

Registered number 3744372

MARTINEAU (GP) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2003



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MARTINEAU (GP) LIMITED

Directors' Report and financial statements for the year ended 31 December 2003

Contents	Page
Directors	1
Directors' report	2
Independent Auditors' Report	4
Profit and loss account	5
Balance sheet	6
Statement of total recognised gains and losses	7
Reconciliation of movements in equity shareholders' funds	7
Notes to the financial statements	8 - 12

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
L F Hutchings (alternated (M B White)
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 2003.

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 2002 - £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:

<u>Name</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
R.J. Akers	21 January 2003	
P.J.J. Cleary		21 January 2003

Since the year end the following changes have taken place.

<u>Name</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
L.F. Hutchings	13 April 2004	

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.

MARTINEAU (GP) LIMITED

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 2003. 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

13 July 2004

MARTINEAU (GP) LIMITED

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.

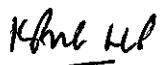
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KMPG LLP
Chartered Accountants
Registered Auditor
London
13 July 2004

MARTINEAU (GP) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003	2002
		£	£
Gross property income	3	<u>30,460</u>	<u>29,601</u>
Net rental income	3	24,622	24,434
Administrative expenses	4	<u>(6,728)</u>	<u>(437)</u>
Operating profit		17,894	23,997
Income from fixed asset investments		<u>469</u>	<u>444</u>
Profit before interest and tax		18,363	24,441
Interest receivable		307	514
Interest payable		<u>(65)</u>	<u>(14)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,605	24,941
Tax on profit on ordinary activities	5	<u>(1,494)</u>	<u>(4,989)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		17,111	19,952
Balance brought forward		<u>32,408</u>	<u>12,456</u>
BALANCE CARRIED FORWARD		<u><u>49,519</u></u>	<u><u>32,408</u></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.

There is no difference between the results disclosed in the profit and loss account and the results given on an unmodified historical cost basis.

MARTINEAU (GP) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003	2002
		£	£
FIXED ASSETS			
Tangible assets			
Investment properties	6	433,133	499,070
Goodwill		(432,219)	(432,219)
Investments			
Quoted in the United Kingdom	7	8,731	8,731
Unquoted		<u>2</u>	<u>2</u>
		<u>8,733</u>	<u>8,733</u>
		9,647	75,584
CURRENT ASSETS			
Debtors	8	128,104	109,030
Investments: short term deposits		8,280	9,016
Cash at bank and in hand		<u>5,140</u>	<u>3,262</u>
Total current assets		141,524	121,308
CREDITORS: amounts falling due within one year	9	<u>(41,780)</u>	<u>(31,117)</u>
NET CURRENT ASSETS		99,744	90,191
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>109,391</u></u>	<u><u>165,775</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	1,800	1,800
Revaluation reserve	11	58,072	131,567
Profit and loss account		49,519	32,408
		<u>109,391</u>	<u>165,775</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 13 July 2004 and were signed on its behalf by:



Director
CE PALMER

MARTINEAU (GP) LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>2003</u>	<u>2002</u>
	£	£
Retained profit for the financial year	17,111	19,952
Unrealised (deficit)/surplus on revaluation of investment property	<u>(73,495)</u>	<u>32,447</u>
Total recognised gains and losses in the year	<u><u>(56,384)</u></u>	<u><u>52,399</u></u>

**RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>2003</u>	<u>2002</u>
	£	£
Retained profit for the financial year	17,111	19,952
Unrealised (deficit)/surplus on revaluation of investment property	<u>(73,495)</u>	<u>32,447</u>
	(56,384)	52,399
Opening equity shareholders' funds	<u>165,775</u>	<u>113,376</u>
Closing equity shareholders' funds	<u><u>109,391</u></u>	<u><u>165,775</u></u>

MARTINEAU (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 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 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.

MARTINEAU (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

1. ACCOUNTING POLICIES (Continued)

f. Investments

Fixed asset investments are stated 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.

2. CONSOLIDATION

The Company proportionately consolidates its interest in The Martineau Limited Partnership as a joint arrangement in accordance with FRS9.

3. NET RENTAL INCOME

	2003	2002
	£	£
Rental income	25,697	25,641
Service charge income and other recoveries	4,763	3,960
Gross property income	30,460	29,601
Less: service charge income and other recoveries	(4,763)	(3,960)
Rental income	25,697	25,641
Ground rents payable	(2)	(2)
Other property outgoings	(1,073)	(1,205)
	(1,075)	(1,207)
Net rental income	24,622	24,434

MARTINEAU (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

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 current or preceding year.

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

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in year

	<u>2003</u>	<u>2002</u>
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	2,982	4,989
Adjustments in respect of prior periods	<u>(1,488)</u>	<u>-</u>
Tax on profit on ordinary activities	<u><u>1,494</u></u>	<u><u>4,989</u></u>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2002: equal to) than the standard rate of corporation tax in the UK (19%, 2002: 20%). The differences are explained below.

	<u>2003</u>	<u>2002</u>
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>18,605</u>	<u>24,941</u>
Current tax at 19% (2002: 20%)	3,535	4,989
<i>Effects of:</i>		
Dividends received from quoted investments	(89)	-
Adjustments to tax charge in respect of previous periods	(1,488)	-
Marginal relief	(37)	-
Other	<u>(427)</u>	<u>-</u>
Total current tax charge (see above)	<u><u>1,494</u></u>	<u><u>4,989</u></u>

There are no material deferred tax assets or liabilities.

MARTINEAU (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

6. INVESTMENT PROPERTIES	2003	2002
	£	£
At beginning of year	499,070	467,918
Additions during the year	7,558	(1,295)
Unrealised (deficit)/surplus on valuation (Note 11)	(73,495)	32,447
At end of year: open market value	433,133	499,070

The open market value of the investment property as at 31 December 2003 was determined by the partnership's external valuer DTZ Debenham Tie Leung Limited, chartered surveyors.

The historic cost of the property is £375,061 (2002: £367,503).

7. INVESTMENTS

The market value of the quoted investments held at 31 December 2003 was £15,007 (2002: £11,992). In the directors' opinion, the value of the unquoted investments at that date was not less than cost.

8. DEBTORS

	2003	2002
	£	£
Loans to partners	74,190	74,191
Trade debtors	11,541	9,053
Capital debtors	47	224
Distribution due from Martineau LP	31,970	12,420
Other debtors	-	192
Prepayments and accrued income	10,356	12,950
	128,104	109,030

9. CREDITORS

	2003	2002
	£	£
Funds provided by partners to acquire investments	15,089	10,089
Capital creditors	9,337	6,103
Corporation tax paid by L S Properties Ltd	62	62
Other taxation	7,133	7,445
Other creditors	2,388	6,413
Accruals and deferred income	7,771	1,005
	41,780	31,117

MARTINEAU (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2003 (CONTINUED)

10. CALLED UP SHARE CAPITAL

	<u>2003</u>	<u>2002</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>2003</u>	<u>2002</u>
	£	£
At beginning of year	131,567	99,120
Unrealised (deficit)/surplus on revaluation of investment property	<u>(73,495)</u>	<u>32,447</u>
At end of year	<u>58,072</u>	<u>131,567</u>
	<u>=====</u>	<u>=====</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, HHG PLC and Hammerson PLC respectively.