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HAMMERSON GROUP MANAGEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31st December 1988



Touche Ross & Co.
Hill House
1 Little New Street
London, EC4A 3TR

Sydney Mason (Chairman)
J.R. Parry
W. Tindale
H.R. Vogt
J.M.D. Scott
R.S. Johnson
J.H. Riddell

R.S. Johnson
100 Park Lane
London W1Y 4AR

Notice is hereby given that the Annual General Meeting of the Company will be held at 100 Park Lane, London W1Y 4AR on Tuesday 18th April 1989 at 09.30 a.m. to transact the ordinary business of the Company.

14th April 1989

100 Park Lane
London W1Y 4AR

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 be a member. Any instrument appointing a proxy must be deposited at the Company's Registered Office by not later than 48 hours before the time fixed for the meeting.

HAMMERSON GROUP MANAGEMENT LIMITED

REPORT OF THE DIRECTORS
Year ended 31st December 1988

1. RESULTS FOR THE YEAR

- (a) The net loss for the year attributable to shareholders and transferred to reserves amounted to £9,489,439 (1987 - profit £91,226). A further £43,936 being release of provision for diminution in value of land and building no longer required, was also transferred to reserves.
- (b) No dividend was paid during the year (1987 - £Nil).

2. EXTRAORDINARY ITEM

The company incurred costs of £9,619,000 associated with the defence against the bid by Rodamco Land Plc. These costs have been treated as an extraordinary item in the profit and loss account.

3. PRINCIPAL ACTIVITIES AND REVIEW OF FUTURE PROSPECTS

The principal activity of the company is the management and administration of The Hammerson Group's property development and investment companies. This will continue for the foreseeable future.

4. LAND AND BUILDING

The only property of the company has been valued at 31st December 1988 by Donaldsons, Chartered Surveyors. Further particulars of change in land and building of the company and the valuation are given in note 6(a) of the financial statements.

5. DIRECTORS

- (a) Sydney Mason, J.R. Parry, W. Tindale, H.R. Vogt, J.M.D. Scott and R.S. Johnson were directors of the company throughout the year.
- (b) N.G. Ellis was also a director until he resigned on 31st March 1988.
- (c) J.H. Riddell was appointed an additional director on 1st September 1988.
- (d) The directors retiring by rotation are Sydney Mason and W. Tindale who, being eligible, offer themselves for re-election.
- (e) J.H. Riddell, who was appointed after the last Annual General Meeting, also retires by rotation and, being eligible, offers himself for re-election.
- (f) None of the directors has any interest in the shares of the company. Their interests in the shares of the holding company, The Hammerson Property Investment and Development Corporation plc, are given in the financial statements of that company.
- (g) No director has any interest in contracts entered into by the company.

HAMMERSON GROUP MANAGEMENT LIMITED

REPORT OF THE DIRECTORS
Year ended 31st December 1988

6. CLOSE COMPANY STATUS

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

7. DONATIONS

During the year charitable and political donations made by the company amounted to £46,229 and £25,000 respectively (1987 - £35,065 and £25,000). The political donation was made to the Conservative Party.

8. AUDITORS

Touche Ross and Co., the company's auditors, have indicated their willingness to continue in office in accordance with the provisions of the Companies Act 1985.

By order of the Board

Secretary

14th April 1989

Registered Office:
100 Park Lane
London W1Y 4AR

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Hill House
1 Little New Street
London EC4A 3TH
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 **Touche Ross**
Chartered Accountants

HAMMERSON GROUP MANAGEMENT LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the company's state of affairs at 31st December 1988 and of its loss and source and application of funds for the year then ended and comply with the Companies Act 1985.



Chartered Accountants
London

14th April 1989

Aberdeen, Birmingham, Blackpool, Bristol, Cardiff, Liverpool, Crawley, Darford,
Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes,
Newcastle upon Tyne, Newport, Swansea and Wolverhampton

Principal place of business at which a list of partners' names is available
Hill House, 1 Little New Street, London EC4A 3TH

Authorized by the Institute of Chartered Accountants in England and Wales
to carry on investment business

HAMMERSON GROUP MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31st December 1988

	Notes	1988 £	1987 £
Management fees receivable from group companies		4,608,461	3,633,984
Other income	2	<u>225,519</u>	<u>205,483</u>
Total income		4,833,980	3,839,467
Rents payable and other property outgoings		554,508	407,413
Cost of finance administration and other charges	3	<u>4,149,911</u>	<u>3,340,828</u>
Profit on ordinary activities before taxation		129,561	91,226
Tax on profit on ordinary activities	4	<u>—</u>	<u>—</u>
Profit for the financial year attributable to shareholders before extraordinary item		129,561	91,226
Extraordinary item	5	<u>(3,619,000)</u>	<u>—</u>
(Loss)/profit retained, transferred to reserves	12	<u>£(9,489,439)</u> =====	<u>£ 91,226</u> =====

HAMMERSON GROUP MANAGEMENT LIMITED

BALANCE SHEET as at 31st December 1988

	Notes	£	1988	£	£	1987	£
TANGIBLE FIXED ASSETS							
Land and building	6(a)	5,650,000			644,882		
Fixtures, fittings and equipment	6(b)	<u>816,426</u>			<u>722,365</u>		
			6,466,426			1,367,247	
CURRENT ASSETS							
Debtors	7	332,012			202,098		
Cash at bank and in hand		<u>29,225</u>			<u>18,568</u>		
Total current assets		361,237			220,666		
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>8,946,970</u>			<u>384,281</u>		
NET CURRENT LIABILITIES			(8,585,733)			(163,615)	
Total assets less current liabilities			(2,119,307)			1,203,632	
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9		(2,094,438)			(888,686)	
			£(4,213,745)			£ 314,946	
			=====			=====	
CAPITAL AND RESERVES							
Called up share capital	10		100			100	
Revaluation reserve	11		4,916,812			-	
Profit and loss account	12		(9,130,657)			<u>314,846</u>	
			£(4,213,745)			£ 314,946	
			=====			=====	

The financial statements were approved by the Board of Directors on 14th April 1989.

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) Directors
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HAMMERSON GROUP MANAGEMENT LIMITED

SOURCE AND APPLICATION OF FUNDS Year ended 31st December 1988

	1988 £	1987 £
FUNDS GENERATED BY OPERATIONS:		
Profit attributable to shareholders	-	91,226
Adjustment for items not involving the movement of funds		
Depreciation	-	161,471
Profit on sale of fixed assets	-	(9,681)
	-	243,016
FUNDS GENERATED FROM OTHER SOURCES		
Proceeds from sale of fixed assets	59,054	62,017
Advances from holding company	1,205,752	9,078
Increase in creditors	8,562,689	43,903
Decrease in debtors	-	28,507
TOTAL FUNDS GENERATED	9,827,495 =====	386,521 =====
FUNDS ABSORBED BY OPERATIONS:		
Loss attributable to shareholders	9,489,439	-
Adjustment for items not involving the movement of funds		
Depreciation	(179,440)	-
Profit on sale of fixed assets	10,160	-
	9,320,159	-
Expenditure on fixtures, fittings and equipment	366,765	384,743
Increase in cash and bank balances	10,657	1,778
Increase in debtors	129,914	-
	9,327,495 =====	386,521 =====

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1988

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention and in compliance with the Companies Act 1985.

(b) Tangible assets - land and buildings

The property held on a short leasehold, which is principally used for the purpose of the company's business, is included in the balance sheet at open market value. Any surplus or deficit arising from revaluation is transferred to a revaluation reserve.

DepreciationProperty:

Depreciation is not provided on the company's short leasehold property as the directors are of the opinion that there will be no permanent diminution in the value of the land and building.

Fixtures, fittings and equipment:

Depreciation is provided on a reducing balance basis having regard to the estimated useful life and residual value of the assets. The rates used are:

Office furniture and equipment	- 20%
Motor cars	- 25%

No depreciation is charged against antiques of high value.

(c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

(d) Pension costs

Pension liabilities are funded 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 5 years. Any resulting deficits are charged to the profit and loss account over a period of 5 years.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 1988

2. OTHER INCOME

	1988 £	1987 £
Rental income	212,140	190,766
Fees receivable from third parties	3,219	5,036
Profit from sale of fixtures, fittings and equipment	<u>10,160</u>	<u>9,681</u>
	<u>225,519</u>	<u>205,483</u>
	=====	=====

3. COST OF FINANCE, ADMINISTRATION AND OTHER CHARGES

	1988 £	1987 £
(a) Finance charges:		
Bank interest	421	305
(b) Administrative expenses:		
Auditors' remuneration	121,463	124,416
Depreciation:		
Property, fixtures, fittings and equipment	179,440	161,471
Staff costs (see below)	2,500,508	2,003,356
Other costs	<u>1,348,079</u>	<u>1,051,280</u>
	<u>4,149,911</u>	<u>3,340,828</u>
	=====	=====
(c) Staff costs:		
	1988 £	1987 £
Wages and salaries	1,609,720	1,310,931
Social security costs	163,630	133,718
Other pension costs	709,002	537,945
Other staff benefits	<u>18,156</u>	<u>20,762</u>
	<u>2,500,508</u>	<u>2,003,356</u>
	=====	=====

(d) The average weekly number of persons employed by the company during the year was as follows:

	1988 No.	1987 No.
Administrative staff	<u>57</u>	<u>60</u>
	===	===

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31st December 1988

3. COST OF FINANCE, ADMINISTRATION AND OTHER CHARGES (continued)

(e) Administration expenses include the following charges:

	1988 £	1987 £
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Directors' emoluments:

Remuneration as executives (including pension scheme contributions)	1,044,993	757,078
Former directors' pensions and benefits	—	7,253
	<u>1,044,993</u>	<u>764,331</u>

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

	1988 £	1987 £
Chairman	110,000	117,000

Other directors:	No.	No.
£20,001 to £25,000	1	—
£25,001 to £30,000	2	2
£30,001 to £35,000	—	1
£35,001 to £40,000	1	1
£40,001 to £45,000	1	—
£45,001 to £50,000	1	—
£50,001 to £55,000	—	1
£55,001 to £60,000	1	—

Other employees:	1988 No.	1987 No.
£30,001 to £35,000	3	2
£35,001 to £40,000	2	3
£40,001 to £45,000	1	2
£45,001 to £50,000	2	—

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

No tax charge arises in the current year owing to the availability of group losses for which no payment will be made.

The total potential deferred tax liability at 31st December 1988 is £71,000 (1987-£77,000). In the opinion of the directors this liability will not crystallize in the foreseeable future and no provision for deferred tax has therefore been made.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31st December 1988

5. EXTRAORDINARY ITEM

	1988 £	1987 £
Costs associated with the defence against the bid by Kodamco Land Plc	£9,619,000	£ -
	=====	=====

6. TANGIBLE FIXED ASSETS

(a) Land and building

The movements in the year were:

Balance 1st January 1988	644,882
Additions at cost	44,370
Provision for diminution in value of land and building no longer required (note 12)	43,936
Surplus arising from revaluation (note 11)	<u>4,916,812</u>
Balance 31st December 1988	<u>5,650,000</u>

The property has been valued as at 31st December 1988 at open market value by Donaldsons, Chartered Surveyors. The historical cost of the land and building is £733,188. A surplus over net book value of £4,916,812 has been taken to revaluation reserve.

Should the property be sold at the valuation, as above a tax liability of approximately £1,000,000 would arise. No provision for this contingent liability has been made.

(b) Fixtures, fittings and equipment

The movements in the year were:

	Cost £	Depreciation £	Net book value £
Balance 1st January 1988	1,389,388	(667,023)	722,365
Additions	322,395	(179,440)	142,955
Disposals	<u>(109,016)</u>	<u>60,122</u>	<u>(48,894)</u>
Balance 31 December 1988	<u>1,602,767</u>	<u>(786,341)</u>	<u>816,426</u>

7. DEBTORS

	1988 £	1987 £
Trade debtors	16,703	8,453
Other debtors	181,534	53,219
Prepayments	<u>133,775</u>	<u>140,426</u>
	<u>332,012</u>	<u>202,098</u>

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31st December 1988

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1988 £	1987 £
Trade creditors	45,420	44,100
Other creditors including social security	73,119	72,891
Accruals	<u>8,828,431</u>	<u>267,290</u>
	<u>8,946,970</u>	<u>384,281</u>

Included in the above figure for 'Other creditors including social security' is an amount of £60,762 (1987 £61,918) for social security.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1988 £	1987 £
Amounts owed to holding company	<u>2,094,438</u>	<u>888,686</u>

The creditor company has agreed that repayment will not be required within twelve months of the balance sheet date.

10. CALLED UP SHARE CAPITAL

	1988 Authorised £	1987 Allotted & fully paid £
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. REVALUATION RESERVE

	1988 £	1987 £
At 1st January	-	-
Surplus arising on revaluation of land and building (note 6(a))	<u>4,916,812</u>	<u>-</u>
At 31st December	<u>4,916,812</u>	<u>-</u>

12. PROFIT AND LOSS ACCOUNT

	1988 £	1987 £
At 1st January	314,846	223,620
Release of provision for diminution in value of land and building no longer required (note 6(a))	43,936	-
(Loss)/profit retained for the year	<u>(9,489,439)</u>	<u>91,226</u>
	<u>(9,130,657)</u>	<u>314,846</u>

13. HOLDING COMPANY

The company is a subsidiary of The Hammerson Property Investment and Development Corporation plc which is incorporated in Great Britain.