

Company Number: 3691887

GRANTCHESTER PROPERTIES (LUTON) LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2003



GRANTCHESTER PROPERTIES (LUTON) LIMITED

Board of Directors

Mr. D.J. Atkins
Mr. M.J. Baker
Mr. J.A. Bywater
Mr. P.W.B. Cole
Mr. N.A.S. Hardie
Mr. G.H. Wright

Secretary and Registered Office

Mr. S.J. Haydon
100 Park Lane
London W1K 7AR

GRANTCHESTER PROPERTIES (LUTON) LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2003

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 6 and shows the profit for the year. The directors do not recommend the payment of a final dividend (2002: £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. 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. Mr D.J. Atkins was appointed as a director of the Company on 28 March 2003. Mr I.F.S. Harris resigned as a director of the Company on 21 November 2003.
- b) In accordance with the Articles of Association of the Company, the directors are not required to retire by rotation.
- c) 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.
- d) No director has any interests in contracts entered into by the Company.

5. SECRETARY

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

GRANTCHESTER PROPERTIES (LUTON) LIMITED

REPORT OF THE DIRECTORS (continued)

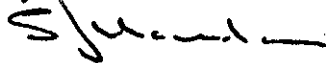
Year ended 31 December 2003

6. 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

14 October 2004

Registered Office:

100 Park Lane

London, W1K 7AR

Registered in England and Wales No. 3691887

GRANTCHESTER PROPERTIES (LUTON) LIMITED

STATEMENT OF 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 that year.

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed 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 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.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

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

We have audited the financial statements of Grantchester Properties (Luton) Limited for year ended 31 December 2003 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 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, 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 member 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 member 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 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 judgments 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

26 October 2004

GRANTCHESTER PROPERTIES (LUTON) LIMITED**PROFIT AND LOSS ACCOUNT**Year ended 31 December 2003

	Note	Year ended 31 December 2003 £'000	15 months ended 31 December 2002 £'000
Gross rental income		1,110	1,407
Rents payable and other property outgoings		(167)	-
		-----	-----
Net rental income, operating profit and profit on ordinary activities before taxation	1(b)	943	1,407
Taxation on profit on ordinary activities	3	(11)	(25)
		-----	-----
Retained profit on ordinary activities after taxation for the financial year	10	932	1,382
		=====	=====

All amounts relate to continuing activities.


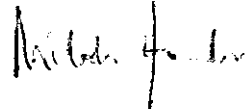
GRANTCHESTER PROPERTIES (LUTON) LIMITED

BALANCE SHEET At 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investment properties	4	16,978	22,580
Fixed asset investments	5	-	-
		<u>16,978</u>	<u>22,580</u>
Current assets			
Debtors	6	329	-
Creditors: amounts falling due within one year	7	<u>(14,340)</u>	<u>(13,981)</u>
Net current liabilities		<u>(14,011)</u>	<u>(13,981)</u>
Total assets less current liabilities		2,967	8,599
Provision for liabilities and charges	8	(156)	(145)
Net assets		<u><u>2,811</u></u>	<u><u>8,454</u></u>
Capital and reserves			
Called up share capital	9	-	-
Revaluation reserve	10	(1,206)	5,369
Profit and loss account	10	4,017	3,085
Equity shareholder's funds		<u><u>2,811</u></u>	<u><u>8,454</u></u>

The financial statements were approved by the Board on 14th October 2004

Signed on behalf of the Board of Directors

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Directors

GRANTCHESTER PROPERTIES (LUTON) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2003

	Year ended 31 December 2003 £'000	15 months ended 31 December 2002 £'000
Profit for financial period	932	1,382
Unrealised deficit on revaluation of investment properties	(6,575)	(408)
	-----	-----
Total recognised gains and losses for the financial period	<u>(5,643)</u>	<u>974</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Year ended 31 December 2003

	Year ended 31 December 2003 £'000	15 months ended 31 December 2002 £'000
Profit for the financial period	932	1,382
Unrealised deficit on revaluation of investment properties during the financial period	(6,575)	(408)
	-----	-----
Net movement in shareholder's funds	(5,643)	974
Opening shareholder's funds	8,454	7,480
	-----	-----
Closing shareholder's funds	<u>2,811</u>	<u>8,454</u>

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

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

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 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.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

1. ACCOUNTING POLICIES

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 (2002: nil).

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

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

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

3. TAXATION

	Year ended 31 December 2003 £'000	15 months ended 31 December 2002 £'000
Deferred tax		
Origination and reversal of profit and loss account timing differences	11	25

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

	Year ended 31 December 2003 £'000	15 months ended 31 December 2002 £'000
Profit on ordinary activities before tax	943	1,407
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002: 30%)	283	422
Effect of:		
Group relief surrendered without payment	(272)	(403)
Other items	(11)	(6)
Current tax charge for period	-	13

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 group relief without payment.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

4. INVESTMENT PROPERTIES

(a)	The movements in the year on investment property were:	Freehold £'000
	Cost or valuation	
	At 1 January 2003	22,580
	Additions at cost	973
	Revaluation movement in the year	(6,575)

	At 31 December 2003	<u>16,978</u>

The Company's property is stated at market value at 31 December 2003, valued by professionally qualified external valuers, Donaldsons, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

- (b) The historical cost of investment property at 31 December 2003 was £18,184,000 (2002: £17,211,000).
- (c) Should the property be disposed of at book value no tax liability would arise (2002: Liability of £1,200,000).

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

5. FIXED ASSET INVESTMENTS

	Investments in subsidiary undertakings £
Cost	
At 1 January 2003 and at 31 December 2003	2

Net book value	
At 31 December 2002 and 31 December 2003	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.

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

6. DEBTORS

	2003 £'000	2002 £'000
Trade debtors	329	-
	=====	=====

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

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Amounts owed to group undertakings	14,037	13,708
Accruals and deferred income	258	273
Taxation and social security	45	-
	<u>14,340</u>	<u>13,981</u>

8. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £'000
At 1 January 2003	145
Deferred taxation charge for the year	11
	<u>156</u>
At 31 December 2003	<u>156</u>

	2003 £'000	2002 £'000
Deferred taxation		
Accelerated capital allowances	<u>156</u>	<u>145</u>

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

9. SHARE CAPITAL

	2003 £	2002 £
Equity share capital Ordinary shares of £1 each		
Authorised (100 shares (2002: 100 shares) of £1 each)	100	100
Alotted, called up and fully paid (1 share (2002: 1 share) of £1 each)	1	1

10. RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2003	5,369	3,085
Revaluation deficit	(6,575)	-
Profit for the financial period	-	932
At 31 December 2003	(1,206)	4,017

11. RELATED PARTY DISCLOSURE

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 year or preceding financial period.

GRANTCHESTER PROPERTIES (LUTON) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2003, 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 2003, 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.