prior to the Voting Record Time; and  (c) (if any) issued at or after the Voting Record Time and before the making of the order by the Court for the reduction of capital which forms part of the Scheme in respect of which the original or any subsequent holder shall be bound by this Scheme or shall have agreed in writing to be bound by this Scheme
"Scheme Shareholder"	the persons who appear as holders of Scheme Shares in the register of members of Grantchester at the Scheme Record Time
"Uncertificated" or "in Uncertificated form"	recorded on the relevant register of the share, loan note or security concerned as being held "in Uncertificated form" in CREST and title to which by virtue of the CREST Regulations, may be transferred by means of CREST
"Voting Record Time"	5.30 p.m. on the second day before the day of the Court Meeting or any adjournment thereof
(B) The authorised share capital of Grantchester is £24,000,000 divided into 240,000,000 ordinary shares of 10p each, of which at 3 November 2000 183,793,589 ordinary shares of 10p each had been issued and were fully paid and the remainder were unissued.	
(C) New Grantchester was incorporated in England and Wales as a public limited company on 18 July 2000 under the name Steelgrange plc with registered number 4035681. On 28 September 2000, New Grantchester changed its name to Grantchester PLC.	
(D) The authorised share capital of New Grantchester at the date of this Scheme is £240,049,998 divided into 49,998 Redeemable Shares of £1 each and 150,000,000 New Shares of £1.60 each, of which	

49,998 Redeemable Shares and ten New Shares are in issue and fully paid. The Initial Shareholders each hold Grantchester Shares and five New Shares each and are both directors of New Grantchester. Andrew Nicholas Hewson holds 49,998 Redeemable Shares of £1 each which New Grantchester intends to redeem following the Scheme becoming effective.

- (E) The purpose of this Scheme is to provide for the cancellation of the Grantchester Shares in consideration of the allotment by New Grantchester of New Shares and payment of cash to each Scheme Shareholder on the register of Grantchester as at the Scheme Record Time.
- (F) New Grantchester and the Initial Shareholders have agreed to appear by Counsel on the Court Hearing of the Petition to sanction this Scheme and to consent thereto and to undertake to be bound thereby and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it or them for the purpose of giving effect to this Scheme.

## THE SCHEME

### 1. Cancellation of Grantchester Shares

- (A) The share capital of Grantchester shall be reduced by cancelling and extinguishing the Scheme Shares.
- (B) Forthwith and contingently upon the said reduction of capital taking effect:
  - (i) the authorised share capital of Grantchester shall be increased to its former amount by the creation of such number of new ordinary shares of 10p each in Grantchester as shall be of an aggregate nominal amount equal to the aggregate nominal amount of the Scheme Shares cancelled pursuant to clause 1(A); and
  - (ii) Grantchester shall apply the reserve arising in its books of account on such reduction of capital in paying up, in full at par, the new ordinary shares created pursuant to clause 1(B)(i) of this Scheme and shall allot and issue the same credited as fully paid up at par to New Grantchester and/or its nominees.

### 2. Consideration for the cancellation of the Scheme Shares

- (A) In consideration of the cancellation and extinction of the Scheme Shares and the allotment and issue of the new ordinary shares as provided in clause 1(B)(ii), New Grantchester shall:
  - (i) (subject to the provisions of clauses 2(D) and (E) below) allot and issue (credited as fully paid) New Shares to the Scheme Shareholders on the following basis:

<b>For every 100 Scheme Shares cancelled</b>	<b>54 New Shares</b>
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and so in proportion for any other number of Scheme Shares held. If the resulting number is not a whole number, the number of New Shares receivable by a Scheme Shareholder will be rounded down to the nearest whole number. Fractional entitlements for New Shares will not be issued to Scheme Shareholders. Instead, they will be aggregated and sold in the market and the net proceeds will be distributed *pro rata* to each Scheme Shareholder entitled thereto; and

- (ii) pay cash to the Scheme Shareholders on the following basis:

<b>For every 100 Scheme Shares cancelled</b>	<b>£76.20</b>
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and so in proportion for any other number of Scheme Shares held. If the resulting number is not a whole pence, the number of pence receivable by a Scheme Shareholder will be rounded down to the nearest one pence.



- (B) Grantchester is hereby authorised, within ten business days after the Effective Date or such later date as the Court shall allow, to enter into an agreement with New Grantchester under which Grantchester will lend or procure that a subsidiary or subsidiaries will lend to New Grantchester in aggregate the sum of £140,050,715.
- (C) The New Shares to be issued pursuant to clause 2(A)(i) above shall rank in full for all dividends or other distributions made, paid or declared after the Effective Date on the ordinary share capital of New Grantchester.
- (D) The Initial Shareholders who each hold five of the issued New Shares shall be treated as having received such shares as part of their entitlement under this Scheme and their entitlement shall be reduced accordingly.
- (E) The provisions of this clause shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Shareholder, New Grantchester is advised that the allotment or issue of New Shares pursuant to this Scheme would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require compliance with any governmental or other consent or any registration, filing or other formality, which Grantchester or New Grantchester (as the case may be) is unable to comply with or regards as unduly onerous to comply with, New Grantchester may, in its sole discretion, determine that no New Shares shall be allotted or issued to such holder under this Scheme. In such circumstances, New Grantchester will instead allot the New Shares to which such holder would otherwise be entitled, to a nominee appointed on terms that such nominee shall sell such shares, on his behalf as soon as possible after the Effective Date at the best price which can reasonably be obtained at the time of sale, and the net proceeds of such sale, after deduction of all expenses and commission, including any value added tax payable thereon, by delivering a cheque or warrant to such Scheme Shareholder in accordance with the provisions of clause 3 of this Scheme.

### **3. Allotment and issue of New Shares**

- (A) No later than ten business days after the Effective Date, New Grantchester shall:
  - (i) allot and issue all New Shares which it is required to allot and issue pursuant to clause 2A(i) of this Scheme and shall send by post to the allottees, or as they may direct, certificates for such New Shares (as applicable). Where the Scheme Shares are held in Uncertificated form, New Grantchester will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the Scheme Shareholder concerned with such shareholder's entitlement to New Shares provided that New Grantchester may (if, for any reason, it wishes to do so) determine that all or part of such consideration shall be settled in the manner referred to in the first sentence of this paragraph (i); and
  - (ii) satisfy any cash consideration payable by it pursuant to clause 2(A)(ii) of this Scheme; and
  - (iii) satisfy any cash consideration payable by it pursuant to this Scheme relating to the sale of any relevant New Shares pursuant to clause 2(E) by delivering to the persons respectively entitled thereto, or as they may direct, cheques and/or warrants by post within 14 days following completion of such sale.
- (B) All deliveries of certificates and all cheques required to be sent referred to in clause 3(A) shall be sent through the post in prepaid envelopes addressed to the persons respectively entitled thereto, or as they may direct, at their respective addresses appearing in the register of members of Grantchester at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of such joint holding) or in accordance with any special instructions regarding communications.
- (C) None of Grantchester, New Grantchester or the nominee referred to in clause 2(E) shall be responsible for any loss or delay in transmission of certificates or cheques sent in accordance with this clause 3 which shall be sent at the risk of the persons entitled thereto.

- (D) All cheques and warrants shall be made payable to the holder or, in the case of joint holders, to the first named holder of the Grantchester Shares concerned and the encashment of any such cheque or warrant shall be a complete discharge to New Grantchester for the money represented thereby.
- (E) With effect from and including the day after the Effective Date, all certificates for Grantchester Shares shall cease to be valid in respect of such holding and will cease to be of value. All certificates representing Grantchester Shares shall at the request of New Grantchester be delivered for cancellation to New Grantchester or to any person appointed by New Grantchester to receive the same. In addition, with effect from and including the day after the Effective Date, in respect of those shareholders holding their Grantchester Shares in Uncertificated form, CRESTCo shall be instructed to cancel such shareholders' entitlement to the Grantchester Shares.
- (F) The preceding clauses of this clause shall take effect subject to any prohibition or condition imposed by law.

#### **4. Further loans**

Grantchester is hereby authorised, within two years after the Effective Date or such later date as the Court shall allow, to enter into an agreement with New Grantchester under which Grantchester may, at its discretion, lend or procure that a subsidiary or subsidiaries lend to New Grantchester from time to time up to £110 million in aggregate for the purpose of the acquisition of shares in the capital of New Grantchester by or on behalf of New Grantchester provided that at the time of the advance the amount of profits available for distribution by Grantchester for the purposes of section 263 of the Act exceeds the aggregate of the sum of the amount of such loan and the amount of other such loans previously advanced to New Grantchester pursuant to this clause 4 and remaining outstanding.

#### **5. Mandated payments and other instructions**

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Grantchester Shares and each instruction then in force as to notices and other communications shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to New Grantchester in relation to the corresponding New Shares to be allotted and issued pursuant to this Scheme.

#### **6. Effective Date**

This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under section 425 of the Act and confirming under section 137 of the said Act the reduction of the capital of New Grantchester provided for by clause 1 of this Scheme shall have been duly delivered to the Registrar of Companies for registration and, in the case of the confirmation of the reduction of capital, registered by him.

#### **7. Costs**

Grantchester will pay all the costs and expenses relating to the negotiation, preparation and implementation of the Scheme.

#### **8. Expiry date**

Unless this Scheme has become effective on or before 30 June 2001 or such later date, if any, as Grantchester and New Grantchester may agree and the Court may allow, it shall never become effective.

#### **9. Modification**

Grantchester and New Grantchester may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Dated: 6 November 2000

# NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

No. 006037 of 2000

Mr Registrar Buckley

IN THE MATTER OF GRANTCHESTER HOLDINGS PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 3 October 2000 made in the above matters the Court has directed a meeting (the "Court Meeting") to be convened of the holders of Grantchester Shares (as defined in the scheme of arrangement hereinafter referred to (the "Scheme")) for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between Grantchester Holdings PLC (the "Company") and the holders of Grantchester Shares and that the Court Meeting will be held at the offices of the Company at 3 Finsbury Square, London EC2A 1AE on 30 November 2000 at 10.30 a.m. at which place and time all such holders of the Grantchester Shares (as defined in the Scheme) are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the statement required to be furnished pursuant to section 426 of the above-mentioned Act are incorporated in the document of which this Notice forms part.

The said holders of the Grantchester Shares may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A blue form of proxy for use at the Court Meeting is enclosed herewith.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

It is requested that forms appointing proxies be lodged with the registrars of the Company, Capita IRG Plc, Bourne House, 34 Beckenham Road, Kent BR3 4TU not less than 48 hours before the time appointed for the Court Meeting or any adjourned Court Meeting but if forms are not so lodged they may be handed to the Chairman at the Court Meeting.

Only those shareholders registered in the register of members of the Company as at 5.30 p.m. on 28 November 2000 or, in the event that the Court Meeting is adjourned, in the register of members at 5.30 p.m. on the second day before the day of any adjourned meeting shall be entitled to attend or vote in respect of the number of Grantchester Shares registered in their name at the relevant time. Changes to entries in the relevant register of members after 5.30 p.m. on 28 November 2000 or, in the event that the Court Meeting is adjourned, in the register of members at 5.30 p.m. on the second day before the day of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

By the said Order, the Court has appointed Andrew Nicholas Hewson or, failing him, Timothy Paul Walton, or, failing him, Paul Laurence Huberman to act as Chairman of the Court Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated: 6 November 2000  
Clifford Chance Limited Liability Partnership  
200 Aldersgate Street  
London  
EC1A 4JJ  
*Solicitors for the Company*

# NOTICE OF EXTRAORDINARY GENERAL MEETING

## GRANTCHESTER HOLDINGS PLC

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the above-named company (the "Company") will be held at the offices of the Company at 3 Finsbury Square, London EC2A 1AE on 30 November 2000 at 10.45 a.m. (or so soon thereafter as the separate meeting of the holders of the ordinary shares in the Company convened by direction of the Court for the same day and place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions of which resolution 1 will be proposed as a special resolution and resolutions 2 and 3 will be proposed as ordinary resolutions:

### SPECIAL RESOLUTION

1. THAT:

- (A) the scheme of arrangement dated 6 November 2000 (the "Scheme") between the Company and the holders of its shares a print of which has been produced to this meeting and for the purpose of identification signed by the chairman hereof, be approved;
- (B) for the purpose of giving effect to the Scheme:
  - (i) the capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
  - (ii) forthwith and contingently upon the reduction of capital referred to in paragraph (i) above taking effect the authorised capital of the Company be increased to its former amount by the creation of such number of new ordinary shares of 10p each in the capital of the Company as is equal to the number of the Scheme Shares cancelled, such new ordinary shares to carry the rights and be subject to the restrictions set out in the articles of association of the Company;
  - (iii) the directors of the Company be unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to allot the new ordinary shares of 10p each created pursuant to paragraph (B)(ii) of this resolution provided that:
    - (a) the maximum aggregate nominal amount of shares which may be allotted is the aggregate nominal amount of the said new ordinary shares created pursuant to paragraph (B)(ii);
    - (b) this authority shall expire on 30 September 2001; and
    - (c) this authority shall be without prejudice to any other authority under section 80 of the Companies Act 1985 previously granted and in force on the date on which this resolution is passed;
  - (iv) the credit arising in the books of account of the Company as a result of the cancellation of the Scheme Shares be capitalised and applied in paying up in full at par all of the New Shares created pursuant to paragraph (B)(ii) of this resolution which shall be allotted, credited as fully paid, to Grantchester PLC ("New Grantchester") or its nominees in accordance with the provisions of the Scheme; and
  - (v) the directors be empowered in addition to all previous such authorities pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred in paragraph (iii) above as if section 89(1) of the Act did not apply to any such allotments provided that this authority shall expire on 30 September 2001;

- (C) upon the Scheme becoming effective in accordance with its terms the name of the Company be changed to "Grantchester Limited".

### ORDINARY RESOLUTIONS

2. THAT the establishment by Grantchester PLC of the New Grantchester Executive Share Option Scheme a summary of the main features of which is set out in paragraph 6 of Part VIII of the circular to shareholders dated 6 November 2000 be and is hereby approved.
3. THAT the establishment by Grantchester PLC of the New Grantchester Sharesave Scheme a summary of the main features of which is set out in paragraph 6 of Part VIII of the circular to shareholders dated 6 November 2000 be and is hereby approved.

Dated: 6 November 2000

Registered office  
3 Finsbury Square  
London EC2A 1AE

By order of the board  
Ian Hollocks  
*Secretary*

#### Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote in his place. A proxy need not be a member of the Company.
2. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy thereof must be deposited by 10.45 a.m. on 28 November 2000 or not less than 48 hours before the meeting, with the Company's Registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Kent BR3 4TU.
3. Completion of the form of proxy will not prevent you from attending and voting in person.
4. The form of proxy for use at the meeting is coloured white.
5. The Company pursuant to regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 5.30 p.m. on 28 November 2000 or, in the event that the meeting is adjourned, in the register of members at 5.30 p.m. on the second day prior to the day of any adjourned meeting shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name as at the relevant time. Changes to entries in the relevant register of securities after 5.30 p.m. on 28 November 2000 or, in the event that the meeting is adjourned, in the register of members after 5.30 p.m. on the second day prior to the day of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.