

Company Number: 666151

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 1999



HAMMERSON INTERNATIONAL HOLDINGS LIMITED

Board of Directors

Mr R.J.G. Richards
Mr J.A. Bywater
Mr P.W.B. Cole
Mr G. Devaux
Mr S.R. Melliss

Secretary and Registered Office

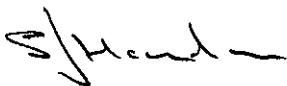
Mr S.J. Haydon
100 Park Lane
London W1Y 4AR

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 100 Park Lane, London W1Y 4AR on 16 August 2000 for the following purposes:

1. To receive the report of the directors and financial statements for the year ended 31 December 1999.
2. To elect Mr G. Devaux a director of the Company.
3. To re-elect Mr R.J.G. Richards a director of the Company.
4. To re-appoint Deloitte & Touche as auditors of the Company.
5. To authorise the directors to fix the remuneration of the auditors.

By order of the Board



S.J. Haydon
Secretary
16 August 2000

Registered Office:
100 Park Lane
London W1Y 4AR

Registered in England and Wales No. 666151

Notes:

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. That proxy need not also be a member of the Company. 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 INTERNATIONAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 1999

1. RESULTS FOR THE YEAR AND DIVIDEND

- (a) The loss for the year attributable to shareholders and transferred to reserves was £83,895,000 (1998 – profit £37,140,000).
- (b) A dividend of £50,000,000 was paid during the year (1998 : £nil).

2. PRINCIPAL ACTIVITIES AND REVIEW OF FUTURE PROSPECTS

The principal activities of the Company continue to be direct investment in property and investment in property owning subsidiaries.

The directors consider that this will continue for the foreseeable future.

3. FIXED ASSETS

The Company's investment properties have been valued at £176,527,000 at 31 December 1999 jointly by Messrs Jones Lang LaSalle, Chartered Surveyors and by Donaldsons, Chartered Surveyors.

Further particulars of changes in the property assets of the Company and the valuations are given in note 8 to the accounts. Details of changes in the investments of the Company are given in note 9 to the accounts.

4. DIRECTORS

- (a) Mr R.J.G. Richards, Mr J.A. Bywater Mr P.W.B. Cole, Mr S.R. Melliss and Mr H.R. Vogt were directors of the Company throughout the year.
- (b) Mr R.R. Spinney and Mr. H.R. Vogt retired as directors of the Company on 30 October 1999 and 31 December 1999 respectively.
- (c) Mr G. Devaux, who was appointed a director of the Company on 1 October 1999, will retire at the Annual General Meeting in accordance with the Articles of Association of the Company and, being eligible, offer himself for election.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 1999

- (d) In accordance with the Articles of Association of the Company, Mr R.J.G. Richards retires by rotation and, being eligible, offers himself for re-election.
- (e) None of the directors has any interests in the shares of the Company. At 31 December 1999, Mr R.J.G. Richards, Mr J.A. Bywater, Mr P.W.B. Cole, Mr G. Devaux and Mr S.R. Melliss were directors of the Company's ultimate parent company, Hammerson plc, and their interests in shares of group companies are given in the financial statements of that company. The interests of the remaining director in the ultimate parent company, Hammerson plc, are as follows:

	Ordinary Shares of 25p each	Ordinary shares of 25p each (executive share option schemes)	Options over ordinary shares of 25p each (savings related share option scheme)	Ordinary Shares of 25p each	Ordinary shares of 25p each (executive share option schemes)	Options over ordinary shares of 25p each (savings related share option scheme)
	31.12.99	31.12.99	31.12.99	01.01.99	01.01.99	01.01.99
H R Vogt	9,836	39,625	-	9,836	123,650	-

- (e) No director has any interest in contracts entered into by the Company.

5. YEAR 2000

The Company has experienced no disruption to any of its operations since the millennium date change.

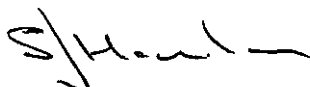
The cost of the Year 2000 project is borne by the Company's holding company, Hammerson plc.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

6. AUDITORS

Deloitte & Touche have indicated their willingness to continue in office in accordance with the provisions of the Companies Act 1985 and a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the Board



S.J. Haydon
Secretary

16 August 2000

Registered office:
100 Park Lane
London W1Y 4AR

Registered in England and Wales No. 666151

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

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

The directors ensure that, in preparing the financial statements, suitable accounting policies have been consistently applied, reasonable and prudent judgements and estimates made, applicable accounting standards followed, and that it is appropriate to use the going concern basis.

The directors are responsible for maintaining adequate accounting records so as to enable them to comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 18 which have been prepared under the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 5 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 Company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Hill House
1 Little New Street
London
EC4A 3TR

Deloitte & Touche
Chartered Accountants
and Registered Auditors
16 August 2000

HAMMERSON INTERNATIONAL HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT**Year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Net rental income	2	5,364	6,181
Administrative expenses	3	(527)	(620)
Operating profit		<u>4,837</u>	<u>5,561</u>
Income from shares in subsidiary undertakings		13,650	-
(Loss)/profit on the disposal of subsidiary undertakings	4	(2,152)	12,691
Profit on the sale of investment properties		-	3,531
		<u>11,498</u>	<u>16,222</u>
Profit on ordinary activities before interest		16,335	21,783
Interest (payable)/receivable and similar income (net)	5	(49,194)	21,072
(Loss)/profit on ordinary activities before taxation		(32,859)	42,855
Taxation	6	(1,036)	(5,715)
(Loss)/profit on ordinary activities after taxation		(33,895)	37,140
Dividends payable	7	(50,000)	-
Retained (loss)/profit for the financial year		<u>(83,895)</u>	<u>37,140</u>

All activities derive from continuing operations.

Movements on reserves are set out in note 14 on page 18.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET as at 31 December 1999

	Note	1999 £'000	1998 £'000
Tangible fixed assets			
Land and buildings	8	176,527	102,389
Fixed asset investments	9	934,216	731,235
		<u>1,110,743</u>	<u>833,624</u>
Current assets			
Debtors	10	433,390	686,914
Cash at bank		91	-
Creditors: amounts falling due within one year	11	(4,378)	(43,023)
		<u>429,103</u>	<u>643,891</u>
Net current assets			
		<u>429,103</u>	<u>643,891</u>
Total assets less current liabilities		1,539,846	1,477,515
Creditors: amounts falling due after more than one year	12	(558,766)	(658,747)
		<u>981,080</u>	<u>818,768</u>
Capital and reserves			
Called up share capital	13	400,000	400,000
Revaluation reserve	14	550,626	311,811
Other reserves	14	1	1
Profit and loss account	14	<u>30,453</u>	<u>106,956</u>
Equity shareholders' funds		<u>981,080</u>	<u>818,768</u>

The financial statements were approved by the Board of Directors on 16 August 2000.
Signed on behalf of the Board of Directors

R.J.G. RICHARDS

S.R. MELLISS

) Directors

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1999

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	(33,895)	37,140
Foreign exchange loss	(12,363)	(2,367)
Unrealised surplus/(deficit) on revaluation of properties	19,520	(8,416)
Unrealised surplus on revaluation of investments	219,295	151,676
Taxation credit/(charge) on realisation of previous year's revaluation gains	19,755	(36,136)
	<u> </u>	<u> </u>
Total recognised gains and losses for the year	<u>212,312</u>	<u>141,897</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31 December 1999

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	(33,895)	37,140
Dividends	<u>(50,000)</u>	<u>-</u>
	(83,895)	37,140
Other recognised losses	(12,363)	(2,367)
Unrealised surplus/(deficit) on revaluation of properties	19,520	(8,416)
Unrealised surplus on revaluation of investments	219,295	151,676
Taxation credit/(charge) on realisation of previous year's revaluation gains	19,755	(36,136)
	<u> </u>	<u> </u>
Net increase in shareholders' funds	162,312	141,897
Shareholders' funds at 1 January	818,768	676,871
	<u> </u>	<u> </u>
Shareholders' funds at 31 December	<u>981,080</u>	<u>818,768</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 31 December 1999

	1999 £'000	1998 £'000
(Loss)/profit on ordinary activities before taxation	(32,859)	42,855
Realisation of previous years' revaluation gains	-	97,795
	<u> </u>	<u> </u>
Historical cost (loss)/profit on ordinary activities before taxation	<u>(32,859)</u>	<u>140,650</u>
Historical cost (loss)/profit for the year after taxation and dividends	<u>(64,140)</u>	<u>98,799</u>

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties and shares in subsidiaries and in accordance with all applicable accounting standards. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

(b) Consolidation

The Company is exempt from the requirement to prepare group accounts as it is a wholly owned subsidiary of Hammerson plc, a company registered in England and Wales, and as such these financial statements present information about the Company and not its group.

(c) 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.

(d) Profit on sale of properties

Profits or losses arising from the sale of properties are taken into account on the completion of contract and receipt of cash. Profits or losses arising from the sale of trading properties are included in the profit and loss account as part of the ordinary activities of the Company. Profits or losses arising from the sale of properties held for investment are calculated by reference to book value and treated as exceptional items.

(e) Cost of properties

An amount equivalent to the net development outgoings, including interest, attributable to properties held for development or resale is added to the cost of such properties. A property is regarded as being in the course of development until substantially let and income producing or until income exceeds outgoings.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

(f) Valuation of properties

Fully completed properties held for long term retention are valued at the balance sheet date at open market value. Surpluses and deficits attributable to the Company arising from revaluation are taken to revaluation reserve. Investment properties held for, or in the course of, development are included in the balance sheet at the lower of cost and recoverable amount. Properties held for resale are stated at the lower of cost and net realisable value.

(g) Depreciation

In accordance with Statement of Standard Accounting Practice No.19, no depreciation is provided in respect of freehold properties or leasehold properties with over 20 years to expiry. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. Such properties are not held for consumption but for investment and the directors consider that to depreciate them would not give a true and fair view.

Depreciation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

(h) Investments

Shares in group companies are stated at valuations determined annually by the directors having regard to the underlying value of the net assets of those subsidiaries.

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

(i) Translation of foreign currencies

Investments in shares of overseas subsidiary companies, which are stated at valuation, and all other foreign currency balances have been translated at the rates ruling on 31 December.

The principal relevant rates used for currency translations are as follows:

		1999	1998
Canada	£1 = C\$	2.34	2.56
France	£1 = Ffr	10.55	9.29
Germany	£1 = DM	3.15	2.77
Holland	£1 = Dfl	3.54	3.12
United States	£1 = US\$	1.61	1.66
Euro	£1 = EUR	1.61	-

Differences arising from the translation of investments in overseas subsidiaries are taken directly to reserves. Translation differences arising on currency loans which finance such investments will be offset as a reserve movement to the extent of translation differences arising on those investments. All other translation differences are dealt with in the profit and loss account.

2. NET RENTAL INCOME

	1999	1998
	£'000	£'000
Gross rental income	5,535	6,900
Rents payable and other property outgoings	(171)	(719)
	<hr/>	<hr/>
	5,364	6,181
	<hr/>	<hr/>

3. ADMINISTRATIVE EXPENSES

The Directors did not receive any remuneration for services to the Company in the year (1998: £Nil). The auditors' remuneration is paid by another group Company.

The Company has no employees (1998: Nil).

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

4. (LOSS)/PROFIT ON THE DISPOSAL OF SUBSIDIARY UNDERTAKINGS

	1999 £'000	1998 £'000
Loss on the repurchase of shares by Canadian subsidiary	-	(7,776)
Profit on sale of Canadian subsidiary	3,259	14,197
Profit on sale of Canadian fixed rate loan	-	6,410
Loss on sale of UK subsidiary	(5,412)	-
	<u>(2,153)</u>	<u>12,831</u>
Profit/(loss) on liquidation of subsidiaries	<u>1</u>	<u>(140)</u>
	<u>(2,152)</u>	<u>12,691</u>

5. COST OF FINANCE (NET)

	1999 £'000	1998 £'000
Interest receivable from fellow subsidiary undertakings	21,450	22,737
Interest payable to parent company	(21,388)	(26,546)
Interest payable to fellow subsidiary undertakings	(2,973)	(3,493)
Foreign exchange (loss)/profit	(46,283)	28,374
	<u>(49,194)</u>	<u>21,072</u>

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

6. TAXATION

	1999 £'000	1998 £'000
On profits before exceptional items:		
United Kingdom Corporation Tax at 31%	-	1,995
Overseas tax	32	353
Prior years' UK Corporation tax	2,829	29
	<u>2,861</u>	<u>2,377</u>
On exceptional items:		
United Kingdom Corporation Tax at 31%	-	705
Overseas tax	(1,825)	2,633
	<u>(1,825)</u>	<u>3,338</u>
Tax on (loss)/profit on ordinary activities	<u>1,036</u>	<u>5,715</u>
Overseas tax on realisation of prior years' revaluation	<u>(19,755)</u>	<u>36,136</u>

Tax losses in the year were surrendered to group companies without payment.

In 1998 £39,474,000 of tax was provided on the disposal of Hammerson Canada Inc and was allocated to the profit and loss account and to realisation of prior years' revaluation gains. In 1999, following settlement, £21,580,000 of this tax provision has been written back and allocated in the same way.

Tax payable for prior years has been increased and tax relief carried forward to reduce tax in 1999 and subsequent years. This has allowed the Company to use surplus advance corporation tax in the earlier years.

7. DIVIDENDS

	1999 £'000	1998 £'000
Dividends payable at 12.5p per share	50,000	-

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

8. LAND AND BUILDINGS

	Freehold £'000	Long Leasehold £'000	Total £'000
a) The movements in the year on investment properties were:			
At 1 January 1999	102,389	-	102,389
Additions at cost	1,230	53,388	54,618
Surplus arising on revaluation	16,783	2,737	19,520
At 31 December 1999	<u>120,402</u>	<u>56,125</u>	<u>176,527</u>
b) The Company's investment properties have been valued at 31 December 1999 at market value jointly by Messrs Jones Lang LaSalle, Chartered Surveyors and by Donaldsons, Chartered Surveyors. The surplus arising on revaluation has been transferred to the Revaluation Reserve.			
c) Should the properties be disposed of at the valuation in note 8(a) no tax liability is expected to arise.			
d) The cost of investment properties at 31 December 1999 was £165,423,000 (31 December 1998 - £110,805,000).			

9. FIXED ASSET INVESTMENTS

	£'000
Valuation at 1 January 1999	731,235
Additions	63,300
Disposals	(63,300)
Foreign exchange translation loss	(16,314)
Revaluation in year	219,295
Valuation at 31 December 1999	<u>934,216</u>

Investments in subsidiaries are stated at valuations determined annually by the directors based on the underlying value of the net assets of those subsidiaries. In the opinion of the directors, the aggregate value at 31 December 1999 of shares in and amounts owing from subsidiary undertakings is not less than the aggregate at which they are stated in the financial statements.

At 31 December 1999, under the historical cost convention, the total of investments in subsidiary companies was £435,601,236 (1998: £435,601,236).

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

The Company's principal subsidiary companies at 31 December 1999 which are engaged directly, or indirectly through their subsidiaries, in property investment, development or trading, were:

	Country of Incorporation/ Registration and operation	Percentage holding of ordinary share capital
Hammerson UK Properties plc	England & Wales	100%
Hammerson USA Inc.	United States	100%
Hammerson Europe BV	Netherlands	100%
Hammerson SA	France	100%
Hammerson GmbH	Germany	100%

10. DEBTORS

	1999 £'000	1998 £'000
Amounts owed by subsidiary undertakings	405,362	449,127
Due from sale of shares and debt of Hammerson Canada Inc.	-	236,457
Taxation	21,419	-
Other debtors	6,609	1,330
	<u>433,390</u>	<u>686,914</u>

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Bank overdraft	-	608
Taxation	-	32,189
Other creditors	4,136	10,226
Accruals	242	-
	<u>4,378</u>	<u>43,023</u>

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

	1999 £'000	1998 £'000
Amounts owed to parent company	511,763	608,478
Amounts owed to subsidiary undertakings	47,003	50,269
	<u>558,766</u>	<u>658,747</u>

13. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
700,000,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>
Called up, allotted and fully paid:		
400,000,000 ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>

HAMMERSON INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

14. RESERVES

	Revaluation reserve £'000	Other reserves £'000	Profit and loss account £'000
At 1 January 1999	311,811	1	106,956
Surplus arising on property revaluation (note 8)	19,520	-	-
Revaluation of investments in subsidiaries in year (note 9)	219,295	-	-
Taxation on realisation of prior year's revaluation gain	-	-	19,755
Foreign exchange loss	-	-	(12,363)
Retained loss for the year	-	-	(83,895)
At 31 December 1999	<u>550,626</u>	<u>1</u>	<u>30,453</u>

15. PARENT COMPANY

The parent company and ultimate controlling party is Hammerson plc which is registered in England and Wales. Copies of the financial statements of the parent company are available from the parent company's registered office, 100 Park Lane, London W1Y 4AR.

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption permitted by section 3 of Financial Reporting Standard 8: 'Related Party Disclosures' in not disclosing transactions with other group companies.