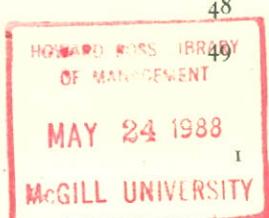


HAMMERSANNUAL REPORT & ACCOUNTS 1987



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Summary of 1987 Results

	1986 £'000	1987 £'000	Approx. percentage movement
During the year:			
Net rental income decreased from	76,394	75,893	- 1%
Profit on ordinary activities before taxation increased from	49,343	54,259	+ 10%
Profit after taxation and minority interests but before extraordinary items increased from	30,254	37,731	+ 25%
Earnings per share increased from	18.76p	23.34p	+ 24%
Dividend per share (paid and proposed) increased from	10.50p	11.50p	+ 10%
Net asset value per share increased from	£6.01	£6.50	+ 8%
 £'000			
Value of investment property portfolio	1,578,971	1,626,925	
Expenditure on property portfolio for year	149,969	112,296	
Development programme	132,500	200,710	

Financial Calendar

Half year results	Announced 22nd October 1987
Full year results	Announced 19th April 1988
Financial statements	Posted to shareholders 19th May 1988
Annual General Meeting	To be held 13th June 1988
Dividends:	
Interim	Paid 7th December 1987
*Final (proposed)	**Ex dividend 25th April 1988 Payable 13th June 1988
Anticipated Interim	December 1988

**Payable to shareholders on the register on 6th May 1988*

***The Stock Exchange in London*

Directors and Officers

Board of Directors

Sydney Mason FSA *Chairman and Joint Managing*
J.R. Parry MA, FRICS *Joint Managing*
R.A.C. Mordant FCA
W. Tindale FRICS
G.D. Gwilt MA, FFA
H.R. Vogt FRICS
E.B. Heyland BA, MBA
A.M. Glick BS, LLB, JD
A.S. Bell FFA, FPMI
J.M.D. Scott FRICS
J.H. Riddell LLB, CA, FCMA, ATII
R.S. Johnson BA, FCIS

Secretary

R.S. Johnson BA, FCIS

Registered Office

100 Park Lane
London W1Y 4AR
Telephone (01) 629 9494
Telex 261837
Facsimile (Group 3) (01) 629 0498
Registered Number 360632 England

Principal Operating Divisions

Canada	Hammerson Canada Inc E.B. Heyland BA, MBA <i>Resident Group Director</i> 70 University Avenue Toronto Ontario M5J 2M4 Canada Telephone (416) 977 2011 Telex 0622192 Facsimile (Group 3) (416) 977 0893
Australia and New Zealand	Hammerson Property Pty Limited T. Ball FRICS, FSLE <i>Chief Executive</i> 1 York Street Sydney 2000 NSW Australia Telephone (612) 251 2666 Telex 122208 Facsimile (Group 3) (612) 223 2627
USA (East)	Hammerson Holdings (USA) Inc T.D. Fitzpatrick BS, LLB <i>President</i> 100 Park Avenue New York NY 10017 USA Telephone (212) 679 0275 Telex 237877 Facsimile (Group 3) (212) 696 4319
USA (West)	The Hammerson Property (West USA) Corporation B.M. Merchant AB <i>President</i> 818 West Seventh Street Los Angeles California 900017-3432 USA Telephone (213) 623 4165 Telex 9103213540 Facsimile (Group 3) (213) 623 2717
Continental Europe	Hammerson Europe M.M. Gill FRICS <i>Director</i> G. Devaux HEC <i>General Manager – France</i> 14 Rue de Bassano 75783 Paris France Telephone (331) 47230011 Telex 620097 Facsimile (Group 3) (331) 47201024 B. von Alvensleben <i>General Manager – Germany</i> 33 Bockenheimer Landstrasse 6000 Frankfurt 1 West Germany Telephone (69) 71400361 Telex 6997484 Facsimile (Group 3) (69) 71400399
United Kingdom	Hammerson U.K. Properties Limited R.J.G. Richards BSc, ARICS <i>Director of Property Development</i> 100 Park Lane London W1Y 4AR

Corporate Advisers

Auditors

Touche Ross & Co
Chartered Accountants
Hill House 1 Little New Street
London EC4A 3TR

Registrar and Transfer Offices-United Kingdom
6 Greencoat Place
London SW1P 1PL

(Hammerson U.K. Debenture Stock)
National Westminster Bank plc
Registrar's Department Caxton House
P O Box No 82
Redcliffe Way
Bristol BS99 7NH

Registrar and Transfer Office-Canada
Guaranty Trust Company of Canada
88 University Avenue Suite 600
Toronto Ontario M5J 1T8

Registrar and Transfer Office-Australia
Registry Managers (Australia) Pty Ltd
160 Clarence Street
Sydney 2000 NSW

Stockbrokers-United Kingdom
Henderson Crosthwaite Ltd
P O Box No 442
32 St Mary at Hill
London EC3P 3AJ

Hoare Govett Ltd
4 Broadgate
London EC2M 7LE

Stockbrokers-Canada
Wood Gundy Ltd
Royal Trust Tower P O Box 274
Toronto-Dominion Centre
Toronto Ontario M5K 1M7

Stockbrokers-Australia
McIntosh Hamson Hoare Govett Ltd
National Australia House
255 George Street
Sydney 2000 NSW

Hattersley Maxwell Noall Ltd
105 Pitt Street
Sydney 2000 NSW

Notice of Meeting

Notice is hereby given that the 57th Annual General Meeting of the company will be held at the company's head office, 100 Park Lane, London W1Y 4AR on Monday, 13th June 1988 at 12 noon for the following purposes:

Ordinary Business

- 1 To receive the report of the directors and financial statements.
- 2 To declare a dividend.
- 3 To re-elect Sydney Mason a director of the company.
- 4 To re-elect E.B. Heyland a director of the company.
- 5 To re-elect A.S. Bell a director of the company.
- 6 To re-elect J.M.D. Scott a director of the company.
- 7 To re-elect R.S. Johnson a director of the company.
- 8 To re-elect J.H. Riddell a director of the company.
- 9 To reappoint Touche Ross & Co as the auditors of the company and to authorise the directors to fix their remuneration.
- 10 To transact any other ordinary business of the company.

Special Business

- 11 To consider and if thought fit pass the following resolution as a special resolution:

“That:

The directors be generally and unconditionally authorised:

- (i) To exercise the power contained in Article 137A of the articles of association of the company so that, to the extent determined by the directors, the holders of Ordinary shares and 'A' Ordinary (limited voting) shares be permitted to elect to receive new Ordinary shares of 25p each and new 'A' Ordinary (limited voting) shares of 25p each, respectively, credited as fully paid, instead of all or part of the final dividend for the financial year ended 31st December 1987 and any interim dividends resolved by the directors to be paid in respect of the financial year ending 31st December 1988.
- (ii) To capitalise the appropriate nominal amount of additional Ordinary shares and 'A' Ordinary (limited voting) shares falling to be allotted pursuant to elections made as aforesaid, out of the amount standing to the credit of reserves (including share premium account or capital redemption reserve), to apply such sum in paying up such Ordinary shares and 'A' Ordinary (limited voting) shares and to allot such shares to members of the company validly making such elections.

(iii) Subject to the provisions of the Companies Act 1985 and the articles of association and pursuant to section 80 of the Companies Act 1985 to allot not later than 31st July 1989 relevant securities (as defined by the said section 80) up to a maximum aggregate nominal amount of £777,773.00.

(iv) To allot equity securities (as defined by section 94 of the Companies Act 1985) pursuant to the authority conferred on them under paragraph (iii) above as if section 89 (1) of that Act did not apply to the allotment."

12 To consider and if thought fit pass the following resolution as an ordinary resolution:

"That:

In substitution for any such existing authority the company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163 (3) of the Companies Act 1985) on The Stock Exchange in London of up to an aggregate of 8,086,000 Ordinary shares and 'A' Ordinary (limited voting) shares (the 'shares') at not more than £7.00 per Ordinary share and £7.00 per 'A' Ordinary (limited voting) share and for not less than 25p per Ordinary share and 25p per 'A' Ordinary (limited voting) share (in each case exclusive of expenses) provided that the price paid for any such shares is not more than 5 per cent above the average of the middle market quotations for the respective class of share taken from the Daily Official List of The Stock Exchange in London for the ten business days before the dealing date of the relevant purchase. The authority conferred by this resolution shall expire on 12th December 1989 (the 'Expiry Date') unless such authority is renewed prior to such date, save that this authority shall include any purchase of shares made pursuant to a contract entered into before the Expiry Date notwithstanding that it would or might be completed wholly or partly after the Expiry Date."

Registered Office:
100 Park Lane
London W1Y 4AR

By Order of the Board
R.S. JOHNSON
Secretary

19th May 1988

Notes

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead and that proxy need not also be a member. Any instrument appointing a proxy must be deposited with the company's registrars at the address shown on the form by not later than 48 hours before the time fixed for the meeting. Completion of a form of proxy will not preclude attendance and voting in person at the meeting.

There will be available for inspection at the company's registered office, 100 Park Lane, London W1Y 4AR, during usual business hours on any weekday (Saturdays and Public Holidays excepted) from the date of this notice up to the date of the meeting and at the meeting itself:

- (i) a statement of transactions of directors and of their family interests in the Ordinary and 'A' Ordinary (limited voting) shares of the company.
- (ii) copies of all service contracts relating to directors of the company.

Chairman's Statement

I am very pleased to report that we have had another satisfactory year. In local currencies an increase of nearly 10% in net rental income was achieved, although this becomes a slight decrease when expressed in sterling. Nevertheless, earnings per share have risen from 18.76p to 23.34p and the profit after tax and minority interests, but before extraordinary items, is £37,731,000 (1986—£30,254,000), an increase of 25%. Net assets per share have increased from £6.01 to £6.50 per share.

Your Directors recommend a final dividend of 8.50p per share, which together with the increased interim dividend paid on 7th December 1987 will make a total dividend for the year of 11.50p (1986—10.50p). As previously, we are offering shareholders the option of taking all or part of their dividend in shares in lieu of cash.

Last year you gave authority to the Company to purchase its own shares and during November your Directors took the view that the time was right to take advantage of this. 200,000 'A' Ordinary (limited voting) shares were purchased at a price of £4.00 per share.

I think I should take this opportunity of confirming to shareholders my already published statement concerning rumoured take-over activity. Despite the Company's fluctuating share price attributed by newspaper comments to possible future bids, no approach has been made and no new substantial shareholder has been notified to your Board.

Turning now to our development programme, particularly in the United Kingdom, I would like to report that construction work has progressed well on our two major office development projects at 40 Tower Hill, London EC3 and River Plate House, Finsbury Circus, London EC2, the latter a joint project with the Taisei Corporation. Last year I mentioned that the office space in both these properties was under offer and I can now confirm that during the course of 1987 pre-lettings of both buildings were concluded on very satisfactory terms. These projects are due for completion in June 1988 and November 1988, respectively.

As you are aware, the financial markets have been considerably less buoyant since the 19th October 1987, and as a result, this has led to a degree of retrenchment in the financial services field. I am convinced, therefore, that our prudent but positive approach to development, particularly in the City of London, has been justified. I believe, however, that new opportunities will present themselves throughout 1988 and we will continue to approach and identify profitable ventures with discrimination as and when they arise, taking cognisance of market conditions at the time.

Rationalisation of our United Kingdom portfolio has resulted in the disposal of certain properties failing to meet the Group's criteria for growth in earnings or value. We are therefore in a particularly good position to take advantage of opportunities for development when they arise.

We are already well ahead with our plans to extend and upgrade our shopping centre in Grimsby, and our proposals for the Old George Mall in Salisbury, the Liberty Centre in Romford, the Merseyway Centre Stockport, and for Brent Cross are making progress.

Overseas, we are achieving significant growth. On the Continent of Europe, redevelopment of our retail schemes in Essen and Bremen, West Germany is well advanced and pre-lettings have been very satisfactory. They are due for completion later in 1988 but several units in both shopping centres are already open for trading.

I am also pleased to tell you of the acquisition of a quality office building in Paris, which we intend to upgrade and of a shopping project in Marseilles which is leasing well and is scheduled to open in the autumn of 1988.

In Canada we commenced work on a further stage of the expansion of the Square One Shopping Centre in Mississauga, where Eatons, one of the premier retailers, will open a department store in September 1988. Leasing of the associated supporting shops is proceeding well.

In New York, we have acquired an important site in mid-town Manhattan. Redevelopment will provide 550,000 sq.ft. of prime office and retail space on Fifth Avenue.

In March 1988, I visited our Australian properties and attended a celebration of the 25th Anniversary of the opening of Warringah Mall Shopping Centre, Sydney. Warringah Mall enjoys continuing prosperity and is certainly one of the most popular shopping centres in New South Wales. Since opening, it has been continually extended to meet the demand of major retailers who appreciate its very important location, and further renovation is being planned for next year to ensure that we continue to provide standards of amenity to meet the increasing public expectations.

As part of our intensive portfolio management, we have undertaken improvement works to our Carousel Shopping Centre in Perth and to one of our office buildings in Brisbane. An office building in Melbourne has already been sold and another in Adelaide was under contract for sale at the year end due to our belief that their potential had been fully exploited for the foreseeable future.

Shareholders will be aware through the press that some changes have taken place on the Board. At the year end, Freddie Ferrada retired as a Director after 35 years service with the Company. I cannot stress too highly the contribution he has made to Hammerson or his help to me personally. He has always tackled with enthusiasm everything that has been asked of him and the Board would like to express their gratitude for his services. I am delighted that he has agreed to continue as a consultant to the Company.

Of the other changes, I would specially like to welcome as a non-executive Director, Scott Bell, the Managing Director of The Standard Life Assurance Company and as executive Directors, Roy Johnson, the Company Secretary and Jon Scott, who is responsible for United Kingdom property management.

I would also like to express my pleasure at the appointments of James Riddell as Finance Director, Busso von Alvensleben as General Manager, Hammerson Germany and David Lemmon as Executive Vice President in Canada.

In conclusion, I wish, as always, to thank on your behalf my fellow Directors and staff for another year of sustained effort which has resulted in such excellent progress.

SYDNEY MASON
Chairman

19th April 1988

Report of the Directors

for the year ended 31st December 1987

1 Results for the year

- (a) The group profit attributable to shareholders amounts to £51,715,000.
- (b) The retained profit for the year after appropriation of dividends is £33,115,000. Following the revaluation of the group's investment property portfolio an additional amount of £131,278,000 which excludes the effect of exchange movements, has been credited to revaluation reserve.
- (c) The directors recommend a final dividend of 8.50p per share which, together with the interim dividend of 3p per share paid on 7th December 1987, totals 11.50p per share for the year (1986 – 10.50p per share). It is proposed to continue to give shareholders the option to receive shares in lieu of all or part of the proposed final dividend for the year ended 31st December 1987 and for any interim dividend for the year ending 31st December 1988. Accordingly, the notice of meeting on pages 8 and 9 includes a special resolution giving authority to the directors to issue the new shares and not to apply the statutory provisions whereby shares which are to be allotted for cash are first offered to existing shareholders.

2 Share capital

During the year under review:

- (a) The authorised share capital was increased from £43,567,304.50 to £43,747,949.50 following the passing of resolutions at the Annual General Meeting held on 15th June 1987.
- (b) The issued capital increased as a result of:
 - (i) 4,968 Ordinary shares of 25p each issued as a result of the election by shareholders to receive shares in lieu of a cash dividend.
 - (ii) 86,114 'A' Ordinary (limited voting) shares of 25p each issued as a result of the election by shareholders to receive shares in lieu of a cash dividend.
 - (iii) 300,900 'A' Ordinary (limited voting) shares of 25p each issued as a result of the exercise of options granted under the company's 1961 Share Option Scheme.
- (c) The issued capital decreased as a result of:
200,000 'A' Ordinary (limited voting) shares of 25p each purchased in the market by the company under the terms of the authority given by shareholders at the Annual General Meeting held on 15th June 1987.

3 Principal activity

The principal activity of the group has continued to be property investment and development. The geographical location of the group's properties is shown in note 10 of the notes on the financial statements.

4 Property assets

Fully developed properties in France were valued as at 31st December 1987 by Jones Lang Wootton and in the United States of America by both Cushman and Wakefield and Jones Lang Wootton. Remaining fully developed properties were valued by those executive directors who are appropriately qualified. The aggregate value of the portfolio was £1,626,925,000. Further particulars of changes in the property assets of the group and the valuations are given in note 10 of the notes on the financial statements.

5 Review of developments and future prospects

United Kingdom

During the year the company purchased for refurbishment and resale 6-8 Clements Lane, a small freehold building of just over 7,000 sq.ft. in the City of London.

Also in London, at Tower Hill the construction of a new office building of 90,000 sq.ft. continues on schedule with completion expected in the first half of 1988. The property has been pre-let to Cameron Markby, Solicitors.

The redevelopment of River Plate House (jointly with the Taisei Corporation) will be completed towards the end of 1988. The building has been pre-let to The Fuji Bank Limited.

Sales

At the year end, the sale of nine properties had been completed and four further completions have been achieved subsequently.

Australia

During the year improvements to the Carousel Shopping Centre, Perth and major refurbishment of an office tower at 145 Eagle Street, Brisbane were completed. Our property at 97-101 Queen Street, Melbourne was sold and BP House, Adelaide is under contract for sale.

5 Review of developments and future prospects (continued)

New Zealand

The upgrading, enclosing and extension of South Mall Shopping Centre, Auckland was completed in October 1987 and the newly created floor space is fully leased.

Canada

Construction began on Phase II of the expansion programme at Square One Shopping Centre, Mississauga which will include an Eatons department store and 123,000 sq.ft. of other retail units. Opening is planned for September 1988.

The renovation and expansion of 77 City Centre Drive, Mississauga is underway with completion of work scheduled for December 1988. The project of 195,000 sq.ft. is 61% pre-leased.

During 1987, two properties, one in Halifax and one in Vancouver, were sold in accordance with the policy of disposing of assets whose potential had been fully exploited.

United States

The refurbishment of the Liberty Building in Buffalo, New York has now been completed.

A full block front has been acquired on Fifth Avenue in Midtown Manhattan, New York City for office and retail development of approximately 550,000 sq. ft.

Continental Europe

In France, the upgrading of the Paris office buildings was completed and significant rental and capital growth is being achieved. An office building at Avenue Kleber, Paris has been acquired and will be refurbished and improved. We have also acquired for redevelopment a shopping project in the centre of Marseilles. Opening is scheduled for the autumn of 1988 and to date pre-lettings are equivalent to one third of the projected income.

In West Germany, the building in Cologne was sold at the year end. The construction of the other two major projects in Bremen and Essen is well advanced and letting progress is on target.

6 Substantial interests in the share capital of the company

At 19th April 1988 the only notices received from shareholders of the company beneficially interested in 5% or more of either class of the share capital of the company were as follows:

	Ordinary shares of 25p each	'A' Ordinary shares of 25p each	% of total issued capital
The Standard Life Assurance Company	4,856,706 (13.78%)	27,934,400 (22.10%)	20.28
Australian Mutual Provident Society	2,471,889 (7.01%)	9,072,587 (7.17%)	7.14
The Royal London Mutual Insurance Society Ltd	52,480 (0.15%)	7,193,636 (5.69%)	4.48

7 Directors

(a) Sydney Mason, J.R. Parry, S. Ferrada, W. Tindale, N.G. Ellis, H.R. Vogt and E.B. Heyland were executive directors of the company throughout the financial year. S. Ferrada retired on 31st December 1987.

(b) R.A.C. Mordant (72) who is a Chartered Accountant, was appointed a non-executive director on 3rd June 1953;

G.D. Gwilt (60) who is an Actuary, was appointed a non-executive director on 9th November 1979;

A.M. Glick (58) who is a Partner in the law firm of Falk & Siemer based in Buffalo, U.S.A., was appointed a non-executive director on 27th February 1986.

All were non-executive directors of the company throughout the financial year.

(c) Sydney Mason and E.B. Heyland retire by rotation and being eligible offer themselves for re-election.

7 **Directors (continued)**

- (d) Sydney Mason has no service contract with the company. E.B. Heyland has a 5 year revolving service contract to expire at normal retirement date at age 60 years.
- (e) A.S. Bell (46) who is an Actuary and Managing Director of The Standard Life Assurance Company, was appointed a non-executive director of the company on 1st January 1988 and being eligible offers himself for re-election. A.S. Bell has no service contract with the company.
- (f) R.S. Johnson and J.M.D. Scott were appointed executive directors of the company on 1st January 1988 and being eligible offer themselves for re-election. Both R.S. Johnson and J.M.D. Scott have a 5 year revolving service contract to expire at normal retirement date at age 60 years.
- (g) J.H. Riddell was appointed an executive director of the company on 14th April 1988 and being eligible offers himself for re-election. J.H. Riddell has no service contract with the company.
- (h) N.G. Ellis resigned as a director of the company on 31st March 1988.
- (i) The interests of the directors (including family interests) in the share capital of the company are shown below:

Ordinary shares of 25p each	'A' Ordinary voting shares of 25p each	Options for 'A' Ordinary voting shares of 25p each	Options for 'A' Ordinary voting shares of 25p each	Options for '1961 Scheme'	Options for '1984 Scheme'
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At 1st January 1987

Beneficial Holdings

Sydney Mason	200,000	—	—	—	—
J.R. Parry	—	—	—	—	56,000
S. Ferrada	18,705	104,017	—	—	—
R.A.C. Mordant	10,400	107,496	—	—	—
W. Tindale	—	87,508	40,000	40,000	—
N.G. Ellis	—	4,503	42,000	45,600	—
H.R. Vogt	—	—	37,000	40,000	—
E.B. Heyland	—	2,000	120,000	—	—
A.M. Glick	1,202	1,000	—	—	—

Non-Beneficial Holdings

Sydney Mason	6,158,952	315,866	—	—
R.A.C. Mordant	6,158,952	256,290	—	—

7 Directors (continued)

Ordinary shares of 25p each	'A' Ordinary voting)	Options for 'A' Ordinary shares of 25p each	Options for 'A' Ordinary voting)

At 31st December 1987

Beneficial Holdings

Sydney Mason	175,000	—	—	—
J.R. Parry	—	—	—	72,000
S. Ferrada	18,995	76,457	—	—
R.A.C. Mordant	10,400	106,396	—	—
W. Tindale	—	88,083	—	48,000
N.G. Ellis	—	20,201	—	56,000
H.R. Vogt	—	7,297	—	48,000
E.B. Heyland	—	2,000	120,000	—
A.M. Glick	1,202	1,000	—	—
G.D. Gwilt	—	1,000	—	—

Non-Beneficial Holdings

Sydney Mason	5,486,564	254,566	—	—
R.A.C. Mordant	5,486,564	256,290	—	—

The non-beneficial holdings of Sydney Mason and R.A.C. Mordant include holdings as joint trustees with others.

The directors have no interests in the shares or debentures of any subsidiary company.

On 1st January 1988, the date he was appointed, R.S. Johnson held options over 28,000 'A' Ordinary (limited voting) shares under the 1984 Share Option Scheme.

On 1st January 1988, the date he was appointed, J.M.D. Scott held options over 10,000 'A' Ordinary (limited voting) shares under the 1961 Share Option Scheme and 28,550 'A' Ordinary (limited voting) shares under the 1984 Share Option Scheme.

(j) Between 1st January and 19th April 1988 the directors' interests as shown above remained unchanged except that N.G. Ellis exercised an option over 56,000 'A' Ordinary (limited voting) shares under the 1984 Share Option Scheme.

7 Directors (continued)

(k) No director has any interest in contracts entered into by the group except as referred to in note 3(b) of the notes on the financial statements which discloses professional fees amounting to £114,000 paid during the year in Canada and the U.S.A. to a partnership of which A.M. Glick is a member.

8 Donations

During the year charitable and political donations made by the group in the United Kingdom amounted to £35,035 and £25,000 respectively. The political donation was made to the Conservative and Unionist Party.

9 Scrip dividend

The notice of meeting on pages 8 and 9 includes a special resolution giving effect to the scrip dividend which is described in the accompanying document.

10 Capital gains tax

For the purposes of computing Capital Gains Tax the value of the company's shares on 31st March 1982 after adjustments for subsequent scrip issues was 320p for each Ordinary share and 315p for each 'A' Ordinary (limited voting) share.

11 Authority for the company to purchase its own shares

On 15th June 1987, shareholders authorised the company to purchase, under certain conditions, its own shares. Shareholders' approval is again being sought under resolution 12 of the notice of meeting to authorise the company to purchase on The Stock Exchange in London not more than an aggregate of 8,086,000 Ordinary and 'A' Ordinary (limited voting) shares of 25p each (being 5 per cent of the issued share capital of the company) at not more than £7.00 and not less than 25p per Ordinary share and not more than £7.00 and not less than 25p per 'A' Ordinary (limited voting) share. The authority will expire on 12th December 1989.

These powers will only be exercised if purchases can be made at prices which have the effect of increasing the company's net asset value per share and the Board is satisfied that such purchases are in the long-term interests of shareholders. In addition, it will be the policy of the Board to maintain the existing balance between the numbers of Ordinary shares and 'A' Ordinary (limited voting) shares in issue.

The directors believe that the share purchase proposals are in the best interests of the company and, accordingly, resolution 12 will be proposed as an ordinary resolution as part of the Special Business at the forthcoming Annual General Meeting.

12 Close companies

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

13 Auditors

A resolution proposing the reappointment of Touche Ross & Co as auditors of the company will be put to the members at the Annual General Meeting.

Registered Office:
100 Park Lane
London W1Y 4AR

By Order of the Board
R.S. JOHNSON
Secretary

19th April 1988

Consolidated Profit and Loss Account of The Hammerson Property Investment and Development Corporation plc and Subsidiary Companies for the year ended 31st December 1987

	Notes	1987 £'000	1986 £'000
Gross rental income		124,793	127,676
<i>Less</i> Rents payable and other property outgoings		48,900	51,282
Net rental income	2(a)	75,893	76,394
Gross profits from property trading	2(a)	5,143	6,691
Other income	2(b)	11,010	8,672
Net rental and other income		92,046	91,757
<i>Less</i> Cost of finance, administration and other charges	3	37,787	42,414
Profit on ordinary activities before taxation		54,259	49,343
<i>Less</i> Tax on profit on ordinary activities	4	9,841	11,421
Profit on ordinary activities after taxation		44,418	37,922
<i>Less</i> Minority interests	5	6,687	7,668
Profit attributable to shareholders before extraordinary items		37,731	30,254
Extraordinary items	6	13,984	1,527
Profit for the financial year attributable to shareholders		51,715	31,781
<i>Less</i> Dividends	7	18,600	16,953
Retained profit for the year	8	33,115	14,828
Earnings per share	9	23.34p	18.76p

Balance Sheets of The Hammerson Property Investment and Development Corporation plc and Subsidiary Companies as at 31st December 1987

Holding company		Notes	Group		
1987 £'000	1986 £'000		1987 £'000	1986 £'000	
Fixed Assets					
Tangible Assets:					
52,460	50,220	10	1,626,925	1,578,971	
—	—	11	1,484	1,715	
52,460	50,220		1,628,409	1,580,686	
848,344	864,643	14	491	37,925	
900,804	914,863		1,628,900	1,618,611	
Current Assets					
Stocks—properties held for resale					
1,757	2	12	57,363	44,306	
—	—	13	15,780	13,667	
—	—	14	3,250	1,304	
503	84	15	43,071	60,634	
2,260	86		119,464	119,911	
Creditors—amounts falling due within one year					
46,894	106,518	16/18	106,614	181,945	
(44,634)	(106,432)		12,850	(62,034)	
856,170	808,431		1,641,750	1,556,577	
Creditors—amounts falling due after more than one year					
396,178	329,888	17/18	498,067	486,431	
—	—		92,489	99,526	
459,992	478,543		1,051,194	970,620	
Capital and Reserves					
Called up share capital					
40,416	40,368	19	40,416	40,368	
212,284	213,084	20	212,284	213,084	
896	1,020	21	722,163	649,195	
50	—	22	1,516	1,466	
206,346	224,071	23	74,815	66,507	
459,992	478,543		1,051,194	970,620	
Shareholders' Funds					

The financial statements were approved by the Board of Directors on 19th April 1988.

Directors { SYDNEY MASON
J.R. PARRY

Source and Application of Funds

for the year ended 31st December 1987

	1987 £'000	1986 £'000
Funds generated by operations:		
Profit attributable to shareholders before extraordinary items	37,731	30,254
Adjustment for items not involving the movement of funds	(362)	194
	<hr/>	<hr/>
<i>Less</i> Dividends paid	37,369	30,448
	(18,095)	(13,836)
	<hr/>	<hr/>
	19,274	16,612
Funds generated from other sources:		
Proceeds on disposal of investment properties	57,541	13,962
Proceeds from issue of share capital	835	204
Decrease in investments	29,141	—
Decrease in cash and bank balances	12,665	—
Increase in creditors	7,086	—
Increase in borrowings	—	136,997
	<hr/>	<hr/>
Total funds generated	126,542	167,775
Purchase of Hammerson shares	(1,078)	—
(Increase) in debtors	(3,480)	(1,109)
(Decrease) in borrowings	(3,299)	—
(Increase) in investments	—	(17,106)
(Increase) in cash and bank balances	—	(21,055)
(Decrease) in creditors	—	(6,491)
Expenses in connection with share and bond issues	(1,537)	(79)
Expenditure on fixtures, fittings and equipment	(398)	(382)
	<hr/>	<hr/>
Total funds available for investment	116,750	121,553
	<hr/>	<hr/>
Applied as follows:		
Properties held for investment	112,296	149,969
Increase/(Decrease) in properties held for resale	4,454	(28,416)
	<hr/>	<hr/>
	116,750	121,553
	<hr/>	<hr/>

Notes on the Financial Statements

for the year ended 31st December 1987

I Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in compliance with the Companies Act 1985.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and all its subsidiaries.

(c) Foreign currencies

All assets, liabilities and results denominated in foreign currencies are translated into sterling at rates of exchange ruling at the year end. The rates ruling at 31st December were as follows:

			1987		1986
Canada	£1	=	\$ 2.44	\$ 2.05	
Australia	£1	=	\$ 2.60	\$ 2.24	
New Zealand	£1	=	\$ 2.85	\$ 2.83	
USA	£1	=	\$ 1.87	\$ 1.49	
France	£1	=	Fr 10.03	Fr 9.46	
Germany	£1	=	Dm 2.96	Dm 2.86	
Holland	£1	=	Glds 3.32	Glds 3.23	

Differences arising from the translation of the net equity investment in overseas subsidiaries and currency loans for such investments have been dealt with through a foreign exchange fluctuation reserve. Debit balances on the foreign exchange fluctuation reserve are written off against distributable reserves. Differences arising on the revaluation surplus are accounted for in the revaluation reserve. Other differences resulting from the conversion of one currency into another have been dealt with in the profit and loss account.

(d) Rental income

Rent increases arising from rent reviews due during the year are taken into account only to the extent that such reviews have been agreed with tenants at the accounting date.

I Accounting policies (continued)

(e) Profits on sale of properties

Profits on sale of properties are taken into account on the completion of contract and receipt of cash. Profits arising from the sale of properties acquired with a view to resale are included in the profit and loss account as part of the ordinary activities of the group. Profits arising from the sale of properties acquired for investment and development are treated as extraordinary items.

(f) Cost of properties

An amount equivalent to the net development outgoings attributable to properties held for development or resale is added to the cost of such properties. On new developments, all letting costs are capitalised. On subsequent lettings, the previous costs are written off against the results for the year and the new costs capitalised. Where new costs are less than those previously capitalised, such new costs are written off.

(g) Valuation of properties

Fully completed properties held for long term retention are valued at the balance sheet date at open market value by those executive directors having an appropriate professional qualification and at least once in every five years by external valuers. Any surplus or deficit arising from revaluation is transferred to a revaluation reserve except that shortfalls against the original cost, together with any subsequent adjustments, are included as extraordinary items in the profit and loss account. Properties held for or in the course of development and properties held for resale are stated at the lower of cost and net realisable value.

Under Canadian and German accounting principles, all properties would be accounted for at the lower of depreciated cost and market value.

(h) Depreciation

PROPERTIES

Amortisation is provided on short leaseholds (leaseholds with an unexpired term of less than 50 years) on a straight line basis to eliminate the book value at the end of the term. No depreciation is provided in these group accounts in respect of freehold or long leasehold property investments.

Under Canadian and German accounting principles, all income producing properties would be depreciated.

FIXTURES, FITTINGS & EQUIPMENT INCLUDING MOTOR VEHICLES

Depreciation is provided on a reducing balance basis, having regard to the estimated useful life and residual value of the assets, at the rate of 20% per annum in the case of furniture and 25% per annum in the case of motor vehicles.

I Accounting policies (continued)

(i) Investments

Investments in the group's subsidiary companies are stated at cost less amounts written off. Other investments are stated at the lower of cost and market value.

(j) Deferred taxation

No provision is made for taxation that may arise on the disposal of any of the group's properties except to the extent that a liability may arise in the foreseeable future.

Additionally no provision is made for taxation that may arise if the overseas subsidiaries distributed their reserves.

Under Canadian and German accounting principles, there would be full accounting for deferred taxation and the benefit of tax losses would be recognised.

(k) **Pension costs**

It is the group's policy to fund pension liabilities on the advice of external actuaries by payments to insurance companies. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations on a going concern basis are carried out every five years. Any resulting deficits are charged to the profit and loss account over a period of five years.

2 Rental and other income

	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000
	Rental income			Property trading	
(a) Turnover:					
United Kingdom	45,811	43,864	43,864	9,570	43
Canada	46,659	50,371	42,320	2,181	29,322
Australia	17,488	18,511	15,948	—	—
New Zealand	559	435	432	—	—
USA	10,162	10,138	8,078	—	—
Continental Europe	4,114	4,357	4,139	3,523	14,183
	—	—	—	—	—
	124,793	127,676	114,781	15,274	43,548
Rents payable and other property outgoings	(48,900)	(51,282)	(45,106)	—	—
Trading costs	—	—	—	(10,131)	(36,857)
	—	—	—	—	—
	75,893	76,394	69,675	5,143	6,691
	—	—	—	—	—

* Adjusted to 1987 exchange rates

2 Rental and other income (continued)

The geographical split of the above income was as follows:

	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000
Rental income					Property trading
United Kingdom	32,103	30,311	30,311	2,174	41
Canada	21,703	22,159	18,618	964	7,738
Australia	13,895	15,774	13,590	—	—
New Zealand	256	390	387	—	—
USA	4,194	3,937	3,137	—	(2,911)
Continental Europe	3,742	3,823	3,632	2,005	1,823
	<u>75,893</u>	<u>76,394</u>	<u>69,675</u>	<u>5,143</u>	<u>6,691</u>

In addition to the above, an amount in respect of rents payable and other property outgoings of £185,000 (1986 – £28,000) has been added to the cost of properties.

	1987 £'000	1986 £'000
(b) Other income		
Interest receivable	10,996	8,672
Dividend receivable	14	—
	<u>11,010</u>	<u>8,672</u>

3 Cost of finance, administration and other charges

	1987 £'000	1986 £'000	1986* £'000
(a)			
Interest payable on bank loans, overdrafts and other loans repayable within five years	32,787	29,801	25,700
Interest payable on other loans	20,210	21,302	19,266
Interest payable and other charges	52,997	51,103	44,966
Administrative expenses (see also (b))	8,770	8,730	7,856
Short leasehold amortisation	80	99	81
	<u>61,847</u>	<u>59,932</u>	<u>52,903</u>
<i>Less</i> Interest payable and other charges capitalised	(24,060)	(17,518)	(14,844)
	<u>37,787</u>	<u>42,414</u>	<u>38,059</u>

* Adjusted to 1987 exchange rates

3 Cost of finance, administration and other charges (continued)

The analysis by currency of the above charge was as follows:

	1987 £'000	1986 £'000	1986* £'000
Sterling	11,652	12,780	12,780
Canadian dollars	7,643	13,160	11,017
Australian dollars	5,706	4,822	4,154
New Zealand dollars	226	42	42
US dollars	7,860	6,072	4,593
French francs	3,809	4,594	4,557
Deutsche marks	255	62	60
Dutch guilders	636	791	770
Belgian francs	—	91	86
	<hr/> 37,787	<hr/> 42,414	<hr/> 38,059
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(b) Administrative expenses included the following charges:

(i) Directors' emoluments:	1987 £'000	1986 £'000
Fees	19	17
Remuneration as executives (including funding of past years' pension obligations)	894	727
Former directors' pensions	7	8
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of the directors excluding
pension scheme contributions were as follows:

Chairman	117	102
Other directors:		Number of other directors
£ 0 to £ 5,000	—	1
£ 5,001 to £ 10,000	3	2
£ 50,001 to £ 55,000	—	2
£ 55,001 to £ 60,000	—	1
£ 60,001 to £ 65,000	2	1
£ 65,001 to £ 70,000	1	—
£ 70,001 to £ 75,000	1	1
£ 90,001 to £ 95,000	1	—

The management duties of one director were wholly discharged outside the United Kingdom.

* Adjusted to 1987 exchange rates



3 Cost of finance, administration and other charges (continued)

During the year, the group paid professional fees in Canada and the USA amounting to £114,000 (1986 - £116,000) to a partnership of which a non-executive director is a member.

	1987	1986
(ii) Employees' emoluments:	£'000	£'000

Staff costs excluding directors' emoluments were as follows:

Salaries and wages	5,520	6,127
Social security payments	376	438
Pension scheme contributions	530	560
	<hr/>	<hr/>
	6,426	7,125
	<hr/>	<hr/>

Of the above amount, £2,947,000 (1986 - £3,551,000) was recharged to, and recovered from tenants.

The number of U.K. employees whose emoluments in the year exceeded £30,000 were as follows:

	1987	1986
	Number of employees	
£30,001 to £35,000	2	4
£35,001 to £40,000	3	—
£40,001 to £45,000	2	—
	<hr/>	<hr/>
	7	4
	<hr/>	<hr/>

(iii) Staff numbers:

	1987	1986
	Average number	
United Kingdom	60	58
Canada	269	290
Australia	32	30
USA	56	59
Continental Europe	16	13
	<hr/>	<hr/>
Total	433	450
	<hr/>	<hr/>

Wherever practicable, it is the policy of the group to appoint external managing agents.

3 Cost of finance, administration and other charges (continued)

	1987 £'000	1986 £'000
(iv) Auditors' remuneration	281	277
(v) Depreciation of fixtures, fittings and equipment	451	380

4 Tax on profit on ordinary activities

	1987 £'000	1986 £'000
United Kingdom corporation tax calculated at 35% (1986-36.25%)	3,533	4,265
Advance corporation tax written off on payment of dividends	5,631	5,772
Advance corporation tax credit arising from scrip dividends	(181)	(601)
Overseas taxation	3,429	4,096
Double tax relief	(2,032)	(1,920)
Prior year adjustments including an adjustment to reflect the reduction in the rate of advance corporation tax	(539)	(191)
	9,841	11,421

In calculating the tax charge, allowance is made for losses brought forward, relief for development outgoings added to the cost of properties and allowances for capital expenditure.

5 Minority interests

	1987 £'000	1986 £'000	1986*
Equity interest in subsidiary companies	930	816	816
Preference dividend paid by Canadian subsidiary	5,757	6,852	5,757
	6,687	7,668	6,573

* Adjusted to 1987 exchange rates

6 Extraordinary items

	1987 £'000	1986 £'000
Net surplus/(deficit) on sale of land and buildings over previous year's valuation	4,514	(330)
Transfer of surplus on above sales from revaluation reserve (note 21)	9,660	1,275
Total surplus on sale of land and buildings	14,174	945
Deficit in current year's revaluation of land and buildings (note 21)	(417)	(249)
	13,757	696
Surplus on repayment of borrowings	417	831
	14,174	1,527
Less Attributable taxation	190	—
	13,984	1,527
	=====	=====

7 Dividends

	1987 £'000	1986 £'000
Interim 3p (1986 - 2p) per share	4,855	3,228
Final proposed 8.5op (1986 - 8.5op) per share	13,741	13,725
	18,596	16,953
Underprovision 1986 final	4	—
	18,600	16,953
	=====	=====

This equates to a distribution of 36% (1986 - 53%) of the distributable profit for the financial year attributable to shareholders.

8 Retained profit for the year

	1987 £'000	1986 £'000
Holding company	(17,136)	(28,910)
Group companies	50,251	43,738
	33,115	14,828
	=====	=====

As permitted by section 228(7) of the Companies Act 1985, the profit and loss account of the holding company is not presented as part of these financial statements.

9 **Earnings per share**

The earnings per 25p Ordinary and 25p 'A' Ordinary (limited voting) share of 23.34p (1986 - 18.76p) were in each case based on:

	1987 £'000	1986 £'000
Profit attributable to shareholders before extraordinary items	37,731	30,254
Average number of shares in issue	<u>161,663,000</u>	<u>161,257,000</u>

10 **Land and buildings**

	1987 £'000	1986 £'000	1987 £'000	1986 £'000
	Book value		Cost	
(a) Investment properties:				
Fully developed properties				
At valuation	1,368,833	1,320,051	—	—
At cost	—	—	623,124	650,847
Properties held for or in the course of development at cost	258,092	258,920	258,092	258,920
	<u>1,626,925</u>	<u>1,578,971</u>	<u>881,216</u>	<u>909,767</u>
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

Fully developed properties have been valued at open market value as at 31st December 1987 in the United States by Cushman and Wakefield, Real Estate Appraisal Consultants, and Jones Lang Wootton, Surveyors and Valuers, at an aggregate of US\$80,800,000 (£43,209,000) and US\$29,000,000 (£15,508,000) respectively, and in France by Jones Lang Wootton, Surveyors and Valuers, at an aggregate of Fr704,000,000 (£70,190,000).

Fully developed properties in other locations have been valued as at 31st December 1987 on a similar basis by Sydney Mason FSVA, J.R. Parry MA, FRICS, W. Tindale FRICS, H.R. Vogt FRICS and E.B. Heyland BA, MBA.

An additional surplus arising in the year of £131,278,000 has been taken to revaluation reserve (note 21).

10 Land and buildings (continued)

(b) The movements in the year on the group's properties held for investment were:

	Long	Short	
	Freeholds	leaseholds	leaseholds
	£'000	£'000	£'000
Balance 1st January 1987	1,147,255	428,735	3,133
Exchange adjustment	(111,415)	(14,586)	(515)
Purchase of freehold	1,220	(1,220)	—
Transfers to trading stock (note 12(b))	(15,832)	—	—
	1,021,228	412,929	2,618
Additions at cost	83,408	7,172	92
Development outgoings capitalised	21,447	177	—
Revaluation surplus (note 21)	94,092	37,186	—
Disposals at valuation	(34,031)	(19,186)	—
	1,186,144	438,278	2,710
Balance 31st December 1987	1,186,144	438,278	2,710
Less Amortisation to date	—	—	(207)
	1,186,144	438,278	2,503
	=====	=====	=====
			1,626,925

(c) Should the properties be sold at the valuation in note 10 (a), a tax liability of approximately £155 million (1986—£205 million) would arise. No provision for this contingent liability has been made as it is not expected that any liability will arise in the foreseeable future.

(d) The group's development programme is made up as follows:

	1987	1986
	£'000	£'000
Estimated commitment for capital expenditure	63,055	38,100
Estimated capital expenditure authorised but not contracted	137,655	94,400
	200,710	132,500
Estimated expenditure to complete current trading projects	11,853	—
	=====	=====
	212,563	132,500
	=====	=====

10 **Land and buildings (continued)**

(e) The geographical location of the group's investment and development properties were:

	Fully developed properties (at valuation)	Properties in the course of development (at cost)	Capital commitments	Total	1987	1986
	£'000	£'000	£'000	£'000	%	%
United Kingdom	671,895	31,391	63,025	766,311	42	40
Canada	330,266	72,350	29,066	431,682	23	28
Australia/New Zealand	231,540	1,353	1,764	234,657	13	15
USA	58,717	91,022	82,452	232,191	13	9
Continental Europe	76,415	61,976	24,493	162,794	9	8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,368,833	258,092	200,710	1,827,635	100	100
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(f) The movements in the year on the holding company's properties held for investment were:

	Long		
	Freeholds	leaseholds	Total
	£'000	£'000	£'000
Balance 1st January 1987	11,960	38,260	50,220
Additions at cost (from subsidiary)	17,204	360	17,564
Revaluation deficit (note 21)	226	(2,260)	(2,034)
Disposals at valuation	(3,580)	(9,710)	(13,290)
	<hr/>	<hr/>	<hr/>
Balance 31st December 1987	25,810	26,650	52,460
	<hr/>	<hr/>	<hr/>

11 **Fixtures, fittings and equipment**

The movements in the year in fixtures, fittings and equipment installed in the head office and regional offices were:

	Cost	Depreciation	Net book value
	£'000	£'000	£'000
Balance 1st January 1987	2,938	(1,223)	1,715
Exchange adjustment	(276)	98	(178)
Additions	468	(451)	17
Disposals	(330)	260	(70)
	<hr/>	<hr/>	<hr/>
Balance 31st December 1987	2,800	(1,316)	1,484
	<hr/>	<hr/>	<hr/>

12 Stocks

(a) Properties held for resale at cost were as follows:

	Group	
	1987 £'000	1986 £'000
United Kingdom	27,127	6,945
Canada	1,623	3,166
Australia/New Zealand	4,098	2,331
USA	24,515	30,665
Continental Europe	—	1,199
	57,363	44,306
	<u>57,363</u>	<u>44,306</u>

(b) The movements in the year on the group's properties held for resale were as follows:

	£'000
Balance 1st January 1987	44,306
Exchange adjustment	(7,229)
	<u>37,077</u>
Transfers from land and buildings (Note 10(b))	37,077
Additions in year	15,832
Amounts capitalised	12,149
Disposals in year	2,436
	(10,131)
Balance 31st December 1987	57,363
	<u>57,363</u>

13 Debtors

	Group			Holding company		
	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000	1986* £'000
Trade debtors	6,841	6,162	5,675	406	—	—
Prepayments	1,850	2,210	1,913	—	—	—
Other debtors	7,089	5,295	4,711	1,351	2	2
	<u>15,780</u>	<u>13,667</u>	<u>12,299</u>	<u>1,757</u>	<u>2</u>	<u>2</u>
	<u>15,780</u>	<u>13,667</u>	<u>12,299</u>	<u>1,757</u>	<u>2</u>	<u>2</u>

* Adjusted to 1987 exchange rates

14 Investments

	Group		Holding company	
	1987 £'000	1986 £'000	1987 £'000	1986 £'000
Investment in group companies				
Shares:				
Balance 1st January 1987	—	—	1,055	1,016
Additions in year	—	—	—	87
Amounts written off	—	—	—	(48)
Balance 31st December 1987	—	—	1,055	1,055
Loans	—	—	847,288	863,587
	—	—	848,343	864,642
Investment in unlisted companies				
Shares at cost	1	1	1	1
Mortgages receivable				
Balance 1st January 1987	39,228	22,550	—	—
Exchange adjustment	(6,348)	(457)	—	—
Additions in year	3,995	29,004	—	—
Repayments in year	(33,135)	(11,869)	—	—
Balance 31st December 1987	3,740	39,228	—	—
Total investments	3,741	39,229	848,344	864,643
Shown as:				
Fixed assets	491	37,925	848,344	864,643
Current assets	3,250	1,304	—	—
	3,741	39,229	848,344	864,643

15 Cash at bank and in hand

	Group			Holding company		
	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000	1986* £'000
Sterling	1,751	2,992	2,992	503	84	84
Australian dollars	34,102	42,316	36,456	—	—	—
New Zealand dollars	67	94	93	—	—	—
US dollars	2,086	1,709	1,361	—	—	—
French francs	4,138	13,166	12,418	—	—	—
Deutsche marks	226	89	86	—	—	—
Dutch guilders	701	222	216	—	—	—
Belgian francs	—	46	46	—	—	—
	43,071	60,634	53,668	503	84	84

* Adjusted to 1987 exchange rates

16 Creditors – amounts falling due within one year

	Group			Holding company		
	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000	1986* £'000
BORROWINGS						
Secured	572	17,911	16,940	38	12,666	12,666
Unsecured	42,203	103,833	97,785	23,993	72,721	71,185
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	42,775	121,744	114,725	24,031	85,387	83,851
OTHER UNSECURED CREDITORS						
Trade creditors	14,374	13,921	13,186	1,065	—	—
Current taxation	12,479	12,628	12,074	6,478	7,007	7,007
Accruals	2,259	3,964	3,438	—	—	—
Proposed dividend (net)	13,741	13,725	13,725	13,741	13,725	13,725
Other creditors	20,986	15,963	13,904	1,579	399	399
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	106,614	181,945	171,052	46,894	106,518	104,982
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

17 Creditors – amounts falling due after more than one year

	Group			Holding company		
	1987 £'000	1986 £'000	1986* £'000	1987 £'000	1986 £'000	1986* £'000
BORROWINGS						
Secured	103,352	140,678	128,611	35,330	35,969	35,969
Unsecured	382,942	331,763	289,448	359,035	292,494	255,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	486,294	472,441	418,059	394,365	328,463	290,993
OTHER UNSECURED CREDITORS						
Amounts owed to group companies	—	—	—	1,813	1,425	1,425
Other creditors	11,773	13,990	12,183	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	498,067	486,431	430,242	396,178	329,888	292,418
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

* Adjusted to 1987 exchange rates

18 Borrowings

(a) Borrowings are repayable as follows:

	Debentures and mortgages £'000	Bank loans and overdrafts £'000	Other loans £'000	1987 Total £'000	1986 Total £'000
(i) Group					
After 5 years	78,476	130,999	—	209,475	248,671
Within 2-5 years	2,641	170,026	104,152	276,819	223,770
	81,117	301,025	104,152	486,294	472,441
Within 1 year	572	42,203	—	42,775	121,744
	81,689	343,228	104,152	529,069	594,185
	=====	=====	=====	=====	=====
(ii) Holding company					
After 5 years	35,176	130,999	—	166,175	190,813
Within 2-5 years	154	123,884	104,152	228,190	137,650
	35,330	254,883	104,152	394,365	328,463
Within 1 year	47	23,984	—	24,031	85,387
	35,377	278,867	104,152	418,396	413,850
	=====	=====	=====	=====	=====

(b) The group's borrowings at 31st December 1987 were constituted as follows:

	Debentures and mortgages £'000	Bank loans and overdrafts £'000	Other loans £'000	1987 Total £'000	1986 Total £'000
Sterling	55,226	109,993	—	165,219	166,430
Canadian dollars	25,965	106,369	—	132,334	156,536
US dollars	—	49,318	53,476	102,794	125,911
Deutsche marks	—	2,702	50,676	53,378	59,793
Australian dollars	498	38,104	—	38,602	48,164
French francs	—	34,900	—	34,900	36,998
New Zealand dollars	—	1,842	—	1,842	353
	=====	=====	=====	=====	=====
	81,689	343,228	104,152	529,069	594,185
	=====	=====	=====	=====	=====

18 Borrowings (continued)

(c) The rates at which interest is charged on borrowings due after one year are as follows:

(d) Borrowings fall due for repayment as follows:

Repayment year	Year £'000	Loans repayable in full in repayment	Loans repayable in instalments £'000	Short-term loans under- written by medium term facilities £'000	Total £'000
		year £'000	£'000	£'000	£'000
1988	..	42,203	572	—	42,775
1989	..	92,947	604	—	93,551
1990	..	41,566	2,440	—	44,006
1991	..	—	2,478	—	2,478
1992	..	91,659	15,125	30,000	136,784
1988-1992	..	268,375	21,219	30,000	319,594
1993-1997	..	54,296	9,506	76,703	140,505
1998-2002	..	1,146	13,096	—	14,242
2003-2052	..	39,132	10,314	—	49,446
2053-3002	..	3,400	1,882	—	5,282
		366,349	56,017	106,703	529,069
		<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

It is the group's policy generally to finance new developments initially for a term of three to seven years. Once the development has been completed and let, longer term finance is then sought.

19	Share capital	Ordinary shares of 25p each	'A' Ordinary shares of 25p each
(a)	Authorised and issued	£'000	£'000
	Authorised at 1st January 1987		
	36,578,694 Ordinary shares of 25p each	9,145	
	137,690,524 'A' Ordinary (limited voting) shares of 25p each		34,422
	Unissued shares at 1st January 1987	335	2,864
	Issued at 1st January 1987		
	35,240,189 Ordinary shares of 25p each	8,810	
	126,232,038 'A' Ordinary (limited voting) shares of 25p each		31,558
	Movements during the year:		
(i)	Issues under scheme to permit shareholders to receive shares in lieu of cash dividend (note 20)		
	4,968 Ordinary shares of 25p each	1	
	86,114 'A' Ordinary (limited voting) shares of 25p each		21
(ii)	Options in respect of 300,900 'A' Ordinary (limited voting) shares of 25p each exercised under the 1961 share option scheme		
	126,400 at 160.75p	32	
	42,000 at 251.50p	10	
	37,000 at 316.25p	9	
	12,000 at 343.75p	3	
	13,500 at 354.75p	3	
	50,000 at 437.25p	14	
	20,000 at 500.00p	5	
(iii)	Purchase of 200,000 'A' Ordinary (limited voting) shares of 25p each (note 22)		(50)
	Issued at 31st December 1987		
	35,245,157 Ordinary shares of 25p each	8,811	
	126,419,052 'A' Ordinary (limited voting) shares of 25p each		31,605
	Unissued shares at 31st December 1987	346	2,986
	Authorised at 31st December 1987		
	36,627,292 Ordinary shares of 25p each	9,157	
	138,364,506 'A' Ordinary (limited voting) shares of 25p each		34,591

19 **Share capital (continued)**

(b) **Movements in authorised share capital**

- (i) At the Annual General Meeting held on 15th June 1987, a resolution was passed to increase the authorised capital of the company from £43,567,304.50 to £43,622,949.50 by the creation of 48,598 Ordinary shares of 25p each and 173,982 'A' Ordinary (limited voting) shares of 25p each to permit shareholders to receive shares in lieu of cash dividends.
- (ii) Also on 15th June 1987, a resolution was passed by the company in the General Meeting to increase the authorised share capital from £43,622,949.50 to £43,747,949.50 to create a reserve to cover the grant of further share options under the company's 1961 share option scheme.

(c) **Options**

At 31st December 1987, the following options granted to executive directors and senior staff members remained outstanding:

Expiry year	Subscription price	No. of 'A' Ordinary (limited voting) shares
1988	170.50p	40,000
1990	226.875p	60,000
1990	255.75p	20,000
1991	343.75p	57,000
1992	354.75p	20,900
1993	398.75p	40,000
1993	437.25p	10,000
1994	437.25p	10,000
1995	500.00p	363,400
1995	506.00p	80,000
1995	522.50p	30,000
1996	500.00p	90,000
1997	500.00p	113,500
1997	669.00p	178,500
		1,113,300

20 **Share premium account**

	£'000
Balance 1st January 1987	213,084
Premium on shares issued	759
	213,843
Scrip dividend (note 19 (a) (i))	(22)
Expenses in connection with share and bond issues	(1,537)
	212,284

21 **Revaluation reserve**

	Group	Holding company
	£'000	£'000
Balance 1st January 1987	649,195	1,020
Exchange adjustment	(43,128)	—
	606,067	1,020
Surplus/(deficit) arising during the year on revaluation of properties (notes 10 (b) and 10 (f))	131,278	(2,034)
Minority share of additional surplus	(5,939)	—
Revaluation deficit against cost written off as extraordinary item (note 6)	417	2,480
	731,823	1,466
Transfer to profit and loss account:		
Surplus realised on disposal of properties (note 6)	(9,660)	(570)
	722,163	896
Balance 31st December 1987	722,163	896

22 **Other reserves**

	Group	Holding company
	£'000	£'000
General capital reserve		
Balance 1st January and 31st December 1987	1,466	—
Foreign exchange fluctuation reserve		
Balance 1st January 1987	—	—
Exchange losses relating to overseas operations	(24,218)	—
Transfer from profit and loss account (note 23)	24,218	—
	—	—
Balance 31st December 1987	—	—
Capital redemption reserve		
Transfer from share capital account (note 19(a)(iii))	50	50
	—	—
Balance 31st December 1987	50	50
Total other reserves	1,516	50
	—	—

23 Profit and loss account

	Group	Holding company
	£'000	£'000
Balance 1st January 1987	66,507	224,071
Adjustment in respect of 1986 final dividend elected to be taken in the form of additional shares	368	368
	<hr/>	<hr/>
	66,875	224,439
Retained profit for the year	33,115	(17,136)
Adjustment in respect of 1987 interim dividend elected to be taken in the form of additional shares	121	121
Transfer to foreign exchange fluctuation reserve (note 22)	(24,218)	—
Purchase of 200,000 'A' Ordinary (limited voting) shares of 25p each and related advanced corporation tax	(1,078)	(1,078)
	<hr/>	<hr/>
Balance 31st December 1987	74,815	206,346
	<hr/>	<hr/>

24 Contingent liabilities

- (a) There are contingent liabilities relating to guarantees given by the holding company in respect of the performance and liabilities of some of the group companies.
- (b) The guaranteed liabilities of the group companies at 31st December 1987 are included in these financial statements.
- (c) The company has subordinated its intra-group loans for the benefit of external creditors.

25 Principal subsidiary companies

Incorporated and operating in:

United Kingdom

Hammerson U.K. Properties Ltd
Hammerson (Amethyst) Properties Ltd
Hammerson (Newchat) Properties Ltd
Hammerson Group Management Ltd
D.O.B. Estate Ltd (65.22%)
J.V. Holdings Ltd

Canada

Hammerson Canada Inc
Mascan Corporation

Australia

Hammerson Property Pty Ltd

New Zealand

Hammerson Property (NZ) Ltd

United States

Hammerson Holdings (USA) Inc
The Hammerson Property (West USA) Corporation

France

Orbisa Bassano SA

Germany

Hammerson GmbH

Holland

Hammerson BV

Unless otherwise stated, the companies are 100% owned subsidiaries.

Report of the Auditors

To the Members of The Hammerson Property Investment and Development Corporation plc

We have audited the financial statements on pages 20 to 43 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31st December 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Hill House
1 Little New Street
London EC4A 3TR
19 April 1988

TOUCHE ROSS & CO
Chartered Accountants

Ten Year Summary of Results

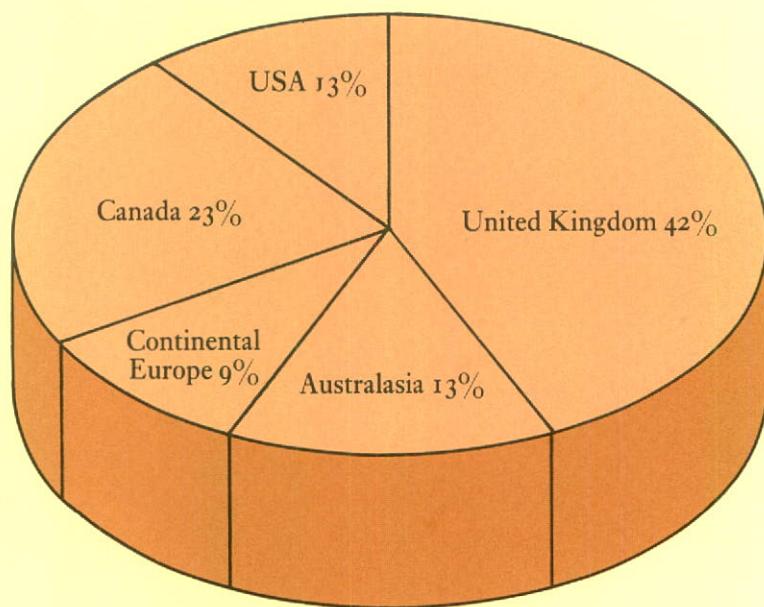
	1978 £'000	1979 £'000	1980 £'000	1981 £'000	1982 £'000	1983 £'000	1984 £'000	1985 £'000	1986 £'000	1987 £'000
Rental income less property outgoings	21,261	22,426	26,537	33,510	42,207	47,501	65,608	65,789	76,394	75,893
Gross profits from property trading	—	—	1,249	1,212	2,341	1,919	2,119	3,566	6,691	5,143
Profit on ordinary activities before taxation	6,159	7,632	10,933	15,061	20,405	26,895	33,361	40,096	49,343	54,259
<i>Less</i> Tax on profit on ordinary activities	2,937	3,305	4,887	5,932	7,195	8,689	11,147	9,939	11,421	9,841
Profit on ordinary activities after taxation	3,222	4,327	6,046	9,129	13,210	18,206	22,214	30,157	37,922	44,418
<i>Less</i> Minority interests	1,215	1,477	742	1,330	758	672	1,091	6,096	7,668	6,687
Profit attributable to shareholders before extraordinary items	2,007	2,850	5,304	7,799	12,452	17,534	21,123	24,061	30,254	37,731
Earnings per share	2.97p	2.98p	5.31p	7.80p	10.60p	12.89p	14.31p	16.01p	18.76p	23.34p
Extraordinary items	2,302	3,146	4,490	1,090	6,799	504	1,213	10,604	1,527	13,984
Cost of dividends	990	1,964	4,267	5,282	8,688	10,967	12,658	15,058	16,953	18,600
Dividend per share [note (a)]	1.52p	3.00p	4.50p	5.50p	6.50p	7.50p	8.50p	9.50p	10.50p	11.50p
Total net assets attributable to shareholders [note (b)]	98,173	190,654	256,435	297,612	633,852	707,731	896,986	899,808	970,620	1,051,194
Net asset value per share [note (b)]	£1.51	£2.08	£2.67	£3.10	£4.89	£5.20	£6.02	£5.59	£6.01	£6.50

NOTES

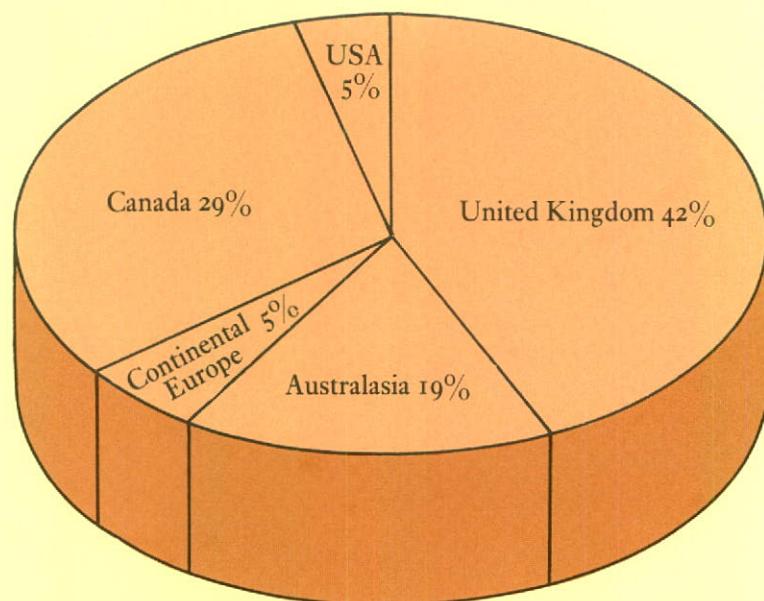
(a) Adjusted for rights issues in 1979 and 1982 and capitalisation issues in 1980 and 1984.

(b) The net asset values for 1978 - 1981 reflect previous annual valuations of some only of the group's properties. Those previous valuations were included in the notes on the relevant year's financial statements but were not shown on the face of the balance sheet.

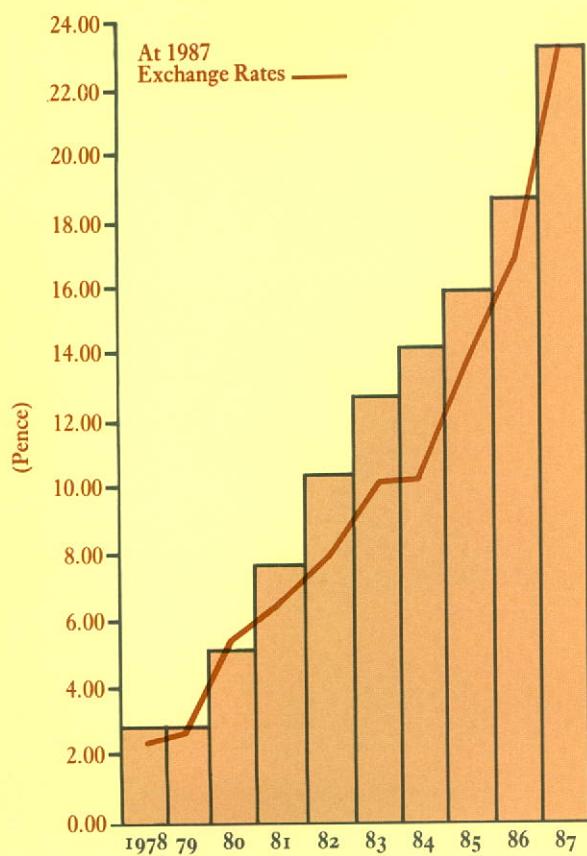
Geographical Split of Properties including Commitments



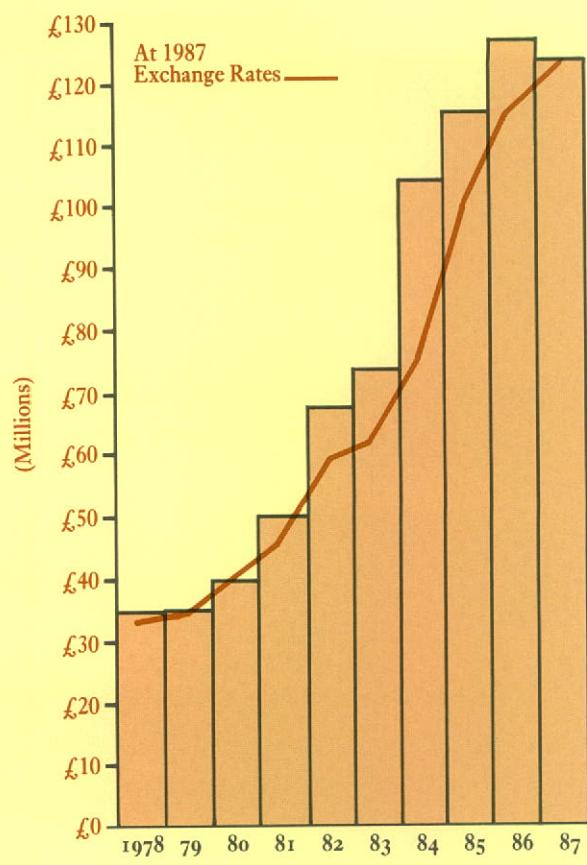
Net Rental Income by Region



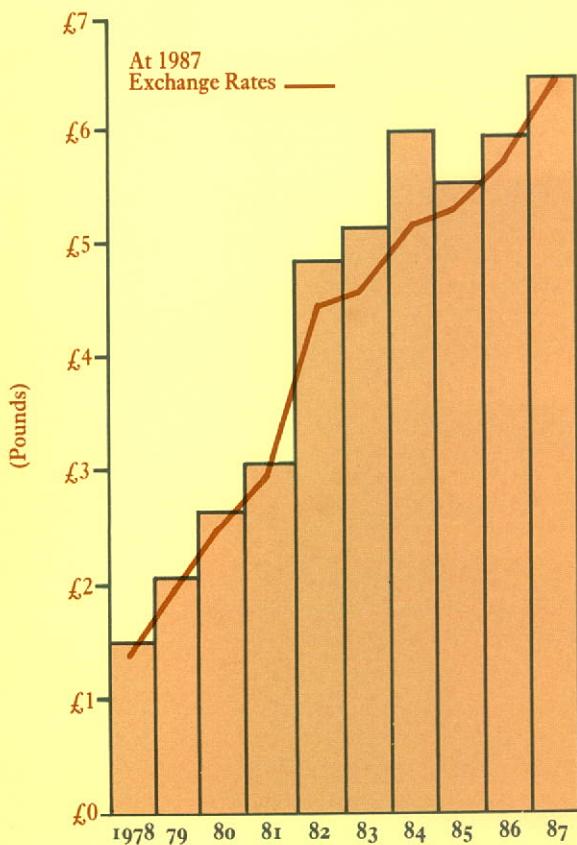
Earnings per Share



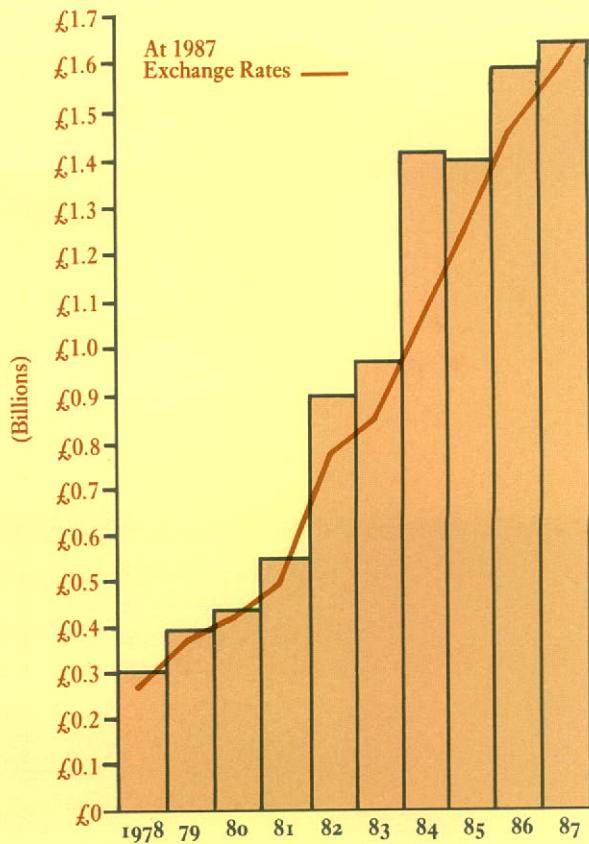
Gross Rental Income



Net Assets per Share



Land and Buildings at Valuation



1 Listed on The Stock Exchange in London

- (a) US\$100,000,000 12% Unsecured Notes issued by the holding company in denominations of US\$5,000 each redeemable at par on 28th December 1989. Interest is payable annually on 28th December.

- (b) £1,146,000 9.75% First Mortgage Debenture Stock issued by the wholly owned subsidiary, Hammerson U.K. Properties Ltd in denominations of £1 each, redeemable at par at the company's option as from 31st March 1997 with a final redemption date of 31st March 2002. Interest is payable half yearly on 31st March and 30th September.

2 Listed on The Toronto Stock Exchange

- (a) 3,200,000 9.12% Cumulative Preference Shares (Series A) of C\$25 each issued by the wholly owned subsidiary, Hammerson Canada Inc. The Series A Shares are retractable at the option of the holder on 31st December 1989, 31st December 1990 and 31st December 1991, and redeemable at par at the option of the company after 31st December 1989.

- (b) 3,000,000 9% Cumulative Preference Shares (Series B) of C\$25 each issued by the wholly owned subsidiary, Hammerson Canada Inc. The Series B Shares are retractable at the option of the holder on 30th June 1990, 30th June 1991 and 30th June 1992, and redeemable at par at the option of the company after 30th June 1990.

Dividends on Series A and B Shares are payable quarterly on 31st March, 30th June, 30th September and 31st December.

3 Listed on The Frankfurt Stock Exchange

Dm150,000,000 6% Bearer Bonds issued by the holding company divided into 30,000 bonds of Dm1,000 each and 12,000 bonds of Dm10,000 each redeemable at par on 1st February 1992. Interest is payable annually on 1st February.

United Kingdom

Shopping centres

	Approximate Rentable Area (Sq.feet)	Tenure
Brent Cross, London NW4	800,000	Leasehold
Merseyway Centre, Stockport, Greater Manchester	320,000	Leasehold
Riverhead Centre, Grimsby, South Humberside	200,000	Leasehold
Wulfrun Centre, Wolverhampton, West Midlands	150,000	Leasehold
Old George Mall, Salisbury, Wiltshire	105,000	Freehold

Shopping centres with office space

Liberty Centre, Romford, Essex	440,000	Leasehold
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Offices

Woolgate House, Coleman Street, London EC2	305,000	Freehold
*River Plate House, Finsbury Circus, London EC2 (50% owned)	148,000	Freehold
Marathon House, Marylebone Road, London NW1	145,000	Leasehold
*40 Tower Hill, London EC3	90,000	Freehold
Selkirk House, High Holborn, London WC1	65,000	Freehold
32 & 33 St. James's Square, London SW1	50,000	Leasehold
83/85 Pall Mall, London SW1	47,000	Leasehold

Offices with retail space

Holborn Estate, London WC1	325,000	Freehold
Mitre House, Cheapside, London EC2	100,000	Leasehold
Merton Centre, Bedford	90,000	Freehold
Stone House, Bishopsgate, London EC2	70,000	Freehold
Lonsdale Chambers, Chancery Lane, London WC2	60,000	Leasehold
68/71 Fleet Street, London EC4	34,000	Freehold
Thanet House, Strand, London WC2	30,000	Freehold
Manor House, Church Street, Leatherhead, Surrey	26,000	Freehold

Offices with warehousing

Brooks Wharf, Upper Thames Street, London EC4	105,000	Freehold
Dominant House, Queen Victoria Street, London EC4	95,000	Leasehold

* In the course of construction

Australia

Shopping centres

	Approximate Rentable Area (Sq.feet)	Tenure
Warringah Mall, Brookvale, Sydney, New South Wales	946,000	Freehold
Carousel, Cannington, Perth, Western Australia	390,000	Freehold
Floreat Forum, Perth, Western Australia	115,000	Freehold

Offices

Communications House, William Street, Melbourne, Victoria	345,000	Freehold
500 Collins Street, Melbourne, Victoria	270,000	Freehold
1 York Street, Sydney, New South Wales	200,000	Leasehold
167 Eagle Street, Brisbane, Queensland	160,000	Freehold
Shell House, Phillip Street, Sydney, New South Wales	160,000	Freehold
BP House, Flinders Street, Adelaide, South Australia	135,000	Freehold
145 Eagle Street, Brisbane, Queensland	125,000	Freehold

New Zealand

Shopping centre

South Mall, Manurewa, Auckland	148,000	Freehold
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Offices with retail space

Vulcan Building, Queen Street, Auckland	19,000	Freehold
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Canada

Shopping centre

**Square One, Mississauga, Ontario	1,368,000	Freehold
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Offices

70 University Avenue, Toronto, Ontario	235,000	Leasehold
201 City Centre Drive, Mississauga, Ontario	213,000	Freehold
33 City Centre Drive, Mississauga, Ontario	206,000	Freehold
*77 City Centre Drive, Mississauga, Ontario	195,000	Freehold
55 City Centre Drive, Mississauga, Ontario	184,000	Freehold

Offices with retail space

Bow Valley Square, Phases 1-4, Calgary, Alberta	1,500,000	Freehold
*2 Bloor Street West, Toronto, Ontario	520,000	Leasehold

*In the course of reconstruction or refurbishment

**Currently being extended

Principal Properties

	Approximate Rentable Area (Sq.feet)	Tenure
United States of America		
Offices		
3100 South Gessner Street, Houston, Texas	134,000	Freehold
Offices with retail space		
Main Place, Buffalo, New York State	635,000	Freehold
*420 Fifth Avenue, New York	550,000	Freehold
818 West Seventh Street, Los Angeles, California	371,000	Freehold
Liberty Building, Buffalo, New York State	345,000	Freehold
655 South Hope Street, Los Angeles, California	98,000	Freehold
Continental Europe		
France		
Offices		
Building E, Colline St Cloud, St Cloud	124,000	Freehold
*46 Avenue Kleber, Paris 16e	38,000	Freehold
16 Place Vendome, Paris 1e	25,000	Freehold
4 Rue Beaubourg, Paris 4e	21,000	Freehold
48 Rue Croix des Petits Champs, Paris 1e	20,000	Freehold
43 Avenue de Friedland, Paris 8e	17,000	Freehold
43 Avenue Marceau, Paris 16e	12,000	Freehold
Retail with office space		
*19/23 Rue St. Ferreol, Marseilles	77,000	Freehold
Holland		
Offices		
35 Koningslaan, Amsterdam	18,000	Freehold
Germany		
Offices		
33 Kaiserstrasse, Frankfurt	16,000	Freehold
Retail with office space		
*55/57 Obernstrasse, Bremen	127,000	Freehold
*47 Kettwigerstrasse, Essen	96,000	Freehold

**In the course of reconstruction*



