Embargoed until 7:00 a.m. on Monday 21 February 2011

HAMMERSON plc - AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

Financial highlights

Year ended:	31 December 2010	31 December 2009	Change	Like-for-like change[3]
Net rental income	**£284.7m**	£293.6m	-3.0%	+3.5%
Profit/(Loss) before tax	**£620.2m**	£(453.1)m		
Adjusted profit before tax [1]	**£144.5m**	£130.0m	+11.2%	
Basic earnings/(loss) per share [1]	**87.2p**	(54.1)p		
Adjusted earnings per share [1] [2]	**19.9p**	19.7p	+1.0%	
Total dividend per share	**15.95p**	15.45p	+3.2%	

As at:	31 December 2010	31 December 2009	Change
Equity shareholders' funds	**£3,480m**	£2,950m	+18.0%
Adjusted net asset value per share, EPRA basis [1]	**£4.95**	£4.21	+17.6%
Return on shareholders' equity	**21.1%**	(16.9)%	
Gearing	**52%**	72%	

Notes
(1) The calculations for basic and adjusted figures are shown on pages 24 and 28 and in note 7 on page 44.
(2) The average number of shares in issue in 2010 was 706.0 million (2009: 637.2 million).
(3) Like-for-like figures based on completed investment properties owned throughout 2009 and 2010.

Key points

- **Strong financial performance,** with adjusted profit before tax increased by 11.2%, adjusted earnings per share up 1% and adjusted NAV per share up 17.6%.
- **Like-for-like net rental income growth of 3.5%,** reflecting the quality of our portfolio and active asset management. Overall, lower net rental income reflected disposals in the year.
- **Occupancy at 31 December 2010 of 97.3%,** compared with 95.4% at 31 December 2009, following demand from occupiers for prime, regionally dominant centres; convenient retail parks; and modern offices.
- **Portfolio actively repositioned for improved growth prospects.** 15% of the portfolio was recycled in 2010. Disposals of mature assets in 2010 raised £555 million, and £219 million was invested in attractive acquisition opportunities.
- **Robust financial position.** With gearing of 52%, the Group has the flexibility to invest in acquisitions and developments offering superior growth prospects, whilst continuing to recycle capital.
- **Development progress in UK and France.** Construction has started at Les Terrasses du Port, Marseille, redevelopment work is being completed at 54-60 rue du Faubourg Saint-Honoré, and planning consents were received for developments and extensions at Brent Cross Cricklewood, Bullring and Silverburn.
- **Strong investor demand for prime properties continues in both the UK and France,** attracted by high quality income streams.

John Nelson, Chairman of Hammerson, said:

"This is a strong set of results which reinforces the strategy we are pursuing. Our rigorous focus on the performance of each asset is improving occupancy and income. We have sold mature assets and reinvested in properties which offer better growth prospects through active management. Looking forward, our financial flexibility and continued asset recycling will allow us to continue to take advantage of opportunities which we believe will arise in the coming period."

Enquiries:

David Atkins, Chief Executive	Tel: +44 (0)20 7887 1000
Simon Melliss, Chief Financial Officer	Tel: +44 (0)20 7887 1000
Morgan Bone, Director of Corporate Communications	Tel: +44 (0)20 7887 1009
	morgan.bone@hammerson.com
	www.hammerson.com

Results presentation today:

Time:	9.30 a.m.
Venue:	Allen & Overy
	1 Bishops Square
	London E1 6AO

Webcast:
A live webcast of Hammerson's results presentation will be broadcast today at 9.30 a.m. via the Company's website: www.hammerson.com.

Financial calendar:

Ex-dividend date	9 March 2011
Record date	11 March 2011
Election date for scrip (or revocation)	18 April 2011
Final dividend payable	13 May 2011

Contents:

The terms used in this announcement are defined in the glossary on pages 55 and 56.

CHAIRMAN'S STATEMENT

STRATEGY

Hammerson aims to be the best owner-manager and developer of retail and office property in the UK and France. Our strategy is to outperform through two areas of focus: maximising income growth; and creating a high quality property portfolio through acquisition, development and asset management. Both areas are underpinned by prudent financial management.

We have a portfolio of exceptional quality that continues to provide strong like-for-like income growth in a challenging environment. Nevertheless, we are committed to enhancing our returns by disposing of mature assets and reinvesting in higher return opportunities where we aim to take advantage of our strong financial position, first-class in-house property skills and occupier relationships. Further, we are taking forward development schemes from our significant pipeline.

In 2010 we made good progress in the management of both our portfolio and our assets, as well as making important changes to our operations, all of which should deliver improved returns for shareholders.

RESULTS

The Group's adjusted profit before tax increased by £15 million to £145 million, and adjusted earnings per share were 19.9 pence compared with 19.7 pence for 2009. The Board has proposed a final dividend of 8.8 pence per share, giving a total dividend for the year of 15.95 pence per share, which compares to 15.45 pence for 2009. The final dividend will be paid as a PID, but shareholders will be offered a scrip dividend alternative, details of which will be sent in a separate letter.

Capital values increased over the year, with the value of the UK and French portfolios rising by 12.5% and 1.9% respectively. Adjusted net asset value per share was £4.95 at 31 December 2010, a 17.6% increase over the year.

MAXIMISING INCOME AND OPERATIONAL CHANGES

At the beginning of the year we restructured our UK leasing teams and created the new role of UK Sales and Marketing Director, as part of our approach to generate value for both retailers and Hammerson by focusing on key measures including footfall, retail sales, affordability and customer satisfaction. In France, towards the end of the year, we made significant new hires, including the Director of Finance and Director of Operations.

Retailers' preference for strong trading locations was clear throughout 2010, and we have seen an improving trend in retail demand. We continue to attract successful, expanding retailers into the portfolio, such as Forever 21 who opened their first European store at Bullring. We signed 328 leases in respect of approximately 119,000m^2 across our portfolio in 2010, and at the year-end the Group's overall occupancy rate was 97.3%, up from 95.4% at December 2009. In the second half of the year, overall, new leases in the UK were signed 1% below ERV, with those in France 2% above. UK rent reviews agreed in the year secured an annual uplift of £2.3 million.

Our regionally dominant shopping centres and accessible, conveniently located retail parks continued to perform well. Footfall was up at our shopping centres in both the UK and France, which resulted in like-for-like sales increases of 3.5% and 0.7% respectively, ahead of national benchmarks. Total like-for-like net rental income for the year increased 3.5% on 2009.

PORTFOLIO

We completed a number of disposals in 2010 to release capital for reinvestment in assets offering superior returns. In France, we sold stakes in both Espace Saint Quentin and O'Parinor, whilst retaining the management of the schemes. In London, we sold Exchange Tower and our remaining stake in Bishops Square. In aggregate, disposals in the year raised £555 million, and £219 million was invested in acquisitions. These transactions resulted in us recycling the equivalent of 15% of our portfolio, which at the year-end was valued at £5.3 billion.

In the City of London, we purchased Leadenhall Court and a stake in 10 Gresham Street. These provide the opportunity to use our asset management skills, whilst giving us increased exposure to high quality property in the heart of the City. Retail parks remain in demand from our tenants and their customers. We took full control of Battery Retail Park in Birmingham by acquiring our partner's 75% stake, and acquired Wrekin Retail Park in Telford. In February 2011 we acquired SQY Ouest, a shopping centre in Saint Quentin-en-Yvelines, Paris, adjacent to our existing Espace Saint Quentin centre. We can create value by improving the tenant mix at SQY Ouest, and providing common management of both centres.

In 2010 we made good progress with a number of our development schemes in the UK and France. At Brent Cross Cricklewood, where we have full planning consent, we assumed control of the Cricklewood project by acquiring Brookfield's stake. We have begun construction of Les Terrasses du Port, Marseille, which will be one of the largest retail developments in France over the next few years. We are currently discussing with retailers new schemes at Mantes and Beauvais in northern France. In the City of London, we submitted a detailed planning application for a 46,000m^2 office development at London Wall Place, on the former St Alphage site. We also have a cleared site and are seeking a pre-let at Bishops Place, our proposed mixed-use development with 52,000m^2 of office space. We have a significant pipeline of other development opportunities, in both the UK and France, which we will progress in a phased manner.

We seek continually to improve our portfolio through extensions and redevelopments which create new retail space, increasing the attractiveness to retailers and enhancing the quality of the schemes. We received planning consents for an additional 7,700m^2 of retail and leisure space at Silverburn, and for a 1,000m^2 restaurant quarter at Bullring. We also received consent for extensions at Abbey Retail Park, Belfast, and Battery Retail Park. In January 2011 we received consent for a 930m^2 extension to Queensgate, which will allow us to accommodate Primark in a new 5,500m^2 unit as part of a £20 million upgrade of the scheme.

FINANCING

Net debt at the year-end was £1.8 billion, resulting in gearing of 52%, compared to 67% at 30 June 2010, with liquidity, cash and undrawn facilities, of £1.0 billion. At the end of 2010 the weighted average maturity of the Group's borrowings, virtually all of which are unsecured, was eight years, with 94% of gross debt at fixed rates of interest.

BOARD CHANGES

Earlier this year we announced that Simon Melliss will retire in June 2011 after 20 years with the Company, including 16 years as Chief Financial Officer. Simon has played a central role as a member of both the Board and the senior management team and on behalf of the Board and shareholders I would like to thank him for his great contribution to Hammerson and wish him well for the future. I am delighted to welcome Timon Drakesmith as Simon's successor. Timon has proven capability and sector expertise, as well as wider industry and financial experience.

David Edmonds, who has served as a Non-Executive Director for eight years, will step down from the Board at the AGM in April. David's wisdom and advice have been invaluable, and I thank him for his significant input.

OUTLOOK

Our rigorous focus on the performance of each asset is improving occupancy and income. We have sold mature assets and reinvested in properties which offer better growth prospects through active management. Looking forward, our financial flexibility and continued asset recycling will allow us to continue to take advantage of opportunities which we believe will arise in the coming period.

John Nelson
Chairman
21 February 2011

PROPERTY MARKETS AND OUTLOOK

INVESTMENT MARKET

Global economic recovery and supportive monetary policy contributed to a marked improvement in the performance of UK and French commercial property during 2010. In both countries, improving investor sentiment increased the demand for commercial property, boosted transaction volumes and led to lower investment yields and higher property valuations. Demand has been mainly focused on high quality property assets with secure income streams.

The value of UK commercial property transactions reached £35 billion during 2010, an annual rise of almost 50%. The quarterly IPD all-property equivalent yield moved in consistently throughout the year, falling 80bp to 7.1% by December 2010. Although the rate of inward yield movement slowed as the year progressed, a stabilisation of rental values helped to push up annual all-property total returns to 15.1%, the highest level since 2006.

The French commercial property market recorded a smaller decline in capital values during the downturn, and accordingly has not seen as sharp a recovery as the UK. The volume of transactions in France in 2010 remained below the historic average, but accelerated through the year to a total of €11 billion, a year-on-year rise of 40%. Rising demand put pressure on yields throughout the year, contributing to a return to capital value growth.

Commercial property continues to look attractive. The spread between property yields and interest rates remains well above the historic average, which should continue to encourage investor demand. However, investors are expected to prefer prime properties, helping to maintain the wide spread between prime and secondary yields.

RETAIL PROPERTY

In the UK, non-food retail sales rose by almost 3% over the year, as households reduced savings and increased spending. The recovery in retail sales was partly the result of lower than expected unemployment.

Although overall sales recovered, trading conditions for retailers in the UK have been mixed. Some retailers have taken advantage of the downturn to improve operations and increase market share. However, factors such as the weakness of sterling and rising commodity costs have affected retailer profitability. Against this background we expect to see a continued polarisation to prime, regionally dominant shopping centres and conveniently located retail parks.

During the recent downturn, many of the UK’s planned retail developments were either delayed or cancelled by property companies. Accordingly, the UK development pipeline is now substantially smaller. Fewer new developments and an improved sales environment helped UK retail vacancy rates to stabilise in 2010, reducing the pace of shopping centre rental decline, and returning positive rental growth to the retail warehouse sector during the second half of the year. Vacancy levels at prime well-let shopping centres and retail parks such as Hammerson’s are significantly lower than market averages, supporting rental values.

In France, retail sales have also started to grow as economic recovery and a stabilisation of unemployment have overcome weak consumer confidence. French households have a higher level of savings and lower level of personal debt than those in the UK, and the economic downturn in France resulted in fewer retailer administrations, helping to keep shopping centre vacancy rates lower than in the UK, at around 3%. However, retailers are yet to increase appreciably their demand for new stores. Shopping centre rents declined on average by just 1% during the downturn, and are estimated to have returned to growth in 2010. The main French indexation rate for existing retail leases, was set at -0.22% with effect from 1 January 2011, and compares with +0.84% a year earlier. Indexation in France is likely to track any further increase in inflation, helping to maintain real rental incomes.

PROPERTY MARKETS AND OUTLOOK
CONTINUED

OFFICE PROPERTY

The performance of the central London office market generally mirrored the movements in global financial markets. Take-up fell back during the Greek sovereign debt crisis, but improved in the final quarter to a three-year high, as equity markets reached levels not seen since mid-2008.

Over the year as a whole, central London take-up was 15 million ft^2, a 67% rise on the previous year, and represented the highest level of leasing activity since 2006. For the first time since 2008, significant pre-letting activity began to return to the market. The central London vacancy rate fell from 7.2% at the start of the year, to 5.5% by the end of 2010, supporting continued rental growth and smaller incentive payments to tenants. Prime City rents were £55/ft^2 by the end of the year, whilst rent-free periods had reduced by six months to 24 months for a ten-year lease.

The completion of additional floor space in the City will fall over the next two years, with the likely consequence of lower availability of grade-A offices and further increases in prime rents. Demand has increased but remains unpredictable, which in conjunction with an increase in development activity could temper rental growth in the longer-term.

PRINCIPAL UNCERTAINTIES

PROPERTY VALUATIONS

The property portfolio is the largest component of the Group's net asset value. The value of the portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can change due to external factors beyond management's control. During 2010, improved economic conditions and the relatively attractive income yield on prime property have encouraged investors to be more active in the real estate investment market and property values have risen. However, there remains some uncertainty in the outlook for the economy whilst the continued high levels of bank finance secured on commercial property and the associated refinancing requirements could cause weakness in the investment market. The Property Markets and Outlook section of this report provides further discussion of these issues.

Hammerson has a high quality portfolio which is geographically diversified and let to a large number of tenants. These factors should help to mitigate any negative impact arising from changing conditions in the financial and property markets.

Our property portfolio is valued in compliance with international standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable market transactions. The current level of activity in the commercial property investment markets in the UK and France has meant that our valuers have had sufficient market evidence on which to base their valuations.

LIQUIDITY

Although conditions in the financial markets have stabilised during 2010, companies with short-term refinancing requirements may continue to find it difficult to secure adequate funding at costs comparable with their existing facilities. Hammerson has just £43 million of debt maturing before April 2012 and a further £175 million in 2013. Accordingly we have time to plan for an optimal debt maturity and cost profile.

Gearing at 31 December 2010 was 52%. The risk that the Group could breach its borrowing covenants, the most stringent of which is that gearing should not exceed 150%, is therefore low. We estimate that, on a proforma basis, the value of our portfolio would have to fall by 43% to endanger our most rigorous gearing covenant.

DEVELOPMENT AND LETTING

Potential occupiers remain cautious about entering into commitments to lease space, although the level of interest has increased over the last year. Vacancy is discussed further in the Business Review on page 18. We currently have one significant development underway, Les Terrasses du Port in Marseille, which is 49% let or under offer, and where we have much interest from prospective tenants. Although we have a significant development pipeline, the programme will be phased and we will not start major capital projects without substantial pre-lets. The construction contract at Les Terrasses is for a fixed price and is therefore protected from the effects of inflation.

TENANT DEFAULT

The trading environment has continued to improve during 2010, and the rate at which retail companies in the UK are going into administration has fallen. However the effects of increased taxation and restrictions on government spending may mean that some tenants, principally in the UK retail sector, face difficult operating conditions and there is a risk that they will be unable to pay their rents. The large number of tenants and their geographical spread mean the risk of individual tenant default to Hammerson is low. Furthermore, our occupational leases are long-term contracts, thus making the income relatively secure. The quality of the Group's income is discussed on page 18 of the Business Review.

PRINCIPAL UNCERTAINTIES
CONTINUED

INTEREST RATES

Interest charged on borrowings is a significant cost for Hammerson. We set guidelines for our exposure to fixed and floating interest rates and use interest rate and currency swaps to manage this risk. At 31 December 2010, 94% of the Group's gross debt was at fixed rates of interest. If short-term interest rates increase, our hedging programme should partly mitigate the impact of any rise.

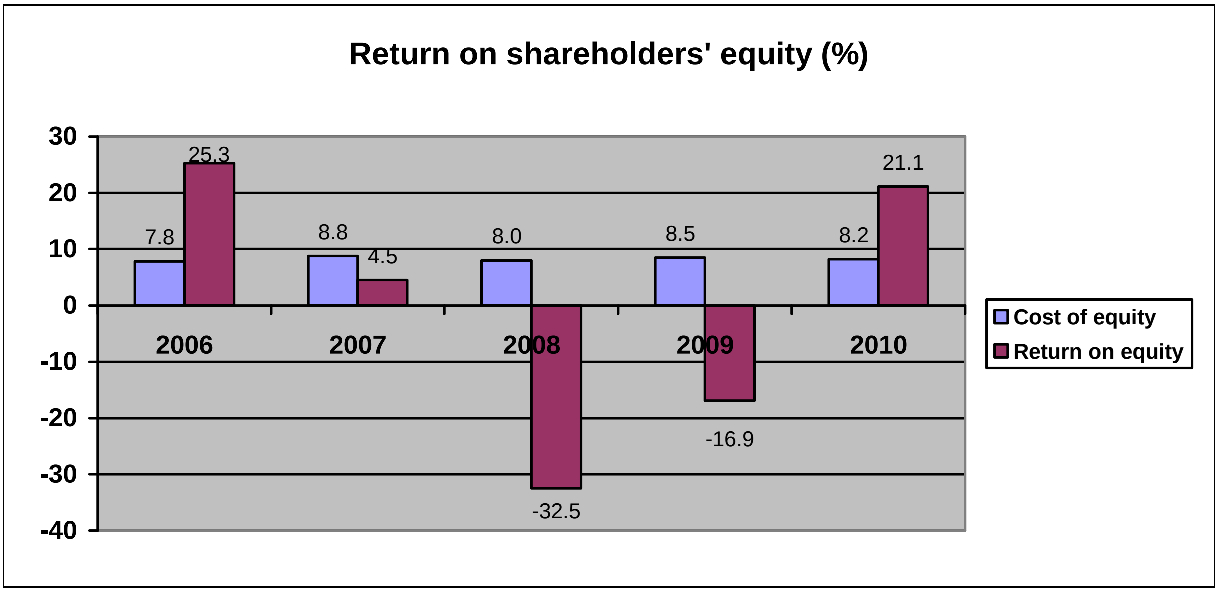
EXCHANGE RISK

Exchange risk is managed by matching foreign currency assets with foreign currency debt, using derivatives where appropriate. At the end of 2010, 82% of the value of the French portfolio was hedged. We estimate that a 1% strengthening of the euro relative to sterling would have the effect of increasing shareholders funds by around £2 million and increase net debt by approximately £11 million.

KEY PERFORMANCE INDICATORS

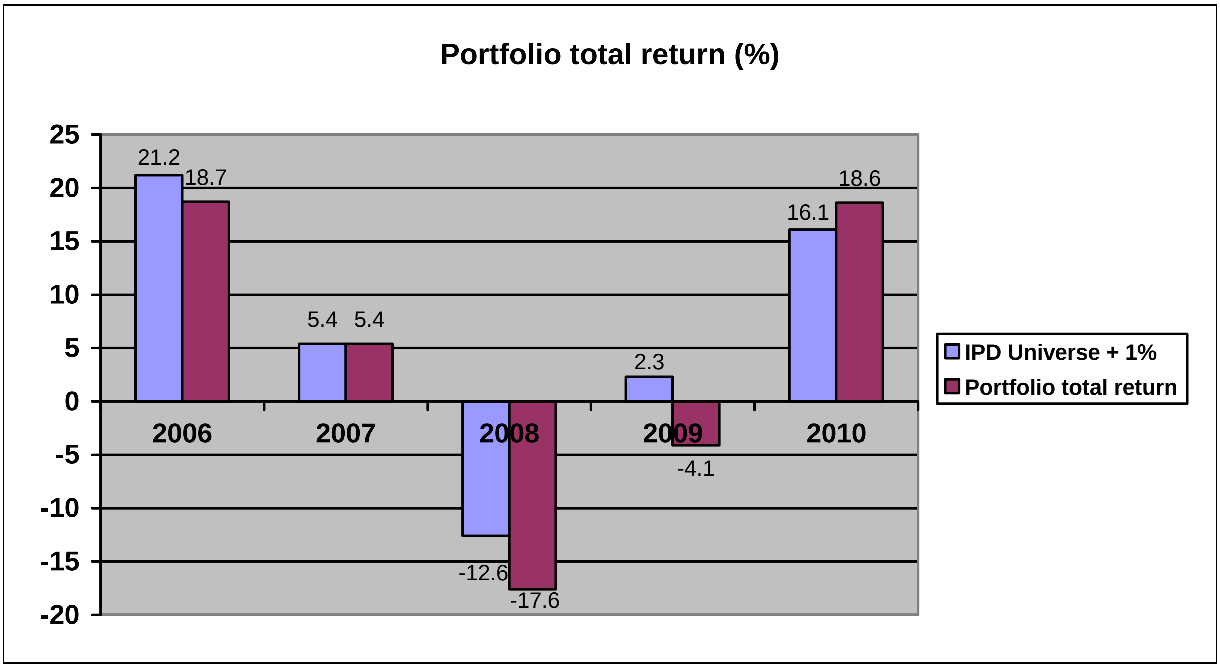
- **Return on shareholders' equity**

  For the year ended 31 December 2010, our return on shareholders' equity was 21.1%, principally reflecting the increase in the portfolio value during the year. This may be compared with our current cost of equity of 8.2%.



- **Portfolio total return relative to IPD**

  For the year ended 31 December 2010, the total return for our UK portfolio was 18.6% compared with the IPD UK quarterly index of 15.1%. Our target is to exceed the IPD benchmark by 1%. Our French portfolio generated a total return of 6.9%. IPD has not yet published an index for France for the year ended 31 December 2010. The overall total return for the Group's portfolio was 15.0%.

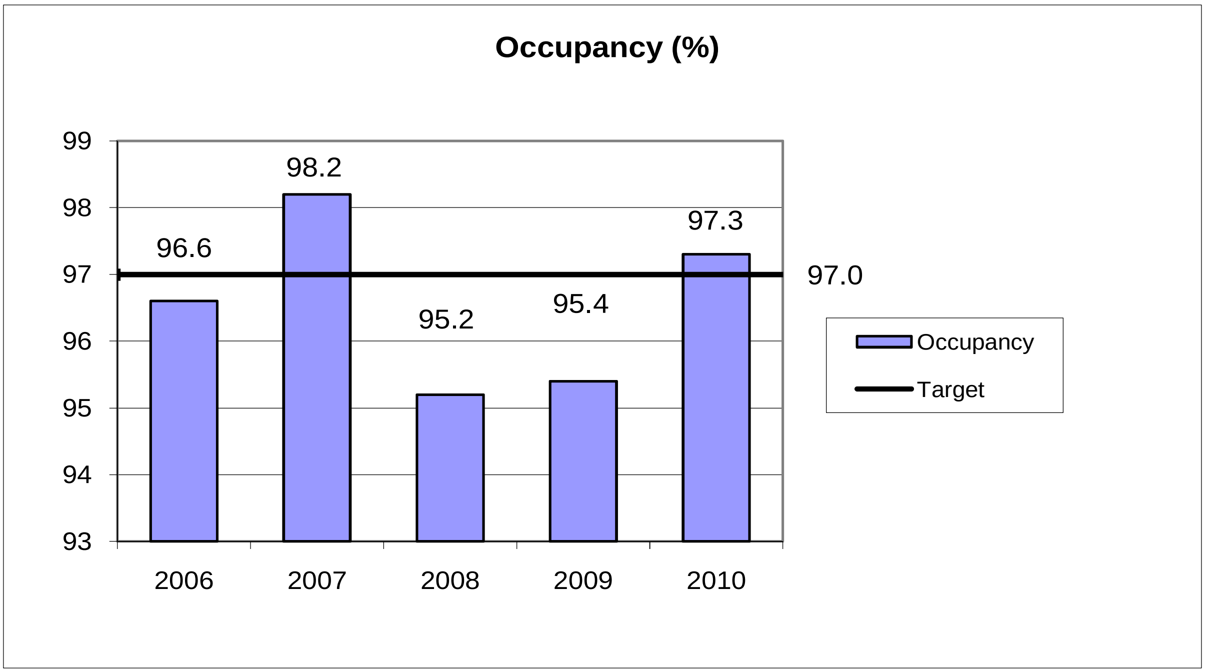


The chart above shows weighted returns and indices for 2006 to 2009 for the UK and French portfolios. The data for 2010 is for the UK only as the IPD index for France is not yet available .

KEY PERFORMANCE INDICATORS
CONTINUED

- **Occupancy**

  At 31 December 2010, the occupancy level in the investment portfolio was 97.3%, compared with 95.4% at the end of 2009 and our target of 97.0%.



BUSINESS REVIEW

Real estate strategy

Our real estate strategy focuses on high quality properties and income growth, and aims to maximise the total returns from the portfolio by:

- allocating the majority of the portfolio to prime regional shopping centres and retail parks;
- managing our investment properties so that they continue to be attractive to occupiers, enabling us to increase the Group's rental income and other revenues over time; and
- generating attractive income and capital returns through development, in both the retail and office sectors.

Our performance in these areas during 2010 is discussed in this Business Review, which also provides information on the potential future growth in the portfolio's income and value.

Property portfolio and allocation

Our portfolio allocation is based on external and internal research which is used to analyse in detail the markets in which we operate. As part of our annual business planning process, we review the current and projected performance of each of our properties and identify assets for disposal. This active portfolio management has resulted in £555 million being raised from disposals in 2010, whilst £305 million has been invested in acquisitions, new developments and improving existing properties over the same period.

At 31 December 2010, our property portfolio was valued at £5.3 billion, with the investment portfolio valued at £5.2 billion and developments making up the balance. Joint ventures accounted for 46% by value of the total portfolio, including eight major shopping centres in the UK and two in France.

Our ten most valuable properties represented 48% of the portfolio value at 31 December 2010, with an average lot size of £253 million.

At the end of 2010, Hammerson's retail portfolio in the UK and France provided 1.6 million m^2 of space and included 16 major shopping centres and 17 retail parks. Our office portfolio includes seven prime buildings in central London, providing 157,000m^2 of accommodation.

The retail weighting of the portfolio at 31 December 2010 was unchanged from the end of the previous year at 88%. However, over the course of 2010 acquisitions, disposals and the effects of exchange rates have combined to change the geographical weighting of the portfolio so that the UK accounted for 74% compared with 66% at the end of 2009.

The value of the portfolio increased by £190 million during 2010, and the movement is analysed in the table below.

Movement in portfolio value in 2010	**£m**
Portfolio value at 1 January	5,142
Valuation increase	447
Capital expenditure	
Acquisitions	219
Developments	26
Expenditure on existing portfolio	47
Capitalised interest	2
Disposals	(491)
Exchange	(61)
Portfolio value at 31 December	**5,331**

The capital return for the portfolio in 2010 was 9.3%. The table below analyses capital returns by segment.

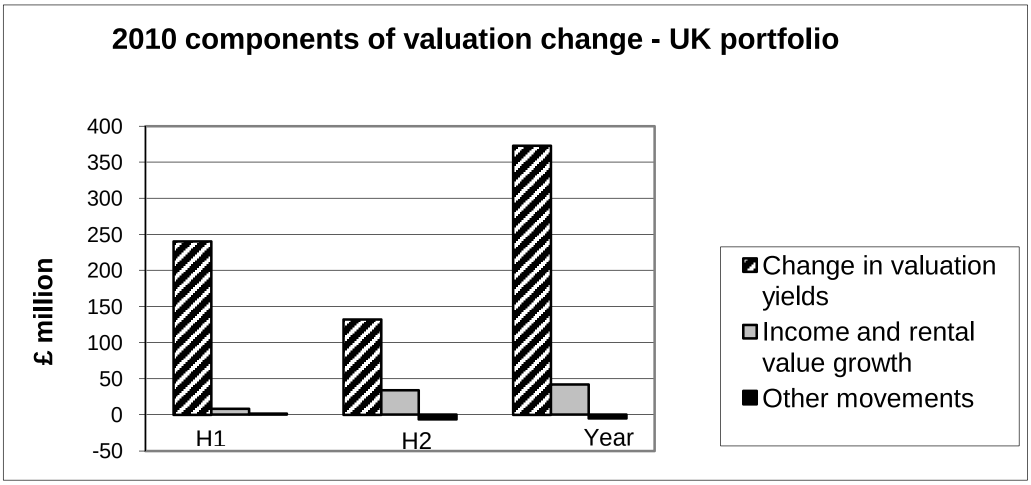
Capital returns
for the year ended 31 December 2010

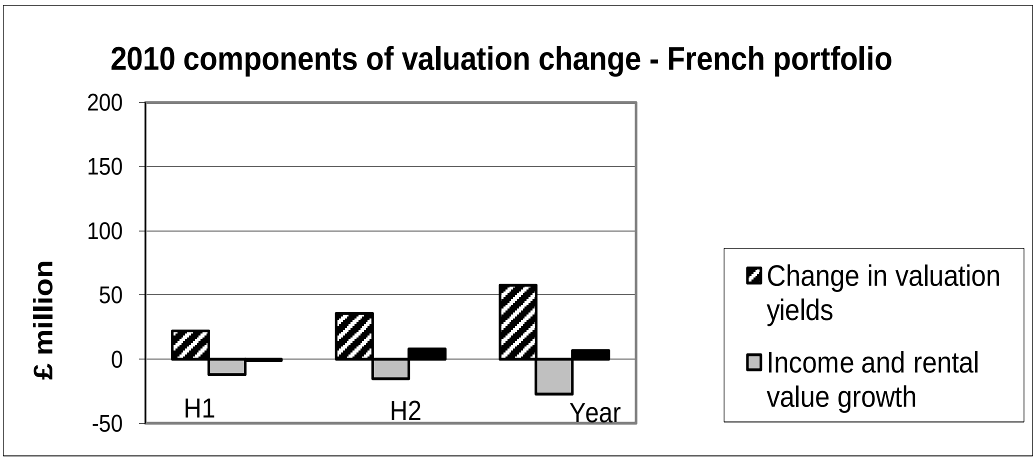
	Shopping centres		**Retail parks**		**Offices**		**Total**	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,254	13.2	1,038	12.4	644	10.7	3,936	12.5
France	1,299	1.6	96	7.4	-	-	1,395	1.9
Total	**3,553**	**8.3**	**1,134**	**11.9**	**644**	**10.7**	**5,331**	**9.3**

The underlying valuation increase for the UK portfolio was 12.5%. Changes to investment yields accounted for virtually all of the increase in value in the UK retail portfolio, with shopping centres and retail parks showing a similar performance. For the UK office portfolio, nearly three-quarters of the valuation uplift resulted from lower investment yields with the balance reflecting increased rental income. The valuation uplift from yield movement in the UK was weighted towards the first half of the year, whilst the last six months of 2010 benefited from increased income and rental values.

In France, valuations were broadly static as improved investment yields partly offset a small reduction in rental values. The improvement in yields was weighted towards the second half of the year and rental values declined fairly evenly in 2010.

The components of the valuation change in 2010 for the UK and French portfolios are shown in the charts below.





BUSINESS REVIEW
CONTINUED

Investment portfolio

Valuation data for investment property
for the year ended 31 December 2010

		Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes						1	2
United Kingdom							
Retail:	Shopping centres	2,243	261	13.3	19.3	5.2	6.3
	Retail parks	1,025	102	11.8	18.1	5.5	6.1
		3,268	363	12.9	18.9	5.3	6.2
Office:	City	518	40	15.2	23.3	5.3	6.1
	Other	66	4	7.4	15.1	5.2	6.6
		584	44	12.7	20.7	5.3	6.1
Total United Kingdom		3,852	407	12.8	19.2	5.3	6.2
Continental Europe							
France: Retail		1,338	40	2.1	7.3	4.9	5.6
Group							
Retail		4,606	403	9.1	14.9	5.2	6.0
Office		584	44	12.7	20.7	5.3	6.1
Total investment portfolio		5,190	447	9.6	15.6	5.2	6.0
Developments		141	-	(1.8)	(3.6)		
Total Group		5,331	447	9.3	15.0		

Notes
1 Annual cash rents receivable (net of head and equity rents and the cost of vacancy and in the case of France, net of an allowance for costs of approximately 5.2% primarily for management fees) as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
2 The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
3 Further analysis of development properties by segment is provided in note 3B on page 40.
4 The weighted average remaining rent-free period is 1.1 years.

The initial yield calculation in the table 'Valuation data for investment property', is based on passing rents at 31 December 2010 excluding rents of £20.8 million per annum which will be received after the expiry of rent-free periods.

We have had an active year in 2010, disposing of several properties and reinvesting the proceeds in acquisitions and developments which provide opportunities for income and valuation growth.

At 54-60 rue du Faubourg Saint-Honoré, Paris 8ème, the redevelopment work is being completed and six of the seven stores have been handed over to tenants for fitting out. The stores, all but one of which are pre-let, will open for trading during the second quarter of 2011. The total development cost is £31 million and the increase in annual rents as a result of the redevelopment is £3.1million. At 31 December 2010, the valuation of the property was £36 million above cost.

In October we completed the sales of interests in the Espace Saint Quentin and O'Parinor shopping centres near Paris. Hammerson will continue to manage both schemes and receive management fees. A 75% interest in Espace Saint Quentin, Saint Quentin-en-Yvelines, was sold to Allianz Real Estate GmbH for net proceeds of £151 million, and a further £2 million is contingent upon the purchaser's option to acquire one of the shop units in 2012. Using the exchange rate prevailing at the time of the transaction, the value of the property at 31 December 2009 was £209 million and net income for the year then ended was £11.6 million. The property is now held in a 25:75 joint venture, and Hammerson's annual net income from the arrangement, comprising rental income and management fees, is estimated at £4.0 million.

BUSINESS REVIEW
CONTINUED

The sale of a 51% interest in O'Parinor, Aulnay-sous-Bois, to The National Pension Service of Korea raised net proceeds of £187 million. We have agreed with the purchaser that it can purchase, and Hammerson can sell, an additional 24% interest in autumn 2011 at a price based on the same valuation for the centre as was used for the initial transaction. This further sale would raise around £91 million. The value of the property, using the exchange rate at the date of the initial sale, was £395 million at 31 December 2009 and it contributed £19.0 million of net income during the year then ended. We estimate that Hammerson's income from the 49:51 joint venture, including management fees, will be £10.0 million per annum.

Elsewhere in our shopping centre portfolio, Glasgow City Council confirmed in October our application to extend Silverburn by 7,700m^2. The extension will provide high quality retail and leisure space and include an upgrade of the promenade leading to the Pollok Civic Realm. Silverburn, currently Scotland's largest purpose-built shopping centre, is held in a 50:50 joint venture with Canada Pension Plan Investment Board (CPPIB).

We have received planning consents for a 1,000m^2 restaurant quarter at Bullring, Birmingham and a 930m^2 extension to Queensgate, Peterborough. The latter will allow us to accommodate Primark in a new 5,500m^2 unit as part of a £20 million upgrade of the scheme.

We have also been active in the retail park sector during the year. In June, we acquired the remaining 75% interest in Battery Retail Park, Birmingham, from our partner TIAA-CREF, the US pensions group. The cost of the acquisition was £49 million and Hammerson now wholly owns the 13,000m^2 park which is fully occupied by retailers including B&Q, Currys, Halfords, Homebase, Next and PC World. We have planning consents to extend this scheme and Abbey Retail Park, Belfast.

In November, we acquired Wrekin Retail Park, Telford, for £42 million including costs. The 13,400m^2 park was built in 1996, adjoins an owner-occupied Tesco Extra store and has open A1 planning consent. The scheme is fully let to nine retailers including Asda Living, Boots, Homebase and Matalan. Annual gross rental income is £2.6 million, equivalent to around £18 per square foot, and the leases have an unexpired term of more than ten years. Wrekin has excellent transport links, located to the west of Telford town centre, beside junction 6 of the M54 and has a primary catchment population of around 270,000.

We have recently reached agreement to acquire our partner's 75% interest in Central Retail Park, Falkirk, for £69 million including costs.

We continued the theme of asset recycling in our office portfolio. In September, we sold Exchange Tower in London's Docklands, for net proceeds of £134 million. Originally acquired in 1999 for £77 million, the building was valued at £131 million at 31 December 2009 and rents passing were £10.7 million at that time.

Bishops Square, London E1, which was developed by Hammerson, completed in 2005, and in which we held a 25% interest through a joint venture with Oman Investment Fund (OIF), was sold in December. The property was let to Allen & Overy LLP and a number of retailers at a total rent of £35 million per annum. The sale reflected a property value of £557 million compared with £481 million at 31 December 2009. The net proceeds due to Hammerson from the sale of our interest, including performance payments from OIF, the repayment of loans and after taking account of the joint venture's debt and interest rate swap, were £80 million.

A long leasehold interest in Leadenhall Court, London EC3, was acquired in July for £65 million including costs. The property was built in 1988 and provides 10,000m^2 of office space in a prime City of London location between Bank and Liverpool Street stations. The property is fully let until March 2014 to a subsidiary of RSA Insurance Group plc, with rents passing of £7.2 million per annum net of head rents payable. There is a wide range of opportunities to add value to the property, including the potential for refurbishment or full redevelopment.

BUSINESS REVIEW
CONTINUED

In August we entered into a joint venture with CPPIB to acquire a long leasehold interest in 10 Gresham Street, London EC2, for £183 million including costs. Hammerson will manage the property on behalf of the joint venture, in which we have a 30% interest. The 23,600m^2 eight-storey building was designed by Foster+Partners, was completed in 2003 and comprises high quality offices, retail and ancillary accommodation. Lloyds TSB Bank is the principal occupier, with the remainder of the property let to seven other tenants including Milbank Tweed Hadley & McCloy and JC Flowers. The average unexpired lease term is over 10 years and Hammerson's share of the rents passing, net of head rent payable, is £3.2 million per annum, reflecting average headline rents of £44 per square foot.

Investment portfolio overview

Investment portfolio at 31 December 2010	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		5,474	5,474
Purchasers' costs			(284)
Net portfolio valuation as reported in the financial statements			5,190
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	287.1	5.2%	5.5%
Rent-free periods	20.8	0.4%	0.4%
Rent for 'topped up' initial yield	307.9	5.6%	5.9%
Non-recoverable costs (net of outstanding rent reviews)	7.0	0.1%	0.2%
Passing rents[1]	314.9	5.7%	6.1%
ERV of vacant space	8.8	0.2%	0.2%
Reversions	6.4	0.1%	0.1%
Total ERV/Reversionary yield	330.1	6.0%	6.4%
True equivalent yield		6.0%	
Nominal equivalent yield		5.8%	

[1] The yield of 5.7% based on passing rents and the gross value is equivalent to EPRA's 'topped up' net initial yield.

The table above analyses the net and gross valuations, income and yields for the Group's investment portfolio, excluding developments. Purchasers' costs equate to 5.5% of the net portfolio value.

The net initial yield, based on the net portfolio value, at 31 December 2010 of 5.5% compares with 5.8% at the end of 2009, and the movement reflects the strengthening of the property investment market over the year.

BUSINESS REVIEW
CONTINUED

Rental income

Rental data for investment portfolio
for the year ended 31 December 2010

		Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes				1	2	3	4	5
United Kingdom								
Retail:	Shopping centres	136.8	113.6	3.1	430	134.2	144.9	4.8
	Retail parks	54.1	50.2	1.8	195	60.2	63.0	2.8
		190.9	163.8	2.7	340	194.4	207.9	4.2
Office:	City	36.1	31.6	3.3	490	40.4	35.7	(16.9)
	Other	14.0	12.2	11.8	245	4.8	5.7	4.4
		50.1	43.8	4.4	445	45.2	41.4	(14.0)
Total United Kingdom		241.0	207.6	3.0	355	239.6	249.3	1.0
Continental Europe								
France: Retail		90.4	79.4	1.9	350	75.3	80.8	5.2
Group								
Retail		281.3	243.2	2.5	340	269.7	288.7	4.5
Office		50.1	43.8	4.4	445	45.2	41.4	(14.0)
Total investment portfolio		331.4	287.0	2.7	355	314.9	330.1	2.0
Income from developments and other sources not analysed above		0.6	(2.3)					
As disclosed in note 2 to the accounts		**332.0**	**284.7**					

Selected data for the year ended 31 December 2009

		Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Group								
Retail		275.4	234.8	3.9	340	274.7	306.0	7.0
Office		68.2	59.2	9.5	365	43.7	41.8	(15.1)
Total investment portfolio		343.6	294.0	4.6	345	318.4	347.8	4.1

Notes
1 The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
2 Average rents passing at 31 December 2010 before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3 The annual rental income receivable from an investment property at 31 December 2010, after any rent-free periods and after deducting head and equity rents.
4 The estimated market rental value of the total lettable space in a property at 31 December 2010, after deducting head and equity rents, calculated by the Group's external valuers.
5 The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December 2010.

Net rental income was £284.7 million for the year ended 31 December 2010, whilst passing rents from the investment portfolio totalled £314.9 million at that date. Further details of net rental income, including a like-for-like analysis, are provided in the Financial Review on pages 24 to 26.

In 2010 we agreed 118 rent reviews in the UK, for which the existing rents receivable were £11.7 million, and secured an uplift of £2.3 million per annum. Annual rents could increase by a further £2.7 million, assuming that rent reviews outstanding at the end of the year are settled at ERV.

Shopping centre rents in France change annually according to one of two indices: a composite index, partly based on retail prices (ILC); or a construction cost index (ICC). Around 72% by value of the retail leases in Hammerson's French portfolio will fall by 0.22% from 1 January 2011. The corresponding movement in the index for 2010 was an increase of 0.84%. The balance of the leases in France is indexed according to construction costs, for which the index for 2011 is an increase of 1.27%.

Occupancy/vacancy

EPRA has issued revised guidance for the calculation of vacancy. Previously, vacancy was reported as a percentage of the rents passing plus the ERV of vacant space. The revised definition expresses vacancy as a percentage of the total ERV of a property or portfolio. We have adopted this new definition and restated our 2009 comparatives for vacancy and occupancy data.

At 31 December 2010, occupancy in the investment portfolio stood at 97.3%, compared with 95.4% at the 2009 year end and our target of 97%. The increased occupancy over the last 12 months principally reflected lettings at the recently completed shopping centre developments in the UK and at 60 Threadneedle Street, London EC2, although this positive impact was partly offset by slightly increased vacancy at some of our French shopping centres.

Income security and quality

Our investment portfolio has a secure income stream, demonstrated by a weighted average unexpired lease term of nearly nine years at the end of 2010.

At 31 December 2010, 21 UK retail units were let to tenants in administration, and of these, ten were still trading. In France, the equivalent figures were 15 and 13 units respectively. Income from tenants in administration for the Group as a whole represents less than 1% of passing rents at 31 December 2010.

Hammerson's ten largest retail tenants accounted for £54 million, or 17%, of total passing rents at the end of 2010. In the office portfolio, the five largest tenants represented £26 million or 8% of total passing rents. Our largest occupiers by rental income are shown in the table below.

Retail tenant	**% of total passing rent**	**Office tenant**	**% of total passing rent**
B&Q	3.2	Deutsche Bank	3.3
H&M Hennes	2.3	Royal Sun Alliance	2.1
Arcadia	1.8	Latham & Watkins LLP	1.5
Home Retail Group	1.8	Lloyds TSB	0.9
DSG Retail	1.7	DTZ Holdings	0.6
Next Group	1.5		
New Look	1.4		
Boots	1.3		
J Sainsbury	1.2		
JD Sports	1.1		
Total	17.3		8.4

Our credit control team assesses the covenant strength of all prospective tenants and monitors the credit ratings of key existing tenants, using a credit rating agency's risk indicator scale of one to five, with one being low risk and two lower-than-average risk. At 31 December 2010, our top ten retail tenants were all rated as low risk. Tenants with a low or lower-than-average risk indicator comprised 80% by passing rents of the UK retail portfolio and the score in the portfolio averaged 1.6.

We also monitor the risk indicators of our office tenants, although they tend to be of lower risk than retailers. This is evidenced by the fact that there have been no significant rent payment defaults in our office portfolio in 2010. At 31 December 2010, four of the top five office tenants had a low or lower-than-average risk indicator. In the UK office portfolio at 31 December 2010, the average risk score was 1.3 and 83% of passing rents were provided by tenants with a risk rating of one or two.

BUSINESS REVIEW
CONTINUED

Retailer trends

Overall in 2010 retail sales in the UK increased by 2.6%, reflecting weak consumer confidence. There was a polarisation in consumer preference between local retailing destinations and the broad merchandise offers at regional shopping centres.

The growth in Multichannel retail continues, with retailers reporting the accelerated growth of 'Click & Collect' and the increased value to retailers of customers that shop using a number of channels. We have continued to develop our understanding of Multichannel retailing, for example using social media and the content on our shopping centre websites to develop better relationships with consumers. In France, we are also trialling a 'flash sales' concept, using our O'Parinor shopping centre website to sell stock on behalf of retailers. Continually developing our plan and technical capabilities to ensure we are well placed to deal with the challenges and opportunities afforded by Multichannel is a high priority.

Retailer performance

In the UK, like-for-like turnover at Hammerson's shopping centres rose by 3.5% during 2010. Results were positive throughout the year, except for January when sales were affected by adverse weather conditions. Highcross shopping centre in Leicester saw like-for-like growth of 7.1% demonstrating the success of the extension which opened in September 2008. The Bullring in Birmingham and Brent Cross shopping centre in London also showed a good performance.

In the UK portfolio, like-for-like sales in department stores rose by 3.2% in 2010 with nearly all operators in this sector showing some growth. Unit shops saw selective sales growth with catering specialists performing well. Within fashion, the MSUs remain the strongest format for sales growth as consumers still favour larger stores which provide a one-stop shop for footwear, lingerie, accessories and clothing.

Footfall across the UK portfolio has increased by 1.8% on a like-for-like basis and by 8.0% including Silverburn, Glasgow and Union Square, Aberdeen. Nearly all centres recorded growth in the number of visitors, with Cabot Circus in Bristol showing the largest increase at 11.2%.

In France, overall spending increased by 1.0% in 2010, marginally ahead of the performance in the previous year. Nationally, sales at regional shopping centres fell by 0.6% on a like-for-like basis, whilst Hammerson shopping centres showed an increase of 0.7%. Strasbourg recorded the best performance with sales up 4.7%, reflecting a recovery following the opening of a competing centre in late 2008. Our other regional shopping centres showed a positive trend with the exception of Bercy 2 (-9.5%) which suffered from competitor activity. In the Hammerson France portfolio, turnover at unit shops was positive at 1.5% whilst larger stores saw sales decline by 0.9%; hypermarket sales decreased by 2.2%.

Footfall performances outperformed the national benchmark with an increase of 0.7% year-on-year. Within the Hammerson portfolio, Espace Saint Quentin and Place des Halles outperformed.

Rent to sales ratio

Across the UK portfolio, affordability levels, measured as rent as a percentage of sales, have improved as a result of retail sales growth. Only one centre reported an increase in rent to sales ratio, reflecting recent rent reviews.

In France, the level of rents in relation to turnover is generally lower than in the UK. The modest movements seen in the indexation of rents compared to turnover growth has meant that rent to sales ratios fell during 2010 at nearly all Hammerson's shopping centres.

Lease expiries and breaks

Lease expiries and breaks as at 31 December 2010

		Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
		2011 £m	2012 £m	2013 £m	2011 £m	2012 £m	2013 £m	to break years	to expiry years
Notes		1	1	1	2	2	2		
United Kingdom									
Retail:	Shopping centres	13.4	2.8	7.6	17.3	2.9	7.6	8.7	10.0
	Retail parks	2.4	2.3	0.9	2.5	2.3	0.9	11.7	12.2
		15.8	5.1	8.5	19.8	5.2	8.5	9.7	10.8
Office:	City	9.1	-	0.5	7.4	-	0.4	6.6	7.9
	Other	1.0	0.3	0.5	1.0	0.3	0.6	6.2	8.3
		10.1	0.3	1.0	8.4	0.3	1.0	6.6	7.9
Total United Kingdom		**25.9**	**5.4**	**9.5**	**28.2**	**5.5**	**9.5**	**9.0**	**10.2**
France: Retail		**17.3**	**9.3**	**5.5**	**18.7**	**9.3**	**5.6**	**1.9**	**4.5**
Group									
Retail		33.1	14.4	14.0	38.5	14.5	14.1	7.4	8.9
Office		10.1	0.3	1.0	8.4	0.3	1.0	6.6	7.9
Total Group		**43.2**	**14.7**	**15.0**	**46.9**	**14.8**	**15.1**	**7.3**	**8.8**

Notes
1 The amount by which rental income, based on rents passing at 31 December 2010, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK it includes tenants' break options. For France, it is based on the date of lease expiry.
2 The ERV at 31 December 2010 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

As shown in the table above, during the period from 2011 to 2013 leases with current rents passing of £72.9 million will expire, or are subject to tenants' break clauses. We estimate that additional rents of £3.9 million per annum would be secured, assuming renewals take place at current rental values. The potential uplifts in the UK and French retail portfolios are partly offset by over-renting at the UK offices, particularly at 99 Bishopsgate where there are lease expiries in 2011. This is not a forecast and takes no account of void periods, lease incentives or possible changes in rental values.

Rent reviews

Rent reviews as at 31 December 2010

		Rents passing subject to review in				Projected rent at current ERV of leases subject to review in			
		Outstanding £m	2011 £m	2012 £m	2013 £m	Outstanding £m	2011 £m	2012 £m	2013 £m
Notes		1	1	1	1	2	2	2	2
United Kingdom									
Retail:	Shopping centres	22.3	10.7	12.3	35.1	23.7	11.0	13.5	36.2
	Retail parks	19.3	12.5	9.4	6.0	20.4	12.7	9.6	6.4
		41.6	23.2	21.7	41.1	44.1	23.7	23.1	42.6
Office:	City	10.4	9.3	0.4	4.6	10.6	9.4	0.7	4.6
	Other	2.0	0.1	-	-	2.0	0.1	-	-
		12.4	9.4	0.4	4.6	12.6	9.5	0.7	4.6
Total United Kingdom		**54.0**	**32.6**	**22.1**	**45.7**	**56.7**	**33.2**	**23.8**	**47.2**

Notes
1 Rents passing at 31 December 2010, after deducting head and equity rents, which are subject to review in each year.
2 Projected rents for space that are subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2010 and ignoring the impact of changes in rental values before the review date.

BUSINESS REVIEW
CONTINUED

At 31 December 2010, the investment portfolio was 2.0% reversionary, compared with 4.1% reversionary at the end of 2009. The change during the year resulted from an increase in passing rents and lower ERVs reflecting acquisitions and disposals. Our shopping centre and retail park portfolios were 4.8% and 2.8% reversionary respectively at the end of 2010, whilst the offices were 14.0% over-rented, principally due to Leadenhall Court, 99 Bishopsgate and 125 Old Broad Street in the City of London.

In the UK, leases with passing rents of £100.4 million are subject to review over the next three years. If reviewed at current rental values, we estimate that rents receivable in respect of these leases would increase by £3.8 million per annum by 2013. Furthermore, assuming that outstanding rent review negotiations are concluded at current rental values, an additional £2.7 million per annum would be secured. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

In France, the majority of leases are subject to annual indexation.

Contracted income

In 2011, our cash flow will increase by around £9 million due to leases and contracts that have been signed at Union Square in Aberdeen, 125 Old Broad Street and 60 Threadneedle Street in the City of London and 54-60 rue du Faubourg Saint-Honoré in Paris. On an accounting basis, the increase will be approximately £4 million.

Current and future developments

We have three objectives for our development programme:

- to create assets which generate an attractive initial yield with the potential for future growth in income;
- to create assets valued at a surplus above cost; and
- to create prime assets of a type which are difficult to obtain in the open market.

Hammerson has built a reputation as one of the leading developers in the UK and France, managing complex urban regeneration schemes and forging strong links with local authorities and key occupiers. We currently have one development underway, at Les Terrasses du Port, Marseille.

Les Terrasses du Port, at 56,000m^2, will be one of the largest shopping centre developments in France over the next few years and will comprise 160 shops and 2,600 car parking spaces. We acquired the site in December 2009 and have since established relationships with key local stakeholders and re-engineered the scheme to optimise the retail layout, reduce costs and target a BREEAM ‘Excellent’ environmental rating. By renegotiating the construction contracts to fixed cost and creating comprehensive tenant mix and leasing strategies, we have reduced risk considerably. Enabling works commenced in August and we expect to start the main construction in spring 2011 with completion forecast in spring 2014. The project’s total development cost is estimated at £370 million and the centre is projected to generate income, net of head rents payable, of £28 million, and leases representing 49% of the retail income are pre-let or under offer.

We have a substantial pipeline of potential future development opportunities and continue to maintain close contact with the local authorities involved with these schemes. A number of milestones in the progression of these projects have been met during 2010.

Planning consent comprising 1.4 million m^2 of mixed-use development was granted in October for the regeneration of Brent Cross Cricklewood as a new town centre. The judicial review period has expired and the planning consent is free from challenge. We intend to work up a phased masterplan in 2011, including a 78,000m^2 retail and leisure extension to Brent Cross shopping centre. On the Cricklewood site, we are planning 33,000m^2 of retail accommodation, office and leisure space of 450,000m^2 and 26,000m^2 respectively, a 61,000m^2 hotel, 7,500 residential units and new schools. In June, Hammerson assumed control of the Cricklewood project from its former joint venture partner, Brookfield Europe Limited. The broader regeneration plans are under the control of the Brent Cross Cricklewood Development Partners, comprising Hammerson and Standard Life Investments UK Shopping Centre Trust.

We submitted in November a detailed planning application for our office scheme at London Wall Place, formerly known as the St Alphage House site. The project involves the creation of two landmark buildings at 121 and 123 London Wall, London EC2, to replace the existing podium and 1950's tower. The 28,000m^2 headquarter office building to be built at 121 London Wall will encompass extensive multi-level landscaped terraces and offer flexible space ranging from large trading floors to individual office suites. To the west of the site, 123 London Wall will provide 18,000m^2 of office space in an elegant multi-tenanted building. More than half the site will comprise publicly accessible open space in the form of a series of gardens. We anticipate that the application will be determined by the summer of 2011 and are currently seeking to pre-let 121 London Wall. Subject to planning approval and occupier demand, completion of that building would be in 2014 and, following a fit-out period, it would be ready for occupation by the middle of 2015.

We have planning permission for the Bishops Place, London EC2, regeneration project. Foster + Partners have designed a 140,000m^2 scheme encompassing two high quality office buildings, a 51-storey mixed-use tower providing residential and hotel accommodation, retail space and 50 affordable housing units. We are proposing to submit a revised application for an office building of 52,000m^2, with individual floors of 3,800m^2, together with a 51-storey residential tower and ancillary retail. Our approach is to pre-let a significant portion of the office space and seek a specialist developer to partner the residential element.

Watermark WestQuay is a development project set on a four hectare brownfield site adjacent to our existing WestQuay shopping centre. The planning consent for the mixed-use scheme includes up to 24,000m^2 of retail accommodation, a hotel, a 240-unit apartment building and leisure facilities. We have a development agreement with Southampton City Council and are working with the council and other stakeholders to bring forward the retail and leisure elements of the scheme.

We also have a development agreement with Sheffield City Council for Sevenstone, a retail-led city centre development, and are in discussion with the council to complete the land acquisition phase of the scheme. Sevenstone has outline planning consent, some of the buildings within the scheme have detailed consent and we are working closely with principal stakeholders, such as John Lewis, to progress the project. The current scheme comprises 80,000m^2 of retail and leisure accommodation and 2,500 car parking spaces.

Outline planning consent has been renewed for Eastgate Quarters, Leeds, our proposed retail-led regeneration of Leeds city centre. We have agreements for lease with anchors John Lewis and Marks & Spencer and a development agreement with Leeds City Council. A new outline planning application for an improved scheme will be submitted early in 2011.

BUSINESS REVIEW

CONTINUED

In February 2011, we acquired SQY Ouest, a 31,000m^2 shopping centre in Saint Quentin-en-Yvelines, in a 50:50 joint venture with Codic France. The total consideration for the property was £33 million and Hammerson's initial commitment was £17 million, including transaction costs. SQY Ouest is a modern retail and leisure scheme developed in 2005, and is adjacent to Espace Saint Quentin, in which we have a 25% interest. SQY Ouest has over 45 retailers on four floors, including international brands such as Bershka, GoSport, Virgin Megastore and Zara. The top floor is anchored by one of UGC's most successful multiplex cinemas. SQY Ouest is currently 87% occupied, and there is an opportunity to reconfigure the existing centre by introducing new anchor tenants, improving the catering offer, and creating additional retail space. Hammerson will manage the centre.

We were appointed in January 2010 as development and asset manager of The Rock, Bury, by the administrators of Thornfield Ventures Limited. The shopping centre opened on schedule on 16 July and at that time, leases representing 78% of the projected income had been exchanged or were in solicitors' hands, meeting the target set on our appointment.

FINANCIAL REVIEW

The financial information contained in this review is extracted or calculated from the attached income statement, balance sheet, cash flow statement, other financial statements, notes and the glossary of terms.

Result before tax

For the year ended 31 December 2010 there was a profit before tax of £620.2 million, compared with the loss of £453.1 million in 2009. The profit in 2010 reflected increased property values.

The table below reconciles the profit for the year to the adjusted profit before tax of £144.5 million.

Analysis of profit/(loss) before tax	**2010 £m**	2009 £m
Adjusted profit before tax	**144.5**	130.0
Adjustments:		
Profit/(Loss) on the sale of investment properties and associate/subsidiary	**22.8**	(163.4)
Revaluation gains/(losses) on investment properties	**447.0**	(403.9)
Revaluation gains/(losses) on development properties	**0.1**	(40.2)
Revaluation changes in associate	**(0.5)**	(1.7)
Release of provision relating to formerly owned property	**-**	5.3
Recycled exchange differences	**-**	9.8
Goodwill impairment	**-**	2.0
Distribution from other investments	**4.6**	13.1
Change in fair value of derivatives	**1.7**	(4.1)
Profit/(Loss) before tax	**620.2**	(453.1)

In 2010 adjusted profit before tax increased by £14.5 million, or 11.2%, compared with the previous year. Acquisitions, lower interest costs, rent reviews in the UK and indexation in France and increased management fees receivable all contributed to the higher profit. However, their impacts were partly offset by the effects of disposals, the cessation of capitalised interest at Union Square, Aberdeen and exchange rate movements.

For the year ended 31 December 2010, adjusted earnings per share were 19.9 pence, an increase of 0.2 pence compared with 2009. Although adjusted profit was significantly higher in 2010, the number of shares used to calculate earnings per share reflected the full year impact of the rights issue in March 2009. Detailed calculations are shown in note 7A to the accounts on page 44 and these are summarised in the following table:

	2010	2009	Change
Adjusted profit for the year (£m)	**140.2**	125.3	+11.9%
Average number of shares in issue (million)	**706.0**	637.2	+10.8%
Adjusted earnings per share (pence)	**19.9**	19.7	+1.0%

Net rental income

Net rental income for 2010 at £284.7 million was £8.9 million, or 3.0%, lower than the prior year. The reduction reflected disposals in 2009 and 2010, although the impact was partly mitigated by income from acquisitions, a full year’s contribution from recently completed developments, rent reviews and lettings in the UK portfolio and indexation in France. Net rental income for 2010 and 2009 is shown in the tables on page 26, analysed by investment properties owned throughout both years and those properties which have been acquired, sold or been under development at any time during the two year period. On a like-for-like basis, net rental income for the Group as a whole increased by 3.5% principally as a result of rent reviews, lettings and a lower bad debt expense in the UK retail portfolio. A lease expiry at Bercy 2, Charenton-le-Pont was the main factor behind the 1.6% reduction in income from the French portfolio.

FINANCIAL REVIEW
CONTINUED

In 2010, net rental income included net income from car parks of £11.3 million (2009: £8.6 million) and rent related to tenants' turnover amounting to £5.1 million (2009: £3.5 million). Net income from the sale of advertising and merchandising opportunities in our shopping malls was £4.8 million in 2010, compared with £3.9 million in 2009.

We have changed the way we present lease incentives in 2010. Previously, the amortisation of lease incentives and related costs was included within other property outgoings. These items are now within gross rental income as we consider this a more appropriate treatment. There is no impact on net rental income or net profit and prior year comparatives have been restated to reflect the change.

Property outgoings were £42.2 million in 2010, down from £45.3 million in the previous year. The decrease principally reflected disposals in the year and lower vacancy.

Analysis of net rental income		**2010 £m**	2009 £m
Net rental income as reported in the income statement		**284.7**	293.6
Items included in net rental income	Amortisation of tenant incentives and other costs	**6.4**	5.3
	Rent allocated to rent-free periods	**(12.8)**	(10.6)
Net income receivable		**278.3**	288.3

The table above reconciles net rental income as reported in the income statement to net income receivable, the latter being a proxy for the net cash inflow from tenant leases.

Like-for-like net rental income for the year ended 31 December 2010

	Properties owned throughout 2009/10 £m	Increase/ (Decrease) for properties owned throughout 2009/10 %	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Retail	143.6	6.6	10.1	(0.2)	10.4	163.9
Office	23.5	2.9	5.5	9.1	3.3	41.4
Total United Kingdom	167.1	6.1	15.6	8.9	13.7	205.3
Continental Europe						
France retail	79.5	(1.6)	(1.2)	-	1.1	79.4
Group						
Retail	223.1	3.5	8.9	(0.2)	11.5	243.3
Office	23.5	2.9	5.5	9.1	3.3	41.4
Total	**246.6**	**3.5**	**14.4**	**8.9**	**14.8**	**284.7**

Like-for-like net rental income for the year ended 31 December 2009

	Properties owned throughout 2009/10 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom						
Retail	134.6	-	0.2	2.9	4.8	142.5
Office	22.9	-	-	25.8	(1.0)	47.7
Total United Kingdom	157.5	-	0.2	28.7	3.8	190.2
Continental Europe						
France retail and office	80.7	3.8	3.3	13.0	2.6	103.4
Group						
Retail	215.3	3.8	3.5	5.2	7.4	235.2
Office	22.9	-	-	36.5	(1.0)	58.4
Total portfolio	238.2	3.8	3.5	41.7	6.4	293.6

Administration expenses

In 2010, administration expenses were £35.9 million, compared with £41.0 million in 2009. Higher employment costs, principally reflecting recruitment, increased costs by £2.6 million, but this was more than offset by £6.7 million of additional management fees receivable, including fees from the Thornfield development and management contract. Following the completion of The Rock, Bury, during 2010, fees from the Thornfield contract will be lower in 2011.

Net finance costs

Excluding the change in fair value of derivatives, capitalised interest and investment income, net finance costs were £108.0 million in 2010, some £25.5 million or 19% lower than the 2009 equivalent of £133.5 million. The proceeds from disposals have been used to repay debt and we have benefited from lower interest rates, reduced commitment fees and a full year's impact from the proceeds of the 2009 rights issue.

Reflecting the low level of development activity in 2010, interest capitalised was £1.7 million, compared with £10.0 million in 2009.

The Group's average cost of borrowing in 2010 was 5.0%, marginally less than the average cost for 2009 of 5.1%.

Share of results of associate

Our 25% investment in the company which owned Bishops Square, London E1, was sold in December 2010. The property and its related debt was accounted for as an associate up to the point of disposal. Hammerson's share of net rental income and interest costs in 2010 amounted to £2.0 million.

Tax

Due to its status as a UK REIT and French SIIC, the Group bears minimal current tax. Deferred tax is also low now that foreign dividends are exempt from UK corporation tax.

Dividend

The Board is recommending a final dividend of 8.8 pence per share, which together with the interim dividend of 7.15 pence, makes a 2010 total dividend of 15.95 pence per share. This compares with a total dividend for 2009 of 15.45 pence per share.

The final dividend, for which the record date is 11 March 2011, will be paid as a PID, net of withholding tax if appropriate, but shareholders will be offered a scrip dividend alternative. Further details of the scrip scheme are provided in a letter which is being sent to shareholders on 21 March 2011. Where shareholders elect for the scrip alternative, this will not be treated as a PID and will not be subject to withholding tax. Shareholders should note that there is no guarantee that the Board will offer a scrip dividend alternative for future dividends.

FINANCIAL REVIEW
CONTINUED

Cash flow

In 2010, cash generated from operations was £237 million compared with £239 million in the prior year and, largely due to lower interest costs, the cash inflow from operating activities was £133 million, up from £105 million in 2009. Capital expenditure, including acquisitions, was £305 million in 2010, whilst £555 million was raised from disposals.

Net debt at 31 December 2010 stood at £1.8 billion, a reduction of £330 million over the year, and comprised borrowings of £1.9 billion and cash and deposits of £126 million. The proceeds from disposals, to the extent that they exceeded the cost of acquisitions and capital expenditure, were used to repay debt.

Balance sheet

Equity shareholders' funds at the end of 2010 were £3.5 billion, up by £530 million on the year, reflecting increased property values. Adjusted net asset value per share, excluding deferred tax and other items, increased by £0.74, or 17.6%, to £4.95. Note 7B to the accounts provides detailed calculations for net asset value per share and a reconciliation of the movement in net asset value over the year is shown in the table below.

Analysis of net asset value		**2010**		2009
	£m	**£ per share**	£m	£ per share
Basic	**3,480.0**	**4.92**	2,949.7	4.20
Dilution on exercise of share options	**4.2**	**0.1**	4.5	n/a
Diluted	**3,484.2**	**4.93**	2,954.2	4.20
Adjustments:				
Fair value of derivatives	**12.9**	**0.02**	(1.9)	-
Deferred tax	**0.5**	**-**	0.4	-
Adjustment for associate	**-**	**-**	7.6	0.01
EPRA	**3,497.6**	**4.95**	2,960.3	4.21
Basic shares in issue (million)	**707.6**		702.8	
Diluted shares in issue (million)	**707.3**		702.9	

Movement in net asset value	**Equity shareholders' funds* £m**	**EPRA NAV* £ per share**
31 December 2009	2,960	4.21
Revaluation changes	447	0.63
Net profit on disposals	23	0.03
Retained profit (excluding revaluation changes and loss on disposal)	144	0.20
Dividends	(92)	(0.13)
Exchange and other movements	16	0.01
31 December 2010	**3,498**	**4.95**

* Excluding deferred tax and the fair value of derivatives, calculated in accordance with EPRA best practice.

FINANCIAL REVIEW
CONTINUED

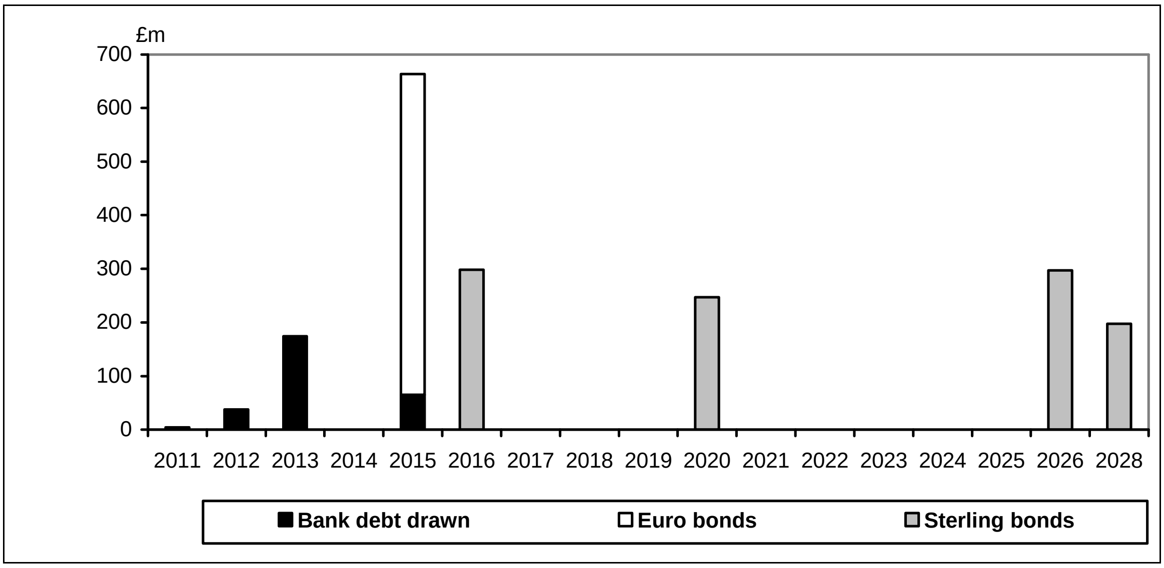
Financing

Our real estate strategy is complemented by prudent financial management. Our financing policy is to optimise the Group's weighted average cost of capital by using an appropriate mix of debt and equity. The Board monitors the Group's financial structure with reference to guidelines which currently include gearing of no more than 85% for an extended period, interest cover in excess of 2.0 times and a maximum net debt to EBITDA ratio of ten times. For the year ended 31 December 2010, these ratios were 52%, 2.6 times and 7.2 times respectively.

The Group's exposure to interest rate and currency fluctuations is managed using appropriate hedging policies.

At the end of 2010, the weighted average maturity of the Group's borrowings was eight years and 94% of gross debt was at fixed rates of interest. The maturity profile of our debt portfolio is shown in the chart below.

Maturity analysis of gross debt at 31 December 2010



When added to cash and deposits, undrawn committed facilities of £913 million, of which £40 million mature in 2011 and £747 million mature in 2012, provided liquidity of around £1 billion at 31 December 2010.

The Group's unsecured bank facilities contain financial covenants that the Group's gearing, broadly equivalent to the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, should be not less than 1.25 times. Three of the Company's unsecured bonds contain a similar gearing covenant and two contain a covenant that gearing should not exceed 175%. The bonds do not contain an interest cover covenant.

Gearing was 52% at the end of 2010 compared with 72% at 31 December 2009. The reduction reflected lower net debt and the increase in shareholders' equity principally arising from the higher portfolio value.

The market value of the Group's debt at 31 December 2010 was £78 million higher than its book value, equivalent to 11 pence per share on an adjusted net asset value per share basis.

RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT

The Responsibility Statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2010. Certain parts of the Annual Report are not included within this announcement.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the Board on 21 February 2011

David Atkins	**Simon Melliss**
Director	Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Gross rental income	2	**332.0**	344.3*
Operating profit before other net gains/(losses) and share of results of associate	2	**248.8**	252.6
Other net gains/(losses)	2	**469.9**	(590.4)
Share of results of associate	2	**1.5**	(0.8)
Operating profit/(loss)	2	**720.2**	(338.6)
Finance costs		**(111.5)**	(129.0)
Change in fair value of derivatives		**1.7**	(4.1)
Finance income		**9.8**	18.6
Net finance costs	4	**(100.0)**	(114.5)
Profit/(Loss) before tax		**620.2**	(453.1)
Current tax charge	5A	**(0.6)**	(0.9)
Deferred tax (charge)/credit	5A	**(0.1)**	103.6
Tax (charge)/credit		**(0.7)**	102.7
Profit/(Loss) for the year		**619.5**	(350.4)
Attributable to:			
Equity shareholders		**615.4**	(344.5)
Equity minority interests		**4.1**	(5.9)
Profit/(Loss) for the year		**619.5**	(350.4)
Basic earnings/(loss) per share	7A	**87.2p**	(54.1)p
Diluted earnings/(loss) per share	7A	**87.2p**	(54.1)p

* The comparative figure for gross rental income has been amended to reflect the reclassification of lease incentives (see note 1).

Adjusted earnings per share are shown in note 7A. All results derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	**2010 £m**	2009 £m
Foreign exchange translation differences		**(65.1)**	(209.0)
Net gain on hedge of net investment in foreign subsidiaries		**50.8**	176.3
Exchange gain previously recognised in the translation reserve, recycled on disposal of foreign operation		**-**	(28.2)
Exchange loss previously recognised in the hedging reserve, recycled on disposal of foreign operation		**-**	18.4
Revaluation gains/(losses) on owner-occupied property		**4.5**	(6.4)
Revaluation gains on other investments		**18.4**	3.9
Actuarial losses on pensions schemes		**(4.8)**	(14.3)
Deferred tax on items taken directly to equity	5A	**-**	4.4
Net gain/(loss) recognised directly in equity		**3.8**	(54.9)
Profit/(Loss) for the year		**619.5**	(350.4)
Total comprehensive income/(loss) for the year		**623.3**	(405.3)
Attributable to:			
Equity shareholders		**621.8**	(392.1)
Equity minority interests		**1.5**	(13.2)
Total comprehensive income/(loss) for the year		**623.3**	(405.3)

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investment and development properties	8	**5,331.1**	5,141.5
Interests in leasehold properties		**30.5**	23.0
Plant, equipment and owner-occupied property	9	**33.4**	30.4
Investment in associate	10	**-**	10.4
Other investments	12	**133.2**	114.0
Receivables	13	**45.2**	61.5
		5,573.4	5,380.8
Current assets			
Receivables	14	**80.7**	102.7
Cash and deposits	15	**126.2**	182.9
		206.9	285.6
Total assets		**5,780.3**	5,666.4
Current liabilities			
Payables	16	**220.1**	228.4
Tax	5C	**1.0**	1.6
Borrowings	17A	**4.4**	62.9
		225.5	292.9
Non-current liabilities			
Borrowings	17A	**1,916.2**	2,256.1
Deferred tax	5C	**0.5**	0.4
Tax	5C	**0.5**	1.3
Obligations under finance leases		**30.3**	22.8
Payables	19	**55.6**	69.8
		2,003.1	2,350.4
Total liabilities		**2,228.6**	2,643.3
Net assets		**3,551.7**	3,023.1
Equity			
Share capital	20	**176.9**	175.7
Share premium		**1,222.5**	1,223.6
Translation reserve		**415.2**	477.7
Hedging reserve		**(334.6)**	(385.4)
Capital redemption reserve		**7.2**	7.2
Other reserves		**8.6**	10.3
Revaluation reserve		**101.5**	78.6
Retained earnings		**1,890.1**	1,372.4
Investment in own shares	21	**(4.0)**	(4.6)
Treasury shares	22	**(3.4)**	(5.8)
Equity shareholders' funds		**3,480.0**	2,949.7
Equity minority interests		**71.7**	73.4
Total equity		**3,551.7**	3,023.1
Diluted net asset value per share	7B	**£4.93**	£4.20
EPRA net asset value per share	7B	**£4.95**	£4.21

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2010	175.7	1,223.6	477.7	(385.4)	7.2	10.3	78.6	1,372.4	(4.6)	(5.8)	2,949.7	73.4	3,023.1
Issue of shares	-	0.1	-	-	-	-	-	-	-	-	0.1	-	0.1
Share-based employee remuneration	-	-	-	-	-	3.2	-	-	-	-	3.2	-	3.2
Cost of shares awarded to employees	-	-	-	-	-	(6.4)	-	-	6.4	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	1.5	-	(1.5)	-	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1
Transfer from treasury shares	-	-	-	-	-	-	-	-	(5.8)	5.8	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Dividends	-	-	-	-	-	-	-	(91.5)	-	-	(91.5)	(3.2)	(94.7)
Scrip dividends	1.2	(1.2)	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	(62.5)	-	-	-	-	-	-	-	(62.5)	(2.6)	(65.1)
Net gain on hedging activities	-	-	-	50.8	-	-	-	-	-	-	50.8	-	50.8
Revaluation gains on owner-occupied property	-	-	-	-	-	-	4.5	-	-	-	4.5	-	4.5
Revaluation gains on other investments	-	-	-	-	-	-	18.4	-	-	-	18.4	-	18.4
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(4.8)	-	-	(4.8)	-	(4.8)
Profit for the year attributable to equity shareholders	-	-	-	-	-	-	-	615.4	-	-	615.4	4.1	619.5
Total comprehensive income/(loss) for the year	-	-	(62.5)	50.8	-	-	22.9	610.6	-	-	621.8	1.5	623.3
Balance at 31 December 2010	**176.9**	**1,222.5**	**415.2**	**(334.6)**	**7.2**	**8.6**	**101.5**	**1,890.1**	**(4.0)**	**(3.4)**	**3,480.0**	**71.7**	**3,551.7**

* Investment in own shares and treasury shares are stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2009	72.7	742.2	707.6	(580.1)	7.2	11.5	100.0	1,775.6	(4.5)	(11.6)	2,820.6	89.3	2,909.9
Rights issue	101.5	507.2	-	-	-	-	-	-	-	-	608.7	-	608.7
Expenses of rights issue	-	(24.4)	-	-	-	-	-	-	-	-	(24.4)	-	(24.4)
Issue of other shares	-	0.1	-	-	-	-	-	-	-	-	0.1	-	0.1
Share-based employee remuneration	-	-	-	-	-	5.1	-	-	-	-	5.1	-	5.1
Cost of shares awarded to employees	-	-	-	-	-	(5.7)	-	-	5.7	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	(0.6)	-	0.6	-	-	-	-	-
Transfer on sale of investments	-	-	-	-	-	-	(0.4)	0.4	-	-	-	-	-
Transfer on change in accounting policy relating to development properties	-	-	-	-	-	-	(18.5)	18.5	-	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1
Transfer from treasury shares	-	-	-	-	-	-	-	-	(5.8)	5.8	-	-	-
Dividends	-	-	-	-	-	-	-	(68.4)	-	-	(68.4)	(2.7)	(71.1)
Scrip dividends	1.5	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	(201.7)	-	-	-	-	-	-	-	(201.7)	(7.3)	(209.0)
Net gain on hedging activities	-	-	-	176.3	-	-	-	-	-	-	176.3	-	176.3
Exchange gain previously recognised in the translation reserve recycled on disposal of foreign operation	-	-	(28.2)	-	-	-	-	-	-	-	(28.2)	-	(28.2)
Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operation	-	-	-	18.4	-	-	-	-	-	-	18.4	-	18.4
Revaluation losses on owner-occupied property	-	-	-	-	-	-	(6.4)	-	-	-	(6.4)	-	(6.4)
Revaluation gains on other investments	-	-	-	-	-	-	3.9	-	-	-	3.9	-	3.9
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(14.3)	-	-	(14.3)	-	(14.3)
Deferred tax on items taken directly to equity	-	-	-	-	-	-	-	4.4	-	-	4.4	-	4.4
Loss for the year attributable to equity shareholders	-	-	-	-	-	-	-	(344.5)	-	-	(344.5)	(5.9)	(350.4)
Total comprehensive (loss)/income for the year	-	-	(229.9)	194.7	-	-	(2.5)	(354.4)	-	-	(392.1)	(13.2)	(405.3)
Balance at 31 December 2009	175.7	1,223.6	477.7	(385.4)	7.2	10.3	78.6	1,372.4	(4.6)	(5.8)	2,949.7	73.4	3,023.1

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Notes	**2010 £m**	2009 £m
Operating activities			
Operating profit before other net gains/(losses) and share of results of associate	2	**248.8**	252.6
(Increase)/Decrease in receivables		**(3.6)**	31.7
Increase/(Decrease) in payables		**0.2**	(48.1)
Adjustment for non-cash items	23	**(8.4)**	2.3
Cash generated from operations		**237.0**	238.5
Interest paid		**(111.1)**	(149.0)
Interest received		**3.4**	3.9
Distribution received from other investments		**4.6**	13.1
Tax paid	5C	**(1.2)**	(1.2)
Cash flows from operating activities		**132.7**	105.3
Investing activities			
Property and corporate acquisitions		**(218.6)**	(39.5)
Development and major refurbishments		**(60.8)**	(164.1)
Other capital expenditure		**(25.5)**	(23.7)
Sale of properties		**474.6**	394.9
Sale of subsidiary		**-**	3.0
Disposal of/(Investment in) associate		**80.0**	(5.0)
(Purchase)/Sale of other investments		**(1.1)**	1.3
Decrease in non-current receivables		**0.3**	-
Cash flows from investing activities		**248.9**	166.9
Financing activities			
Rights issue		**-**	584.3
Issue of other shares		**0.1**	0.1
Proceeds from award of own shares		**0.1**	0.1
Purchase of treasury shares		**(3.4)**	-
Decrease in non-current borrowings		**(306.6)**	(647.2)
Decrease in current borrowings		**(29.2)**	(74.3)
Dividends paid to minorities		**(3.2)**	(2.7)
Equity dividends paid	6	**(95.4)**	(64.5)
Cash flows used in financing activities		**(437.6)**	(204.2)
Net (decrease)/increase in cash and deposits		**(56.0)**	68.0
Opening cash and deposits		**182.9**	119.9
Exchange translation movement		**(0.7)**	(5.0)
Closing cash and deposits	15	**126.2**	182.9

ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2010

	Short-term deposits £m	**Cash at bank £m**	**Current borrowings including currency swaps £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2010	111.9	71.0	(50.8)	(2,256.1)	(2,124.0)
Cash flow	(57.3)	1.3	29.2	306.6	279.8
Exchange	(0.2)	(0.5)	17.2	33.3	49.8
Balance at 31 December 2010	**54.4**	**71.8**	**(4.4)**	**(1,916.2)**	**(1,794.4)**

NOTES TO THE ACCOUNTS

1. FINANCIAL INFORMATION

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 20010. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 2009 and 2010 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) Companies Act 2006 or preceding legislation.

Previously, the amortisation of lease incentives and other related costs had been included within other property outgoings. These items have now been included within gross rental income, which is considered to be a more appropriate classification. As a result of this reclassification, for the year ended 31 December 2010, gross rental income and other property outgoings have been reduced by £9.5 million. Comparative figures for the year ended 31 December 2009 have been reduced by £7.2 million. There is no impact on net rental income or profit.

The management fees receivable in note 2 include fees paid to Hammerson in respect of joint ventures and an associate for investment and development management services. All other related party transactions, with the exception of Directors' remuneration, are eliminated on consolidation.

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.167 (2009: £1 = €1.126). The principal exchange rate used for the income statement is the average rate, £1 = €1.166 (2009: £1 = €1.123).

GOING CONCERN

The current economic conditions have created a number of uncertainties. Hammerson's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, Property Markets and Outlook, Principal Risks and Uncertainties, the Business Review and the Financial Review. The financial position of the Group, its liquidity position and borrowing facilities are described in the Business Review and the Financial Review and in the notes to the accounts.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

NOTES TO THE ACCOUNTS
CONTINUED

2. RESULT FOR THE YEAR

	Notes	Adjusted £m	Capital and other £m	Total 2010 £m	Adjusted £m	Capital and other £m	Total 2009 £m
Gross rental income	3A	**332.0**	**-**	**332.0**	344.3	-	344.3
Ground and equity rents payable		**(5.1)**	**-**	**(5.1)**	(5.4)	-	(5.4)
Gross rental income, after rents payable		**326.9**	**-**	**326.9**	338.9	-	338.9
Service charge income		**59.9**	**-**	**59.9**	57.6	-	57.6
Service charge expenses		**(67.7)**	**-**	**(67.7)**	(69.3)	-	(69.3)
Net service charge expenses		**(7.8)**	**-**	**(7.8)**	(11.7)	-	(11.7)
Other property outgoings		**(34.4)**	**-**	**(34.4)**	(33.6)	-	(33.6)
Property outgoings		**(42.2)**	**-**	**(42.2)**	(45.3)	-	(45.3)
Net rental income	3A	**284.7**	**-**	**284.7**	293.6	-	293.6
Management fees receivable		**9.6**	**-**	**9.6**	2.9	-	2.9
Cost of property activities		**(30.1)**	**-**	**(30.1)**	(28.2)	-	(28.2)
Corporate expenses		**(15.4)**	**-**	**(15.4)**	(15.7)	-	(15.7)
Administration expenses		**(35.9)**	**-**	**(35.9)**	(41.0)	-	(41.0)
Operating profit before other net gains/(losses) and share of results of associate		**248.8**	**-**	**248.8**	252.6	-	252.6
Loss on the sale of investment properties		**-**	**(15.7)**	**(15.7)**	-	(138.0)	(138.0)
Loss on the sale of subsidiary		**-**	**-**	**-**	-	(25.4)	(25.4)
Gain on sale of associate		**-**	**38.5**	**38.5**	-	-	-
Revaluation gains/(losses) on investment properties		-	**447.0**	**447.0**	-	(403.9)	(403.9)
Revaluation gains/(losses) on development properties		**-**	**0.1**	**0.1**	-	(40.2)	(40.2)
Goodwill impairment		**-**	**-**	**-**	-	(1.4)	(1.4)
Negative goodwill		**-**	**-**	**-**	-	3.4	3.4
Net exchange gain previously recognised in equity, recycled on disposal of foreign operation		**-**	**-**	**-**	-	9.8	9.8
		-	**469.9**	**469.9**	-	(595.7)	(595.7)
Release of provision relating to formerly owned property		**-**	**-**	**-**	-	5.3	5.3
Other net gains/(losses)		**-**	**469.9**	**469.9**	-	(590.4)	(590.4)
Share of results of associate	10A	**2.0**	**(0.5)**	**1.5**	0.9	(1.7)	(0.8)
Operating profit/(loss)		**250.8**	**469.4**	**720.2**	253.5	(592.1)	(338.6)
Net finance (costs)/income	4	**(106.3)**	**6.3**	**(100.0)**	(123.5)	9.0	(114.5)
Profit/(Loss) before tax		**144.5**	**475.7**	**620.2**	130.0	(583.1)	(453.1)
Current tax charge	5A	**(0.6)**	**-**	**(0.6)**	(0.9)	-	(0.9)
Deferred tax (charge)/credit	5A	**-**	**(0.1)**	**(0.1)**	-	103.6	103.6
Profit/(Loss) for the year		**143.9**	**475.6**	**619.5**	129.1	(479.5)	(350.4)
Equity minority interests		**(3.7)**	**(0.4)**	**(4.1)**	(3.8)	9.7	5.9
Profit/(Loss) for the year attributable to equity shareholders	7A	**140.2**	**475.2**	**615.4**	125.3	(469.8)	(344.5)

Included in gross rental income is £5.1 million (2009: £3.5 million) calculated by reference to tenants' turnover.

The management fees receivable of £9.6 million (2009: £2.9 million) include fees paid to Hammerson in respect of joint ventures and an associate for investment and development management services. All other related party transactions, with the exception of Directors' remuneration, are eliminated on consolidation.

NOTES TO THE ACCOUNTS
CONTINUED

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations (UK and Continental Europe) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from external customers, or tenants. Net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. REVENUE AND PROFIT BY SEGMENT

				2010				2009
			Non-cash items				Non-cash items	
	Gross rental income £m	**Net rental income £m**	**Within net rental income £m**	**Revaluation gains on properties £m**	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m
United Kingdom								
Retail: Shopping centres	**136.8**	**113.6**	**(2.2)**	**260.8**	117.4	92.4	2.8	(152.2)
Retail parks	**54.1**	**50.2**	**(0.6)**	**101.6**	54.7	50.1	0.5	18.7
	190.9	**163.8**	**(2.8)**	**362.4**	172.1	142.5	3.3	(133.5)
Office: City	**36.1**	**31.6**	**7.8**	**39.7**	39.9	33.4	2.7	(27.5)
Other	**14.0**	**12.2**	**1.0**	**4.5**	15.9	14.7	-	(34.7)
	50.1	**43.8**	**8.8**	**44.2**	55.8	48.1	2.7	(62.2)
Total United Kingdom	**241.0**	**207.6**	**6.0**	**406.6**	227.9	190.6	6.0	(195.7)
Continental Europe								
France								
Retail	**90.4**	**79.4**	**0.4**	**40.4**	101.1	91.2	1.0	(208.2)
Office	**-**	**-**	**-**	**-**	12.4	11.1	(1.2)	-
Total France	**90.4**	**79.4**	**0.4**	**40.4**	113.5	102.3	(0.2)	(208.2)
Germany								
Retail	**-**	**-**	**-**	**-**	2.2	1.1	(0.5)	-
Total Continental Europe	**90.4**	**79.4**	**0.4**	**40.4**	115.7	103.4	(0.7)	(208.2)
Group								
Retail	**281.3**	**243.2**	**(2.4)**	**402.8**	275.4	234.8	3.8	(341.7)
Office	**50.1**	**43.8**	**8.8**	**44.2**	68.2	59.2	1.5	(62.2)
Total investment portfolio	**331.4**	**287.0**	**6.4**	**447.0**	343.6	294.0	5.3	(403.9)
Developments and other sources not analysed above	**0.6**	**(2.3)**	**-**	**0.1**	0.7	(0.4)	-	(40.2)
Total portfolio	**332.0**	**284.7**	**6.4**	**447.1**	344.3	293.6	5.3	(444.1)
As disclosed in note	2	2	23	8	2	2	23	8

The non-cash items included within net rental income reflect the amortisation of lease incentives and other costs and movements in accrued rents receivable.

NOTES TO THE ACCOUNTS
CONTINUED

3. SEGMENTAL ANALYSIS *continued*
B. PROPERTY ASSETS BY SEGMENT

		2010 Investment properties £m	2010 Development properties £m	2010 Total £m	2010 Capital expenditure £m	2009 Investment properties £m	2009 Development properties £m	2009 Total £m	2009 Capital expenditure £m
United Kingdom									
Retail:	**Shopping centres**	**2,243**	**11**	**2,254**	**26**	1,966	12	1,978	290
	Retail parks	**1,025**	**13**	**1,038**	**98**	826	7	833	23
		3,268	**24**	**3,292**	**124**	2,792	19	2,811	313
Office:	**City**	**518**	**59**	**577**	**136**	345	57	402	15
	Other	**66**	**1**	**67**	**2**	189	5	194	-
		584	**60**	**644**	**138**	534	62	596	15
Total United Kingdom		**3,852**	**84**	**3,936**	**262**	3,326	81	3,407	328
Continental Europe									
France									
Retail		**1,338**	**57**	**1,395**	**30**	1,696	39	1,735	57
Office		**-**	**-**	**-**	**-**	-	-	-	(1)
Total Continental Europe		**1,338**	**57**	**1,395**	**30**	1,696	39	1,735	56
Group									
Retail		**4,606**	**81**	**4,687**	**154**	4,488	58	4,546	370
Office		**584**	**60**	**644**	**138**	534	62	596	14
Total		**5,190**	**141**	**5,331**	**292**	5,022	120	5,142	384

C. ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

	Assets employed 2010 £m	Assets employed 2009 £m	Net debt 2010 £m	Net debt 2009 £m	Equity shareholders' funds 2010 £m	Equity shareholders' funds 2009 £m
United Kingdom	**3,938.2**	3,415.8	**(694.1)**	(797.9)	**3,244.1**	2,617.9
Continental Europe	**1,336.2**	1,657.9	**(1,100.3)**	(1,326.1)	**235.9**	331.8
	5,274.4	5,073.7	**(1,794.4)**	(2,124.0)	**3,480.0**	2,949.7

As part of the Group's foreign currency hedging programme, at 31 December 2010 the Group had currency swaps outstanding which are included in the analysis above.

4. NET FINANCE COSTS

	2010 £m	2009 £m
Interest on bank loans and overdrafts	**9.9**	31.7
Interest on other borrowings	**98.5**	102.9
Interest on obligations under finance leases	**2.4**	2.3
Other interest payable	**2.4**	2.1
Gross interest costs	**113.2**	139.0
Less: Interest capitalised	**(1.7)**	(10.0)
Finance costs	**111.5**	129.0
Change in fair value of interest rate swaps	**(1.1)**	(3.1)
Change in fair value of currency swaps outside hedge accounting designation	**(0.6)**	7.2
Change in fair value of derivatives	**(1.7)**	4.1
Distribution from other investments (note 12)	**(4.6)**	(13.1)
Other finance income	**(5.2)**	(5.5)
Finance income	**(9.8)**	(18.6)
Net finance costs	**100.0**	114.5

NOTES TO THE ACCOUNTS
CONTINUED

5. TAX
A. TAX CHARGE/(CREDIT)

	2010 £m	2009 £m
UK current tax	**0.4**	0.1
Foreign current tax	**0.2**	0.8
Total current tax charge	**0.6**	0.9
Deferred tax charge/(credit)	**0.1**	(103.6)
Tax charge/(credit)	**0.7**	(102.7)
Deferred tax on items taken directly to equity	**-**	(4.4)

Current tax is reduced by the UK REIT and French SIIC tax exemptions.

B. TAX CHARGE/(CREDIT) RECONCILIATION

	2010 £m	2009 £m
Profit/(Loss) before tax	**620.2**	(453.1)
Profit/(Loss) multiplied by the UK corporation tax rate of 28% (2009: 28%)	**173.7**	(126.9)
UK REIT tax exemption on net income before revaluations and disposals	**(29.1)**	(25.7)
UK REIT tax exemption on revaluations and disposals	**(125.2)**	72.6
SIIC tax exemption	**(24.3)**	66.1
Non-deductible and other items	**5.6**	16.6
Deferred tax released on introduction of foreign profits tax exemption	**-**	(105.4)
Tax charge/(credit)	**0.7**	(102.7)

C. CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2010 £m	Recognised in income £m	Tax paid £m	Corporate transactions £m	**31 December 2010 £m**
Current tax	2.6	0.6	(1.2)	(0.8)	**1.2**
Deferred tax	0.4	0.1	-	-	**0.5**
	3.0	0.7	(1.2)	(0.8)	**1.7**
Analysed as:					
Current assets: Corporation tax	(0.3)				**(0.3)**
Current liabilities: Tax	1.6				**1.0**
Non-current liabilities: Deferred tax	0.4				**0.5**
Non-current liabilities: Tax	1.3				**0.5**
	3.0				**1.7**

5. TAX *continued*

D. UNRECOGNISED DEFERRED TAX

At 31 December 2010, the Group had unrecognised deferred tax assets as calculated at a tax rate of 27% (2009: 28%) of £83 million (2009: £78 million) for surplus UK revenue tax losses carried forward and £87 million (2009: £43 million) for UK capital losses.

Deferred tax is not provided on potential gains on investments in subsidiaries and joint ventures when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2010 the total of such gains was £168 million (2009: £153 million) and the potential tax effect before the offset of losses was £45 million (2009: £43 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2010, the value of such completed development properties was £854 million (2009: £746 million) and the potential tax charge that would arise if these properties were to be sold was £nil (2009: £nil).

E. UK REIT STATUS

The Group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the Group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to UK corporation tax.

As a REIT, Hammerson plc is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To remain a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business.

F. FRENCH SIIC STATUS

Hammerson plc has been a French SIIC since 1 January 2004 and all the major French properties are covered by the SIIC tax-exempt regime. Income and gains are exempted from French tax but the French subsidiaries are required to distribute a proportion of their profits to Hammerson plc, which will then designate UK dividends paid to its shareholders as SIIC distributions. Dividend obligations will arise principally after property disposals but for the Hammerson group there will be a period of around four years after a disposal for dividends to be paid to shareholders.

Outstanding SIIC dividend obligations arising on disposals and earnings prior to 31 December 2010 amount to £203 million (2009: £53 million) and are expected to be settled within dividends paid by Hammerson plc over the following four years. A further £239 million (2009: £372 million) of dividends would be payable if the properties were realised at their 31 December 2010 values. Since 1 July 2009, qualifying foreign dividends have been exempt from UK tax and therefore no deferred tax provision is recognised.

If Hammerson plc ceased to qualify as a French SIIC before 1 January 2014, tax penalties of £199 million (2009: £190 million) would be payable. To continue to qualify, at least 80% of assets must be employed in property investment and, with limited temporary exceptions, no shareholder may hold 60% or more of the shares.

NOTES TO THE ACCOUNTS
CONTINUED

6. DIVIDENDS

The proposed final dividend of 8.8 pence per share was recommended by the Board on 21 February 2011 and, subject to approval by shareholders, is payable on 13 May 2011 to shareholders on the register at the close of business on 11 March 2011. This will be paid entirely as a PID, net of withholding tax if applicable, except to the extent that the shareholders elect to receive the scrip dividend alternative. The aggregate amount of the 2010 final dividend is £62.3 million. This assumes that no shareholders elect to receive the scrip dividend alternative and has been calculated using the total number of eligible shares outstanding at 31 December 2010. In 2009, the Company paid a second interim dividend of 8.5 pence per share in lieu of a final dividend.

The interim dividend of 7.15 pence per share, paid on 1 October 2010, was paid entirely as a normal dividend.

The total dividend for the year ended 31 December 2010 will be 15.95 pence per share (2009: 15.45 pence per share).

	PID pence per share	**Non-PID pence per share**	**Total pence per share**	**Equity dividends 2010 £m**	Equity dividends 2009 £m
Current year					
2010 final dividend	8.8	-	8.8	**-**	-
2010 interim dividend	-	7.15	7.15	**50.5**	-
	8.8	7.15	15.95		
Prior years					
2009 second interim dividend[1]	8.5	-	8.5	**41.0**	-
2009 first interim dividend[1]	6.95	-	6.95	**-**	24.1
	15.45	-	15.45		
2008 final dividend				**-**	44.3
Dividends as reported in the consolidated statement of changes in equity				**91.5**	68.4
2009 withholding tax (paid January 2010)				**3.9**	(3.9)
Dividends paid as reported in the consolidated cash flow statement				**95.4**	64.5

[1] The Company offered shareholders a scrip dividend alternative for these dividends. Where a shareholder elected to receive the scrip, the dividend ceased to qualify as a PID.

NOTES TO THE ACCOUNTS
CONTINUED

7. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE
The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables.

A. EARNINGS PER SHARE
The calculations for earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan and the treasury shares, which are treated as cancelled.

	Earnings £m	**Shares million**	**2010 Pence per share**	Earnings £m	Shares million	2009 Pence per share
Basic	**615.4**	**705.8**	**87.2**	(344.5)	637.2	(54.1)
Dilutive share options	**-**	**0.2**	**-**	-	-	-
Diluted	**615.4**	**706.0**	**87.2**	(344.5)	637.2	(54.1)
Adjustments:						
Other net (gains)/losses (note 2)	**(469.9)**		**(66.6)**	595.7		93.5
Adjustment for associate (note 10A)	**0.5**		**0.1**	1.7		0.3
Change in fair value of derivatives (note 4)	**(1.7)**		**(0.2)**	4.1		0.6
Distribution from other investments (note 4)	**(4.6)**		**(0.6)**	(13.1)		(2.0)
Deferred tax charge/(credit) (note 5)	**0.1**		**-**	(103.6)		(16.3)
Equity minority interests in respect of the above	**0.4**		**-**	(9.7)		(1.5)
EPRA	**140.2**		**19.9**	130.6		20.5
Release of provision relating to formerly owned property (note 2)	**-**		**-**	(5.3)		(0.8)
Adjusted	**140.2**		**19.9**	125.3		19.7

B. NET ASSET VALUE PER SHARE

	Equity shareholders' funds £m	**Shares million**	**2010 Net asset value per share £**	Equity shareholders' funds £m	Shares million	2009 Net asset value per share £
Basic	**3,480.0**	**707.6**	**4.92**	2,949.7	702.8	4.20
Company's own shares held in Employee Share Ownership Plan	**-**	**(0.4)**	**n/a**	-	(0.4)	n/a
Treasury shares	**-**	**(0.8)**	**n/a**	-	(0.5)	n/a
Unexercised share options	**4.2**	**0.9**	**n/a**	4.5	1.0	n/a
Diluted	**3,484.2**	**707.3**	**4.93**	2,954.2	702.9	4.20
Fair value adjustment to borrowings	**(77.5)**		**(0.11)**	3.5		0.01
EPRA triple net	**3,406.7**		**4.82**	2,957.7		4.21
Fair value of derivatives	**12.9**		**0.02**	(1.9)		-
Fair value adjustment to borrowings	**77.5**		**0.11**	(3.5)		(0.01)
Deferred tax	**0.5**		**-**	0.4		-
Adjustment for associate (note 10B)	**-**		**-**	7.6		0.01
EPRA	**3,497.6**		**4.95**	2,960.3		4.21

NOTES TO THE ACCOUNTS
CONTINUED

8. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Cost £m	Investment properties Valuation £m	Development properties Cost £m	Development properties Valuation £m	Total Cost £m	Total Valuation £m
Balance at 1 January 2010	4,515.5	5,022.4	160.2	119.1	**4,675.7**	**5,141.5**
Exchange adjustment	(35.1)	(59.6)	(1.5)	(1.4)	**(36.6)**	**(61.0)**
Additions:						
- Capital expenditure	47.0	47.0	26.3	26.3	**73.3**	**73.3**
- Asset acquisitions	219.1	219.1	-	-	**219.1**	**219.1**
	266.1	266.1	26.3	26.3	**292.4**	**292.4**
Disposals	(277.6)	(486.4)	(5.4)	(4.2)	**(283.0)**	**(490.6)**
Capitalised interest	0.7	0.7	1.0	1.0	**1.7**	**1.7**
Revaluation adjustment	-	447.0	-	0.1	**-**	**447.1**
Balance at 31 December 2010	4,469.6	5,190.2	180.6	140.9	**4,650.2**	**5,331.1**

	Investment properties Cost £m	Investment properties Valuation £m	Development properties Cost £m	Development properties Valuation £m	Total Cost £m	Total Valuation £m
Balance at 1 January 2009	4,835.6	6,028.6	626.8	428.2	5,462.4	6,456.8
Exchange adjustment	(125.9)	(206.3)	(4.5)	(3.9)	(130.4)	(210.2)
Additions:						
- Capital expenditure	110.0	110.0	87.1	87.1	197.1	197.1
- Asset acquisitions	150.5	150.5	36.2	36.2	186.7	186.7
	260.5	260.5	123.3	123.3	383.8	383.8
Disposals	(1,049.3)	(1,054.2)	(0.8)	(0.6)	(1,050.1)	(1,054.8)
Transfers	594.1	397.2	(594.1)	(397.2)	-	-
Capitalised interest	0.5	0.5	9.5	9.5	10.0	10.0
Revaluation adjustment	-	(403.9)	-	(40.2)	-	(444.1)
Balance at 31 December 2009	4,515.5	5,022.4	160.2	119.1	4,675.7	5,141.5

Properties are stated at market value as at 31 December 2010, valued by professionally qualified external valuers. In the United Kingdom, the Group's properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors. In France, the Group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors Valuation Standards and with IVA 1 of the International Valuation Standards.

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value.

At 31 December 2010 the total amount of interest included in development properties was £1.0 million (2009: £nil million). Capitalised interest is calculated using the Group's average cost of borrowings, as appropriate to the currency profile of the development programme, which for 2010 was 4.2% (2009: 6.1%).

	2010 £m	2009 £m
Capital commitments	**54.8**	60.2

At 31 December 2010, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £27.9 million (2009: £25.5 million).

NOTES TO THE ACCOUNTS
CONTINUED

9. PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	**Plant and equipment £m**	**Total £m**
Book value at 31 December 2010	**27.1**	**6.3**	**33.4**
Book value at 31 December 2009	22.6	7.8	30.4

10. INVESTMENT IN ASSOCIATE

On 14 December 2010, the Group sold its interest in Bishops Square Holdings Limited, a company in which the Group held a 25% interest.

A. SHARE OF RESULTS OF ASSOCIATE

	Year ended 31 December 2010 £m	Year ended 31 December 2009 £m
Gross rental income	**8.7**	5.2
Other operating profits and finance costs	**2.0**	0.9
Revaluation losses on investment properties	**-**	(1.2)
Change in fair value of derivatives	**0.1**	(0.5)
Deferred tax charge	**(0.6)**	-
	(0.5)	(1.7)
Profit/(Loss) after tax for the year	**1.5**	(0.8)

B. SHARE OF ASSETS AND LIABILITIES OF ASSOCIATE

	31 December 2010 £m	31 December 2009 £m
Investment properties	**-**	120.2
Other assets	**-**	4.4
Total assets	**-**	124.6
Borrowings	**-**	(88.6)
Fair value of derivatives	**-**	(7.6)
Other liabilities	**-**	(18.0)
Total liabilities	**-**	(114.2)
Net assets	**-**	10.4

NOTES TO THE ACCOUNTS
CONTINUED

11. JOINT VENTURES

As at 31 December 2010 certain property and corporate interests, being jointly controlled entities, have been proportionately consolidated, and the significant interests are set out in the following table:

	Group share %
Investments	
Brent Cross Shopping Centre	41.2
Brent South Shopping Park	40.6
Bristol Alliance Limited Partnership	50
Queensgate Limited Partnership	50
Retail Property Holdings Limited	50
SCI ESQ	25
SCI RC Aulnay 1 and SCI RC Aulnay 2	49
The Bull Ring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Oracle Limited Partnership	50
The Highcross Limited Partnership	60
The West Quay Limited Partnership	50
125 OBS Limited Partnership	50
10 Gresham Street LLP	30
Developments	
Bishopsgate Goodsyard Regeneration Limited	50
Wensum Developments Limited	50

The following summarised income statements and balance sheets show the proportion of the Group's results, assets and liabilities which are derived from its joint ventures.

NOTES TO THE ACCOUNTS
CONTINUED

11. JOINT VENTURES *continued*
INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ[3] £m	Other £m	Total 2010 £m
Net rental income	17.8	16.3	15.2	12.1	6.2	12.4	12.4	8.2	1.7	0.6	8.8	**111.7**
Administration expenses	-	(0.5)	-	-	(0.1)	-	-	(0.1)	-	-	(0.2)	**(0.9)**
Operating profit before other net gains/(losses)	17.8	15.8	15.2	12.1	6.1	12.4	12.4	8.1	1.7	0.6	8.6	**110.8**
Other net gains/(losses)	52.6	25.1	53.9	35.6	5.6	24.6	34.5	15.2	(9.1)	0.9	9.1	**248.0**
Net finance costs	-	(0.3)	-	0.1	-	0.1	(0.2)	-	-	-	(2.9)	**(3.2)**
Profit/(Loss) before tax	70.4	40.6	69.1	47.8	11.7	37.1	46.7	23.3	(7.4)	1.5	14.8	**355.6**

BALANCE SHEETS AS AT 31 DECEMBER 2010

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited £m	SCI RC Aulnay[2] £m	SCI ESQ[3] £m	Other £m	Total 2010 £m
Non-current assets												
Investment and development properties at valuation	348.2	294.6	287.2	243.3	105.6	277.3	232.3	166.8	181.8	51.5	242.2	**2,430.8**
Interests in leasehold properties	-	7.3	-	-	-	-	2.1	-	-	-	1.0	**10.4**
Receivables	-	-	-	-	-	-	-	-	-	-	1.8	**1.8**
	348.2	301.9	287.2	243.3	105.6	277.3	234.4	166.8	181.8	51.5	245.0	**2,443.0**
Current assets												
Other current assets	5.4	2.0	1.0	2.2	0.8	2.6	1.9	0.9	1.2	0.3	3.5	**21.8**
Cash and deposits	1.9	7.3	4.2	4.5	3.5	3.9	3.8	3.1	1.0	0.6	4.1	**37.9**
	7.3	9.3	5.2	6.7	4.3	6.5	5.7	4.0	2.2	0.9	7.6	**59.7**
Current liabilities												
Other liabilities	(15.3)	(8.4)	(4.3)	(4.5)	(1.0)	(7.3)	(5.0)	(3.4)	(1.9)	(1.2)	(6.4)	**(58.7)**
	(15.3)	(8.4)	(4.3)	(4.5)	(1.0)	(7.3)	(5.0)	(3.4)	(1.9)	(1.2)	(6.4)	**(58.7)**
Non-current liabilities												
Borrowings	-	-	-	-	-	-	-	-	-	-	(65.3)	**(65.3)**
Other liabilities	-	(7.3)	-	-	-	-	(2.1)	-	(1.6)	-	(2.8)	**(13.8)**
	-	(7.3)	-	-	-	-	(2.1)	-	(1.6)	-	(68.1)	**(79.1)**
Net assets	340.2	295.5	288.1	245.5	108.9	276.5	233.0	167.4	180.5	51.2	178.1	**2,364.9**

[1] Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2] Reflects the Group's disposal in October 2010 of a 51% interest in O'Parinor shopping centre.
[3] Reflects the Group's disposal in October 2010 of a 75% interest in Espace Saint Quentin shopping centre.

Other than as shown above, the joint ventures are funded by the Company and the relevant partners. 'Other net gains/(losses)' principally represent valuation changes on investment properties.

NOTES TO THE ACCOUNTS
CONTINUED

11. JOINT VENTURES *continued*
INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited[2] £m	Other £m	Total 2009 £m
Net rental income	16.7	13.6	13.9	11.2	7.1	11.3	12.1	0.2	6.0	92.1
Administration expenses	-	(0.2)	(0.1)	-	(0.1)	-	-	-	(0.2)	(0.6)
Operating profit before other net losses	16.7	13.4	13.8	11.2	7.0	11.3	12.1	0.2	5.8	91.5
Other net (losses)/gains	(28.6)	(24.4)	4.1	(10.9)	(24.5)	(29.7)	(14.9)	-	(28.4)	(157.3)
Net finance costs	-	(0.4)	-	0.1	-	-	(0.2)	-	(2.4)	(2.9)
(Loss)/Profit before tax	(11.9)	(11.4)	17.9	0.4	(17.5)	(18.4)	(3.0)	0.2	(25.0)	(68.7)

BALANCE SHEETS AS AT 31 DECEMBER 2009

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Retail Property Holdings Limited[2] £m	Other £m	Total 2009 £m
Non-current assets										
Investment and development properties at valuation	293.5	269.3	233.5	208.3	100.0	253.5	198.2	151.5	172.9	1,880.7
Interests in leasehold properties	-	7.3	-	-	-	-	2.1	-	0.5	9.9
	293.5	276.6	233.5	208.3	100.0	253.5	200.3	151.5	173.4	1,890.6
Current assets										
Other current assets	6.4	3.2	1.6	0.5	1.1	1.7	0.3	0.3	4.3	19.4
Cash and deposits	2.6	4.4	5.1	3.6	4.7	2.8	4.7	3.5	5.5	36.9
	9.0	7.6	6.7	4.1	5.8	4.5	5.0	3.8	9.8	56.3
Current liabilities										
Borrowings	-	-	-	-	-	-	-	-	(62.9)	(62.9)
Other liabilities	(11.4)	(10.3)	(4.9)	(3.2)	(1.1)	(6.2)	(4.2)	(4.3)	(6.3)	(51.9)
	(11.4)	(10.3)	(4.9)	(3.2)	(1.1)	(6.2)	(4.2)	(4.3)	(69.2)	(114.8)
Non-current liabilities										
Other liabilities	-	(7.3)	-	-	-	-	(2.1)	-	(0.5)	(9.9)
	-	(7.3)	-	-	-	-	(2.1)	-	(0.5)	(9.9)
Net assets	291.1	266.6	235.3	209.2	104.7	251.8	199.0	151.0	113.5	1,822.2

[1] Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2] Reflects the Group's acquisition in December 2009 of a 50% interest in Retail Property Holdings Limited, which owns Silverburn Shopping Centre, Glasgow.

Other than as shown above, the joint ventures are funded by the Company and the relevant partners. 'Other net (losses)/gains' principally represent valuation changes on investment properties.

NOTES TO THE ACCOUNTS
CONTINUED

12. OTHER INVESTMENTS

Available for sale investments	**2010 £m**	2009 £m
Value Retail Investors Limited Partnerships	**74.8**	56.4
Investments in Value Retail plc and related companies	**57.3**	57.5
	132.1	113.9
Other investments	**1.1**	0.1
	133.2	114.0

During the year, the Company received a special distribution of £4.6 million (2009: £13.1 million) from the Value Retail Investors Limited Partnerships, which is included in finance income (see note 4).

13. RECEIVABLES: NON-CURRENT ASSETS

	2010 £m	2009 £m
Loans receivable	**41.9**	27.6
Loans to associate	**-**	30.1
Other receivables	**3.3**	3.8
	45.2	61.5

Loans receivable includes £28.2 million (2009: £27.6 million) representing a loan of €30 million, plus cumulative accrued interest, to SCI Quantum, the purchaser in 2009 of a property in France. The loan is secured by way of a second charge on the property, bears interest at 6.1% and is for a term of two years from June 2009, extendable at the option of the purchaser for a further two years.

Loans receivable also includes a loan of €16 million (£13.7 million) to Value Retail plc bearing interest at 10% and maturing on 22 August 2012. At 31 December 2009, this loan, translated at £14.2 million, was included within current receivables (see note 14).

14. RECEIVABLES: CURRENT ASSETS

	2010 £m	2009 £m
Trade receivables	**38.9**	35.1
Loans receivable	**-**	14.2
Other receivables	**37.6**	37.3
Corporation tax	**0.3**	0.3
Prepayments	**3.9**	3.7
Fair value of currency swaps	**-**	12.1
	80.7	102.7

15. CASH AND DEPOSITS

	2010 £m	2009 £m
Cash at bank	**71.8**	71.0
Short-term deposits	**54.4**	111.9
	126.2	182.9
Currency profile		
Sterling	**109.5**	87.9
Euro	**16.7**	95.0
	126.2	182.9

NOTES TO THE ACCOUNTS
CONTINUED

16. PAYABLES: CURRENT LIABILITIES

	2010 £m	2009 £m
Trade payables	**64.8**	59.4
Other payables	**128.9**	138.0
Accruals	**26.4**	29.1
Fair value of interest rate swaps	**-**	1.9
	220.1	228.4

17. BORROWINGS

A. MATURITY

	Bank loans and overdrafts £m	**Other borrowings £m**	**2010 Total £m**	2009 Total £m
After five years	-	1,040.0	**1,040.0**	1,659.3
From two to five years	239.3	598.5	**837.8**	596.8
From one to two years	38.4	-	**38.4**	-
Due after more than one year	277.7	1,638.5	**1,916.2**	2,256.1
Due within one year	-	4.4	**4.4**	62.9
	277.7	1,642.9	**1,920.6**	2,319.0

At 31 December 2009 and 2010 no borrowings due after five years were repayable by instalments.

At 31 December 2010, the fair value of currency swaps was a liability of £4.4 million which is included in the table above. At 31 December 2009, the fair value of currency swaps was an asset of £12.1 million which is included in current receivables (see note 14).

B. ANALYSIS

	2010 £m	2009 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.7**	197.7
£300 million 6% Sterling bonds due 2026	**296.8**	296.7
£250 million 6.875% Sterling bonds due 2020	**247.5**	247.3
£300 million 5.25% Sterling bonds due 2016	**298.0**	297.6
€700 million 4.875% Euro bonds due 2015	**598.5**	620.0
Bank loans and overdrafts	**212.4**	596.8
	1,850.9	2,256.1
Fair value of currency swaps	**4.4**	(12.1)
	1,855.3	2,244.0
Secured		
Sterling variable rate mortgage due 2015	**65.3**	-
Sterling variable rate mortgage due 2010	**-**	62.9
	65.3	62.9
	1,920.6	2,306.9

Security for secured borrowings as at 31 December 2010 is provided by a first legal charge on a property, for which the Group's share of the carrying value is £115.0 million.

C. UNDRAWN COMMITTED FACILITIES

	2010 £m	2009 £m
Expiring within one year	**40.0**	27.0
Expiring between one and two years	**746.5**	70.0
Expiring after more than two years	**126.9**	487.3
	913.4	584.3

NOTES TO THE ACCOUNTS
CONTINUED

17. BORROWINGS *continued*

D. INTEREST RATE AND CURRENCY PROFILE

		Fixed rate borrowings		Fair value of currency swaps	Other variable rate borrowings	2010 Total
	%	**Years**	**£m**	**£m**	**£m**	**£m**
Sterling	**6.0**	**10**	**1,200.7**	**(501.3)**	**104.1**	**803.5**
Euro	**4.9**	**4**	**598.5**	**505.7**	**12.9**	**1,117.1**
	5.6	**8**	**1,799.2**	**4.4**	**117.0**	**1,920.6**

		Fixed rate borrowings		Fair value of currency swaps	Other variable rate borrowings	2009 Total
	%	Years	£m	£m	£m	£m
Sterling	6.2	11	1,187.3	(485.6)	184.1	885.8
Euro	4.9	5	620.0	473.5	327.6	1,421.1
	5.7	9	1,807.3	(12.1)	511.7	2,306.9

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2009 and 2010.

18. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of borrowings, currency and interest rate swaps, together with their carrying amounts included in the balance sheet, are as follows:

	Book value £m	**2010 Fair value £m**	Book value £m	2009 Fair value £m
Borrowings, excluding currency swaps	**1,916.2**	**1,993.7**	2,319.0	2,314.2
Currency swaps	**4.4**	**4.4**	(12.1)	(12.1)
Total	**1,920.6**	**1,998.1**	2,306.9	2,302.1
Interest rate swaps	**8.5**	**8.5**	10.2	10.2

At 31 December 2010, the fair value of financial instruments exceeded their book value by £77.5 million equivalent to 11 pence per share on an adjusted net asset value per share basis. At 31 December 2009, the book value of financial instruments exceeded their fair value by £4.8 million, equivalent to 1 pence per share on an adjusted net asset value per share basis.

19. PAYABLES: NON-CURRENT LIABILITIES

	2010 £m	2009 £m
Net pension liability	**25.2**	20.9
Other payables	**21.9**	40.6
Fair value of interest rate swaps	**8.5**	8.3
	55.6	69.8

NOTES TO THE ACCOUNTS
CONTINUED

20. SHARE CAPITAL

	Called up, allotted and fully paid 2010 £m	2009 £m
Ordinary shares of 25p each	**176.9**	175.7

	Number
Movements in issued share capital	
Number of shares in issue at 1 January 2010	702,809,926
Issued in respect of scrip dividend	4,709,275
Share options exercised - Share option scheme	58,389
Share options exercised - Save As You Earn	1,266
Number of shares in issue at 31 December 2010	**707,578,856**

The number of shares in issue at the balance sheet date included 800,000 (2009: 500,000) shares held in treasury.

21. INVESTMENT IN OWN SHARES

At cost	2010 £m	2009 £m
Balance at 1 January	**4.6**	4.5
Transfer from treasury shares	**5.8**	5.8
Cost of shares awarded to employees	**(6.4)**	(5.7)
Balance at 31 December	**4.0**	4.6

22. TREASURY SHARES

At cost	2010 £m	2009 £m
Balance at 1 January	**5.8**	11.6
Transfer to investment in own shares	**(5.8)**	(5.8)
Purchase of treasury shares	**3.4**	-
Balance at 31 December	**3.4**	5.8

23. ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

	Note	2010 £m	2009 £m
Amortisation of lease incentives and other costs		**6.4**	5.3
Increase in accrued rents receivable		**(12.8)**	(10.6)
Non-cash items included within net rental income	3A	**(6.4)**	(5.3)
Depreciation		**1.4**	1.5
Share-based employee remuneration		**3.2**	5.1
Exchange and other items		**(6.6)**	1.0
		(8.4)	2.3

24. CONTINGENT LIABILITIES

There are contingent liabilities of £17.1 million (2009: £19.0 million) relating to guarantees given by the Group and a further £27.7 million (2009: £40.3 million) relating to claims against the Group arising in the normal course of business. Hammerson's share of contingent liabilities arising within joint ventures, which is included in the figures shown above, is £9.9 million (2009: £10.9 million).

OTHER INFORMATION

DIRECTORS

John Nelson*	Chairman
David Atkins	Chief Executive
Peter Cole	
Terry Duddy*	
David Edmonds* CBE	
Jacques Espinasse*	
John Hirst*	
Simon Melliss	
Tony Watson* CBE	Senior Independent Director

*Non-Executive Director

SECRETARY
Stuart Haydon

PRINCIPAL GROUP ADDRESSES
United Kingdom
Hammerson plc, 10 Grosvenor Street, London W1K 4BJ
Tel +44 (0)20 7887 1000 Fax +44 (0)20 7887 1010

France
Hammerson SAS, Washington Plaza Immeuble Artois, 44 rue Washington, 75408 Paris CEDEX 08, France
Tel +33 (1)56 69 30 00 Fax +33 (1)56 69 30 01

Registered office
10 Grosvenor Street, London W1K 4BJ
Registered in England No. 360632

WEBSITE
The 2010 Annual Report and other information is available on the Company’s website: www.hammerson.com on the “Investors” page. The Company operates a service whereby all registered users can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

UK REIT TAXATION
As a UK REIT, Hammerson plc is exempted from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and Child Trust Funds. Hammerson's website includes a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax. Further information on UK REITs is available on the Company's website.

SCRIP DIVIDEND ALTERNATIVE
A letter from the Chairman will be sent to all shareholders on 21 March 2011 summarising the key details of the Hammerson Scrip Dividend Scheme relating to the 2010 final dividend. Under the Scheme, if a shareholder elects to receive the scrip, the dividend ceases to qualify as a PID. Shareholders who wish to receive the scrip dividend alternative, but who have previously not elected to do so, will need to complete a mandate form and return it to Capita by the date which will be indicated in the letter from the Chairman. As the Company is offering a scrip dividend alternative, the Company’s Dividend Reinvestment Plan (DRIP) will be suspended. Further information will be included in the full Guide which will be available on the Company’s website: www.hammerson.com on the “Investors” page. A copy of the announcement, Guide and letter to shareholders will be submitted to the National Storage Mechanism and will shortly be available at: www.hemscott.com/nsm.do. Shareholders should note that there is no guarantee that the Board will offer a scrip dividend alternative for any particular future interim or final dividend.

FINANCIAL CALENDAR

Full-year results announced		21 February 2011
Recommended final dividend	- Ex-dividend date	9 March 2011
	- Record date	11 March 2011
	- Scrip reference share price announced	16 March 2011
	- Election date for scrip (or revocation)	18 April 2011
	- Payable on	13 May 2011
Annual General Meeting		28 April 2011
Anticipated 2011 interim dividend		October 2011

GLOSSARY OF TERMS

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 7 to the accounts.
Anchor store	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income, after taking account of the net effect of lease incentives and amortisation.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable (net of head and equity rents and in the case of France, net of an allowance for costs of approximately 5.2% primarily for management fees) as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and the change in fair value of derivatives.
Interest rate or currency swap (or derivative)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like / underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Net asset value per share (NAV)	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

GLOSSARY OF TERMS
CONTINUED

Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Over-rented	The amount by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.
Pre-let	A lease signed with a tenant prior to the completion of a development.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Rents passing or passing rents	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Return on shareholders' equity (ROE)	Capital growth and profit for the year expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Reversionary yield	The income on reversion to ERV, irrespective of timing, expressed as a percentage of the gross property valuation, as provided by the Group's external valuers.
Scrip dividend	A dividend received in the form of shares.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A French tax-exempt regime available to property companies listed in France.
Total development cost	All capital expenditure on a development project, including capitalised interest.
Total return	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Total shareholder return	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the total ERV of that property or portfolio.