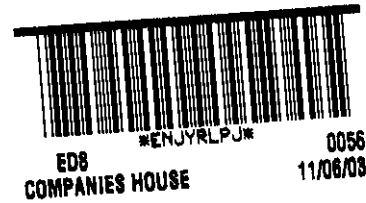


Registered number 3744372

MARTINEAU (GP) LIMITED

DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS

31 DECEMBER 2002



15/12/03 20

# MARTINEAU (GP) LIMITED

## Directors' Report and financial statements for the year ended 31 December 2002

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### **Directors**

R J Akers  
R H De Barr  
J A Bywater (alternate to G H Wright)  
P W B Cole  
J M Emery  
G Field  
C E Palmer  
R J G Richards (alternate to P W B Cole)  
N C Varnham  
M B White  
G H Wright

### **Secretary and registered office**

Henderson Secretarial Services Limited  
4 Broadgate  
London EC2M 2DA

# MARTINEAU (GP) LIMITED

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2002.

### Principal activities

The Company acts as general partner in The Martineau Limited Partnership, a property investment partnership to re-develop Martineau Place, Birmingham. The limited partners are L S Centre Properties Limited, Hammerson MLP Limited and Pearl Assurance plc. No changes to the Company's activities are anticipated.

### Results and dividends

The profit and loss account is set out on page 5.

The directors do not recommend the payment of a dividend (31 December 2001 - £nil).

### Directors and their interests

The directors of the Company are set out on page 1, all of whom held office throughout the year except as follows:

Name	Date of appointment	Date of resignation
J A Bywater	8 October 2002	

Since the year end the following changes have taken place

Name	Date of appointment	Date of resignation
P J J Cleary		21 January 2003
R J Akers	21 January 2003	

During the year none of the directors had any interests in the shares of the Company, which require to be disclosed under the Companies Act 1985.

### Registered office

The company's registered office address is 4 Broadgate, London EC2M 2DA.

**Directors' report (Continued)**

**Auditors**

On 8 October 2002 KPMG LLP were appointed as Auditors to the Company.

**Elective resolutions**

Elective resolutions are in force which were approved by the Company's shareholders on 9 May 2000 to dispense with the following requirements:

1. to re-appoint auditors annually;
2. to hold an Annual General Meeting; and
3. to lay the accounts before the Company in general meeting.

**Statement of directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

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 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.

By order of the Board



S J Whiteside

For and on behalf of Henderson Secretarial Services Limited, Secretary

20 May 2003

## Independent Auditors' Report to the Members of Martineau (GP) Limited

We have audited the financial statements on pages 5 to 12.

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 auditor's 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 Manager and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

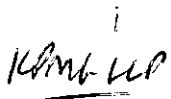
### Basis of audit opinion

We conducted our audit in accordance with 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.

### Opinion

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



KPMG LLP  
Chartered Accountants  
Registered Auditor  
London

20 May 2003

# MARTINEAU (GP) LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002	2001
		£	£
Gross property income	3	<u>29,601</u>	<u>14,807</u>
Net rental income	3	24,434	12,580
Administrative expenses	4	<u>(437)</u>	<u>(417)</u>
Operating profit		23,997	12,163
Income from fixed asset investments		<u>444</u>	<u>422</u>
Profit before interest and tax		24,441	12,585
Interest receivable		514	480
Interest payable		<u>(14)</u>	<u>(76)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,941	12,989
Tax on profit on ordinary activities	5	<u>(4,989)</u>	<u>(2,423)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		19,952	10,566
Balance brought forward		<u>12,456</u>	<u>1,890</u>
BALANCE CARRIED FORWARD		<u>32,408</u>	<u>12,456</u>

All income was derived from the United Kingdom from continuing operations. No operations were discontinued during the year.

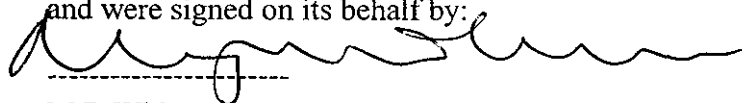
The notes on pages 8 to 12 form an integral part of these financial statements.

**MARTINEAU (GP) LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Notes	2002	2001
		£	£
<b>FIXED ASSETS</b>			
Tangible assets			
Investment properties	6	499,070	467,918
Goodwill		(432,219)	(432,219)
<b>Investments</b>			
Quoted in the United Kingdom	7	8,731	8,731
Unquoted		<u>2</u>	<u>2</u>
		8,733	8,733
		<u>75,584</u>	<u>44,432</u>
<b>CURRENT ASSETS</b>			
Debtors	8	109,030	99,168
Investments: short term deposits		9,016	6,096
Cash at bank and in hand		<u>3,262</u>	<u>2,222</u>
Total current assets		121,308	107,486
<b>CREDITORS: amounts falling due within one year</b>			
	9	<u>(31,117)</u>	<u>(38,542)</u>
<b>NET CURRENT ASSETS</b>		90,191	68,944
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>165,775</u></u>	<u><u>113,376</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	1,800	1,800
Revaluation reserve	11	131,567	99,120
Profit and loss account		32,408	12,456
		<u>165,775</u>	<u>113,376</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 20 May 2003 and were signed on its behalf by:



M B White  
Director

**MARTINEAU (GP) LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>2002</u>	<u>2001</u>
	£	£
Retained profit for the financial year	19,952	10,566
Unrealised surplus on revaluation of investment property	<u>32,447</u>	<u>99,120</u>
Total recognised gains and losses in the year	<u><u>52,399</u></u>	<u><u>109,686</u></u>

**RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<u>2002</u>	<u>2001</u>
	£	£
Retained profit for the financial year	19,952	10,566
Unrealised surplus on revaluation of investment property	<u>32,447</u>	<u>99,120</u>
	52,399	109,686
Opening equity shareholders' funds	<u>113,376</u>	<u>3,690</u>
Closing equity shareholders' funds	<u><u>165,775</u></u>	<u><u>113,376</u></u>



# MARTINEAU (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

### 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 accounting standards and, except for the departures detailed in 1 (d) and (g) below, Part VII of the Companies Act 1985, as required by the Limited Partnerships and Unlimited Companies (Accounts) Regulations 1993.

#### b. Proportional consolidation

The financial statements include the proportional consolidation of the Company's 0.46% interest in The Martineau Limited Partnership as a joint arrangement in accordance with FRS9.

#### c. Profit and loss account

The profit on ordinary activities is arrived at after taking into account income and outgoings on all properties, including those under development.

In accordance with the Accounting Standards Board's Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28), the cost of all lease incentives (such as rent-free periods or contributions to fitting out costs) is offset against the total rent due and the net rental income is then spread evenly over the shorter of the period from the rent-free or rent commencement date, as appropriate, to the date of the next rent review or the lease end date.

#### d. Goodwill

The negative goodwill arising on the proportional consolidation of The Martineau Limited Partnership is not amortised. It is a gain that will be realised on the sale of the asset.

#### e. Properties

Properties in the course of development are held at the lower of cost and recoverable amount. A property is regarded as being in the course of development until substantially let and income producing or until income exceeds outgoings.

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual external valuation. Surpluses or temporary deficits on valuation are transferred to the revaluation reserve. Impairment of investment properties to below their carrying values is charged to the profit and loss account.

Additions to properties include costs of a capital nature only; interest and other costs are treated

## MARTINEAU (GP) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

#### 1. ACCOUNTING POLICIES (Continued)

##### f. Investments

Fixed asset investments are overstated at cost less provision for impairment.

##### g. Depreciation and amortisation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over 20 years. This treatment for the partnership's investment properties represent 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 the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

##### h. Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

# MARTINEAU (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

### 2. CONSOLIDATION

The Company proportionately consolidates its interest in The Martineau Limited

3. NET RENTAL INCOME	2002	2001
	£	£
Rental income	25,641	13,127
Service charge and other recoveries	3,960	1,680
Gross property income	29,601	14,807
Ground rents payable	(2)	(2)
Other property outgoings	(5,165)	(2,225)
	(5,167)	(2,227)
	24,434	12,580

### 4. ADMINISTRATIVE EXPENSES

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

The Company had no employees in the financial or preceding year.

The auditors' remuneration has been paid by The Martineau Limited Partnership.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES	2002	2001
	£	£
Corporation tax on revenue profit for the year at 20% (2001: 20%)	4,989	2,598
Capital allowances	-	(110)
Other items	-	(65)
	4,989	2,423

There are no material deferred tax assets or liabilities

6. INVESTMENT PROPERTIES	2002	2001
	£	£
At beginning of year	467,918	299,495
Additions during the year	(1,295)	69,303
Unrealised surplus on valuation (Note 11)	32,447	99,120
At end of year: open market value	499,070	467,918

# MARTINEAU (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

### 7. INVESTMENTS

The market value of the quoted investments held at 31 December 2002 was £11,992 (2001: £8,731). In the directors' opinion, the value of the unquoted investments at that date was not less than cost.

### 8. DEBTORS

	<u>2002</u>	<u>2001</u>
	£	£
Loans to partners	74,191	80,744
Trade debtors	9,053	7,991
Capital debtors	224	246
Distribution due from Martineau LP	12,420	-
Other debtors	192	625
Prepayments and accrued income	<u>12,950</u>	<u>9,562</u>
	<u>109,030</u>	<u>99,168</u>

### 9. CREDITORS

	<u>2002</u>	<u>2001</u>
	£	£
Funds provided by partners to acquire investments	10,089	10,089
Corporation tax paid by L S Properties Ltd	62	-
Other creditors	6,413	58
Taxation	7,445	2,549
Capital creditors	6,103	22,296
Accruals and deferred income	<u>1,005</u>	<u>3,550</u>
	<u>31,117</u>	<u>38,542</u>

# MARTINEAU (GP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

### 10. CALLED UP SHARE CAPITAL

	<u>2002</u>	<u>2001</u>
	£	£
Authorised, allotted and fully paid: 180,000 ordinary share of 1p each	1,800	1,800
	<u>          </u>	<u>          </u>

### 11. REVALUATION RESERVE

	<u>2002</u>	<u>2001</u>
	£	£
At beginning of year	99,120	-
Unrealised surplus on revaluation of investment property	<u>32,447</u>	<u>99,120</u>
At end of year	<u>131,567</u>	<u>99,120</u>

### 12. CASH FLOW STATEMENT EXEMPTION

The Company has elected to make use of the exemption provided in Financial Reporting Standard 1 (revised 1996) "Cash Flow Statements" for companies incorporated under companies legislation and entitled to the exemptions available in the legislation for small companies.

### 13. RELATED PARTY TRANSACTIONS

Other than that referred to in Notes 8 and 9 the Company did not have any transactions with any of its related parties.

### 14. ULTIMATE CONTROLLING PARTIES

The Company is jointly owned by LS Birmingham Limited, Henderson ( Martineau Phase 1) Limited and Hammerson Birmingham Properties Limited whose ultimate parent companies are Land Securities PLC, AMP Limited and Hammerson PLC respectively.

**THE MARTINEAU LIMITED PARTNERSHIP**

**REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2002**

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. .... 3744372 .....

THE MARTINEAU LIMITED PARTNERSHIP  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002

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Report of the General Partner	2
Statement of Partnership Responsibilities	2
Auditors' Report to the Partners	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Financial Statements	8-12

## THE MARTINEAU LIMITED PARTNERSHIP

### REPORT OF THE GENERAL PARTNER FOR THE YEAR ENDED 31 DECEMBER 2002

The General Partner submits its report and the financial statements of the Limited Partnership for the year ended 31 December 2002.

#### BUSINESS REVIEW

The Limited Partnership acts as an investment partnership to hold the economic interests of its partners as developers of Martineau Place, Birmingham.

#### RESULTS

The results of the Limited Partnership's business for the year are as shown in the profit and loss account on page 5.

#### PARTNERS

Martineau (GP) Limited, with a 0.46% interest, acts as a general partner to the Limited Partnership and the following are the limited partners with investments in the partnership to the extent shown below:

LS Centre Properties Limited	33.18%
Hammerson MLP Limited	33.18%
Pearl Assurance plc	33.18%

#### GENERAL PARTNER'S RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Martineau Limited Partnership ("the Partnership") is registered pursuant to the provisions of The Limited Partnerships Act 1907. The Partnerships and Unlimited Companies (Accounts) Regulations 1993 (SI 1993/1820) require certain qualifying partnerships to prepare and have audited annual accounts and reports as required for a company by the Companies Act 1985. The Partnership is a qualifying partnership as all its members are limited companies.

Martineau (GP) Limited acting as the General Partner, is responsible under Article 13 of the Limited Partnership Agreement of 21 July 1999 for the preparation of the Partnership accounts in accordance with English law and generally accepted accounting principles and practices.



THE MARTINEAU LIMITED PARTNERSHIP

REPORT OF THE GENERAL PARTNER  
FOR THE YEAR ENDED 31 DECEMBER 2002

GENERAL PARTNER'S RESPONSIBILITIES  
IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS  
(CONTINUED)

The General Partner is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership as at the end of the financial year and of the profit or loss of the Partnership for that year. In preparing those financial statements, the general partner is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable it to ensure that the financial statements comply with SI 1993/1820 (Regulation 4). It is also responsible for safeguarding the assets of the Partnership and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



M B White  
for and on behalf of the General Partner,  
Martineau (GP) Limited

20 May 2003

## THE MARTINEAU LIMITED PARTNERSHIP

### **Independent Auditors' report to the partners of Martineau Limited Partnership**

We have audited the financial statements on pages 5 to 12.

This report is made solely to the Partners, as a body, in accordance with Article 12 of the Partnership agreement. Our audit work has been undertaken so that we might state to the Partners those matters we are required to state to them in an auditor's 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 Partnership and the Partners as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the General Partner and auditors**

The General Partner is responsible for preparing the financial statements. As described on pages 2 and 3, this includes responsibility for preparing the financial statements in accordance with Article 12 of the Partnership Agreement. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 Partnership Agreement. We also report to you if, in our opinion, the General Partner's report is not consistent with the financial statements, the Partnership has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

### **Basis of audit opinion**

We concluded our audit in accordance with 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 General Partner in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnerships' 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 Partnership as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with Article 12 of the Partnership Agreement.



KPMG LLP  
Chartered Accountants  
Registered auditors  
20 May 2003

THE MARTINEAU LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
GROSS PROPERTY INCOME	3	<u>6,435,031</u>	<u>3,218,856</u>
NET RENTAL INCOME	3	5,311,814	2,734,664
Administrative expenses	4	<u>(94,929)</u>	<u>(90,619)</u>
OPERATING PROFIT		5,216,885	2,644,045
Interest receivable	5	111,839	104,408
Interest payable		<u>-</u>	<u>(16,485)</u>
PROFIT FOR THE YEAR		5,328,724	2,731,968
TRANSFER TO PARTNERS' CURRENT ACCOUNTS	10	(5,328,724)	(2,731,968)
BALANCE CARRIED FORWARD		<u>£Nil</u>	<u>£Nil</u>

All activities are continuing.

There are no recognised gains or losses other than the profit for the year.

The notes on pages 8 to 12 form an integral part of these financial statements

THE MARTINEAU LIMITED PARTNERSHIP

BALANCE SHEET AS AT 31 DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<b>FIXED ASSETS</b>			
Tangible assets			
Investment properties	6	108,493,578	101,721,246
<b>CURRENT ASSETS</b>			
Debtors	7	20,993,358	21,558,347
Investments: short term deposits		1,960,000	1,325,000
Cash at bank and in hand		154,094	4,391
		<u>23,107,452</u>	<u>22,887,738</u>
CREDITORS: amounts falling due within one year	8	<u>(2,940,882)</u>	<u>(5,631,260)</u>
NET CURRENT ASSETS		20,166,570	17,256,478
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>128,660,148</u></u>	<u><u>118,977,724</u></u>
Partners' capital accounts	9	94,351,800	94,351,800
Partners' revaluation accounts	10	28,601,578	21,547,878
Partners' current accounts	10	5,706,770	3,078,046
		<u><u>128,660,148</u></u>	<u><u>118,977,724</u></u>

The financial statements on pages 5 to 12 were approved by the General Partner on 20 may 2003.

Signed on behalf of the General Partner.



M B White  
Director, Martineau (GP) Limited

THE MARTINEAU LIMITED PARTNERSHIP

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>2002</u>	<u>2001</u>
	£	£
Operating profit (page 5)	5,216,885	2,644,045
Increase in debtors	(860,011)	(3,558,234)
Increase in creditors	<u>829,914</u>	<u>487,059</u>
Net cash inflow/(outflow) from operating activities	5,186,788	(427,130)
Cash (outflow)/inflow from returns on investment and servicing of finance - interest received	111,839	104,408
- interest paid	-	(16,485)
Distributions paid	<u>(2,700,000)</u>	<u>-</u>
	(2,588,161)	87,923
Cash outflow from capital expenditure	<u>(3,238,924)</u>	<u>(10,936,813)</u>
Cash outflow before use of liquid resources and financing	(640,297)	(11,276,020)
Management of liquid resources	(635,000)	(275,000)
Financing:		
Loans to partners	1,425,000	11,550,000
Increase/(decrease) in cash in year	<u><u>149,703</u></u>	<u><u>(1,020)</u></u>

# THE MARTINEAU LIMITED PARTNERSHIP

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

### 1. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and, except for the departure detailed below in connection with amortisation and depreciation, Part VII of the Companies Act 1985, as required by the Limited Partnerships and Unlimited Companies (Accounts) Regulations 1993.

#### Profit and loss account

The profit on ordinary activities is arrived at after taking into account income and outgoings on all properties, including those under development.

In accordance with the Accounting Standards Board's Urgent Issues Task Force Abstract 28 'Operating Lease Incentives' (UITF28), the cost of all lease incentives (such as rent-free periods or contributions to fitting out costs) spread evenly over the period to the date of the next rent review or the lease end date, whichever is shorter.

#### Properties

Properties in the course of development are held at the lower of cost and recoverable amount. A property is regarded as being in the course of development until substantially let and income producing or until income exceeds outgoings.

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual external valuation. Surpluses or temporary deficits on valuation are transferred to the revaluation reserve. Impairment of investment properties to below their carrying values is charged directly to the profit and loss account.

Additions to properties include costs of a capital nature only; interest and other costs are treated as revenue expenditure and written off as incurred.

#### Depreciation and amortisation

In accordance with SSAP 19, no depreciation or amortisation is provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over 20 years. This treatment for the Partnership's investment properties represent 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 General Partner considers 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 the factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

#### Taxation

No provision for taxation is made in these accounts as a limited partnership is not a taxable entity. Partners will be responsible for their own tax liabilities according to their own circumstances.

THE MARTINEAU LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

2. LIMITED PARTNERSHIP AGREEMENT ("The Partnership Deed")

- a) In accordance with the Partnership Deed dated 21 July 1999, the principal activity of the Partnership is property development and investment.
- b) Martineau (GP) Limited, acting as General Partner, has a 0.46% interest in the net assets and profits of the Partnership. The three limited partners, LS Centre Properties Limited, Pearl Assurance plc and Hammerson MLP Limited, own 33.18% each.

THE MARTINEAU LIMITED PARTNERSHIP

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

3. NET RENTAL INCOME

	2002	2001
	£	£
Rental income	5,574,061	2,853,597
Service charges and other recoveries	860,970	365,259
Gross property income	6,435,031	3,218,856
Ground rents payable	(500)	(500)
Other property outgoings	(1,122,717)	(483,692)
	(1,123,217)	(484,192)
	<u>5,311,814</u>	<u>2,734,664</u>

4. ADMINISTRATIVE EXPENSES

The directors of the General Partner did not receive any remuneration for services to the partnership during the current financial year.

The Partnership has no employees.

The auditors' remuneration amounted to £4,700 (2001: £12,000).

5. INTEREST RECEIVABLE

	2002	2001
	£	£
Short term deposits	111,193	104,312
Sundry	646	96
	<u>111,839</u>	<u>104,408</u>

6. INVESTMENT PROPERTIES

	2002	2001
	£	£
At beginning of year	101,721,246	65,107,460
Additions during the year	(281,368)	15,065,908
Unrealised surplus on valuation	7,053,700	21,547,878
At end of year	108,493,578	101,721,246
Amount included in prepayments under UITF 28	2,806,422	2,078,754
Open market value	<u>111,300,000</u>	<u>103,800,000</u>

The open market value of the investment property as at 31 December 2002 was determined by the partnership's external valuer DTZ Debenham Tie Leung Limited, chartered surveyors.

The historic cost of the property is £79,892,000 (2001: £80,173,368).



THE MARTINEAU LIMITED PARTNERSHIP

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

7. DEBTORS

	<u>2002</u>	<u>2001</u>
	£	£
Loans to partners	16,128,147	17,553,147
Trade debtors	1,968,136	1,737,189
Capital debtors	48,704	53,404
Other debtors	41,788	135,853
Prepayments and accrued income	2,806,583	2,078,754
	<u>20,993,358</u>	<u>21,558,347</u>

In accordance with Article 17 of the Partnership Deed, the Partnership has provided unsecured interest free loans of £5,376,049 to each of the limited partners repayable at such times and in such amounts as the General Partner shall determine from time to time.

8. CREDITORS: amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£	£
Capital creditors	1,326,726	4,847,017
Other creditors	218,582	12,642
Accruals and deferred income	1,395,574	771,601
	<u>2,940,882</u>	<u>5,631,260</u>

9. PARTNERS' CAPITAL ACCOUNTS

	<u>2002</u>	<u>2001</u>
	£	£
General Partner - Martineau (GP) Limited	1,800	1,800
Limited partners - Hammerson MGLP Limited	31,450,000	31,450,000
- Pearl Assurance PLC	31,450,000	31,450,000
- LS Centre Properties Limited	31,450,000	31,450,000
	<u>94,351,800</u>	<u>94,351,800</u>

Under the Partnership Deed no further capital is required to be injected and no interest is payable on the capital.

THE MARTINEAU LIMITED PARTNERSHIP

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

10. PARTNERS' REVALUATION AND INCOME ACCOUNTS

	Revaluation Account £	Income Account £	Total £
At beginning of year	21,547,878	3,078,046	24,625,924
Revaluation in the year	7,053,700	-	7,053,700
Profit for the year	-	5,328,724	5,328,724
Distributions paid 29th July 2002	-	(1,500,000)	(1,500,000)
Distributions paid 5th November 2002	-	(1,200,000)	(1,200,000)
At end of year	<u>28,601,578</u>	<u>5,706,770</u>	<u>34,308,348</u>
Martineau (GP) Limited	131,566	38,672	170,238
Hammerson MGLP Limited	9,490,004	1,889,366	11,379,370
Pearl Assurance PLC	9,490,004	1,889,366	11,379,370
LS Centre Properties Limited	9,490,004	1,889,366	11,379,370
	<u>28,601,578</u>	<u>5,706,770</u>	<u>34,308,348</u>

11 RELATED PARTIES

Other than disclosed in Notes 7 and 9, there were no material related party transactions during the year.