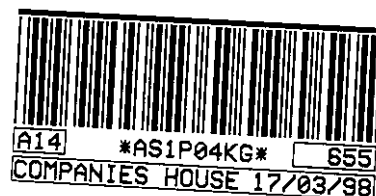


Hatch Warren 1992 Limited
Annual report
for the year ended 30 September 1997

Registered no: 2018842



Hatch Warren 1992 Limited

Annual report for the year ended 30 September 1997

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Directors and advisers

Directors

R H Dickinson
S Dickinson
P M Milburn
A R Cunningham
G J Davis

Secretary and registered office

G J Davis
Chaucer Buildings
Grainger Street
Newcastle upon Tyne
NE1 5LE

Registered Auditors

Coopers & Lybrand
Hadrian House
Higham Place
Newcastle upon Tyne
NE1 8BP

Solicitors

Dickinson Dees
Cross House
Westgate Road
Newcastle upon Tyne
NE99 1SB

Bankers

Barclays Bank Pl.c
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3PN

Directors' report for the year ended 30 September 1997

The directors present their report and the audited financial statements for the year ended 30 September 1997.

Principal activities and review of the business

The principal activity of the company during the year remains that of property trading and land development.

On 30 September the company acquired from fellow subsidiaries the whole of the share capital of West Waterloo Development Limited and Derwent Developments Limited for aggregate consideration of £759,171. The purchase consideration was funded by borrowing from fellow group companies.

The main feature of the current year's results was the £11,052,093 loss on the sale of development land. In order to provide adequate working capital for the group on 30 September 1997 the company issued £30 million of zero coupon unsecured convertible 2003 loan stock for a discounted sum of £15 million received in cash. The proceeds were temporarily loaned to a fellow group company and subsequent to the year end arrangements have been implemented to reduce both intra-group debtors and creditors by £24,069,618.

With this exception, the directors consider the level of the Group's activities to be satisfactory and expect it to continue to be so in future years.

Results

The consolidated results for the year are set out on page 5.

Dividends

The directors do not recommend a dividend for the year (1996: £Nil). The loss for the financial year of £7,757,927 (1996: £1,104,852) will be deducted from reserves.

Directors

The directors who served during the year and to the date of this report were:

R H Dickinson	(Chairman)
S Dickinson	
P M Milburn	
A R Cunningham	(appointed 20 May 1997)
G J Davis	

The directors have no beneficial interest in the share capital of the company or any of its subsidiaries. The beneficial interests of Mr R H Dickinson, Mr S Dickinson, Mr P M Milburn and Mr A R Cunningham in the shares of the ultimate holding company, Grainger Trust p.l.c., are shown in the annual report of Grainger Trust p.l.c.

The beneficial interests of the other director in the shares of Grainger Trust p.l.c. were as follows:

	30 September 1997 Number	30 September 1996 Number
G J Davis	<u>13,092</u>	<u>11,746</u>

Directors share options at 30 September 1997

Directors share options at 30 September 1997		Ordinary shares of 25p each Mr G J Davis	
Option price	Date exercisable	1997	1996
Revenue approved schemes			
448p	3 Jan 1992 to 3 Jan 1999	20,000	20,000
128.4p	19 July 1994 to 18 July 2001	20,000	20,000
342.5p	23 Dec 1999 to 23 Dec 2006	-	-
LTIP scheme			
267.1p	9 July 2000 to 9 July 2007	8,911	-
SAYE scheme			
214p	5 Aug 2002 to 5 Feb 2003	8,060	-
Total number of share options		56,971	40,000

Statement of directors' responsibilities

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

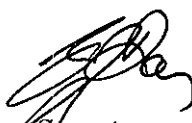
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 September 1997. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution proposing the reappointment of Coopers & Lybrand as auditors to the company will be put to the Annual General Meeting.

By order of the board


Secretary
10th March 1998.

Report of the auditors to the members of Hatch Warren 1992 Limited

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

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

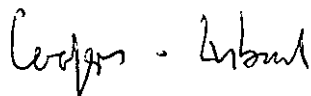
Basis of opinion

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 affairs of the company and the group at 30 September 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Newcastle upon Tyne

10 March 1998

Consolidated profit and loss account for the year ended 30 September 1997

	Notes	1997 Group £	1996 Company £
Turnover		<u>25,415</u>	<u>8,654</u>
Trading (losses)/profits		(202,585)	187,423
Exceptional item	3	(11,052,093)	-
Other income		-	8,654
		<u>(11,254,678)</u>	<u>196,077</u>
Administration expenses		(77,691)	(28,272)
		<u>(11,332,369)</u>	<u>167,805</u>
(Loss)/profit on ordinary activities before interest		(11,332,369)	167,805
Net interest payable	4	(55,102)	(1,154,056)
		<u>(11,387,471)</u>	<u>(986,251)</u>
Loss on ordinary activities before taxation		(11,387,471)	(986,251)
Taxation	5	3,629,544	(118,601)
		<u>(7,757,927)</u>	<u>(1,104,852)</u>
Loss for the financial year	12	(7,757,927)	(1,104,852)

All activities of the group are continuing.

The company has no recognised gains and losses other than those included in the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

Balance sheets at 30 September 1997

	Notes	1997 Group £	1997 Company £	1996 Company £
Fixed assets				
Investments	6	-	-	-
Current assets				
Stocks	7	2,087,828	95,866	11,805,212
Debtors	8	27,539,232	27,659,779	10,158,896
		<u>29,627,060</u>	<u>27,755,645</u>	<u>21,964,108</u>
Creditors: amounts falling due within one year	9	(24,296,842)	(22,280,863)	(14,972,228)
Net current assets		<u>5,330,218</u>	<u>5,474,782</u>	<u>6,991,880</u>
Total assets less current liabilities		<u>5,330,218</u>	<u>5,474,782</u>	<u>6,991,880</u>
Creditors: amounts falling due after more than one year	10	(15,000,000)	(15,000,000)	(8,000,000)
Net liabilities		<u>(9,669,782)</u>	<u>(9,525,218)</u>	<u>(1,008,120)</u>
Capital and reserves				
Called up share capital	11	100,000	100,000	100,000
Profit and loss account	12	(9,769,782)	(9,625,218)	(1,108,120)
Equity shareholders' funds	13	<u>(9,669,782)</u>	<u>(9,525,218)</u>	<u>(1,008,120)</u>

The financial statements on pages 5 to 12 were approved by the board of directors on 10th March 1998. and were signed on its behalf by:

Andrew Cunningham

Director

**Notes to the financial statements
for the year ended 30 September 1997****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Accounting convention

The financial statements have been prepared on the historical cost basis of accounting.

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 1997. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Cash flow

The company is a wholly owned subsidiary of Grainger Trust p.l.c. and the cash flows of the company are included in the consolidated cash flow statement of Grainger Trust p.l.c.. Consequently, the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Turnover

Turnover comprises gross rentals, gross sale proceeds of trading properties and land, and sundry other income.

Sales of land and properties are only accounted for when the cash proceeds are received in full or the company has entered into a legally binding undertaking.

Repairs and improvements

All repairs are charged in the year they are incurred except that provision is made to cover work arising from legislative requirements notified prior to the year end and the cost to complete major repair projects in progress at the year end. Improvement costs are capitalised. Provision is made to cover the costs of improvement work in progress at the year end.

Stocks

Development land is shown in the financial statements at the lower of cost to the Company and net realisable value. Cost represents the acquisition price together with subsequent infrastructure costs, net of amounts transferred to cost of sales. Net realisable value is the current market value of the land as advised by the Company's professional valuers.

2 Directors and employees

There are no persons holding service contracts with Hatch Warren 1992 Limited.

None of the directors received any remuneration from the company during the year, or in the previous year.

3 Exceptional item

	1997 £	1996 £
Loss on sale of development land	<u>11,052,093</u>	<u>-</u>

4 Net interest payable

	1997 £	1996 £
On bank loans and overdrafts	121,574	1,153,560
Other loans	-	629
Interest receivable	(66,472)	(133)
	<u>55,102</u>	<u>1,154,056</u>

5 Taxation

	1997 £	1996 £
UK corporation tax at 32% (1996: 33%)		
Current	(360,012)	-
Prior year underprovision	25,205	118,601
Amount receivable from a fellow subsidiary in respect of group relief	(3,294,737)	-
	<u>(3,629,544)</u>	<u>118,601</u>

6 Fixed asset investments

Company

	£
Cost	
At 1 October 1996	-
Acquisitions during the year	759,171
	<hr/>
At 30 September 1997	759,171
	<hr/>
Provisions	
At 1 October 1996	-
Provided during the year	759,171
	<hr/>
At 30 September 1997	759,171
	<hr/>
Net book value	
At 30 September 1996	-
	<hr/>
Net book value	
At 30 September 1997	-
	<hr/>

On 30 September 1997 the company acquired 1 ordinary £1 share in West Waterlooville Developments Limited for a consideration of £1 giving rise to goodwill of £100,554.

On 30 September 1997 the company acquired 9,999 ordinary £1 shares in Derwent Developments Limited for a consideration of £759,170 giving rise to goodwill of £803,182.

The net liabilities of West Waterlooville Developments Limited and Derwent Developments Limited upon acquisition were £100,553 and £44,012 respectively.

The company owns 100% of the ordinary share capital in the following subsidiaries:

Name of company	Activity
Derwent Developments Limited	Property trading and land development
West Waterlooville Developments Limited	Property trading and land development

Both subsidiaries are registered in England and Wales.

7 Stocks

	1997 Group £	1997 Company £	1996 Company £
Development land	2,087,828	95,866	11,805,212
	<hr/>	<hr/>	<hr/>

8 Debtors

	1997 Group £	1997 Company £	1996 Company £
Amounts falling due within one year:			
Trade debtors	254,346	254,346	1,365,388
Amount owed by parent company and fellow subsidiaries	26,961,569	27,082,116	8,787,388
Corporation tax recoverable	323,317	323,317	-
Prepayments and accrued income	-	-	6,130
	<u>27,539,232</u>	<u>27,659,779</u>	<u>10,158,906</u>

9 Creditors: amounts falling due within one year

	1997 Group £	1997 Company £	1996 Company £
Overdrafts	-	-	817,741
Trade creditors	221,533	204,169	1,043,547
Bank loans	-	-	1,000,000
Amounts owed to parent company and fellow subsidiaries	24,069,618	22,076,694	11,817,389
Corporation tax	-	-	107,065
Accruals and deferred income	5,691	-	186,486
	<u>24,296,842</u>	<u>22,280,863</u>	<u>14,972,228</u>

10 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Bank loans	-	8,000,000
Loan stock issued to a fellow subsidiary	15,000,000	-
	<u>15,000,000</u>	<u>8,000,000</u>

Details of the loan stock issue are provided in the Directors' Report. The loan stock is convertible unsecured zero coupon stock which is redeemable in full by the company on 7 October 2003 to the extent not converted or redeemed.

Conversion rights are at the option of the stockholder and expire on 7 October 2003 and are at a rate of 3 £1 ordinary shares in the company for every £5,000 nominal value of the stock.

If the stockholders have not served notice as to conversion or redemption prior to 31 July 2003 then the company can, through written notice, be requested to defer redemption or conversion to 7 October 2005 where upon conversion the rate will be as above and where on redemption, a premium of 21% will become payable.

The aggregate amounts for which security has been given as at 30 September 1997 is £Nil (1996: £9,000,000).

11 Called up share capital

	1997 £	1996 £
Authorised		
100,000 (1996: 100,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 (1996: 100,000) ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

12 Profit and loss account

	Profit and loss account Group £	Profit and loss account Company £
At 1 October 1996	(1,108,120)	(1,108,120)
Loss for the year	(7,757,927)	(8,517,098)
Goodwill on acquisition	(903,735)	-
At 30 September 1997	<u>(9,769,782)</u>	<u>(9,625,218)</u>

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £8,517,098.

13 Reconciliation of movements in equity shareholders' funds

	1997 £
Loss for the financial year	(7,757,927)
Goodwill on acquisition	(903,735)
Opening equity shareholders' funds	<u>(1,008,120)</u>
Closing equity shareholders' funds	<u>(9,669,782)</u>

14 Contingent liabilities

The company, in common with certain of its fellow subsidiaries, has guaranteed mortgages and loans of £64,380,000 of certain fellow subsidiaries by means of a floating charge over its assets.

15 Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No.8 and has not disclosed transactions with companies that are part of the Grainger Trust p.l.c. group.

Mr R H Dickinson was a partner in Dickinson Dees, Solicitors until 31 March 1997. Total net payments, which have been made on normal commercial terms from Grainger Trust p.l.c and its subsidiaries to Dickinson Dees for the year ended 30 September 1997 amounted to £376,134 (1996: £453,966).

16 Controlling parties

The directors regard Grainger Investment Properties Limited, a company registered in England and Wales, as the immediate controlling party and parent company by virtue of its 100% shareholding in the company.

The directors regard Grainger Trust p.l.c., a company registered in England and Wales, as the ultimate controlling party and parent company by virtue of its majority shareholding. Copies of the parent's consolidated financial statements may be obtained from Chaucer Buildings, 57 Grainger Street, Newcastle upon Tyne, NE1 5LE.