

Company Number: 3691887

GRANTCHESTER PROPERTIES (LUTON) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2005



GRANTCHESTER PROPERTIES (LUTON) LIMITED

REPORT OF THE DIRECTORS Year ended 31 December 2005

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of property investment in the United Kingdom.

2. RESULTS AND DIVIDENDS

The profit and loss account is set out on page 7 and shows the profit for the year. The directors do not recommend the payment of a final dividend (2004: £nil).

3. REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results for the year were satisfactory and the directors do not anticipate any significant changes in activity in the forthcoming year.

4. DIRECTORS

- a) Mr. D.J. Atkins, Mr. M.J. Baker, Mr. J.A. Bywater, Mr. P.W.B. Cole, Mr. N.A.S. Hardie and Mr. G.H. Wright were directors of the Company throughout the year.
- b) Mr. M.J. Baker and Mr. G.H. Wright resigned as directors of the Company on 30 June 2006.
- c) In accordance with the Articles of Association of the Company, the directors are not required to retire by rotation.
- d) No director had any interests in the share capital of the Company during or at the end of the year. The interests of Messrs Bywater and Cole in the share capital of the ultimate parent company, Hammerson plc, are disclosed in the financial statements of that company. The interests, if any, of the remaining directors in the share capital of Hammerson plc or any other group undertaking, are disclosed in the financial statements of Hammerson UK Properties plc, a fellow group undertaking. Other than set out above, no director had any interests in the share capital of any other group undertaking during or at the end of the year.
- e) No director has any interests in contracts entered into by the Company.

5. FINANCIAL INSTRUMENTS

Due to the nature of the group and company's business, assets and liabilities contained within the group and company's balance sheet, the only financial risks that the directors consider relevant to the company are credit risk and liquidity risk. These risks are mitigated by the nature of the debtor balances owed, with these from other group companies who are able to repay these if required.

6. SECRETARY

Mr. S.J. Haydon was Secretary of the Company throughout the year.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

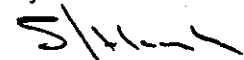
REPORT OF THE DIRECTORS
Year ended 31 December 2005

7. AUDITORS

The Company has elected to dispense with the obligation to appoint auditors annually and accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

Deloitte & Touche LLP have indicated their willingness to continue in office.

By order of the Board



S.J. Haydon
Secretary

31 JUL 2006

Registered Office:

10 Grosvenor Street
London, W1K 4BJ

Registered in England and Wales No. 3691887

GRANTCHESTER PROPERTIES (LUTON) LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF GRANTCHESTER PROPERTIES (LUTON) LIMITED

We have audited the financial statements of Grantchester Properties (Luton) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholder's funds and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SOLE MEMBER OF GRANTCHESTER PROPERTIES
(LUTON) LIMITED**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 August 2006

GRANTCHESTER PROPERTIES (LUTON) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Gross rental income		1,108	1,106
Other property income		539	1,610
Rents payable and other property outgoings		-	115
		-----	-----
Operating profit	1(b), 2	1,647	2,831
Net cost of finance	3	(398)	(428)
		-----	-----
Profit on ordinary activities before taxation		1,249	2,403
Taxation on profit on ordinary activities	4	(6)	(216)
		-----	-----
Profit on ordinary activities after taxation and retained profit for the financial year	11	1,243	2,187
		=====	=====

All amounts relate to continuing activities.

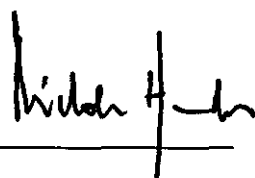
GRANTCHESTER PROPERTIES (LUTON) LIMITED

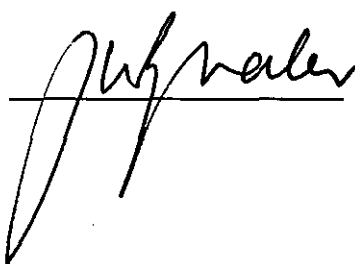
BALANCE SHEET At 31 December 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investment properties	5	31,300	19,840
Fixed asset investments	6	-	-
		<u>31,300</u>	<u>19,840</u>
Current assets			
Debtors	7	1,622	161
Creditors: amounts falling due within one year	8	<u>(15,277)</u>	<u>(6,658)</u>
Net current liabilities		<u>(13,655)</u>	<u>(6,497)</u>
Total assets less current liabilities		17,645	13,343
Provision for liabilities and charges	9	<u>(170)</u>	<u>(164)</u>
Net assets		<u><u>17,475</u></u>	<u><u>13,179</u></u>
Capital and reserves			
Called up share capital	10	-	-
Revaluation reserve	11	10,028	6,975
Profit and loss account	11	7,447	6,204
Equity shareholder's funds		<u><u>17,475</u></u>	<u><u>13,179</u></u>

The financial statements were approved by the Board on 31 JUL 2006

Signed on behalf of the Board of Directors





GRANTCHESTER PROPERTIES (LUTON) LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**Year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	1,243	2,187
Unrealised surplus on revaluation of investment properties	3,053	8,181
	-----	-----
Total recognised gains and losses for the financial period	4,296	10,368
	=====	=====

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDSYear ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	1,243	2,187
Unrealised surplus on revaluation of investment properties	3,053	8,181
	-----	-----
Net movement in shareholder's funds	4,296	10,368
Opening shareholder's funds	13,179	2,811
	-----	-----
Closing shareholder's funds	17,475	13,179
	=====	=====

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

1. ACCOUNTING POLICIES

The particular accounting policies adopted, which have been applied consistently throughout the current and prior year, are set out below.

a) Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties and in accordance with applicable United Kingdom law and accounting standards. The accounting policies have been applied consistently throughout the current and prior year. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

The particular accounting policies adopted, which have been applied consistently throughout the current and prior year, are set out below.

b) Net rental income

Rent increases arising from rent reviews are taken into account when such reviews have been agreed with tenants. Where a lease incentive does not enhance the property, it is amortised over the period to the earlier of the first rent review, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the date of the first rent review.

Differences between property operating expenditure incurred and that recovered from tenants through service charges are included in net rental income.

c) Basis of non-consolidation

Grantchester Properties (Luton) Limited is exempt from preparing group accounts under section 228 of the Companies Act 1985 as it is itself a subsidiary undertaking and its ultimate parent company prepares consolidated accounts.

d) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provision for impairment.

e) Valuation of properties

Completed investment properties are revalued by external professional valuers on the basis of market value, in accordance with the Appraisal and Valuation Manual of The Royal Institute of Chartered Surveyors, net of purchaser's costs. The aggregate surplus or deficit arising from revaluation is transferred to the revaluation reserve.

Substantially completed investment properties under development are stated at estimated market value on completion, as provided by external professional valuers, less estimated costs to complete. Other investment properties under development are stated at cost which, in the opinion of the directors, equates to market value.

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

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

1. ACCOUNTING POLICIES (continued)

e) Valuation of properties (continued)

Lease incentives which enhance the property are added to the cost of the property.

f) Depreciation

In accordance with Statement of Standard Accounting Practice No. 19 "Accounting for investment properties", no depreciation is provided in respect of freehold investment properties or leasehold properties with over 20 year to expiry. This is a departure from the requirements of the Companies Act 1985, which requires all properties to be depreciated. Such properties are not held for consumption, but for investment, and the directors consider that to depreciate them would not give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation of properties and accordingly the amount of depreciation, which might otherwise have been charged, cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

g) Deferred taxation

In accordance with Financial Reporting Standard 19 "Deferred tax", deferred tax is provided in respect of all timing differences that may give rise to an obligation to pay more or less tax in the future.

2. ADMINISTRATION EXPENSES

The average number of employees during the period, excluding directors, was nil (2004: nil).

The directors did not receive any remuneration for services to the Company in the current and preceding financial year.

Another group company has paid the auditors' remuneration in the current and preceding financial year.

3. NET COST OF FINANCE

	2005 £'000	2004 £'000
Other interest payable	14	-
Interest payable on loans from group undertakings	384	428
	<hr/>	<hr/>
Net cost of finance	398	428
	<hr/>	<hr/>

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

4. TAXATION

	2005 £'000	2004 £'000
(a) <u>Tax charge on profit on ordinary activities</u>		
Current corporation tax:		
Adjustments in respect of previous periods	-	208
Deferred tax	6	8
	-----	-----
Total tax charge	6	216
	=====	=====

(b) Factors affecting current tax charge

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	1,249	2,403
	=====	=====
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004: 30%)	374	721
Effect of:		
Adjustments in respect of previous periods	-	208
Group relief received without payment	(368)	(713)
Capital allowances	(6)	(8)
	-----	-----
Current tax charge for period	-	208
	=====	=====

5. INVESTMENT PROPERTIES

(a) The movements in the year on investment property were:	Freehold £'000
Cost or valuation	
At 1 January 2005	19,840
Additions	8,407
Revaluation movement in the year	3,053

At 31 December 2005	31,300
	=====

The Company's property is stated at market value at 31 December 2005, valued by professionally qualified external valuers, Donaldsons, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

5. INVESTMENT PROPERTIES (continued)

- (b) The historical cost of investment property at 31 December 2005 was £21,272,000 (2004: £12,865,000).
- (c) Should the property be disposed of at book value, a tax liability not exceeding £2,600,000 would arise (2004: £1,800,000).

6. FIXED ASSET INVESTMENTS

Investments
in subsidiary
undertakings
£

Cost and net book value

At 1 January 2005 and at 31 December 2005

2

=====

Subsidiary undertakings

Details of the Company's principal subsidiary undertaking as at the year-end, which are wholly owned, are as follows.

Name	Class of share capital held	Nature of business
Grantchester Nominees (Luton 1) Limited	Ordinary	Property investment
Grantchester Nominees (Luton 2) Limited	Ordinary	Property investment

All the subsidiary undertakings were incorporated in Great Britain.

7. DEBTORS

	2005 £'000	2004 £'000
Amounts due from group undertakings	1,614	157
Trade debtors	8	4
	-----	-----
	1,622	161
	=====	=====

All amounts shown under debtors fall due for payment within one year.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Amounts owed to group undertakings	13,925	5,814
Accruals and deferred income	1,304	796
Taxation and social security	48	48
	<u>15,277</u>	<u>6,658</u>
	=====	=====

Amounts owed to the ultimate parent company bear interest at variable rates based on LIBOR and are repayable on demand.

9. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	£'000
At 1 January 2005	164
Deferred taxation charge for the year	6
	<u>170</u>
At 31 December 2005	=====
	2005 £'000
	2004 £'000

The deferred tax provision is made up as follows:

Accelerated capital allowances	170	164
	=====	=====

10. SHARE CAPITAL

	2005 £	2004 £
Equity share capital		
Ordinary shares of £1 each		
Authorised (100 shares (2004: 100 shares) of £1 each)	100	100
	=====	=====
Allotted, called up and fully paid (1 share (2004: 1 share) of £1)	1	1
	=====	=====

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2005

11. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January	6,975	6,204
Revaluation	3,053	-
Profit for the financial period	-	1,243
At 31 December	10,028	7,447

12. CASH FLOW AND RELATED PARTY DISCLOSURE

As the Company is a wholly owned subsidiary it has taken exemption under the terms of Financial Reporting Standard 1 "Cash flow statements" (revised 1996) from preparing a cash flow statement, as it is included in the consolidated financial statements of Hammerson plc, which are publicly available.

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Disclosures", not to disclose details of all of its related party transactions with other group companies.

In the opinion of the directors there are no other related party transactions to be disclosed in the current or preceding financial year.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2005, the Company's ultimate parent company and controlling party was Hammerson plc, which is incorporated in Great Britain and is the parent undertaking of the smallest and largest group to consolidate these financial statements.

At 31 December 2005, the Company's immediate parent company was Grantchester Securities Limited.

Copies of the consolidated financial statements of Hammerson plc are available from the Company Secretary, 10 Grosvenor Street, London W1K 4BJ