Hammerson plc – Unaudited results for the year ended 31 December 2007

Financial Highlights

	2007	2006	Change
Net rental income	**£275.7m**	£237.4m	+16.1%
Profit before tax	**£110.4m**	£792.4m	
Adjusted profit before tax(1)	**£117.3m**	£94.5m	+24.1%
Basic earnings per share	**34.9p**	357.5p	
Adjusted earnings per share(1)	**40.3p**	32.8p	+22.9%
Dividend per share(2)	**27.30p**	21.68p	+25.9%
Equity shareholders' funds	**£4,355m**	£4,165m	+4.6%
Net asset value per share, EPRA basis(1)	**£15.45**	£15.00	+3.0%
Return on shareholders' equity(3)	**4.5%**	25.3%	
Gearing	**57%**	54%	

Key Points

- A strong operating performance saw like-for-like rental income growth of 7.4% leading to increases of 24.1% in adjusted profit before tax and of 22.9% in adjusted earnings per share.
- Over 70 new leases were signed generating additional annual rents of £8.3 million, whilst some 120 expiring leases were renewed. The vacancy rate reduced to 1.8% at 31 December 2007, compared with 3.4% at the end of 2006.
- Adjusted NAV increased by 3.0% for the full year. An increase of 9.0% in the first six months was partially offset by a reduction of 5.5% in the second half of the year.
- In the UK, following a capital return of 4.0% in the first six months of 2007, the second six months saw a negative capital return of 7.0%. The overall adverse yield change of 52 basis points in the second half was mitigated by the benefit of additional rents and higher rental values.
- In France, values increased throughout the year, giving rise to a capital return for 2007 of 16.5%.
- Capital expenditure amounted to £824 million, whilst £537 million was raised from disposals.
- Six principal developments currently underway have an estimated total cost of £950 million and are projected to generate annual income following completion and letting of £75 million, of which £27 million has been contracted.
- The group has a strong balance sheet and had cash and undrawn committed facilities of around £600 million at the year end.

Notes

(1) The calculations for basic and adjusted figures are shown on pages 17 and 20 and in note 6 on pages 31 and 32.
(2) Recommended final dividend of 15.3 pence per share (2006: 15.3p) making a total for 2007 of 27.3 pence. It is intended that 7.7 pence per share will be paid as a PID, net of withholding tax where appropriate, and the remainder of 7.6 pence paid as a normal dividend. Further details are shown in note 5 on page 31.
(3) Excluding deferred tax.

John Nelson, Chairman of Hammerson, said:

> "In the face of the most difficult conditions in financial and UK property investment markets in recent years, I am very pleased to report a strong operational performance by Hammerson in 2007 with good growth in rental income and earnings. The group's adjusted earnings per share increased by 23%, or 7.5 pence, to 40.3 pence, reflecting new lettings, rent reviews, rent indexation in France and the completion of developments. The proposed full year dividend for 2007 is increased by 25.9%.
>
> Our retail and office portfolio is of the highest quality and we benefit from our substantial investment in France. This provides the potential for further good income growth over the next three years, both from the existing investment assets and the current development projects as they are completed and let. Notwithstanding the current uncertain market conditions, I am confident that we shall maintain Hammerson's progress in the future."

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Results presentation today:

Time	9.30 a.m.
Venue	City Presentation Centre: 4 Chiswell Street, Finsbury Square, London EC1Y 4UP

Webcast:

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

Financial calendar:

Ex-dividend date	9 April 2008
Record date for the dividend	11 April 2008
Annual General Meeting	1 May 2008
Interim management statement	1 May 2008
Final dividend payable	23 May 2008
Proposed half-year results announcement	7 August 2008
Anticipated 2008 half-year dividend	October 2008

Copies of the Chairman's statement, preliminary results statement, income statement, balance sheet, statement of recognised income and expense, reconciliation of equity, cash flow statement and notes are attached. The terms in this document are defined in the glossary on pages 41 and 42.

CHAIRMAN'S STATEMENT

Results and Dividend

Last September, I made reference to the slowdown in activity in the UK commercial property market and the emerging weaknesses in global financial markets. Since then the problems within the international banking sector have increased markedly. These have exacerbated the weaker demand from investors for commercial property in the UK and been reflected in falls in real estate values.

Against this background, I am pleased to report strong growth in rental income and earnings by Hammerson in 2007. The group's adjusted earnings per share increased by 23% or 7.5 pence to 40.3 pence, reflecting new lettings, rent reviews, rent indexation in France and the completion of developments.

Hammerson's adjusted NAV increased by 3.0% to £15.45 in 2007. An increase of 9.0% in the first six months of the year was partly offset by a decline of 5.5% in the second half, the latter reflecting the decline in real estate values in the UK in the last few months of the year.

The Board is recommending a final dividend of 15.3 pence per share, making a total for 2007 of 27.3 pence, an increase of 25.9% on last year.

Market Background

Following 11 years of increasing real estate values in the UK, there was a weakening of sentiment in the first half of 2007. The deterioration in international banking markets in the summer resulted in a shortage of capital in the UK commercial property market and contributed to a reduction in values in the last quarter. Nevertheless, prime properties of the type owned by Hammerson, let on long leases to occupiers with strong covenants, have shown greater resilience than secondary assets.

With regard to occupational markets, retailers in the UK are continuing to face challenging conditions. Weakening consumer confidence, a reflection of softening house prices and high personal debt levels, has recently resulted in slower growth in consumer spending. Nevertheless, retailers continue to take space in major new schemes and existing prime retail locations are generally experiencing low vacancy levels.

In the City of London office market, the buoyant demand seen for much of 2007 slowed during the last few months of the year. There is continuing demand for well configured prime office space in central London in a market where available space is currently limited. However, in view of the level of development completions over the next two years and reflecting the reduced levels of activity in the financial services sector, the City occupational market may soften.

For the time being, it appears likely that the UK investment market for commercial property will remain subdued. However, as and when the banking market stabilises, and with the prospect of lower interest rates, conditions in the real estate investment market should improve.

In France, which accounts for nearly 30% of our business, demand from retailers for space in shopping centres remained healthy. The office occupational market in central Paris also remained strong with demand from a broad spread of occupiers. There was continued good investor interest in both these key markets with a further general increase in values in 2007. Whilst the current problems within international financial markets are likely to have an impact on French real estate values, I anticipate that the effects will be less than in the UK, with the retail sector showing more resilience than offices.

Portfolio and Operations

We continued to make good progress in all areas of our business in 2007. At the beginning of the year we became a REIT and now have substantial tax-exempt businesses both in the UK and France. This is of benefit to Hammerson's business model, which places emphasis on the disposal of mature assets as part of a strategy of active asset management and development.

We invested a total of £824 million and raised £537 million from disposals during 2007. Capital investment included the acquisitions of Ravenhead Retail Park in St Helens; Stockley House, an office building in London SW1; and an increase from 75% to 100% in our interest in Bishops Square, London E1. In France, we acquired the Grand Maine Shopping Centre in Angers and invested in two new retail park development schemes. The principal disposals were our interest in 9 place Vendôme in Paris for £207 million and 50% of the WestQuay Shopping Centre in Southampton for £299 million.

During 2007, 190 leases in respect of some 80,000m² of space were signed or renewed. New leases will generate additional annual rents of £8.3 million, whilst the re-letting of expiring leases will add a further £1.4 million per annum. The overall vacancy rate reduced from 3.4% at the beginning of the year to 1.8% at 31 December 2007.

Hammerson's portfolio showed a total return of 5.4% for the year as a whole, for which the capital return was 1.6%. However, there were contrasting performances between the first and second halves of the year. In the six months to 30 June, the portfolio showed a capital return 5.9%, whilst in the second half there was a negative return of 4.1%.

In the UK, the valuers appraised the investment portfolio at 31 December 2007 based on an overall equivalent yield of 5.4%, some 52 basis points higher than that used for the valuation at 30 June. However, the group's success in increasing income and rental values throughout the year offset around half of the potential reduction in value attributable to general market weakness.

In France, the group's portfolio continued to increase in value in the second half of the year with a capital return of 4.8% in the six months to 31 December 2007, making a total for the year of 16.5%. Around two thirds of the increase in value was due to lower valuation yields and one third to increased income and rental values.

Good progress was made on the current development programme. Five of the six major projects underway are due for completion during 2008 and we continue to secure occupiers for them. The estimated cost of these schemes is around £950 million of which £541 million has already been incurred.

Following completion and letting, these schemes are projected to generate income of some £75 million, of which £27 million has already been contracted. This will provide a further boost to income, particularly in 2009 and 2010. The capital surplus from these schemes amounted to £227 million at 31 December 2007. Had these schemes been completed and fully let at the year end, an estimated additional surplus of £100 million would have been recorded.

Hammerson has been successful in recent years in having built up a very attractive pipeline of future development opportunities. Decisions to start individual projects will be based on projected financial returns, the market outlook and, where appropriate, the level of pre-letting. The cost of securing these opportunities has been of the order of £240 million and the assets acquired provide a current income of around £4 million. In total the pipeline could involve investment of some £6 billion over the next decade in retail and office schemes both in the UK and France.

Balance Sheet and Financing

Hammerson has followed a policy for many years of maintaining a strong balance sheet and avoiding undue concentration of debt maturities in a particular year. Gearing at the year end was 57%, compared with 54% at the end of 2006. During 2007 we arranged a new £340 million committed bank facility. At the year end the weighted average maturity of the group's debt was 9 years and it had cash and undrawn facilities of £590 million.

Senior Management

Gerard Devaux, an Executive Director of Hammerson plc since 1999 and Managing Director of Hammerson Europe, will be retiring later this year. Gerard joined Hammerson France as General Manager in 1986. Under his leadership the French business has increased in size from under £100 million to over £2 billion today and has consistently generated attractive returns for shareholders. I would like to record the Board's appreciation to Gerard for his distinguished service. His responsibilities as Managing Director in France will be assumed by Christophe Clamageran who will join Hammerson France in March this year, following a successful 20 year career in real estate in Paris. For the last 10 years he has held senior positions with BNP Paribas Real Estate, most recently as Deputy CEO.

Conclusion

Hammerson has a robust business model and strong balance sheet. Our retail and office portfolio is of the highest quality and we benefit from our substantial investment in France. This provides the potential for further good income growth over the next three years, both from the existing investment assets and the current development projects as they are completed and let.

Our management team has an excellent record of delivering good returns from our real estate activities. Notwithstanding the current uncertain market conditions, I am confident that we shall maintain Hammerson's progress in the future.

John Nelson, Chairman
25 February 2008

BUSINESS REVIEW

Real estate strategy

Our real estate strategy, which is aimed at maximising the total returns from the portfolio, has three strands:

- the allocation of our portfolio between the markets and sectors in which we operate by appropriate investment and disposal decisions;
- management of our properties so that they remain attractive to our occupiers enabling us to increase the group's rental income and other revenues; and
- the development of properties that will generate attractive income and capital returns.

This Business Review provides more detail on how we performed in these areas during 2007 and the potential future growth in income and value in the portfolio.

Property portfolio and allocation

We base our decisions on the overall portfolio allocation by detailed analysis of the markets in which we are represented, using both internal and external research. We review and project the performance of each of our existing properties as part of our annual business planning process, enabling us to identify assets for disposal. In the last five years we have raised £2.3 billion from disposals and invested £2.4 billion in acquisitions and new developments.

Hammerson owns and manages 14 major shopping centres and 19 retail parks, principally in the UK and France, which provide 1.3 million m^2 of retail space. Our office portfolio includes nine prime buildings, most of which are located in and around the City of London and in central Paris, which provide 255,000 m^2 of accommodation.

Our property portfolio was valued at £7.3 billion at the end of 2007, with investments totalling £6.3 billion and developments £1.0 billion. Joint ventures accounted for 35% of the portfolio value, including seven major shopping centres in the UK.

During 2007, the weighting of the UK portfolio decreased slightly to 71% of the total, whilst the retail and office weightings were unchanged at 72% and 28% respectively.

Data prepared by IPD shows that, in the UK, shopping centres and London offices have produced average annual total returns of 13.3% and 13.1% respectively over the last ten years. However, the volatility of the latter is around twice that of the former. These statistics support Hammerson's strategy of investing the majority of the portfolio in dominant shopping centres and retail parks which demonstrate sound performance over the longer term. The volatility in the office sector, which comprises the balance of the portfolio, provides opportunities to generate high returns by exploiting market cycles.

The value of the portfolio increased by £0.6 billion during 2007 and the components of the movement are analysed in the table on the following page.

Movement in portfolio value in 2007	**£m**
Portfolio value at 1 January 2007	6,716
Valuation uplift	70
Capital expenditure	
Acquisitions	372
Development programme	380
Expenditure on existing portfolio	44
Capitalised interest	28
Disposals	(494)
Exchange	159
Portfolio value at 31 December	**7,275**

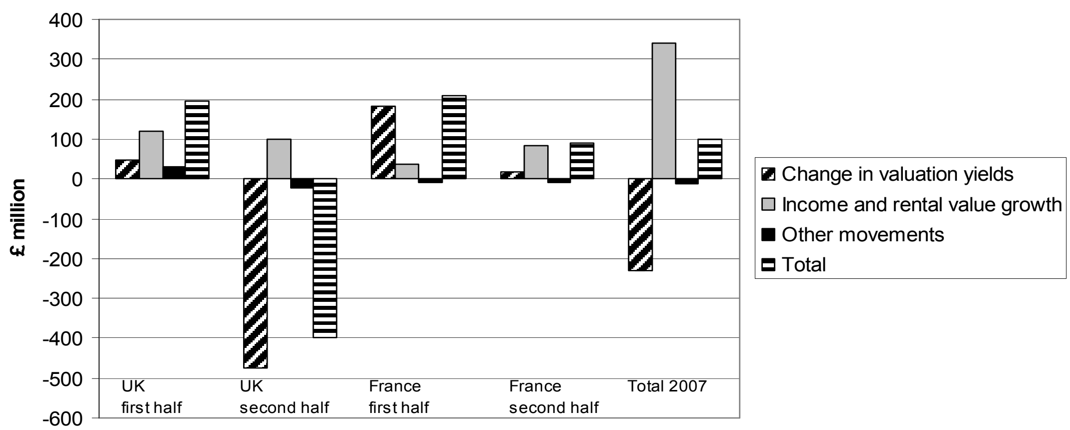
The table below shows the capital returns from the total portfolio for the year ended 31 December 2007.

Capital returns – total portfolio
For the year ended 31 December 2007

	Shopping centres		**Retail parks**		**Offices**		**Total**	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,280	(2.6)	1,225	(5.1)	1,625	(2.2)	5,130	(3.2)
France	1,527	19.4	135	(11.9)	395	14.6	2,057	16.5
Germany	88	8.3	-	-	-	-	88	8.3
Total	**3,895**	**4.8**	**1,360**	**(5.8)**	**2,020**	**1.0**	**7,275**	**1.6**

During 2007, the capital return for the portfolio overall was 1.6%, reflecting an uplift in value of £70 million in the year. However, following an increase in value of £407 million in the first half of 2007, there was a decline of £337 million in the second half. The chart below shows the components of the valuation change.

2007 Components of valuation change



In the first six months of 2007, investment yields reduced in France, and to a lesser extent in the UK, resulting in a valuation increase of £227 million. Income growth, resulting from increased rental values, development surpluses and asset management initiatives, both in the UK and France, generated a further £158 million increase.

By contrast, in the second half of the year, and reflecting weaker general market conditions, investment yields increased in the UK. France saw a further modest reduction in yields. The net effect was a fall in values of £457 million. However, income growth and improved rental values in both countries offset £183 million of this reduction. Exchange and other items, including properties sold in the year, accounted for the other movements in valuation.

Investment portfolio

Valuation Data for Investment Portfolio
for the year ended 31 December 2007

		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	1,731	(53)	(3.1)	1.2	4.6	5.1
	Retail parks	1,178	(71)	(5.6)	(1.8)	4.2	5.2
		2,909	(124)	(4.1)	-	4.4	5.2
Office:	City	1,050	(94)	(8.5)	(4.0)	4.9	5.7
	Other	294	11	6.6	10.9	4.5	6.0
		1,344	(83)	(5.4)	(0.9)	4.8	5.8
Total United Kingdom		4,253	(207)	(4.6)	(0.4)	4.5	5.4
Continental Europe							
France							
Retail		1,532	177	13.4	18.3	4.2	4.6
Office		395	44	14.6	18.6	4.2	4.4
Total France		1,927	221	14.5	19.2	4.2	4.5
Germany							
Retail		89	7	8.3	10.0	4.4	5.7
Total Continental Europe		2,016	228	14.2	18.8	4.2	4.5
Group							
Retail		4,530	60	1.1	5.2	4.4	4.8
Office		1,739	(39)	(1.1)	3.2	4.7	5.4
Total investment portfolio		**6,269**	**21**	**0.5**	**4.6**	**4.3**	**5.1**
Developments		1,006	49	12.5	13.0		
Total group including developments		**7,275**	**70**	**1.6**	**5.4**		

Notes
(1) Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of property value.
(2) The average income return, reflecting the timing of future rental increases, based on current ERV, resulting from lettings, lease renewals and rent reviews, assuming rents are received quarterly in advance.

Our strategy of recycling assets continued in 2007 with some £537 million raised from the disposal of mature assets during the year. In July, we completed the sale of our 50% interest in 9 place Vendôme, Paris 1er, the major office building developed jointly with AXA REIM France. Hammerson's net proceeds from the sale were £207 million, realising a profit of £117 million on our total development costs of £90 million.

Also in July, we sold a 50% interest in WestQuay Shopping Centre, Southampton, for £299 million. WestQuay was opened in 2000, following its development in a 50:50 joint venture with Barclays, and we purchased their 50% interest in December 2004 for £203 million. The scheme is anchored by John Lewis and Marks & Spencer and provides 76,200m^2 of high quality retail space. Hammerson and its new partner, GIC Real Estate, each hold their respective 50% interests in WestQuay in a joint venture partnership, with Hammerson retained as asset manager.

During 2007, the group invested a total of £824 million of which £407 million was accounted for by expenditure on the current development programme. In March, we acquired Ravenhead Retail Park, located near St Helens town centre, for £120 million. It provides 27,500m^2 of retail accommodation with a current passing rent of £4.6 million. Plans are well advanced for a £12 million extension to the park.

The freehold of Stockley House, London SW1 was acquired in May for a total of £71 million. Built in 1985, the 6,500m^2 eight-storey office building generates annual net rental income of £3.1 million from leases expiring in 2010 and 2011. The building is adjacent to Victoria Station where we have existing ownerships. Hammerson has been selected as preferred development partner by Network Rail for the regeneration of the station, to include a major mixed-use development of up to 100,000m^2. The proposals for Stockley House would be incorporated into our broader masterplan for the area.

In November we agreed final terms for the acquisition of the City of London's 25% long leasehold interest in Bishops Square, London E1. Hammerson entered into a joint venture agreement with the City in 2002 to develop the scheme, with the final payment to be made following completion of the building and the confirmation of all costs. The payment of £130 million has been accrued in the accounts and will be paid in May 2008. The City retains the freehold interest in the scheme, with Hammerson holding an effective 95% economic interest. Bishops Square is fully let, principally to Allen & Overy, the international law firm, and the total passing rent from the scheme is £35.9 million.

We expanded our French retail portfolio in 2007 with the acquisition of two retail park developments and The Grand Maine shopping mall, Angers, Maine et Loire. The latter was purchased in October for £46 million, including costs. The centre is anchored by a Carrefour hypermarket and produces an annual rental income of £2.2 million. There are opportunities to extend and enhance the scheme.

Rental income

Net rental income totalled £276 million in 2007, whilst passing rents from the investment portfolio were £308 million at 31 December 2007.

Following expiries in 2007, 119 leases with rents passing of £10.0 million were relet, securing additional annual income of £1.4 million. The leasing of vacant units secured a further £8.3 million of annual income.

In the UK, we agreed 114 rent reviews in 2007, resulting in increased annual rents of £2.3 million in respect of leases which had passing rents of £15.9 million. Reviews remaining to be settled from 2007 could increase annual rents by a further £3.5 million.

In France, shopping centre rents are indexed annually according to a construction cost index. The index applicable for most leases in 2007 was 7.1% and the comparable figure from 1 January 2008 is 5.05%. The basis of indexation for retail leases is being amended with effect from 2009 and will change to an index partly based on changes in retail prices.

Rental Data for Investment Portfolio
for the year ended 31 December 2007

		Gross rental income £m	Net rental income £m	Vacancy rate %	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes				(1)	(2)	(3)	(4)
United Kingdom							
Retail:	Shopping centres	102.3	90.0	1.0	84.5	91.6	7.4
	Retail parks	50.7	48.3	2.2	50.6	60.0	15.5
		153.0	138.3	1.5	135.1	151.6	10.5
Office:	City	57.1	49.7	-	63.5	62.3	(1.9)
	Other	13.1	11.6	1.3	17.6	21.6	20.9
		70.2	61.3	0.3	81.1	83.9	3.1
Total United Kingdom		223.2	199.6	1.0	216.2	235.5	7.7
Continental Europe							
France							
Retail		61.4	54.4	1.8	75.1	80.7	5.6
Office		15.7	14.1	10.3	13.0	13.9	(4.0)
Total France		77.1	68.5	3.1	88.1	94.6	4.1
Germany							
Retail		3.5	1.2	15.5	4.0	4.9	3.4
Total Continental Europe		80.6	69.7	3.7	92.1	99.5	4.1
Group							
Retail		217.9	193.9	1.9	214.2	237.2	8.6
Office		85.9	75.4	1.6	94.1	97.8	2.1
Total investment portfolio		**303.8**	**269.3**	**1.8**	**308.3**	**335.0**	**6.6**
Income from developments and other sources not analysed above		7.7	6.4				
As disclosed in note 1 to the accounts		**311.5**	**275.7**				
Selected data for the year ended 31 December 2006							
Total investment portfolio		272.8	235.3	3.4	288.6	317.6	5.2

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 total ERV of the property or portfolio.
(2) The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents.
(3) The estimated market rental value of lettable space in a property after deducting head and equity rents, calculated by the group's valuers.
(4) The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space.

Occupancy

The occupancy rate in the investment portfolio at 31 December 2007 was 98.2%, compared with 96.6% at the end of 2006. The increase principally reflected progress in letting space in the London office portfolio where the occupancy rate now stands at 99.7%.

Income security and quality

Our investment portfolio generates a secure income stream with good growth potential. We have a large number of occupiers, generally of good financial standing, with diverse businesses, so the risk to Hammerson of individual tenant default is low. The weighted average unexpired lease term is 10.5 years.

At 31 December 2007, the group's five largest retail tenants by rental income represented 10.6% of total rents passing from the investment portfolio: B&Q 3.2%; Pinault Printemps Redoute 2.3%; Arcadia 2.0%; H&M 1.8%; and DSG Retail 1.3%. In the office portfolio, the three largest tenants accounted for 15.9% of total rents passing from the investment portfolio: Allen & Overy 11.2%; Deutsche Bank 3.3%; and Barclays 1.4%.

Lease expiries and breaks

Leases with current rents passing of £50.4 million will expire, or are subject to tenants' break clauses, during the period from 2008 to 2010, as shown in the table below. These expiries and break options are spread throughout the portfolio and there are no properties where the current rent is significantly above the market rent. We estimate that, assuming renewals take place at current rental values, additional rents of £6 million would be secured, principally in the retail portfolio. This is not a forecast and takes no account of void periods, lease incentives or possible changes in rental values.

Lease expiries and breaks
as at 31 December 2007

		Rents passing that expire/ break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
		2008 £m	**2009 £m**	**2010 £m**	**2008 £m**	**2009 £m**	**2010 £m**	**to break years**	**to expiry years**
Notes		(1)	(1)	(1)	(2)	(2)	(2)		
United Kingdom									
Retail:	Shopping centres	8.1	1.8	3.1	9.6	2.0	3.3	9.5	10.2
	Retail parks	1.0	0.2	0.7	1.3	0.4	0.8	14.2	14.6
		9.1	2.0	3.8	10.9	2.4	4.1	11.4	12.0
Office:	City	2.0	-	0.1	1.9	-	0.1	13.5	16.2
	Other	1.4	1.5	2.1	2.8	1.9	2.2	5.1	7.3
		3.4	1.5	2.2	4.7	1.9	2.3	11.8	14.4
Total United Kingdom		**12.5**	**3.5**	**6.0**	**15.6**	**4.3**	**6.4**	**11.5**	**13.0**
Continental Europe									
France									
Retail		13.3	6.0	8.4	14.5	5.4	9.4	1.3	4.1
Office		0.3	-	-	0.3	-	-	2.2	5.8
Total France		**13.6**	**6.0**	**8.4**	**14.8**	**5.4**	**9.4**	**1.4**	**4.3**
Germany									
Retail		0.3	0.1	-	0.4	0.1	-	6.3	8.0
Total Continental Europe		**13.9**	**6.1**	**8.4**	**15.2**	**5.5**	**9.4**	**1.6**	**4.5**
Group									
Retail		22.7	8.1	12.2	25.8	7.9	13.5	7.7	9.1
Office		3.7	1.5	2.2	5.0	1.9	2.3	10.6	13.3
Total group		**26.4**	**9.6**	**14.4**	**30.8**	**9.8**	**15.8**	**8.6**	**10.5**

Notes
(1) The amount by which rental income, based on rents passing at 31 December 2007, 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 and Germany, it is based on the earliest date of lease expiry.
(2) The ERV at 31 December 2007 for leases that expire or break in each year, after deducting head and equity rents and ignoring the impact of rental growth and any rent-free periods.

Rent reviews

The investment portfolio was 6.6% reversionary overall at the end of 2007, compared with 5.2% at the end of the previous year. The UK shopping centres and retail parks were 7.4% and 15.5% reversionary respectively at the year end. The office portfolio in the UK was 3.1% reversionary. In France, the retail and office portfolios were 5.6% reversionary and 4.0% over-rented respectively.

In the UK, leases with current rents passing of £144 million are subject to rent review in the period to 2010 as shown in the table below. On review, we estimate that rents receivable in respect of these leases would increase by £14.4 million by 2010, if reviewed at current rental values. This is not a forecast and takes no account of changes in rental values before the relevant review dates.

The majority of rents in France are subject to annual indexation.

Rent reviews
as at 31 December 2007

		Rents passing subject to review in				Projected rent at current ERV of leases subject to review in			
		Outstanding £m	**2008 £m**	**2009 £m**	**2010 £m**	**Outstanding £m**	**2008 £m**	**2009 £m**	**2010 £m**
Notes		(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)
United Kingdom									
Retail:	Shopping centres	7.1	14.3	12.5	14.7	8.5	15.4	13.3	15.6
	Retail parks	12.5	5.8	3.8	15.2	14.5	7.6	4.6	17.0
		19.6	20.1	16.3	29.9	23.0	23.0	17.9	32.6
Office:	City	11.0	-	3.7	32.7	11.0	-	4.1	33.6
	Other	1.9	1.0	2.6	5.0	2.0	1.2	3.8	6.0
		12.9	1.0	6.3	37.7	13.0	1.2	7.9	39.6
Total United Kingdom		32.5	21.1	22.6	67.6	36.0	24.2	25.8	72.2

Notes
(1) Rents passing at 31 December 2007, after deducting head and equity rents, which is subject to review in each year.
(2) Projected rents for space that is subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2007, after deducting head and equity rents and ignoring the impact of changes in rental values before the review date.

Additional contracted income

Hammerson's cash flow will increase substantially in 2009 from leases and contracts that have already been signed at current developments. The table below shows additional contracted income on both cash and accounting bases.

Rents passing	**2008 £m**	**2009 £m**	**2010 £m**	**2011 £m**
Shopping centres - UK	1.2	12.6	19.9	21.4
Retail parks - UK	-	2.5	4.9	4.9
Shopping centres - France	3.8	5.2	5.9	6.5
Retail parks - France	-	1.0	1.9	1.9
Total - cash flow	**5.0**	**21.3**	**32.6**	**34.7**
- accounting basis	**9.4**	**28.5**	**33.6**	**33.6**

Note
Figures show Hammerson's share of the income from joint ventures.

Current developments

Our objectives from development are threefold: first, to create assets which will generate an attractive initial yield with significant future growth in income; second, to create assets valued at a surplus above our costs; third, to create prime assets for Hammerson's portfolio of a type which are difficult to acquire on the open market.

Through the schemes we have carried out in recent years, Hammerson has built a reputation as one of the foremost developers in the UK and France, managing complex urban regeneration schemes and forging strong links with local authorities and key occupiers. Real estate development requires us to take a view of future market conditions, anticipate occupiers' needs, exercise strong project management skills and carefully manage risk. Besides the projects underway at any one time, we aim to maintain and advance a substantial pipeline of future development opportunities.

Six developments were underway at 31 December 2007 with an estimated total development cost of £950 million, of which £541 million has already been spent. The value of our overall development portfolio at the end of 2007 was just over £1 billion, compared with its cost of £846 million. Developments with a current value of £681 million will achieve practical completion in 2008.

	Ownership interest %	Lettable area m²	Forecast completion date	Cost to 31/12/07 £m	Value at 31/12/07 £m	Cost to complete £m	Forecast total cost £m	% Let	Estimated annual income £m
Notes				(1)		(1)	(1)	(2)	
Retail									
Cabot Circus, Bristol	50	92,000	Sep 2008	178	198	67	245	75	18
Highcross, Leicester	60	61,000	Sep 2008	137	162	73	210	66	12
Union Square, Aberdeen	100	49,000	Oct 2009	88	87	157	245	25	16
Parinor Extension, Aulnay-sous-Bois	100	24,000	Sep 2008	54	109	26	80	82	7
Offices									
125 Old Broad Street, London EC2 (3)	50	30,900	Apr 2008	25	128	20	45	-	10
60 Threadneedle Street, London EC2	100	20,600	Nov 2008	59	84	66	125	-	12
Total				**541**	**768**	**409**	**950**	**41**	**75**

	Cost to 31/12/07 £m	Value at 31/12/07 £m
Other developments	259	238
Profit on disposal of 50% of 125 Old Broad Street(3)	46	-
Total development properties (note 7 to the accounts)	**846**	**1,006**

Notes
(1) Capital costs including capitalised interest.
(2) Amount let or in solicitors' hands by income at 19 February 2008.
(3) Cost to 31 December 2007 and forecast total cost shown net of £46 million profit on disposal of 50% interest in 2006.
(4) Figures show Hammerson's share of costs, value and income.

Cabot Circus in Bristol, the 92,000m² retail-led mixed-use scheme being developed in a 50:50 joint venture with Land Securities, is on schedule to open in September 2008 and 75% of the forecast rental income has been secured. Hammerson's share of the estimated income is £18 million and its total development cost £245 million. On completion, Cabot Circus will re-establish Bristol as a top-ten UK retail destination.

In Leicester, the anchor store at the Highcross development has been handed over to John Lewis on schedule for fitting out. The scheme is a 60:40 joint venture with Hermes, and 66% of the target income has been secured or is in solicitors' hands. The shopping centre extension is scheduled to open in September 2008 at an estimated total development cost to Hammerson of £210 million. When complete, the project will more than double the size of the existing Shires shopping centre to over 100,000m².

The development at Union Square of a nine-hectare site beside Aberdeen railway station will provide 49,000m² of space including retail units, leisure and catering, a 200 bedroom hotel and 1,700 car parking spaces. Having handed over the new rail freight yards to Network Rail, work has now started at the Guild Street site next to the railway station. The estimated total development cost of the scheme, which is expected to be completed towards the end of 2009, is £245 million and the projected rental income is £16 million per annum, of which 25% is let or in solicitors' hands.

The extension to the Parinor shopping centre to the north of Paris commenced in October 2006 and is being built in two phases, with anticipated completion in April and September 2008 respectively. Anchored by Planète Saturn and Toys 'R' Us, the estimated total development cost is £80 million. The works will increase the area of the scheme to over 90,000m², making it the largest shopping centre serving the north of Paris. It will also enhance the footfall in the existing malls. Over 80% of the forecast annual income of £7 million from the extension has been secured.

The former London Stock Exchange at 125 Old Broad Street is a joint venture with two co-investors, GE Capital and Bank of Ireland, each of which has a 25% interest in the scheme. Hammerson is managing the development and will be retained as the asset manager when the building is completed, scheduled to be in April 2008. The project will provide 29,700m² of prime office space and 1,200m² of retail accommodation and Hammerson's share of the estimated rental income is £10 million. Letting interest is encouraging and around 40% of the projected rental income is under offer.

Construction work is also progressing at 60 Threadneedle Street to create a 19,400m² nine-storey office building and 1,200m² of retail space. When completed in November 2008 at an estimated cost of £125 million, it will provide excellent modern accommodation in one of the best locations in the City of London. The estimated rental income for the scheme is £12 million per annum.

In December, we acquired the five hectare development site of Cap Malo Retail Park, near Rennes, at a cost of £7 million. Planning consent has been granted for 11,800m² of retail park accommodation and development costs are estimated at a further £7 million. Work is expected to start on site in March 2008 for completion in March 2009.

Also in December, we entered into an agreement to acquire the freehold of St Omer Retail Park, located 2km south of St Omer, between Calais and Lille. The scheme is currently under development and Hammerson's ownership on completion will amount to 19,300m². Around 85% of the park is pre-let and the estimated net rental income on completion, expected in October 2009, will be £1.2 million per annum.

Future developments

Hammerson has built up a very attractive pipeline of future development opportunities. In total the pipeline could involve investment of some £6 billion over the next decade in retail and office schemes both in the UK and France. These projects, which are listed in the table below, include: major retail-led city centre regeneration schemes; extensions to existing retail centres; retail park schemes; and office developments. We continued to make good progress in 2007 in advancing many of these schemes through the various feasibility, site assembly and planning stages.

Future Development Pipeline

Major retail-led schemes	**Retail parks**
Brent Cross and Cricklewood, NW London	Abbey Retail Park, Belfast
Central Area, Milton Keynes	Fife Central Retail Park, Kirkcaldy
Eastgate Quarter, Leeds	Manor Walks, Cramlington
Kingston-upon-Thames	Nice Lingostière, Nice
Martineau Galleries, Birmingham	Parc Tawe, Swansea
North Westgate, Peterborough	The Orchard Centre, Didcot
Sevenstone, Sheffield	
Swansea city centre	
Retail extensions	**Offices**
Espace St Quentin, St Quentin-en-Yvelines	Bishopsgate Goodsyard, London E1
Italie 2, Paris	Bishops Place, London E1
Les 3 Fontaines, Cergy-Pontoise	Paddington Triangle, London W2
WestQuay III, Southampton	Shoreditch High Street, London E1
	Victoria, London SW1

In all of our future developments the current committed capital remains modest and we have flexibility over when we become committed to start work on the schemes. We will generally commit to major projects only when a degree of pre-letting has been achieved and the appropriate funding is in place. The latter may include joint venture arrangements.

Good progress has been made in Sheffield on our 105,000m² mixed-use regeneration of the city centre. An agreement for lease has been signed with John Lewis to anchor the scheme, which is now known as Sevenstone.

In February 2007, a resolution to grant planning consent was passed for our 122,000m² retail-led regeneration of Leeds city centre. Eastgate Quarter is to be developed in a 90:10 joint venture between Hammerson and Leeds-based Town Centre Securities. It will be anchored by a 26,000m² John Lewis store and a Marks & Spencer store of 17,900m², include over 100 retail units, restaurants and bars, a hotel, office accommodation, new homes and 2,880 car parking spaces.

Hammerson is a partner in the Brent Cross and Cricklewood Regeneration proposals, for the redevelopment of 100 hectares, bordered by Brent Cross Shopping Centre to the north and Cricklewood Lane to the south. The proposals include the creation of a new town centre, including office and retail accommodation, 7,500 homes and associated community infrastructure. The proposals are being evolved in conjunction with the Mayor of London and the London Borough of Barnet. A planning application for the masterplan will be submitted during 2008. The scheme proposals were recently awarded "Best Conceptual Project" in the Mayor of London's 2007 Planning Awards.

In Southampton we are progressing a scheme with our 50:50 joint venture partner GIC to create a leisure and retail scheme set around a new town piazza adjacent to the partners' WestQuay shopping centre. The scheme will be anchored by Cineplex.

We had been selected by the Royal Borough of Kingston-upon-Thames as development partner for the regeneration of the town centre. Following a review of EU procurement rules, the Council has put the scheme out to tender. Hammerson intends to continue to progress its plans whilst participating in the tender process.

Hammerson, together with Urban Splash, has been selected as the development partner for the regeneration of Swansea city centre. Our masterplan includes 56,000m² of retail space, leisure facilities, offices, two hotels, a conference venue, 1,000 residential units and 3,000 car parking spaces.

Within the retail parks sector, we are planning a major expansion of our existing interests in Cramlington town centre. We will be making a planning application in 2008 to increase the size of the centre by over 50%.

In Scotland, we have received planning permission to create 11,000m² of retail warehousing and 360 car parking spaces on a site adjacent to our existing retail park in Kirkcaldy, Fife. Over 80% of the new accommodation has been pre-let and a start on site is anticipated in summer 2008. During 2007 we have made good progress advancing our plans for extensions to a number of our other retail parks, including those at Didcot and Belfast.

The group is progressing the Bishops Place project in Bishopsgate, London E1, having acquired an option to purchase a development site adjoining its existing Norton Folgate site. We submitted a planning application in August 2007 for a mixed-use development totalling 100,000m², incorporating 62,000m² of offices.

In France, plans are being worked up for the expansion of our shopping centre at Les 3 Fontaines in Cergy-Pontoise. The scheme will create an additional 30,000m² of space, of which Hammerson's ownership would be 18,000m², encompassing 15 stores, 50 shop units and 2,200 car parking spaces.

In May 2007 we entered into an exclusivity agreement with JP Morgan Chase to develop a new European headquarters building for the bank. We are working with our partner, the City of London, to create a building of around 90,000m² on the site of an existing building, St Alphage House, owned by the City. We aim to submit a planning application in 2008, with a view to a start on site next year. JP Morgan Chase will own the building.

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.

Profit before tax

Profit before tax for the year ended 31 December 2007 was £110.4 million compared with £792.4 million for 2006. The reduction resulted principally from the lower revaluation gains for the investment portfolio in 2007. Adjusted profit before tax, analysed in the table below, was £117.3 million, an increase of £22.8 million, or 24.1% on the previous year.

Analysis of profit before tax	**2007 £m**	**2006 £m**
Profit before tax	**110.4**	**792.4**
Adjustments:		
Profit on sale of investment properties	(39.8)	(95.8)
Revaluation gains on investment properties	(20.7)	(664.8)
Revaluation losses on development properties	25.7	-
Goodwill impairment	-	12.6
Provision relating to formerly owned property	6.0	-
Investment impairment	3.6	-
Bond redemption costs	28.3	34.0
Change in fair value of derivatives	3.8	16.1
Adjusted profit before tax	**117.3**	**94.5**

Compared with 2006, adjusted earnings per share in 2007 increased by 7.5 pence, or 22.9%, to 40.3 pence as the growth in net rental income more than offset increased interest and administration costs. Note 6 to the accounts on page 31 provides detailed calculations for earnings per share.

Net rental income

For the year ended 31 December 2007, net rental income was £275.7 million compared with £237.4 million in the previous year. Just over half of the increase was due to a full year's contribution from the recent development at Bishops Square. The balance arose principally from lettings, rent reviews and indexation in France.

Our investment portfolio showed a like-for-like increase in net rental income of 7.4%. The tables on the following page show the year-on-year movements for the portfolio.

In 2007, rent receivable of £18.2 million has been accrued and allocated to rent-free periods. Net rental income of £2.9 million was related to retail occupiers' turnover whilst shopping centre car parks generated net income of £7.8 million in 2007.

Like-for-like net rental income analysis

For the year ended 31 December 2007

	Properties owned throughout 2006/7 £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
United Kingdom					
Retail	106.7	19.9	7.2	2.6	136.4
Office	36.3	2.2	-	26.0	64.5
Total United Kingdom	**143.0**	**22.1**	**7.2**	**28.6**	**200.9**
Continental Europe					
France	68.6	0.4	(0.2)	2.6	71.4
Germany	-	-	-	1.2	1.2
Total Continental Europe	**68.6**	**0.4**	**(0.2)**	**3.8**	**72.6**
Group					
Retail	161.0	20.3	7.0	3.9	192.2
Office	50.6	2.2	-	28.5	81.3
Total investment portfolio	**211.6**	**22.5**	**7.0**	**32.4**	**273.5**
Income from developments and other sources not analysed above	2.2	-	-	-	2.2
Total portfolio	**213.8**	**22.5**	**7.0**	**32.4**	**275.7**

For the year ended 31 December 2006

	Properties owned throughout 2006/7 £m	Acquisitions £m	Disposals £m	Developments £m	Exchange £m	Total net rental income £m
United Kingdom						
Retail	103.5	6.7	20.2	2.0	-	132.4
Office	30.6	-	1.4	6.6	-	38.6
Total United Kingdom	134.1	6.7	21.6	8.6	-	171.0
Continental Europe						
France	63.0	-	(0.1)	2.1	(0.3)	64.7
Germany	-	-	0.3	(0.1)	-	0.2
Total Continental Europe	63.0	-	0.2	2.0	(0.3)	64.9
Group						
Retail	153.9	6.7	20.4	1.7	(0.3)	182.4
Office	43.2	-	1.4	8.9	-	53.5
Total investment portfolio	197.1	6.7	21.8	10.6	(0.3)	235.9
Income from developments and other sources not analysed above	1.5	-	-	-	-	1.5
Total portfolio	198.6	6.7	21.8	10.6	(0.3)	237.4

Administration expenses

Administration expenses totalled £41.2 million in 2007 compared with £36.1 million in 2006. The increase was primarily accounted for by increased staffing and performance-related remuneration, which together accounted for £3.3 million of the increase.

Net finance costs

For the year ended 31 December 2007, net finance costs, excluding the change in fair value of derivatives and bond redemption costs, increased by £10.4 million to £117.2 million. Higher interest rates and the cost of funding the first two instalments of the REIT conversion charge were partly offset by the savings achieved from the early redemption of the 10.75% 2013 bonds.

Interest of £27.6 million relating to the development programme was capitalised during the year. The majority related to the retail developments at Cabot Circus, Bristol and Highcross, Leicester.

The average cost of borrowing in 2007 was 5.9% and interest cover was 1.9 times compared with 1.8 times the previous year.

Tax

Since becoming a UK REIT at the beginning of 2007, Hammerson has been exempt from corporation tax on its UK property income and on capital gains on disposals of UK investment properties. The initial effects of the UK REIT election were accounted for in the 2006 accounts. UK REIT status and the SIIC exemption of our French business mean that, in future, the current tax charge should be minimal. However, the sale of our interest in 9 place Vendôme, the only French property outside the SIIC regime, crystallised a tax liability of £17.7 million. The related deferred tax provision of £28.7 million has been released.

Dividend

The Board is proposing a final dividend of 15.3 pence per share. It is intended that 7.7 pence per share will be paid as a PID, net of withholding tax where appropriate, and the remainder of 7.6 pence per share paid as a normal dividend. Together with the interim dividend of 12 pence, this makes a total of 27.3 pence per share for the year, representing an increase of 25.9% over the total dividend for 2006.

Cash flow

For the year ended 31 December 2007, there was a cash outflow from operating activities of £29 million compared with an inflow of £6 million in 2006. Increased interest payments and the payment of two UK REIT entry charge instalments totalling £50 million more than offset increased rental income.

In 2007, disposals raised £537 million whilst capital expenditure and acquisitions amounted to £543 million. The latter figure excludes the acquisition of Ravenhead Retail Park paid for with the Company's shares and an accrual for the acquisition of the leasehold interest in Bishops Square. After the net cash inflow from financing activities of £35 million, there was a net decrease in cash and deposits for the year of £12 million.

Balance sheet

In the Half-Year Report for the six months to 30 June 2007, we reported net asset value per share, calculated in accordance with EPRA recommendations, of £16.35, representing an increase of £1.35 or 9.0% during the half year. Since that time the decline in property values has reduced net asset value per share by £0.90 or 5.5% to £15.45 at 31 December 2007. Accordingly there was an increase for the year of £0.45 or 3.0%. If the bond redemption costs of £28.3 million are excluded, the increase in adjusted net asset value per share for 2007 as a whole would have been £0.55, or 3.7%. The tables below show how net asset value is calculated and the components of the movement in the year.

During the year, we purchased 1.45 million of the Company's own shares in the open market for £16.8 million, representing an average price of £11.59 per share. The shares are held in treasury.

Analysis of net asset value		**2007**		2006
	£m	**£ per share**	£m	£ per share
Basic	**4,354.6**	**14.98**	4,165.1	14.60
Dilution on exercise of share options	**6.4**	**n/a**	8.7	n/a
Diluted	**4,361.0**	**15.06**	4,173.8	14.61
Adjustments:				
Fair value of derivatives	**13.2**	**0.05**	8.8	0.03
Deferred tax	**99.6**	**0.34**	103.3	0.36
EPRA	**4,473.8**	**15.45**	4,285.9	15.00
Basic shares in issue (million)	**290.6**		285.2	
Diluted shares in issue (million)	**289.6**		285.7	

Movement in net asset value	**Equity shareholders' funds* £m**	**EPRA NAV* £ per share**
31 December 2006	4,285.9	15.00
Revaluation:		
equity changes	76.9	0.27
income changes	(5.0)	(0.02)
Retained profit (excluding revaluation losses and bond redemption costs)	116.7	0.40
Bond redemption costs	(28.3)	(0.10)
Dividends	(79.1)	(0.27)
Issue of shares for acquisition	79.0	-
Exchange and other movements	27.7	0.17
31 December 2007	**4,473.8**	**15.45**

* Excludes deferred tax and the fair value of derivatives

Financing

Our policy is to optimise the group's weighted average cost of capital by using an appropriate mix of debt and equity. We monitor the group's financial structure against guidelines approved by the Board which currently include minimum interest cover of 1.8 times and gearing of no more than 85% for an extended period.

At 31 December 2007, borrowings were £2,524 million and cash and deposits £28 million so that net debt amounted to £2,496 million. Gearing was 57% compared with 54% at the end of 2006 and the loan to value ratio was 41%. The average maturity of the group's borrowings was nearly nine years with £461 million maturing in the next three years. Virtually all debt was unsecured at the year end and 66% was at fixed rates of interest.

During 2007 we arranged a new £340 million five-year bank facility and redeemed the remaining £106 million 10.75% 2013 sterling bonds at a premium of £28 million.

At 31 December 2007, the market value of borrowings was £2,433 million, which was £91 million less than their book value. This was equivalent, after tax relief, to an increase of 23 pence in net asset value per share.

At the end of 2007, we had undrawn committed facilities of £561 million which, when added to cash and deposits, provided liquidity of £590 million. Additional bank facilities totalling £300 million have been put in place since December and we expect to conclude further facilities in the first half of 2008.

Consolidated income statement

For the year ended 31 December 2007	Notes	**2007 Unaudited £m**	2006 Audited £m
Gross rental income	1	**311.5**	278.2
Operating profit before other gains	1	**234.5**	201.3
Other gains	1	**25.2**	748.0
Operating profit	1	**259.7**	949.3
Finance costs		**(129.8)**	(118.0)
Bond redemption costs		**(28.3)**	(34.0)
Change in fair value of derivatives		**(3.8)**	(16.1)
Finance income		**12.6**	11.2
Net finance costs	3	**(149.3)**	(156.9)
Profit before tax		**110.4**	792.4
Current tax	4A	**(16.4)**	(99.4)
Deferred tax	4A	**17.6**	333.8
Tax credit		**1.2**	234.4
Profit for the year		**111.6**	1,026.8
Attributable to:			
Equity shareholders		**101.0**	1,016.9
Minority interests		**10.6**	9.9
Profit for the year		**111.6**	1,026.8
Basic earnings per share	6	**34.9p**	357.5p
Diluted earnings per share	6	**34.9p**	356.9p

Adjusted earnings per share are shown in note 6. All results derive from continuing operations.

Consolidated balance sheet

As at 31 December 2007

	Notes	2007 Unaudited £m	2006 Audited £m
Non-current assets			
Investment and development properties	7	**7,275.0**	6,716.0
Interests in leasehold properties		**30.3**	32.4
Plant, equipment and owner-occupied property	8	**43.1**	42.2
Investments	10	**80.1**	64.9
Receivables	11	**12.9**	13.6
		7,441.4	6,869.1
Current assets			
Receivables	12	**152.3**	148.0
Cash and deposits	13	**28.6**	39.4
		180.9	187.4
Total assets		**7,622.3**	7,056.5
Current liabilities			
Payables	14	**387.0**	218.2
Tax liabilities	4D	**113.2**	111.1
Borrowings	15	**406.5**	210.2
		906.7	539.5
Non-current liabilities			
Borrowings	15	**2,117.7**	2,072.4
Deferred tax	4D	**99.6**	103.3
Tax liabilities	4D	**3.1**	55.1
Obligations under finance leases		**30.1**	32.3
Other payables		**34.1**	32.2
Provision	1	**6.0**	-
		2,290.6	2,295.3
Total liabilities		**3,197.3**	2,834.8
Net assets		**4,425.0**	4,221.7
Equity			
Share capital	17	**72.6**	71.3
Share premium account	18	**740.0**	660.5
Translation reserve	18	**86.0**	(62.9)
Hedging reserve	18	**(71.4)**	59.9
Capital redemption reserve	18	**7.2**	7.2
Other reserves	18	**10.6**	8.9
Revaluation reserve	18	**156.3**	78.9
Retained earnings	18	**3,373.9**	3,348.3
Investment in own shares	19	**(3.8)**	(7.0)
Treasury shares	20	**(16.8)**	-
Equity shareholders' funds		**4,354.6**	4,165.1
Equity minority interests		**70.4**	56.6
Total equity		**4,425.0**	4,221.7
Diluted net asset value per share	6	**£15.06**	£14.61
EPRA net asset value per share	6	**£15.45**	£15.00

Consolidated statement of recognised income and expense

For the year ended 31 December 2007	Notes	**2007 Unaudited £m**	2006 Audited £m
Foreign exchange translation differences		**154.0**	(31.1)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	18	**(131.3)**	27.0
Revaluation gains on development properties	18	**75.0**	67.0
Revaluation gains on owner-occupied property	18	**-**	7.6
Revaluation gains on investments	18	**1.9**	14.4
Acquisition of minority interests	18	**-**	(2.2)
Transfer to income statement on impairment of investment	18	**3.1**	-
Actuarial gains/(losses) on pension schemes	18	**5.9**	(0.9)
Tax on items taken directly to equity	4C	**(5.3)**	(4.0)
Net gain recognised directly in equity		**103.3**	77.8
Profit for the year		**111.6**	1,026.8
Total recognised income and expense		**214.9**	1,104.6
Attributable to:			
Equity shareholders		**199.2**	1,095.7
Minority interests		**15.7**	8.9
Total recognised income and expense		**214.9**	1,104.6

Reconciliation of equity

For the year ended 31 December 2007	Notes	**2007 Unaudited £m**	2006 Audited £m
Opening equity shareholders' funds		**4,165.1**	3,125.8
Issue of shares		**80.8**	1.1
Share-based employee remuneration	18	**5.2**	3.8
Proceeds on award of own shares to employees	18	**0.2**	0.4
Purchase of own shares	19	**-**	(4.0)
Purchase of treasury shares	20	**(16.8)**	-
		4,234.5	3,127.1
Total recognised income and expense		**199.2**	1,095.7
		4,433.7	4,222.8
Dividends	5	**(79.1)**	(57.7)
Closing equity shareholders' funds		**4,354.6**	4,165.1

Consolidated cash flow statement

For the year ended 31 December 2007	Notes	**2007 Unaudited £m**	2006 Audited £m
Operating activities			
Operating profit before other gains	1	**234.5**	201.3
Adjustment for non-cash items	21	**(29.3)**	(12.7)
(Increase)/Decrease in receivables		**(10.4)**	14.1
Increase/(Decrease) in payables		**13.4**	(31.9)
Cash generated from operations		**208.2**	170.8
Interest and bond redemption costs paid		**(177.7)**	(155.2)
Interest received		**11.9**	11.0
Tax paid	4D	**(71.6)**	(21.1)
Cash flows from operating activities		**(29.2)**	5.5
Investing activities			
Property and corporate acquisitions		**(163.3)**	(219.5)
Development and major refurbishments		**(335.5)**	(250.5)
Other capital expenditure		**(44.6)**	(29.6)
Sale of property		**537.2**	628.0
Purchase of investments		**(11.0)**	(1.0)
Decrease/(Increase) in non-current receivables		**0.1**	(9.2)
Cash flows from investing activities		**(17.1)**	118.2
Financing activities			
Issue of shares		**1.7**	1.1
Purchase of own shares	19	**-**	(4.0)
Purchase of treasury shares	20	**(16.8)**	-
Proceeds from award of own shares		**0.2**	0.2
Decrease in non-current borrowings		**(28.9)**	(277.7)
Increase in current borrowings		**153.3**	211.0
Dividends paid to minorities		**(1.9)**	(2.4)
Equity dividends paid		**(73.1)**	(57.7)
Cash flows from financing activities		**34.5**	(129.5)
Net decrease in cash and deposits		**(11.8)**	(5.8)
Opening cash and deposits		**39.4**	45.5
Exchange translation movement		**1.0**	(0.3)
Closing cash and deposits	13	**28.6**	39.4

Analysis of movement in net debt

For the year ended 31 December 2007	**Short-term deposits £m**	**Cash at bank £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2007	13.1	26.3	(210.2)	(2,072.4)	(2,243.2)
Unamortised bond issue costs written off	-	-	-	(2.1)	(2.1)
Cash flow	(2.7)	(9.1)	(153.3)	28.9	(136.2)
Exchange	0.5	0.5	(43.0)	(72.1)	(114.1)
Balance at 31 December 2007	**10.9**	**17.7**	**(406.5)**	**(2,117.7)**	**(2,495.6)**

Notes to the accounts

1. OPERATING PROFIT

	Notes	2007 £m	2006 £m
Gross rental income		**311.5**	278.2
Ground and equity rents payable		**(5.4)**	(5.1)
Gross rental income, after rents payable		**306.1**	273.1
Service charge income		**53.0**	45.4
Service charge expenses		**(59.2)**	(53.0)
Net service charge expenses		**(6.2)**	(7.6)
Other property outgoings		**(24.2)**	(28.1)
Property outgoings		**(30.4)**	(35.7)
Net rental income	2	**275.7**	237.4
Management fees receivable		**4.3**	4.1
Cost of property activities		**(27.2)**	(20.9)
Corporate expenses		**(18.3)**	(19.3)
Administration expenses		**(41.2)**	(36.1)
Operating profit before other gains		**234.5**	201.3
Profit on the sale of investment properties		**39.8**	95.8
Revaluation gains on investment properties		**20.7**	664.8
Revaluation losses on development properties		**(25.7)**	-
Goodwill impairment		**-**	(12.6)
Provision relating to formerly owned property		**(6.0)**	-
Investment impairment	10	**(3.6)**	-
Other gains		**25.2**	748.0
Operating profit		**259.7**	949.3

Included in gross rental income is £2.9 million (2006: £3.2 million) calculated by reference to tenants' turnover.
The provision relating to a formerly owned property is expected to crystallise in 2009.

Notes to the accounts *continued*

2. SEGMENTAL ANALYSIS
PRIMARY AND SECONDARY SEGMENTS
The group's primary segments are the geographic locations of its properties. The secondary segments are the business sectors in which the group operates.

TOTALS BY GEOGRAPHIC SEGMENT

	United Kingdom		France		Germany		Unallocated		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Gross rental income	**228.2**	200.9	**79.8**	73.6	**3.5**	3.7	**-**	-	**311.5**	278.2
Ground and equity rents payable	**(5.4)**	(5.1)	**-**	-	**-**	-	**-**	-	**(5.4)**	(5.1)
Property outgoings	**(19.4)**	(22.8)	**(8.8)**	(9.3)	**(2.2)**	(3.6)	**-**	-	**(30.4)**	(35.7)
Net rental income	**203.4**	173.0	**71.0**	64.3	**1.3**	0.1	**-**	-	**275.7**	237.4
Administration expenses	**(16.3)**	(10.7)	**(6.2)**	(5.5)	**(0.4)**	(0.6)	**(18.3)**	(19.3)	**(41.2)**	(36.1)
Operating profit before other gains	**187.1**	162.3	**64.8**	58.8	**0.9**	(0.5)	**(18.3)**	(19.3)	**234.5**	201.3
Other gains	**(236.9)**	527.0	**255.4**	231.4	**6.7**	(10.4)	**-**	-	**25.2**	748.0
Operating (loss)/profit	**(49.8)**	689.3	**320.2**	290.2	**7.6**	(10.9)	**(18.3)**	(19.3)	**259.7**	949.3
Net finance costs	**-**	-	**-**	-	**-**	-	**(149.3)**	(156.9)	**(149.3)**	(156.9)
Segment result	**(49.8)**	689.3	**320.2**	290.2	**7.6**	(10.9)	**(167.6)**	(176.2)	**110.4**	792.4
Non-cash flow items credit/(charge) included in operating profit	**3.8**	11.7	**(0.4)**	1.0	**-**	-	**25.9**	-	**29.3**	12.7
Property assets	**5,129.5**	4,937.2	**2,056.8**	1,707.0	**88.7**	71.8	**-**	-	**7,275.0**	6,716.0
Net debt	**-**	-	**-**	-	**-**	-	**(2,495.6)**	(2,243.2)	**(2,495.6)**	(2,243.2)
Other net (liabilities)/assets	**(323.4)**	(187.7)	**(101.7)**	(113.8)	**0.3**	(6.2)	**-**	-	**(424.8)**	(307.7)
Equity shareholders' funds	**4,806.1**	4,749.5	**1,955.1**	1,593.2	**89.0**	65.6	**(2,495.6)**	(2,243.2)	**4,354.6**	4,165.1
Capital expenditure	**675.6**	746.1	**117.0**	25.4	**3.6**	11.6	**-**	-	**796.2**	783.1

Other net liabilities include all operating assets and liabilities that can be allocated to the segment on a reasonable basis but exclude net debt.

TOTALS BY BUSINESS SEGMENT

	Shopping centres		Retail parks		Offices		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Gross rental income	**165.1**	173.0	**57.3**	41.8	**89.1**	63.4	**311.5**	278.2
Ground and equity rents payable	**(1.4)**	(1.8)	**(0.3)**	(0.1)	**(3.7)**	(3.2)	**(5.4)**	(5.1)
Property outgoings	**(22.9)**	(26.2)	**(2.6)**	(2.4)	**(4.9)**	(7.1)	**(30.4)**	(35.7)
Net rental income	**140.8**	145.0	**54.4**	39.3	**80.5**	53.1	**275.7**	237.4
Property assets	**3,895.2**	3,521.5	**1,359.5**	1,321.1	**2,020.3**	1,873.4	**7,275.0**	6,716.0
Capital expenditure	**340.2**	178.6	**155.8**	493.5	**300.2**	111.0	**796.2**	783.1

2. SEGMENTAL ANALYSIS ***continued***
ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

	Assets employed		Net debt		Equity shareholders' funds	
	2007 £m	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
United Kingdom	**4,806.1**	4,749.5	**(1,383.2)**	(1,246.8)	**3,422.9**	3,502.7
Continental Europe	**2,044.1**	1,658.8	**(1,112.4)**	(996.4)	**931.7**	662.4
	6,850.2	6,408.3	**(2,495.6)**	(2,243.2)	**4,354.6**	4,165.1

As part of the group's foreign currency hedging programme, at 31 December 2007 the group had sold €609.0 million (2006: €369.2 million) forward against sterling: €14.8 million for value on 31 January 2008 at a rate of £1 = €1.388; and €594.2 million for value on 27 June 2008 at a rate of £1 = €1.384.

Net debt cannot be allocated between countries within continental Europe.

3. NET FINANCE COSTS

	2007 £m	2006 £m
Interest on bank loans and overdrafts	**22.0**	13.7
Interest on other loans	**126.9**	121.5
Interest on obligations under finance leases	**3.0**	3.1
Other interest payable	**5.5**	6.3
Gross interest costs	**157.4**	144.6
Less: Interest capitalised	**(27.6)**	(26.6)
Finance costs	**129.8**	118.0
Bond redemption costs	**28.3**	34.0
Change in fair value of interest rate swaps	**(2.4)**	16.1
Change in fair value of currency swaps outside hedge accounting designation	**6.2**	-
Change in fair value of derivatives	**3.8**	16.1
Finance income	**(12.6)**	(11.2)
Net finance costs	**149.3**	156.9

In 2006, £93.8 million of the £200 million 10.75% 2013 sterling bonds were redeemed, leaving £106.2 million outstanding as at 31 December 2006. The remaining bonds were redeemed in 2007. Bond redemption costs in 2007 include a redemption premium of £26.2 million (2006: £32.0 million) and unamortised issue costs of £2.1 million (2006: £2.0 million).

4. TAX
A. TAX CREDIT

	Notes	**2007 £m**	2006 £m
UK current tax			
On net income before revaluations and disposals		**0.1**	0.2
Credit in respect of prior years		**(1.7)**	(0.5)
Entry charge payable on election for UK REIT status		**-**	100.5
		(1.6)	100.2
Foreign current tax			
On net income before revaluations and disposals		**0.2**	1.1
Charge/(Credit) in respect of prior years		**0.1**	(1.9)
On disposals	4D	**17.7**	-
		18.0	(0.8)
Total current tax charge		**16.4**	99.4
Deferred tax			
On net income before revaluations and disposals		**(2.7)**	17.9
Released on disposal of 9 place Vendôme		**(28.7)**	-
On other revaluations and disposals		**32.7**	127.6
On bond redemption costs		**(8.5)**	(10.2)
On change in fair value of interest rate swaps		**0.7**	(4.8)
Credit in respect of prior years		**(7.3)**	(15.7)
Effect of reduction in UK corporation tax rate		**(3.8)**	-
Released on election for UK REIT status		**-**	(448.6)
		(17.6)	(333.8)
Tax credit		**(1.2)**	(234.4)

Notes to the accounts *continued*

4. TAX *continued*

B. TAX CREDIT RECONCILIATION

	2007 £m	2006 £m
Profit before tax	**110.4**	792.4
Profit multiplied by the UK corporation tax rate of 30%	**33.1**	237.7
UK REIT tax exemption on net income before revaluations and disposals	**(34.2)**	-
UK REIT tax exemption on revaluations and disposals	**64.4**	-
SIIC tax exemption net of deferred tax provision on SIIC dividends	**(33.4)**	(33.9)
Disposal of 9 place Vendôme at low effective tax rate	**(22.0)**	-
Prior year adjustments	**(8.9)**	(18.1)
Effect of reduction in UK corporation tax rate	**(3.8)**	-
Deferred tax released in excess of entry charge payable on election for UK REIT status	**-**	(348.1)
Non-taxable surpluses on UK investment properties	**-**	(53.5)
Indexation relief on UK investment properties	**-**	(30.8)
Other items	**3.6**	12.3
Tax credit	**(1.2)**	(234.4)

C. TAX RECOGNISED DIRECTLY IN EQUITY

	2007 £m	2006 £m
Deferred tax charge on revaluations	**1.9**	12.1
Deferred tax on share-based employee remuneration	**1.8**	-
Deferred tax charge on actuarial gains on pension schemes	**1.6**	0.4
Deferred tax released on election for UK REIT status	**-**	(8.5)
Tax recognised directly in equity	**5.3**	4.0

D. CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2007 £m	Recognised in income £m	Recognised in equity £m	Tax paid £m	Exchange and other movements £m	**31 December 2007 £m**
Current tax						
UK REIT entry charge	100.5	(0.1)	-	(50.2)	-	**50.2**
Other UK tax	40.5	(1.5)	-	(0.4)	1.8	**40.4**
French SIIC conversion charge	16.8	-	-	(17.1)	0.3	**-**
9 place Vendôme disposal	-	17.7	-	-	1.3	**19.0**
Other overseas tax	7.8	0.3	-	(3.9)	1.2	**5.4**
	165.6	16.4	-	(71.6)	4.6	**115.0**
Deferred tax						
UK						
Revenue tax losses	(37.2)	(6.7)	-	-	-	**(43.9)**
Surpluses in trading subsidiaries	17.7	(17.6)	-	-	-	**0.1**
Dividends receivable from France (note 4G)	97.2	36.5	2.4	-	8.7	**144.8**
Other timing differences	(3.2)	(1.1)	2.9	-	-	**(1.4)**
France	28.8	(28.7)	-	-	(0.1)	**-**
	103.3	(17.6)	5.3	-	8.6	**99.6**
	268.9	(1.2)	5.3	(71.6)	13.2	**214.6**

	1 January 2007 £m	**31 December 2007 £m**
Analysed as:		
Current liabilities:		
Tax liabilities	111.1	**113.2**
Non-current liabilities:		
Other payables	55.1	**3.1**
Current assets:		
Tax receivables	(0.6)	**(1.3)**
Non-current liabilities:		
Deferred tax	103.3	**99.6**
	268.9	**214.6**

Notes to the accounts *continued*

4. TAX *continued*

D. CURRENT AND DEFERRED TAX MOVEMENTS *continued*

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

A UK REIT entry charge of £2.3 million arising on the acquisition of Ravenhead Retail Park is included within other UK tax.

The provision for UK deferred tax at 31 December 2007 has been calculated at a rate of 28%, reflecting the reduction in the UK corporation tax rate that will apply from 1 April 2008.

Provision has been made in current tax for the £17.7 million of French tax arising on the sale in the year of the company owning 9 place Vendôme. Deferred tax of £28.7 million, which had been calculated on the basis of a sale of the property, has been written back.

The group continues to carry full provision for the £38.0 million of tax (2006: £38.0 million) and £14.3 million interest (2006: £11.3 million) relating to capital gains incurred by the Grantchester Group prior to its acquisition by Hammerson in 2002 in respect of which the tax authorities are disputing whether capital losses can be utilised. In January 2008, the High Court decided in favour of HM Revenue & Customs following which the tax and interest has become payable. The Company is seeking leave to appeal and should the decision ultimately be overturned, the total of £52.3 million will be released.

E. UNRECOGNISED DEFERRED TAX

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 2007 the total of such gains was £1,200 million and the potential tax effect £336 million (2006: £900 million, potential tax effect £270 million).

If a UK REIT sells a property completed after 1 January 2007 within three years of completion of development, the REIT exemption will not apply. The group had no such properties at 31 December 2007 or 31 December 2006.

A deferred tax asset of £17.7 million (2006: £8.2 million) is not recognised for carried forward UK tax losses that may not be utilised, because it is uncertain whether appropriate taxable profits will arise.

F. 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, for properties completed after 1 January 2007, sold within 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.

On entering the REIT regime, entry tax became payable equal to 2% of the market value of the group's qualifying UK properties at 31 December 2006. The financial statements for the year ended 31 December 2006 provided for this entry charge in current tax and showed the corresponding release of deferred tax relating to UK capital gains and UK capital allowances. The total entry charge provided was £100.5 million and is being paid in quarterly instalments between July 2007 and April 2008.

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 which are set out in the UK REIT legislation in the Finance Act 2006.

Notes to the accounts *continued*

4. TAX *continued*

G. FRENCH SIIC STATUS

Hammerson plc has been a French SIIC since 1 January 2004 and all the French properties, with the exception of 9 place Vendôme which was sold in 2007, are within 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 pay UK dividends to its shareholders. Under current UK tax rules, Hammerson plc will be taxed in the UK on dividends received from France, subject to available UK tax losses. If all the properties were realised at their 31 December 2007 values, a total of £517 million of dividends would arise (2006: £324 million), and deferred tax of £144.8 million (2006: £97.2 million) is provided for the potential UK tax thereon.

Dividend obligations will arise after property disposals but there will be a period of approximately four years after a sale before dividends are required to be received in the UK.

Under the SIIC qualifying conditions, Hammerson plc must continue to be listed in France and at least 80% of assets must be employed in property investment. If the conditions are breached before 2014, the original conversion charge would be recalculated at full rates giving an additional £74 million tax cost.

5. DIVIDENDS

The proposed final dividend of 15.3 pence per share (2006: 15.3 pence per share) was recommended by the Board on 25 February 2008 and, subject to approval by shareholders, is payable on 23 May 2008 to shareholders on the register at the close of business on 11 April 2008. It is intended that 7.7 pence per share will be paid as a PID, net of withholding tax where appropriate, and the remainder of 7.6 pence per share will be paid as a normal dividend. Based on the proposed final dividend, the total dividend for the year ended 31 December 2007 will be 27.3 pence per share (2006: 21.68 pence per share).

The £79.1 million dividend included in the reconciliation of equity on page 24 comprises the 2006 final dividend of £44.3 million, which was paid on 14 May 2007, together with the 2007 half-year dividend of £34.8 million. The latter was paid on 19 October 2007 as a PID, and was subject to withholding tax of £6.0 million, which was paid on 14 January 2008.

6. 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.

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 (note 19) and the treasury shares (note 20), which are treated as cancelled.

	Earnings £m	**Shares million**	**2007 Pence per share**	Earnings £m	Shares million	2006 Pence per share
Basic	**101.0**	**289.1**	**34.9**	1,016.9	284.4	357.5
Dilutive share options	**-**	**0.5**	**-**	-	0.5	(0.6)
Diluted	**101.0**	**289.6**	**34.9**	1,016.9	284.9	356.9
Adjustments:						
Revaluation gains on investment properties	**(20.7)**		**(7.1)**	(664.8)		(233.3)
Revaluation losses on development properties	**25.7**		**8.9**	-		-
Profit on the sale of investment properties	**(39.8)**		**(13.7)**	(95.8)		(33.6)
Goodwill impairment	**-**		**-**	12.6		4.4
Change in fair value of derivatives	**3.8**		**1.3**	16.1		5.7
Deferred tax credit	**(17.6)**		**(6.1)**	(333.8)		(117.2)
UK REIT entry tax charge	**-**		**-**	100.5		35.3
Tax on property disposals	**17.7**		**6.1**	-		-
Minority interests in respect of the above	**8.6**		**2.9**	7.8		2.7
EPRA	**78.7**		**27.2**	59.5		20.9
Bond redemption costs	**28.3**		**9.8**	34.0		11.9
Provision relating to formerly owned property	**6.0**		**2.1**	-		-
Investment impairment	**3.6**		**1.2**	-		-
Adjusted	**116.6**		**40.3**	93.5		32.8

Notes to the accounts *continued*

6. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE *continued*

NET ASSET VALUE PER SHARE

	Equity shareholders' funds £m	**Shares million**	**2007 Net asset value per share £**	Equity shareholders' funds £m	Shares million	2006 Net asset value per share £
Basic	**4,354.6**	**290.6**	**14.98**	4,165.1	285.2	14.60
Company's own shares held in Employee Share Ownership Plan	**-**	**(0.3)**	**n/a**	-	(0.7)	n/a
Treasury shares	**-**	**(1.5)**	**n/a**	-	-	n/a
Unexercised share options	**6.4**	**0.8**	**n/a**	8.7	1.2	n/a
Diluted	**4,361.0**	**289.6**	**15.06**	4,173.8	285.7	14.61
Fair value adjustment to borrowings (net of tax)	**65.7**		**0.23**	(63.5)		(0.22)
EPRA triple net	**4,426.7**		**15.29**	4,110.3		14.39
Fair value of derivatives	**13.2**		**0.05**	8.8		0.03
Fair value adjustment to borrowings (net of tax)	**(65.7)**		**(0.23)**	63.5		0.22
Deferred tax	**99.6**		**0.34**	103.3		0.36
EPRA	**4,473.8**		**15.45**	4,285.9		15.00

7. INVESTMENT AND DEVELOPMENT PROPERTIES

	Valuation £m	**Investment properties Cost £m**	**Valuation £m**	**Development properties Cost £m**	**Valuation £m**	**Total Cost £m**
Balance at 1 January 2007	6,181.2	3,820.5	534.8	423.3	**6,716.0**	**4,243.8**
Exchange adjustment	156.8	91.9	2.5	1.6	**159.3**	**93.5**
Additions:						
- Capital expenditure	44.1	44.1	379.7	379.7	**423.8**	**423.8**
- Asset acquisitions	357.1	357.1	15.3	15.3	**372.4**	**372.4**
	401.2	401.2	395.0	395.0	**796.2**	**796.2**
Disposals	(490.7)	(309.8)	(3.4)	(1.7)	**(494.1)**	**(311.5)**
Capitalised interest	-	-	27.6	27.6	**27.6**	**27.6**
Revaluation adjustment	20.7	-	49.3	-	**70.0**	**-**
Balance at 31 December 2007	6,269.2	4,003.8	1,005.8	845.8	**7,275.0**	**4,849.6**

	Valuation £m	Investment properties Cost £m	Valuation £m	Development properties Cost £m	Valuation £m	Total Cost £m
Balance at 1 January 2006	4,958.0	3,348.2	773.7	512.4	5,731.7	3,860.6
Exchange adjustment	(30.2)	(21.2)	(1.8)	(1.8)	(32.0)	(23.0)
Additions:						
- Capital expenditure	79.7	79.7	200.9	200.9	280.6	280.6
- Asset acquisitions	22.9	22.9	53.1	53.1	76.0	76.0
- Corporate acquisitions	400.9	400.9	25.6	25.6	426.5	426.5
	503.5	503.5	279.6	279.6	783.1	783.1
Disposals	(482.5)	(375.5)	(42.7)	(28.0)	(525.2)	(403.5)
Transfers	567.0	364.9	(567.0)	(364.9)	-	-
Capitalised interest	0.6	0.6	26.0	26.0	26.6	26.6
Revaluation adjustment	664.8	-	67.0	-	731.8	-
Balance at 31 December 2006	6,181.2	3,820.5	534.8	423.3	6,716.0	4,243.8

Notes to the accounts *continued*

7. INVESTMENT AND DEVELOPMENT PROPERTIES *continued*

Properties are stated at market value as at 31 December 2007, 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 and Germany, the group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors 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 2007 the total amount of interest included in development properties was £39.8 million (2006: £12.1 million), calculated using the group's average cost of borrowings.

	2007 £m	2006 £m
Capital commitments	**419.7**	746.6

At 31 December 2007, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £155.9 million (2006: £334.7 million).

8. PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	**Plant and equipment £m**	**Total £m**
Book value at 31 December 2007	**34.9**	**8.2**	**43.1**
Book value at 31 December 2006	34.9	7.3	42.2

9. JOINT VENTURES

As at 31 December 2007 certain property and corporate interests, being jointly controlled entities, have been proportionately consolidated, and these are set out in the following table:

	Group share %
Investments	
Brent Cross Shopping Centre	41.2
Brent South Retail Park	40.6
Bristol Alliance Limited Partnership	50
Cricklewood Regeneration Limited	50
Queensgate Limited Partnership	50
The Bull Ring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The London Wall Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Moor House Limited Partnership	66.67
The Oracle Limited Partnership	50
The Shires Limited Partnership	60
The West Quay Limited Partnership	50
Developments	
125 OBS Limited Partnership	50
Bishopsgate Goodsyard Regeneration Limited	50
Paddington Triangle	50
Wensum Developments Limited	50

In July 2007, the group disposed of its 50% interest in 9 place Vendôme SCI and sold a 50% interest in WestQuay Shopping Centre. 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:

9. JOINT VENTURES *continued*

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	West Quay Limited Partnership+ £m	Other £m	Total 2007 £m
Net rental income	18.4	3.5	13.0	8.8	12.4	8.3	7.3	6.2	9.3	**87.2**
Administration expenses	-	(0.1)	-	(0.2)	-	(0.2)	-	-	(0.1)	**(0.6)**
Operating profit before other losses	18.4	3.4	13.0	8.6	12.4	8.1	7.3	6.2	9.2	**86.6**
Other losses	(6.5)	(3.6)	(4.3)	(21.8)	(9.6)	(10.6)	(0.2)	(19.8)	(9.4)	**(85.8)**
Net finance costs	-	0.3	0.1	(1.9)	0.1	0.2	0.2	(0.2)	(2.1)	**(3.3)**
Profit/(Loss) before tax	11.9	0.1	8.8	(15.1)	2.9	(2.3)	7.3	(13.8)	(2.3)	**(2.5)**

BALANCE SHEETS AS AT 31 DECEMBER 2007

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	West Quay Limited Partnership+ £m	Other £m	Total 2007 £m
Non-current assets										
Investment and development properties at valuation	435.3	262.8	312.9	186.7	275.2	169.7	322.4	280.2	325.1	**2,570.3**
Interests in leasehold properties	-	0.3	-	1.9	-	-	-	2.1	10.0	**14.3**
	435.3	263.1	312.9	188.6	275.2	169.7	322.4	282.3	335.1	**2,584.6**
Current assets										
Other current assets	12.4	5.9	4.3	2.2	4.6	1.9	5.0	4.5	4.2	**45.0**
Cash and deposits	-	1.0	0.6	-	1.2	3.8	0.7	1.3	9.1	**17.7**
	12.4	6.9	4.9	2.2	5.8	5.7	5.7	5.8	13.3	**62.7**
Current liabilities										
Other liabilities	(8.8)	(13.0)	(4.4)	(2.2)	(3.3)	(3.2)	(6.8)	(3.5)	(7.4)	**(52.6)**
	(8.8)	(13.0)	(4.4)	(2.2)	(3.3)	(3.2)	(6.8)	(3.5)	(7.4)	**(52.6)**
Non-current liabilities										
Borrowings	-	-	-	-	-	-	-	-	(54.1)	**(54.1)**
Other liabilities	-	-	-	(0.3)	-	-	-	-	-	**(0.3)**
	-	-	-	(0.3)	-	-	-	-	(54.1)	**(54.4)**
Net assets	438.9	257.0	313.4	188.3	277.7	172.2	321.3	284.6	286.9	**2,540.3**

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

* includes Brent Cross Shopping Centre and Brent South Retail Park.

\+ reflects the group's disposal of a 50% interest in WestQuay Shopping Centre in July 2007.

Notes to the accounts *continued*

9. JOINT VENTURES *continued*

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	9 place Vendôme SCI £m	Other £m	Total 2006 £m
Net rental income	17.2	3.2	14.8	5.0	11.9	8.0	7.5	2.5	7.0	**77.1**
Administration expenses	-	(0.1)	(0.1)	(0.3)	(0.4)	(0.7)	(0.4)	-	(0.2)	**(2.2)**
Operating profit before other gains	17.2	3.1	14.7	4.7	11.5	7.3	7.1	2.5	6.8	**74.9**
Other gains	25.9	3.1	21.7	55.1	19.3	20.6	10.8	39.7	14.6	**210.8**
Net finance costs	-	0.1	0.1	(4.5)	0.2	0.1	0.1	-	(2.2)	**(6.1)**
Profit before tax	43.1	6.3	36.5	55.3	31.0	28.0	18.0	42.2	19.2	**279.6**

BALANCE SHEETS AS AT 31 DECEMBER 2006

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	9 place Vendôme SCI £m	Other £m	Total 2006 £m
Non-current assets										
Investment and development properties at valuation	438.7	176.2	317.9	201.3	285.2	180.0	258.1	167.7	235.3	**2,260.4**
Interests in leasehold properties	-	0.3	-	1.9	-	-	-	-	10.1	**12.3**
	438.7	176.5	317.9	203.2	285.2	180.0	258.1	167.7	245.4	**2,272.7**
Current assets										
Other current assets	4.0	1.2	2.0	0.6	3.8	1.9	1.7	3.1	17.1	**35.4**
Cash and deposits	-	3.3	2.6	1.2	2.8	1.9	3.0	0.2	4.2	**19.2**
	4.0	4.5	4.6	1.8	6.6	3.8	4.7	3.3	21.3	**54.6**
Current liabilities										
Other liabilities	(11.6)	(3.3)	(4.8)	(0.9)	(5.3)	(3.3)	(4.5)	(2.3)	(9.6)	**(45.6)**
	(11.6)	(3.3)	(4.8)	(0.9)	(5.3)	(3.3)	(4.5)	(2.3)	(9.6)	**(45.6)**
Non-current liabilities										
Borrowings	-	-	-	-	-	-	-	-	(15.8)	**(15.8)**
Other liabilities	-	(0.3)	-	(2.2)	-	-	-	(0.2)	(10.1)	**(12.8)**
	-	(0.3)	-	(2.2)	-	-	-	(0.2)	(25.9)	**(28.6)**
Net assets	431.1	177.4	317.7	201.9	286.5	180.5	258.3	168.5	231.2	**2,253.1**

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

* includes Brent Cross Shopping Centre and Brent South Retail Park.

10. INVESTMENTS

Available for sale investments	2007 £m	2006 £m
Value Retail Investors Limited Partnerships	**41.2**	47.3
Interests in Value Retail plc and related companies	**38.0**	16.1
Other investments	**0.9**	1.5
	80.1	64.9

11. RECEIVABLES: NON-CURRENT ASSETS

	2007 £m	2006 £m
Loans receivable	**11.7**	10.8
Other receivables	**1.2**	2.8
	12.9	13.6

Loans receivable of £11.7 million (2006: £10.8 million) comprised a loan of €16 million to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2010.

12. RECEIVABLES: CURRENT ASSETS

	2007 £m	2006 £m
Trade receivables	**75.9**	57.1
Other receivables	**65.9**	87.0
Corporation tax	**1.3**	0.6
Prepayments	**9.2**	3.3
	152.3	148.0

13. CASH AND DEPOSITS

	2007 £m	2006 £m
Cash at bank	**17.7**	26.3
Short-term deposits	**10.9**	13.1
	28.6	39.4
Analysis by currency		
Sterling	**20.7**	27.3
Euro	**7.9**	12.1
	28.6	39.4

14. PAYABLES: CURRENT LIABILITIES

	2007 £m	2006 £m
Trade payables	**60.6**	48.7
Other payables	**300.3**	137.3
Accruals	**19.7**	23.4
Fair value of interest rate swaps	**6.4**	8.8
	387.0	218.2

Notes to the accounts *continued*

15. BORROWINGS

A. ANALYSIS

	2007 £m	2006 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.6**	197.5
£300 million 6% Sterling bonds due 2026	**296.6**	296.5
£250 million 6.875% Sterling bonds due 2020	**247.1**	247.0
£300 million 5.25% Sterling bonds due 2016	**297.2**	296.9
€700 million 4.875% Euro bonds due 2015	**511.7**	469.3
£106.2 million 10.75% Sterling bonds due 2013	**-**	103.9
€500 million 6.25% Euro bonds due 2008	**366.8**	336.2
£26 million variable rate loan notes due 2008	**26.0**	26.0
€300 million 5% Euro bonds due 2007	**-**	202.0
Bank loans and overdrafts	**520.3**	90.8
	2,463.3	2,266.1
Fair value of currency swaps	**6.8**	1.0
	2,470.1	2,267.1
Secured		
Sterling variable rate mortgage due 2010	**38.6**	-
Sterling fixed rate mortgage due 2009	**15.5**	15.5
	54.1	15.5
	2,524.2	2,282.6

Security for secured borrowings as at 31 December 2007 is provided by charges on property.

B. MATURITY

	Bank loans and overdrafts £m	Other borrowings £m	2007 Total £m	2006 Total £m
After five years	-	1,550.2	**1,550.2**	1,610.0
From two to five years	552.0	-	**552.0**	100.2
From one to two years	15.5	-	**15.5**	362.2
Due after more than one year	567.5	1,550.2	**2,117.7**	2,072.4
Due within one year	6.9	399.6	**406.5**	210.2
	574.4	1,949.8	**2,524.2**	2,282.6

At 31 December 2006 and 2007 there were no borrowings due after five years repayable by instalments.

C. UNDRAWN COMMITTED FACILITIES

	2007 £m	2006 £m
Expiring after more than two years	**561.0**	845.0

D. INTEREST RATE AND CURRENCY PROFILE

	Fixed rate borrowings %	Years	£m	**Variable rate borrowings** £m	**2007 Total** £m
Sterling	**6.58**	**14**	**782.9**	**621.0**	**1,403.9**
Euro	**5.45**	**5**	**878.5**	**241.8**	**1,120.3**
	5.98	**10**	**1,661.4**	**862.8**	**2,524.2**

	Fixed rate borrowings %	Years	£m	Variable rate Borrowings £m	2006 Total £m
Sterling	7.11	14	857.3	416.8	1,274.1
Euro	5.36	5	1,007.5	1.0	1,008.5
	6.16	10	1,864.8	417.8	2,282.6

Notes to the accounts *continued*

15. BORROWINGS *continued*

E. RATES AT WHICH INTEREST IS CHARGED ON BORROWINGS DUE AFTER MORE THAN ONE YEAR

	2007	2006
	£m	£m
Up to 7%	**1,397.0**	1,361.4
7% to 10%	**197.6**	197.5
Over 10%	**-**	103.9
	1,594.6	1,662.8
Variable rates	**523.1**	409.6
	2,117.7	2,072.4

Variable rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR. The above analysis reflects the effect of currency and interest rate swaps in place at 31 December 2006 and 2007.

16. FINANCIAL INSTRUMENTS
FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of borrowings, with their carrying amounts included in the balance sheet, are as follows:

		2007		2006
	Book value	**Fair value**	Book value	Fair value
	£m	**£m**	£m	£m
Current borrowings	**(399.9)**	**(402.1)**	(209.4)	(210.4)
Non-current borrowings	**(2,133.5)**	**(2,040.0)**	(2,091.3)	(2,181.0)
Unamortised borrowing costs	**16.0**	**16.0**	19.1	19.1
Currency swaps	**(6.8)**	**(6.8)**	(1.0)	(1.0)
Total borrowings	**(2,524.2)**	**(2,432.9)**	(2,282.6)	(2,373.3)
Interest rate swaps	**(6.4)**	**(6.4)**	(8.8)	(8.8)

At 31 December 2007, the book value of financial liabilities exceeded their fair value by £91.3 million (2006: book value £90.7 million less than fair value) equivalent to 32 pence per share (2006: 32 pence per share) on an adjusted net asset value per share basis. On a post-tax basis, the difference was equivalent to 23 pence per share (2006: 22 pence per share).

17. SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2007	2006	**2007**	2006
	£m	£m	**£m**	£m
Ordinary shares of 25p each	**94.8**	94.8	**72.6**	71.3

		Number
Movements in issued share capital		
Number of shares in issue at 1 January 2007		285,201,940
Issued in respect of property acquisition (note 23)		5,019,875
Share options exercised	- Share option schemes	348,897
	- Save As You Earn	13,204
Number of shares in issue at 31 December 2007		**290,583,916**

The number of shares in issue at the balance sheet included 1,450,000 shares held in treasury (2006: nil), see note 20.

Notes to the accounts *continued*

18. RESERVES

	Share premium account £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m
Balance at 1 January 2007	660.5	(62.9)	59.9	7.2
Exchange adjustment	-	148.9	-	-
Net loss on hedging activities	-	-	(131.3)	-
Premium on issue of shares	79.5	-	-	-
Balance at 31 December 2007	**740.0**	**86.0**	**(71.4)**	**7.2**

	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2007	8.9	78.9	3,348.3
Share-based employee remuneration	5.2	-	-
Cost of shares awarded to employees	(3.2)	-	-
Transfer on award of own shares to employees	(0.3)	-	0.3
Revaluation gains on development properties	-	75.0	-
Revaluation gains on investments	-	1.9	-
Transfer on sale of investments	-	(0.1)	0.1
Transfer on sale of development properties	-	(0.6)	0.6
Transfer to income statement on impairment of investment	-	3.1	-
Actuarial gains on pension schemes	-	-	5.9
Proceeds on award of own shares to employees	-	-	0.2
Dividends	-	-	(79.1)
Deferred tax recognised directly in equity	-	(1.9)	(3.4)
Profit for the year attributable to equity shareholders	-	-	101.0
Balance at 31 December 2007	**10.6**	**156.3**	**3,373.9**

19. INVESTMENT IN OWN SHARES

At cost	**2007 £m**	2006 £m
Balance at 1 January	**7.0**	4.4
Purchase of own shares	**-**	4.0
Cost of shares awarded to employees	**(3.2)**	(1.4)
Balance at 31 December	**3.8**	7.0

20. TREASURY SHARES

At cost	**2007 £m**	2006 £m
Balance at 1 January	**-**	-
Purchase of treasury shares	**16.8**	-
Balance at 31 December	**16.8**	-

In September 2007 the Company purchased 1,450,000 of its own shares for a total of £16.8 million.

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

	2007 £m	2006 £m
Depreciation	**1.2**	0.8
Share-based employee remuneration	**5.2**	3.8
Amortisation of lease incentives and other direct costs	**1.3**	1.2
Increase in accrued rents receivable	**(18.2)**	(17.5)
Exchange and other items	**(18.8)**	(1.0)
	(29.3)	(12.7)

Notes to the accounts *continued*

22. CONTINGENT LIABILITIES
There are contingent liabilities of £28.7 million (2006: £27.8 million) relating to guarantees given by the group and a further £27.3 million (2006: £14.0 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 £4.0 million (2006: £2.9 million).

23. ACQUISITION
On 8 March 2007 the group acquired the company owning Ravenhead Retail Park. The acquisition price was £120 million, including costs, which was satisfied through the issue of 5,019,875 ordinary shares in Hammerson plc, with a value of £79 million, and the assumption and immediate repayment of debt of £39 million. No other significant assets or liabilities were acquired and the transaction has been accounted for as an asset acquisition.

24. OTHER 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 2006 but does not constitute the group's statutory accounts for the years ended 31 December 2006 or 2007. 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 for the year ended 31 December 2006 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts and their report was unqualified and did not contain a statement under s.237(2) or (3) Companies Act 1985. The statutory accounts for the year ended 31 December 2007, for which the audit report has not yet been signed, will be finalised on the basis of the financial information presented by the directors in this preliminary announcement, will comply with IFRS and will be delivered to the Registrar of Companies.

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements.

Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these materials. Information contained in this document relating to the Company or its share price, or the yield on its shares, should not be relied upon as a guide to future performance.

SHAREHOLDER INFORMATION

Financial calendar

Full year results announced		25 February 2008
Annual General Meeting		1 May 2008
Interim management statement		1 May 2008
Recommended final dividend	- Ex-dividend date	9 April 2008
	- Record date	11 April 2008
	- Payable on	23 May 2008
Anticipated 2008 half-year dividend		October 2008

Website
The 2007 Annual Report and other information will be available on the Company's website, www.hammerson.com, when posted to shareholders. The Company operates a service whereby all registered users of the Company's website can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

Registered Office
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Glossary of Terms

Adjusted figures (per share) Reported amounts adjusted to exclude certain non-recurring items as set out in note 6 to the accounts.

Anchor store A major store, usually a department 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 value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.

Earnings per share (or 'EPS') Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.

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.

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 valuers.

Gearing Net debt expressed as a percentage of equity shareholders' funds.

Gross rental income Income from rents, car parks and commercial income.

IFRS International Financial Reporting Standard.

IPD Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.

Initial yield Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of property value.

Interest cover Net rental income divided by net cost of finance before capitalised interest, the change in fair value of derivatives and bond redemption costs.

Interest rate and currency swap (or 'derivatives') An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.

Like-for-like / underlying net rental income The percentage change in rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.

Loan to value ratio Borrowings and foreign currency swaps expressed as a percentage of the total value of investment and development properties.

Net asset value per share (or 'NAV') Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

Over-rented The percentage by which the ERV falls short of rents passing, together with the estimated rental value of vacant space.

Property Income Distribution (PID) A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.

Glossary of Terms *continued*

Pre-let	A lease signed with a tenant prior to completion of a development.
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	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	Capital growth and profit for the year expressed as a percentage of shareholders' funds at the beginning of the year, all excluding deferred tax.
Reversionary or under-rented	The percentage by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
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.
True equivalent yield	The average income return, reflecting the timing of future rental increases, based on current ERV, resulting from lettings, lease renewals and rent reviews, assuming rents are received quarterly in advance.
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 the property or portfolio.