

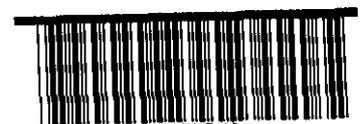
Company Number: 3691887

Grantchester Properties (Luton) Limited

Report and Financial Statements

15 Month Period Ended

31 December 2002



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Grantchester Properties (Luton) Limited

Report and financial statements for the 15 month period ended 31 December 2002

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Directors

D J Atkins
M J Baker
J A Bywater
P W B Cole
N A S Hardie
I F S Harris
G H Wright

Secretary and registered office

S J Haydon, 100 Park Lane, London, W1K 7AR

Company number

3691887

Auditors

Deloitte & Touche LLP, London

Grantchester Properties (Luton) Limited

Report of the directors for the period ended 31 December 2002

The directors present their report together with the audited financial statements for the 15 month period ended 31 December 2002. The accounting reference date was changed from 30 September to 31 December to be consistent with the ultimate parent company.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the period.

The directors do not recommend the payment of a final dividend (2001: £nil).

Principal activities, review of business and future developments

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

On 19 September 2002, the Company's ultimate parent company, Grantchester Holdings plc, was acquired by Hammerson plc.

The directors are satisfied with the performance of the Company during the 15 month period under review and do not anticipate any significant changes in activity in the forthcoming year.

Directors

The directors of the Company throughout the period, except as noted, were:

D J Atkins	(appointed 28 March 2003)
M J Baker	(appointed 23 September 2002)
J A Bywater	(appointed 23 September 2002)
P W B Cole	(appointed 23 September 2002)
N A S Hardie	(appointed 23 September 2002)
I F S Harris	(appointed 23 September 2002)
G H Wright	(appointed 23 September 2002)
N B T Alford	(appointed 20 November 2001, resigned 23 September 2002)
C M S Evans	(resigned 31 March 2002)
A N Hewson	(resigned 23 September 2002)
P L Huberman	(resigned 23 September 2002)
T P Walton	(resigned 23 September 2002)

No director had any interest in the share capital of the Company during or at the end of the period. 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 as set out above, no director had any interest in the share capital of any other group undertaking during or at the end of the period.

Grantchester Properties (Luton) Limited

Report of the directors for the period ended 31 December 2002 (Continued)

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those 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; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company secretary

The company secretaries of the Company during the period were:

S J Haydon (appointed 23 September 2002)
I M Hollocks (resigned 23 September 2002)

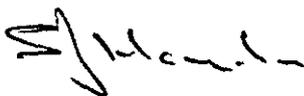
Auditors

The auditors, BDO Stoy Hayward, resigned on 18 November 2002 and on the same date Deloitte & Touche were appointed in their place.

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. 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

30/12/02

Grantchester Properties (Luton) Limited

Report of the independent auditors

To the members of Grantchester Properties (Luton) Limited

We have audited the financial statements of Grantchester Properties (Luton) Limited for the 15 month period ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes 1 to 16. 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 on page 2 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

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

Basis of audit opinion

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

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

Grantchester Properties (Luton) Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its profit for the 15 month period ended 31 December 2002 and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

*Chartered Accountants
and Registered Auditors
London*

30 OCTOBER 2003

Grantchester Properties (Luton) Limited

Profit and loss account for the 15 months ended 31 December 2002

		15 months ended 31 December 2002	Year ended 30 September 2001 As restated*
	Note	£	£
Turnover	1	1,406,774	1,122,560
Cost of sales		-	(7,985)
Gross profit and operating profit		1,406,774	1,114,575
Net cost of finance	5	-	2,902
Profit on ordinary activities before taxation		1,406,774	1,117,477
Taxation on profit on ordinary activities	6	(25,000)	-
Retained profit on ordinary activities after taxation for the financial year	13	1,381,774	1,117,477

* Comparative figures have been restated following the change in accounting policies referred to in note 1.

All amounts relate to continuing activities.

Grantchester Properties (Luton) Limited

Statement of total recognised gains and losses for the period ended 31 December 2002

	Note	15 months ended 31 December 2002 £	Year ended 30 September 2001 £
Profit for the financial period		1,381,774	1,117,477
Unrealised deficit on revaluation of investment properties	14	(407,829)	(462,895)
Total recognised gains and losses for the financial period		<u>973,945</u>	<u>654,582</u>
Prior year adjustment		(676,825)	
Total gains and losses recognised since last financial statements		<u>297,120</u>	

Grantchester Properties (Luton) Limited

Balance sheet at 31 December 2002

	Note	31 December 2002 £	31 December 2002 £	30 September 2001 As restated* £	30 September 2001 As restated* £
Fixed assets					
Investment properties	7		22,580,000		22,800,000
Investments in subsidiary undertakings	8		2		-
			<u>22,580,002</u>		<u>22,800,000</u>
Current assets					
Debtors	9	-		1,315,466	
Creditors: amounts falling due within one year	10	(13,981,178)		(16,515,587)	
Net current liabilities			<u>(13,981,178)</u>	<u>(16,515,587)</u>	<u>(15,200,121)</u>
Total assets less current liabilities			<u>8,598,824</u>		<u>7,599,879</u>
Provision for liabilities and charges	11		<u>(145,000)</u>		<u>(120,000)</u>
Net assets			<u>8,453,824</u>		<u>7,479,879</u>
Capital and reserves					
Called up share capital	12		1		1
Revaluation reserve	13		5,368,991		5,776,820
Profit and loss account	13		3,084,832		1,703,058
Equity shareholders' funds			<u>8,453,824</u>		<u>7,479,879</u>

* Comparative figures have been restated following the change in accounting policies referred to in note 1.

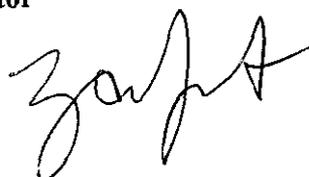
The financial statements were approved by the Board on

30-10-2003.

Director



Director



1 Accounting policies

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 accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

Changes in accounting policies during the period

On 19 September 2002 the Company's ultimate parent company, Grantchester Holdings plc was acquired by Hammerson plc. Following the acquisition, the directors undertook a review of the Company's accounting policies to identify whether any changes in policy were required in order to be consistent with those applied by Hammerson plc.

The principal change in policy required relates to the accounting treatment of income arising from outstanding rent reviews. Previously rent increases arising from outstanding rent reviews were taken into account from the review date based on the directors' estimate of the rental values achievable. The accrued income was included in both turnover and debtors. This policy has been changed such that rent increases are only taken into account when such rent reviews have been agreed with tenants. The anticipated rent increases recognised in previous periods has consequently been written back.

The results for the year ended 30 September 2001 have been amended accordingly. The financial effects of this change in policy are set out in note 9.

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.

Investments in subsidiary undertakings

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

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 Institution 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.

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

1 Accounting policies (continued)

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 years 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.

Turnover

Turnover arises from activities within the United Kingdom and comprises rents receivable from investment properties.

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 cost of sales.

Deferred taxation

Deferred tax is provided on all timing differences and is reduced by available tax losses. Deferred tax balances are not discounted. No provision is made for taxation that may arise on the future disposal of the Company's properties.

Cash flow statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash Flow Statements (Revised 1996)" not to prepare a cash flow statement as a consolidated cash flow statement is included in the financial statements of its ultimate parent company.

2 Auditors' remuneration

The auditors' remuneration is borne by the Company's ultimate parent company in the current period and prior year.

3 Employees

The average number of employees during the period, excluding directors, was nil (2001 - nil).

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 (Continued)

4 Directors

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

5 Net cost of finance

	15 months ended 31 December 2002 £	Year ended 30 September 2001 £
Bank and other interest receivable	-	(2,902)
	<u> </u>	<u> </u>

6 Taxation on profit on ordinary activities

	15 months ended 31 December 2002 £	Year ended 30 September 2001 £
<i>Deferred tax</i>		
Origination and reversal of profit and loss account timing differences	25,000	-
	<u> </u>	<u> </u>

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

	15 months ended 31 December 2002 £	Year ended 30 September 2001 £
Profit on ordinary activities before tax	1,406,774	1,117,477
	<u> </u>	<u> </u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	422,032	335,243
Effect of:		
Capital allowances for the period	-	(21,483)
Group relief surrendered without payment	(402,874)	(494,917)
Prior year profit re-stated	-	181,157
Other items	5,842	-
	<u> </u>	<u> </u>
Current tax charge for period	25,000	-
	<u> </u>	<u> </u>

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 *(Continued)*

6 Taxation on profit on ordinary activities *(Continued)*

It is anticipated that for the foreseeable future the Company will not bear current tax, as it is the policy of the Hammerson group to surrender relief without payment.

7 Investment properties

	Completed freehold properties at external valuation £
<i>Cost or valuation</i>	
At 1 October 2001	22,800,000
Additions at cost	187,829
Revaluation movement in the period	(407,829)
	<hr/>
At 31 December 2002	22,580,000
	<hr/> <hr/>
At 30 September 2001	22,800,000
	<hr/> <hr/>

The completed property is stated at market value at 31 December 2002, valued by professionally qualified external valuers, Donaldsons, Chartered Surveyors.

The historical cost of the Company's property is £17,211,009 (2001: £17,023,180).

At 31 December 2002 the Company's investment property was subject to a first legal charge in respect of a syndicated bank loan facility provided to Grantchester Securities Limited, a fellow subsidiary undertaking.

Should the property be disposed of at book value the tax liability which would arise would not exceed £1,200,000 (2001: £1,408,000).

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 (Continued)

8 Fixed asset investments

	Investments in subsidiary undertakings £
<i>Cost</i>	
Additions and at 31 December 2002	2
	—
<i>Net book value</i>	
At 31 December 2002	2
	—
At 30 September 2001	-
	—

Subsidiary undertakings

Details of the Company's principal subsidiary undertakings as at the period 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 are incorporated in Great Britain.

The subsidiary undertakings jointly hold the legal title to an investment property for which the beneficial ownership is held in trust for the Company.

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 (Continued)

9 Debtors

	31 December 2002	30 September 2001 As restated
	£	£
Amounts owed by group undertakings	-	1,315,466

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

Prepayments and accrued income at 30 September 2001 was previously stated as £676,825. This included amounts of £603,855 and £72,970 relating to outstanding rent reviews accrued during the years ended 30 September 2001 and 2000 respectively. As a result of the change in accounting policy referred to in note 1, turnover for the year ended 30 September 2001 has been restated from £1,726,415 to £1,122,560, a decrease of £603,855, and the profit and loss account reserve at 1 October 2000 restated from £658,551 to £585,581, a decrease of £72,970. The reduction of £72,970 is reflected in the restatement of opening shareholders' funds in note 14.

10 Creditors: amounts falling due within one year

	31 December 2002	30 September 2001
	£	£
Amounts owed to group undertakings	13,708,040	16,213,542
Accruals and deferred income	273,138	302,045
	<u>13,981,178</u>	<u>16,515,587</u>

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 (Continued)

11 Provision for liabilities and charges

	Deferred taxation £
At 1 October 2001	120,000
Deferred taxation released on sale of investment properties	25,000
	<u> </u>
At 31 December 2002	<u>145,000</u>

Deferred taxation

	31 December 2002 £	30 September 2001 £
Accelerated capital allowances	<u>145,000</u>	<u>120,000</u>

12 Share capital

	Authorised	Allotted, called up and fully paid		
	31 December 2002 £	30 September 2001 £	31 December 2002 £	30 September 2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>1</u>	<u>1</u>

13 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 October 2001 as previously stated	5,776,820	2,379,883
Prior year adjustment - change in accounting policy (note 9)	-	(676,825)
	<u> </u>	<u> </u>
At 1 October 2001 as restated	5,776,820	1,703,058
Revaluation deficit	(407,829)	-
Profit for the financial period	-	1,381,774
	<u> </u>	<u> </u>
At 31 December 2002	<u>5,368,991</u>	<u>3,084,832</u>

Grantchester Properties (Luton) Limited

Notes forming part of the financial statements for the period ended 31 December 2002 (Continued)

14 Reconciliation of movements in shareholders' funds

	15 months ended 31 December 2002 £	Year ended 30 September 2001 £
Profit for the financial period	1,381,774	1,117,477
Unrealised deficit on revaluation of investment properties during the period	(407,829)	(462,895)
Net additions to shareholders' funds	973,945	654,582
Opening shareholders' funds as previously stated	8,156,704	6,898,267
Prior year adjustment - change in accounting policy (note 9)	(676,825)	(72,970)
Opening shareholders' funds as restated	7,479,879	6,825,297
Closing shareholders' funds	8,453,824	7,479,879

15 Related party transactions

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 period or preceding year.

16 Ultimate parent company

At 31 December 2002 the Company's ultimate parent company 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 2002 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, 100 Park Lane, London, W1K 7AR.