NEWS RELEASE

Hammerson

Embargoed until 7.00 a.m. - Monday, 26 February 2007

Hammerson plc – Results for the year ended 31 December 2006

Financial Highlights

	2006	2005	Change
Net rental income	**£237.4m**	£210.3m	+12.9%
Profit before tax	**£792.4m**	£698.6m	+13.4%
Adjusted profit before tax(1)	**£94.5m**	£89.4m	+5.7%
Basic earnings per share	**357.5p**	198.0p	+80.6%
Adjusted earnings per share(2)	**32.8p**	31.2p	+5.1%
Dividend per share(3)	**21.68p**	19.71p	+10.0%
Equity shareholders' funds	**£4,165m**	£3,126m	+33.2%
Net asset value per share, EPRA basis(4)	**£15.00**	£12.37	+21.3%
Return on shareholders' equity(5)	**25.3%**	34.0%	

Notes

(1) *Excluding net gains on investment properties, the changes in the fair value of interest rate swaps and costs of bond redemption totalling £697.9 million (2005: £609.2 million).*

(2) *Excluding gains on investment properties, the changes in the fair value of interest rate swaps, costs of bond redemption, the UK REIT entry charge, deferred tax and related minority interests.*

(3) *Recommended final dividend of 15.3 p per share (2005: 13.91p) making a total for the year of 21.68p.*

(4) *The European Public Real Estate Association ('EPRA') has issued recommended bases for the calculation of certain data. Further details of these calculations are provided in note 6 to the accounts on pages 27 and 28.*

(5) *Excluding deferred tax and the UK REIT entry charge.*

Key points

- Hammerson became a REIT on 1 January 2007; provision of £101 million made at 31 December 2006 for REIT entry tax charge
- Hammerson's high quality £6.7 billion portfolio in the UK and France generated a total return of 18.8% in 2006 giving rise to an increase in EPRA NAV of 21.3%
- Capital recycling totalled over £1.4 billion, with expenditure of over £800 million, including the acquisition of five retail parks in the UK for £427 million, and disposals of £628 million
- UK office lettings totalling nearly 34,000m^2 contributed to a substantial reduction in overall vacancy to 3.4%
- Completion of 9 place Vendôme, Paris, showing a development profit of £81 million
- Strong projected income growth from signed leases at recent developments
- Developments currently underway have an estimated total cost of over £900 million and include four major retail schemes and two London office projects
- Development pipeline with potential investment of around £5 billion over the next decade

Commenting on the results, John Nelson, Chairman of Hammerson, said:

"I am pleased to report on another year of outstanding progress by Hammerson. Our focus on prime real estate assets in the UK and France continues to offer shareholders attractive returns. In 2006 the Company showed an increase in net asset value per share of 21.3% to £15.00 and generated a return on shareholders' equity of 25.3%.

"We have demonstrated strong performance in recent years, benefiting from capital growth and a rising income stream from our investment portfolio and completed developments.

"The Company now has major tax-exempt businesses both in the UK and France. Looking ahead, our rental income is projected to show substantial growth in 2007 with continued growth thereafter enhanced by one of the most extensive development programmes in the sector. Against this background, the Board expects to be able to recommend an increase of around 25% in the total dividend for 2007 over the proposed level for 2006.

"We have a strong base from which to take Hammerson forward and I have every confidence that the Company will continue to thrive."

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Results presentation today:

Time	9.30 a.m.
Venue	New Broad Street House, 35 New Broad Street, London EC2

Webcast:

There will be a webcast of Hammerson's results presentation broadcast live today at 9.30 a.m. via the Company's website at www.hammerson.com. An archive version will be available to replay from 12.00 noon.

Financial calendar:

Ex-dividend date	11 April 2007
Record date	13 April 2007
Dividend payable	14 May 2007
Annual General Meeting	3 May 2007

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 the commentary that follows are defined in the glossary on page 38 of this document.

CHAIRMAN'S STATEMENT

I am pleased to report on another year of outstanding progress by Hammerson. Our focus on prime real estate assets in the UK and France continues to offer shareholders attractive returns. In 2006 the Company showed an increase in net asset value per share of 21.3% to £15.00 and generated a return on shareholders' equity of 25.3%.

Adjusted earnings per share increased by 5.1% to 32.8 pence, primarily reflecting additional rental income.

The Board is recommending a final dividend of 15.3 pence per share, making a total for 2006 of 21.68 pence per share, an increase of 10% on last year.

Progress in 2006

Hammerson enjoyed another very active year in 2006, maintaining momentum across the business. We continued our policy of active recycling of capital to enhance returns. We invested over £800 million, principally on acquiring assets and on our development programme. Highlights were the acquisition in August of a portfolio of retail parks in the UK for £427 million and the completion in May of the redevelopment of 9 place Vendôme in Paris, with the latter generating a development profit to Hammerson of £81 million on our cost of £86 million. Disposals during 2006 raised £628 million and included the sale of Liberty Shopping Centre, Romford, two assets in Germany and a 50% stake in 125 Old Broad Street, London EC2.

Excellent progress has been made on the major city centre retail-led regeneration schemes in Leicester and Bristol, both of which are scheduled to open in Autumn 2008. I am particularly encouraged by the level of lettings we have achieved and this augurs well for the future success of both projects.

During 2006 we started the redevelopments of 125 Old Broad Street, previously the London Stock Exchange, and the adjacent site, 60 Threadneedle Street. In November we sold a 50% interest in the former scheme to show a very high return. We also commenced work on a substantial retail development in Aberdeen and a major expansion and refurbishment of the group's Parinor retail centre on the outskirts of Paris.

Good progress was made in advancing a number of other major retail-led city centre schemes. Planning permission was obtained for the New Retail Quarter in Sheffield in August, whilst in February 2007 a resolution to grant planning consent was passed for Eastgate & Harewood Quarters, Leeds. Both of these are medium-term projects that we shall advance over the next few years.

Taxation and REITs

The UK Government introduced the tax-exempt Real Estate Investment Trust ("REIT") regime in January 2007. I believe that the REIT environment will lead to greater liquidity and transparency in the real estate market and attract new capital to the industry, resulting in an improvement to the nation's commercial property stock. This is likely to benefit investors in real estate companies and the wider UK economy.

Following approval by shareholders at the Extraordinary General Meeting in December 2006, Hammerson elected for REIT status. From 1 January 2007 Hammerson is exempt from corporation tax on its property income and capital gains on disposals of UK investment properties. Starting in July 2007 Hammerson will make four quarterly payments totalling £101 million, representing the entry charge, to the Treasury. The Company has been able to write-back deferred tax no longer required amounting to £457 million in respect of unrealised capital gains, thereby increasing equity shareholders' funds.

Property markets and outlook

Retail Property

UK consumer confidence improved in 2006, following weakness in 2005. Sales for non-food retailers increased by 2.2% in 2006, compared to a fall of 0.7% the previous year. Against this backdrop, there was modest rental growth at prime shopping centres and retail parks, but retailers are looking for additional incentives, including longer rent-free periods. We expect retailers generally to see positive sales growth in 2007 at the strongest trading locations, leading to further increases in rental levels.

In France non-food retail sales grew by 3.7% in 2006 compared to 3.4% the previous year. Demand from retailers for space improved at the best locations, supporting higher rents for new leases, a trend we expect to continue in 2007. Rents on existing leases in France are linked annually to a cost of construction index. The latest index, applicable from 1 January 2007, is 7.1%.

Office Property

Demand for office accommodation followed similar trends in the City of London and Paris, with buoyant levels of letting activity. The central London office market saw a substantial increase in the take-up of space during 2006 compared to the previous year, with a combination of sustained demand and little additional supply leading to a reduction in the overall market vacancy rate. Rent-free periods shortened dramatically and rents saw strong growth, particularly for prime office accommodation. Although there has been an increase in the level of development activity during 2006, continued demand for space and further reductions in vacancy are anticipated to lead to higher rents in 2007.

In the central Paris office market, there was a substantial increase in leasing activity in 2006 over the previous year with many office occupiers seeking to consolidate their businesses into single locations offering more efficient office accommodation. This trend is expected to continue into 2007, leading to further rental growth.

Investment markets

During 2006 demand from investors for real estate in the UK and France was buoyant, particularly during the first half of the year, leading to further increases in capital values. We expect continued demand from a broad range of investors for prime investment properties. However, following the recent rises in interest rates in both countries, the positive differential between property investment yields and borrowing costs has been largely eliminated or reversed, reducing the attractions of property to some debt financed investors. Against this background, we believe that capital growth in 2007 will depend more on asset management initiatives and increases in rental income than a further downward movement in investment yields. In France continuing demand should lead to further capital growth. Secondary property remains potentially more vulnerable to any market weakness.

Board changes

I am delighted that David Atkins was appointed to the Board as an executive director in January 2007. David is a Chartered Surveyor and joined Hammerson in February 1998. He retains responsibility for the management of the group's retail property business in the UK.

I am pleased to announce that Jacques Espinasse has agreed to join the Board as a non-executive director with effect from 1 May 2007. Jacques is a member of the Management Board and Chief Financial Officer of Vivendi Universal. His outstanding career in the management of major international companies means that he brings a wealth of experience and I am confident he will make a major contribution to Hammerson.

John Bywater, currently Managing Director of Hammerson's UK business, will stand down from the Board in March 2007 on reaching his normal retirement age. On behalf of the Board I would like to thank John for his leadership, enthusiasm and contribution to Hammerson over the past nine years. I would also like to pay tribute to John Barton who will stand down from the Board at the AGM in May 2007. John has served as a non-executive director since 1998, latterly as Senior Independent Director, and I would like to take this opportunity to thank him for his wise counsel.

I am also pleased to announce that John Clare will become Hammerson's new Senior Independent Director at the AGM in May.

Summary and outlook

Hammerson has a portfolio of real estate assets of the highest quality in the UK and France. We have a very experienced and entrepreneurial management team focusing on prime retail and office assets and creating value through developments. We have achieved strong returns in recent years and this is demonstrated by our outperformance in the UK of the IPD index in nine out of the last ten years, making us one of the best-performing large real estate investors. Our financing model is efficient and provides operational flexibility.

The Company now has major tax-exempt businesses both in the UK and France. Looking ahead, our rental income is projected to show substantial growth in 2007 with continued growth thereafter enhanced by one of the most extensive development programmes in the sector. Against this background, the Board expects to be able to recommend an increase of around 25% in the total dividend for 2007 over the proposed level for 2006.

We have a strong base from which to take Hammerson forward and I have every confidence that the Company will continue to thrive.

John Nelson
26 February 2007

FINANCIAL REVIEW

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

Profit before tax and dividend

For the year ended 31 December 2006, profit before tax, which includes property revaluation gains, was £792.4 million, compared with £698.6 million in 2005. The table below shows how adjusted profit before tax, which rose by £5.1 million to £94.5 million, is calculated.

Analysis of profit before tax	2006 £m	2005 £m
Profit before tax	**792.4**	**698.6**
Adjustments:		
Profit on the sale of investment properties	(95.8)	(32.1)
Revaluation gains on investment properties	(664.8)	(575.5)
Goodwill impairment	12.6	-
Bond redemption costs	34.0	-
Change in fair value of interest rate swaps	16.1	(1.6)
Adjusted profit before tax	**94.5**	**89.4**

Adjusted earnings per share in 2006 increased by 1.6 pence, or 5.1%, to 32.8 pence, as the growth in net rental income more than offset increased finance and administrative costs. Details of the calculations for earnings per share are provided in note 6 to the accounts.

A final dividend of 15.3 pence per share is proposed which, together with the interim dividend of 6.38 pence per share, makes a total of 21.68 pence per share for the year. This is an increase of 10.0% over the total dividend for 2005.

The following paragraphs explain the principal movements for each of the components of adjusted profit before tax, and the profit for the year.

Net rental income

Net rental income for the year ended 31 December 2006 was £237.4 million, compared with £210.3 million in 2005. Approximately half of the increase was the result of lettings at recently completed developments. The balance principally reflected the contributions from properties acquired over the last two years, in particular the LxB portfolio, and a full year's rent from Queensgate Shopping Centre, Peterborough, all of which more than offset the rent foregone from properties sold.

During 2006 net rental income related to retail tenants' turnover accounted for £3.2 million of the total, which also included net income of £7.7 million from shopping centre car parks. Rent receivable of £17.5 million has been accrued and allocated to rent-free periods in 2006, including £6.6 million for Bishops Square, which was transferred to the investment portfolio following completion of the tenant's fit out.

The investment portfolio showed a like-for-like increase in net rental income of 3.9% which is analysed on the following page.

Like-for-like net rental income : investment property

For the year ended 31 December 2006

	Current year net rental income					Prior year net rental income					
	Properties owned throughout 2005/06 £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m	Properties owned throughout 2005/06 £m	Acquisitions £m	Disposals £m	Developments £m	Exchange translation difference £m	Total net rental income £m
United Kingdom											
Retail	97.6	17.6	8.1	7.9	131.2	89.6	3.5	11.7	7.1	-	111.9
Office	29.2	0.8	1.4	6.8	38.2	27.6	0.7	(0.2)	0.2	-	28.3
Total United Kingdom	126.8	18.4	9.5	14.7	169.4	117.2	4.2	11.5	7.3	-	140.2
Continental Europe											
France	56.1	6.6	0.1	2.3	65.1	58.9	2.4	1.7	(0.1)	(0.2)	62.7
Germany	-	-	0.9	(0.1)	0.8	-	-	2.9	2.3	-	5.2
Total Continental Europe	56.1	6.6	1.0	2.2	65.9	58.9	2.4	4.6	2.2	(0.2)	67.9
Group											
Retail	141.2	24.2	9.0	7.8	182.2	134.0	5.9	14.4	9.5	(0.2)	163.6
Office	41.7	0.8	1.5	9.1	53.1	42.1	0.7	1.7	-	-	44.5
Total Investment Portfolio	**182.9**	**25.0**	**10.5**	**16.9**	**235.3**	176.1	6.6	16.1	9.5	(0.2)	208.1
Income on developments and other sources not analysed above	2.4	-	(0.9)	0.6	2.1	3.5	(0.1)	(0.4)	(0.8)	-	2.2
Total portfolio	185.3	25.0	9.6	17.5	**237.4**	179.6	6.5	15.7	8.7	(0.2)	210.3

Administration expenses

Administration expenses in 2006 rose by £4.7 million to £36.1 million. Increases in staff costs and the costs of relocating our head office to 10 Grosvenor Street, were partially offset by increased asset management and development management fees receivable.

Net finance costs

Excluding the change in fair value of interest rate swaps and the bond redemption costs, net finance costs increased in 2006 by £17.3 million to £106.8 million. This was primarily a result of increased borrowings drawn to fund acquisitions and the development programme. The average cost of borrowing in 2006 was 5.6% and interest cover was 1.8 times in 2006 compared with 1.9 times the previous year.

Tax

In 2006 we have provided for the effects of our adoption of REIT status. The current tax charge includes the one-off entry charge of £101 million, representing approximately 2% of the value of the UK property portfolio at 31 December 2006, which will be paid in four equal quarterly instalments, the first in July of this year. We have released to the income statement deferred tax of £449 million, relating to unrealised UK capital gains and capital allowances, as this is no longer required.

Excluding the REIT impacts, there was a current tax credit of £1.1 million in 2006 which resulted principally from a write-back of foreign tax from prior years. The French tax exemption, capital allowances and capitalised interest continued to shelter profits from tax.

Cash flow

There was a cash inflow from operating activities of £6 million in 2006, compared with £45 million in the previous year. The reduction arose principally from the premium and costs paid for the bond redemption.

Disposals in 2006 raised £628 million, whilst acquisitions and capital expenditure amounted to £501 million. After the net cash outflow of £130 million from financing activities, there was a net decrease in cash and short-term deposits over the year of £6 million.

Balance sheet and financing

At 31 December 2006, the group's net asset value per share, calculated in line with the recommendations of EPRA, was £15.00, representing an increase of £2.63, or 21.3% over 2005. In 2006, provision has been made for the one-off entry charge of £101 million on adoption of REIT status and bond redemption costs of £34 million were incurred. Together these reduced adjusted net asset value per share by 47 pence. Excluding these the increase in adjusted net assets per share would have been 25.1%. The tables below and on the following page show how the EPRA measure is calculated and give a breakdown of the increase.

Analysis of net asset value	**2006**		**2005**	
	£m	**£ per share**	**£m**	**£ per share**
Basic	4,165.1	14.60	3,125.8	10.97
Effect of dilution:				
On exercise of share options	8.7	n/a	8.5	n/a
Diluted	4,173.8	14.61	3,134.3	10.97
Adjustments:				
Fair value of interest rate swaps	8.8	0.03	(7.3)	(0.02)
Deferred tax on revaluation surpluses and other items	103.1	0.36	370.3	1.30
Deferred tax on capital allowances	0.2	-	36.1	0.12
EPRA, diluted	**4,285.9**	**15.00**	**3,533.4**	**12.37**
Basic shares in issue used for calculation (million)	285.2		285.0	
Diluted shares used for calculation (million)	285.7		285.7	

Movement in net asset value	Equity shareholders' funds* £m	EPRA NAV* £ per share
31 December 2005	3,533.4	12.37
Revaluation gains – equity changes	89.0	0.31
– income changes	664.8	2.33
Retained profit (excluding revaluation gains and bond redemption costs)	168.9	0.59
Costs of bond redemption	(34.0)	(0.12)
UK REIT entry charge	(100.5)	(0.35)
Dividend	(57.7)	(0.20)
Exchange loss and other movements	22.0	0.07
31 December 2006	**4,285.9**	**15.00**

* Excluding deferred tax and fair value of interest rate swaps

Borrowings

Hammerson's financial position remains strong. During 2006 we continued to manage our borrowings with three major new financings:

- £300 million 5.25% unsecured bonds due 2016
- £330 million five-year sterling bank facility
- €700 million 4.875% unsecured bonds due 2015

In addition we made a tender offer in May for the 10.75% 2013 sterling bonds, following which almost half their nominal value, or £93.8 million, was redeemed and cancelled at a premium, including costs, of £34.0 million. At the year-end, we had undrawn committed facilities of £845 million which, when added to cash and deposits, provided liquidity of £884 million. This may be compared with bonds that mature in 2007 totalling £202 million.

The weighted average maturity of debt at the year-end was ten years, 82% of borrowings were at fixed rates of interest and virtually all debt was unsecured. With borrowings of £2,282 million and cash and deposits of £39 million, net debt amounted to £2,243 million at 31 December 2006.

Gearing was 54% compared with 66% at the end of 2005 and the loan to value ratio was 38%. The balance sheet at 31 December 2006 included a deferred tax liability of £103 million. If deferred tax is added back to equity shareholders' funds, gearing would have been 53%.

The market value of borrowings at 31 December 2006 of £2,373 million was £91 million greater than the book value, equivalent, after tax relief, to a reduction in net asset value of 22 pence per share.

Total shareholder returns

Total shareholder return for 2006 exceeded the FTSE 350 real estate index by nearly eight percentage points. Over the last five years, Hammerson's average annual total shareholder return has been 32.3% compared with 27.0% for the real estate index.

Return	%	Benchmark	%
Total shareholder return over one year	56.9	FTSE 350 real estate index over one year	49.2
Total shareholder return over three years (p.a.)	37.4	FTSE 350 real estate index over three years (p.a.)	37.4
Total shareholder return over five years (p.a.)	32.3	FTSE 350 real estate index over five years (p.a.)	27.0

BUSINESS REVIEW

Property portfolio

Hammerson owns and manages 14 major shopping centres and 18 retail parks, principally in the UK and France, providing a total of 1.3 million m^2 of retail space. The office portfolio consists of nine prime buildings, mostly located in and around the City of London and in central Paris, and provides 275,000m^2 of accommodation.

At 31 December 2006 the value of our property portfolio was £6.7 billion. The investment portfolio was valued at £6.2 billion and developments at £0.5 billion. Joint ventures accounted for 34% of the portfolio value, including five major shopping centre investments in the UK which represented 21% of the total portfolio.

Valuation increases in 2006 amounted to £732 million and capital expenditure including capitalised interest totalled £810 million, principally on acquisitions and the development programme. During 2006 the weighting of the portfolio to the UK increased by three percentage points to 74%. The retail and office weightings remained unchanged at 72% and 28% respectively.

The table below shows the capital returns for the portfolio during the year ended 31 December 2006.

	Shopping Centres		Retail Parks		Offices		Total	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,350	10.9	1,203	7.8	1,384	26.0	4,937	14.5
France	1,100	17.4	118	9.3	489	16.9	1,707	16.7
Germany	72	(5.8)	-	-	-	-	72	(5.8)
Total	**3,522**	**12.1**	**1,321**	**8.0**	**1,873**	**23.6**	**6,716**	**14.6**

The property portfolio generated a capital return of 14.6%, with the investment and development portfolios showing capital returns of 13.5% and 31.5% respectively.

Approximately two thirds of the valuation uplift in the UK portfolio was the result of a reduction in investment yields, whilst the balance reflected increases in rental values, development surpluses and asset management initiatives.

In France, the capital return was 16.7%. The majority of the increase was accounted for by lower valuation yields and the balance from rising rental values and completed developments.

In August we completed the acquisition for £427 million of LxB Holdings Limited, which owns five retail assets in the UK providing total floor space of 123,600m^2. Each of the properties has an open A1 planning consent and there are excellent opportunities to expand the schemes to increase the floorspace and enhance rental values. The portfolio generates annual rental income of £14.7 million compared to its current ERV of £19.1 million, demonstrating its reversionary growth potential.

Bishops Square, a major office building in the City, was transferred to the investment portfolio in 2006 following the completion of the tenant's fit out works. At 31 December, Hammerson's share of the property was valued at £511 million, some £223 million above the cost of redevelopment.

During 2006 we completed the redevelopment of 9 place Vendôme, Paris 1er, our 50:50 joint venture office development with AXA and this was transferred to the investment portfolio. The property provides 22,200m^2 of high quality office accommodation and 5,500m^2 of prime retail space and its principal office occupier is international law firm Clifford Chance. The property is now 91% let and Hammerson's share of the income will amount to £6.2 million after the initial rent-free periods. At 31 December our interest in the property was valued at £167 million, a surplus of £81 million over the group's cost of £86 million.

In line with our strategy of recycling assets we sold 11 properties, or interests in properties, raising £628 million in 2006.

In aggregate, the proceeds from these sales were £96 million in excess of the book value of the assets at 31 December 2005, of which £52 million related to the Liberty Shopping Centre, Romford. The sales of two properties in Germany leave Forum Steglitz as our sole German asset, the refurbishment of which was completed in December.

Valuation data: investment property

For the year ended 31 December 2006

		Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes						(1)	(2)
United Kingdom							
Retail:	Shopping centres	2,090	169	10.5	15.4	4.4	4.8
	Retail parks	1,131	66	7.8	12.0	3.7	4.8
		3,221	235	9.9	14.6	4.2	4.8
Office:	City	997	162	22.0	25.3	2.2	5.1
	Other	212	42	24.9	30.6	4.5	5.4
		1,209	204	22.5	26.4	2.7	5.2
Total United Kingdom		4,430	439	13.2	17.7	3.8	4.9
Continental Europe							
France							
Retail		1,190	161	15.8	21.1	4.4	5.0
Office		489	73	16.9	20.7	3.0	4.7
Total France		1,679	234	16.2	21.0	4.0	4.9
Germany							
Retail		72	(8)	(5.8)	(5.5)	3.5	6.5
Total Continental Europe		1,751	226	14.5	19.0	4.0	4.9
Group							
Retail		4,483	388	10.8	15.5	4.2	4.9
Office		1,698	277	20.9	24.7	2.8	5.0
Total Investment Portfolio		**6,181**	**665**	**13.5**	**18.0**	**3.8**	**4.9**
Developments		535	67	31.5	31.4		
Total Group including developments		**6,716**	**732**	**14.6**	**18.8**		

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.

Rental income

Hammerson's property portfolio generates a secure, high quality income stream. In 2006 net rental income totalled £237.4 million, whilst at the year end rents passing from the investment portfolio amounted to £288.6 million.

Rental data: investment property

For the year ended 31 December 2006

	Gross rental income £m	Net rental income £m	Vacancy rate %	Rents passing £m	Estimated rental value £m	Reversionary/ (Over-rented) %
Notes			(1)	(2)	(3)	(4)
United Kingdom						
Retail: Shopping centres	112.6	96.8	1.1	95.8	104.3	7.7
Retail parks	35.9	34.4	2.7	43.5	52.7	16.7
	148.5	131.2	1.7	139.3	157.0	10.6
Office: City	32.3	27.0	3.3	50.9	52.7	(4.8)
Other	13.9	11.2	8.3	14.8	15.3	(3.7)
	46.2	38.2	4.4	65.7	68.0	(4.5)
Total United Kingdom	194.7	169.4	2.6	205.0	225.0	5.6
Continental Europe						
France						
Retail	57.0	50.2	2.4	58.6	64.0	6.7
Office	16.7	14.9	11.0	22.0	23.7	(2.1)
Total France	73.7	65.1	4.2	80.6	87.7	4.2
Germany						
Retail	4.4	0.8	26.4	3.0	4.9	3.3
Total Continental Europe	78.1	65.9	5.4	83.6	92.6	4.1
Group						
Retail	209.9	182.2	2.4	200.9	225.9	9.3
Office	62.9	53.1	5.6	87.7	91.7	(3.9)
Total Investment Portfolio	**272.8**	**235.3**	**3.4**	**288.6**	**317.6**	**5.2**
Income on developments and other sources not analysed above	5.4	2.1				
As disclosed in note 1 to the accounts	**278.2**	**237.4**				

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 the total 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.

During 2006 we agreed over 140 rent reviews in the UK. We agreed rent reviews in respect of leases with passing rents of £15.6 million, giving rise to an increase in rents of £4.5 million per annum. We anticipate that reviews remaining to be settled from 2006 could increase annual rents by a further £5.4 million. Rents for shopping centre leases in France are indexed annually according to a construction cost index. The index applicable during 2006 was 0.7%, whilst the comparable figure from 1 January 2007 is 7.1%.

Almost 120 leases with rents passing of £12.4 million were renewed following expiries in 2006. On renewal, additional annual income of £0.2 million was secured. During 2006, 49 units became vacant within the UK shopping centre portfolio and a further eight units were occupied by retailers which entered administration. Of these units, new leases have been signed in respect of 52, resulting in an increase in annual rents of £0.1 million.

Occupancy

At 31 December 2006, the occupancy rate in the investment portfolio as a whole was 96.6%, an increase of 3.4 percentage points in the year. The increase resulted primarily from lettings at the London office buildings and the inclusion of Bishops Square, which is fully let, following its transfer to the investment portfolio during the year.

Following the surrender in 2005 of the top five floors of 99 Bishopsgate, we refurbished the space vacated. Three of the floors were let during 2006 and the remaining two floors have been let since the year end.

Income security and quality

Hammerson's investment portfolio provides both a secure income stream and substantial growth potential. The weighted average unexpired lease term is 11 years and the overall risk to Hammerson of individual tenant default is low as we have a large number of tenants, generally of good financial standing, with diverse businesses.

The group's five largest retail tenants by rental income accounted for 10.3% of the passing rent from the investment portfolio at the year end as follows: B&Q 2.8%; Pinault Printemps Redoute 2.2%; Arcadia 2.1%; H&M 1.9%; and DSG Retail 1.3%. Rents passing from our three largest office tenants accounted for 13.8% of the total passing rent from the investment portfolio at 31 December 2006 as follows: Allen & Overy 9.0%; Deutsche Bank 3.6%; and Clifford Chance 1.2%.

Lease expiries and breaks

Leases with current rents passing of £40 million are subject to expiry or tenants' break clauses during the period from 2007 to 2009 as shown in the table below. Nevertheless, these expiries are spread throughout the portfolio and there are no instances where the current rent is significantly above market rent. We estimate that, assuming renewals take place at current rental values, additional rents of £5 million per annum would be secured. This is not a forecast and takes no account of void periods, lease incentives or possible changes in rental values before the relevant expiry or break dates.

Lease expiries and breaks

As at 31 December 2006

		Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
		2007 £m	**2008 £m**	**2009 £m**	**2007 £m**	**2008 £m**	**2009 £m**	**to break years**	**to expiry years**
Notes		(1)	(1)	(1)	(2)	(2)	(2)		
United Kingdom									
Retail:	Shopping centres	7.9	2.5	2.1	9.0	2.7	2.4	9.9	10.6
	Retail parks	1.0	0.3	0.3	1.3	0.3	0.4	15.3	15.5
		8.9	2.8	2.4	10.3	3.0	2.8	11.8	12.3
Office:	City	0.4	2.4	-	0.3	2.2	-	13.9	16.7
	Other	2.0	1.4	1.5	2.0	1.5	1.6	6.7	8.9
		2.4	3.8	1.5	2.3	3.7	1.6	12.4	15.0
Total United Kingdom		11.3	6.6	3.9	12.6	6.7	4.4	12.0	13.3
Continental Europe									
France:	Retail	5.7	1.9	4.2	7.6	2.3	4.7	1.5	4.9
	Office	5.2	1.0	-	5.4	1.0	-	4.4	6.5
Total France		10.9	2.9	4.2	13.0	3.3	4.7	2.3	5.3
Germany:	Retail	0.2	0.1	0.1	0.2	0.1	0.1	6.9	8.4
Total Continental Europe		11.1	3.0	4.3	13.2	3.4	4.8	2.4	5.4
Group									
Retail		14.8	4.8	6.7	18.1	5.4	7.6	8.5	10.0
Office		7.6	4.8	1.5	7.7	4.7	1.6	10.5	13.0
Total Group		22.4	9.6	8.2	25.8	10.1	9.2	9.2	11.0

Notes

(1) The amount by which rental income, based on rents passing at 31 December 2006, 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 2006 for space that expires or breaks in each year, after deducting head and equity rents and ignoring the impact of rental growth and any rent free periods.

Rent reviews

The UK shopping centre portfolio was 7.7% reversionary at 31 December 2006 and the retail park assets 16.7% reversionary. The office portfolio in the UK was 4.5% over-rented, principally accounted for by two office buildings, 99 Bishopsgate and Exchange Tower. The retail portfolio in France was 6.7% reversionary and the office portfolio 2.1% over-rented.

In the UK, leases subject to rent review in the three years from 2007 to 2009 have current rents passing of £59 million. We estimate that, on review, rents receivable in respect of these leases would increase by £6 million by 2009 if reviewed at current rental values. This is not a forecast and takes no account of increases or decreases in rental values before the relevant review dates.

Rent reviews

As at 31 December 2006

		Rents passing subject to review in				Projected rent at current ERV of leases subject to review in			
		Outstanding £m	2007 £m	2008 £m	2009 £m	Outstanding £m	2007 £m	2008 £m	2009 £m
Notes		(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)
United Kingdom									
Retail:	Shopping centres	15.8	3.3	15.0	13.3	18.7	3.8	16.0	13.8
	Retail parks	8.5	8.5	5.8	4.8	10.9	9.9	6.9	5.4
		24.3	11.8	20.8	18.1	29.6	13.7	22.9	19.2
Office:	City	10.4	0.6	-	3.2	10.4	0.6	-	3.2
	Other	5.4	0.3	1.0	2.9	5.5	0.3	1.1	3.3
		15.8	0.9	1.0	6.1	15.9	0.9	1.1	6.5
Total United Kingdom		40.1	12.7	21.8	24.2	45.5	14.6	24.0	25.7

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

Notes

(1) The rental income passing at 31 December 2006, after deducting head and equity rents, which is subject to review in each year.

(2) The projected rents for space that is subject to review in each year and are based on the higher of the current rental income and the ERV as at 31 December 2006, 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 2007 and 2008 from leases and contracts that have already been signed. The table below shows additional contracted income on both cash and accounting bases.

Rents Passing	**2006 £m**	**2007 £m**	**2008 £m**	**2009 £m**
Bishops Square, London E1	0.4	13.4	25.6	25.6
Other completed offices - UK	0.8	4.1	11.8	13.7
Retail parks	0.8	2.1	3.5	5.1
9 place Vendôme, Paris	0.4	2.4	5.2	5.9
Current retail developments - UK	-	-	1.0	8.7
Current developments – France	-	0.3	1.0	1.3
Total - cash flow	**2.4**	**22.3**	**48.1**	**60.3**
- accounting basis	**18.9**	**44.1**	**50.4**	**60.1**

Note: Figures show Hammerson's share of the income in respect of joint ventures.

The increase in rental income in 2007 of £25.2 million to £44.1 million for those assets shown in the above table, should result in an increase in profit before tax of approximately £10 million after taking account of the associated cost of finance.

The income contracted in respect of the current developments included in the table above for 2009 is £10 million. On full letting we estimate that passing rents on these schemes will be £71 million, as shown in the table below.

Current developments

Our objective from the development programme is to create assets that generate attractive returns at a cost substantially below the price of acquiring completed income-producing assets on the open market. To achieve this we exploit our excellent reputation for managing complex urban regeneration schemes and forging strong links with local authorities.

At 31 December 2006 six developments were underway with an estimated total development cost of £915 million. The value of our development portfolio at 31 December 2006 was £535 million, compared with its cost of £423 million.

Property	**Ownership interest %**	**Lettable area sq.m**	**Forecast completion date**	**Cost to 31 Dec 2006 £m**	**Costs to complete £m**	**Forecast total cost £m**	**% Let**	**Estimated passing rent £m**
Notes				(1)	(1)	(1)	(2)	
Retail								
Cabot Circus, Bristol	50	92,000	Sep 2008	95	150	245	51	18
Highcross Quarter, Leicester	60	60,000	Sep 2008	71	139	210	42	12
Union Square, Aberdeen	100	49,000	Sep 2009	40	175	215	28	14
Parinor extension, Aulnay-sous-Bois	100	24,100	Apr 2008	17	58	75	21	6
Office								
125 Old Broad Street, London EC2 (3)	50	31,000	Dec 2007	(3)	48	45	-	9
60 Threadneedle Street, London EC2	100	20,400	Nov 2008	32	93	125	-	12
Total development properties				**252**	**663**	**915**		**71**
Costs to date of other development properties				125				
Add: Profit realised on 50% disposal of 125 Old Broad Street				46				
Add: Revaluation surplus				112				
Total development properties (note 7 to the accounts)				**535**				

Notes:
(1) Capital costs including capitalised interest.
(2) Amount let or under offer by income at 26 February 2007.
(3) 125 Old Broad Street cost to 31 December 2006 and forecast total cost shown net of disposal profit of £46 million.

We are making good progress at Cabot Circus, Bristol, the 92,000m^2 retail-led mixed-use scheme being developed in a 50:50 joint venture with Land Securities Group PLC. Over 50% of the forecast rental income has been secured. Hammerson's share of the estimated rental income is £18 million and its total development cost £245 million. When complete Cabot Circus will provide a new retail heart to Bristol.

The Highcross Quarter development in Leicester, a 60:40 joint venture with Hermes, started on site in January 2006 and over 40% of the target income has been secured or is in solicitors' hands. Work is progressing well, with opening scheduled for 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 105,000m^2.

In July we acquired for £20 million a further 50% interest in the Union Square development in Aberdeen, taking our interest to 100%. The scheme, on a nine-hectare site adjacent to Aberdeen railway station, is a hybrid of a traditional shopping mall and retail park, providing 49,000m^2 of space including retail units, leisure and catering and 1,700 parking spaces. The first phase of development started in December and 28% of the development is let or in solicitors' hands. The estimated total development cost of the scheme, which is expected to be completed in September 2009, is £215 million and the projected rental income is £14 million per annum.

A major extension to the Parinor shopping centre to the north of Paris commenced in October and is expected to be completed in two phases in April and November 2008 at an estimated total development cost of £75 million. The works will increase the area of the scheme to over 90,000m^2, benefit retailers in the existing malls and make it the largest shopping centre serving the north of Paris. Just over 20% of the forecast annual rental income of £6 million has been secured. The extension will be anchored by Planète Saturn and Toys 'R' Us.

Construction started in February 2006 on the redevelopment of the former London Stock Exchange at 125 Old Broad Street to provide 29,400m^2 of prime office space and 1,600m^2 of retail accommodation. Completion is scheduled for December 2007. In November 2006 Hammerson sold a 50% interest in the scheme to two co-investors and the project will now go forward as a joint venture with those investors. The sale raised £75 million before costs and Hammerson is managing the development and will be retained as the asset manager when the building is completed.

In August 2006 demolition work began on the adjacent site at 60 Threadneedle Street and construction work is now underway to create an 18,800m^2 nine-storey office building and 1,600m^2 of retail space. When completed in November 2008 it will provide excellent modern accommodation in one of the best locations in the City of London.

Future developments

We have an excellent pipeline of future development opportunities, which are summarised in the table below. These cover all areas of our business and include: major retail-led city centre regeneration schemes; extensions to existing retail centres; retail parks; and offices. We made good progress in 2006 in advancing many of these schemes through the various feasibility, site assembly and planning stages.

Future development pipeline

Major retail-led schemes	**Retail Parks**
New Retail Quarter, Sheffield	Fife Central Retail Park, Kirkcaldy
Eastgate & Harewood Quarters, Leeds	Abbey Retail Park, Belfast
Queensgate, Peterborough	The Orchard Centre, Didcot
Eden Quarter, Kingston-upon-Thames	Manor Walks, Newcastle
Brent Cross and Cricklewood, London NW	Nice Lingostière, Nice
Central Area, Milton Keynes	Berkshire Retail Park, Theale
Retail extensions	**Offices**
Espace St Quentin, St Quentin-en-Yvelines	Northgate, London E1
Italie 2, Paris	Shoreditch High Street, London E1
Les 3 Fontaines, Cergy Pontoise	Bishopsgate Goodsyard, London E1
WestQuay III, Southampton	Paddington Triangle, London W2
	Harbour Quay, London E14

It is anticipated that at least four of these schemes could start in the next three years, dependent on site assembly, planning and letting markets. The indicative total development cost of these four projects is £1.6 billion, with a projected yield on cost of approximately 7%.

We received planning consent in August for our proposed 105,000m^2 mixed-use regeneration of Sheffield city centre. The scheme will be anchored by a John Lewis department store and will also include 100 smaller retail units, up to 200 apartments and 2,200 car parking spaces. Construction of the first phase could start in 2008.

In February 2007 a resolution to grant planning consent was passed for our 100,000m^2 retail-led regeneration in Leeds city centre. The scheme is centred around the Eastgate & Harewood Quarters of the city, and is to be developed in a 90:10 joint venture between Hammerson and Leeds-based Town Centre Securities. It will be anchored by a 24,000m^2 John Lewis store and include over 100 retail units, restaurants and bars, a hotel, office accommodation, up to 600 new homes and 2,700 car parking spaces.

The group is currently progressing the Northgate project in Bishopsgate, London E1, having acquired an option to purchase a development site adjoining its existing Norton Folgate site. Hammerson intends to submit a planning application during 2007 for a mixed-use development totalling 100,000m^2 incorporating approximately 65,000m^2 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 30,000m^2 of space, of which Hammerson's ownership would be 18,000m^2, encompassing 15 stores, 50 shop units and 2,200 car parking spaces.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006	Notes	2006 £m	2005 £m
Gross rental income		**278.2**	249.2
Operating profit before gains on investment properties	1	**201.3**	178.9
Gains on investment properties	1	**748.0**	607.6
Operating profit	1	**949.3**	786.5
Finance costs		**(118.0)**	(102.1)
Bond redemption costs		**(34.0)**	-
Change in fair value of interest rate swaps		**(16.1)**	1.6
Finance income		**11.2**	12.6
Net finance costs	3	**(156.9)**	(87.9)
Profit before tax		**792.4**	698.6
Current tax		**(99.4)**	1.0
Deferred tax		**333.8**	(133.9)
Tax credit/(charge)	4(a)	**234.4**	(132.9)
Profit for the year		**1,026.8**	565.7
Attributable to:			
Equity shareholders		**1,016.9**	554.4
Minority interests		**9.9**	11.3
Profit for the year		**1,026.8**	565.7
Basic earnings per share	6	**357.5p**	198.0p
Diluted earnings per share	6	**356.9p**	197.6p

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2006	Notes	2006 £m	2005 £m
Non-current assets			
Investment and development properties	7	**6,716.0**	5,731.7
Interests in leasehold properties		**32.4**	35.6
Plant, equipment and owner-occupied property	8	**42.2**	44.3
Investments	10	**64.9**	49.5
Receivables	11	**13.6**	4.5
		6,869.1	5,865.6
Current assets			
Receivables	12	**148.0**	144.2
Cash and deposits	13	**39.4**	45.5
		187.4	189.7
Total assets		**7,056.5**	6,055.3
Current liabilities			
Payables	14	**218.2**	220.7
Tax liabilities		**111.1**	60.5
Borrowings	15	**210.2**	0.5
		539.5	281.7
Non-current liabilities			
Borrowings	15	**2,072.4**	2,094.3
Deferred tax	4(d)	**103.3**	406.4
Tax liabilities		**55.1**	25.5
Obligations under finance leases		**32.3**	35.9
Net pension liability		**11.2**	16.9
Other payables		**21.0**	18.9
		2,295.3	2,597.9
Total liabilities		**2,834.8**	2,879.6
Net assets		**4,221.7**	3,175.7
Equity			
Share capital	17	**71.3**	71.2
Share premium account	18	**660.5**	659.5
Translation reserve	18	**(62.9)**	(32.8)
Hedging reserve	18	**59.9**	32.9
Capital redemption reserve	18	**7.2**	7.2
Other reserves	18	**8.9**	6.7
Revaluation reserve	18	**78.9**	221.8
Retained earnings	18	**3,348.3**	2,163.7
Investment in own shares	19	**(7.0)**	(4.4)
Equity shareholders' funds		**4,165.1**	3,125.8
Equity minority interests		**56.6**	49.9
Total equity		**4,221.7**	3,175.7
Diluted net asset value per share	6	**£14.61**	£10.97
EPRA net asset value per share	6	**£15.00**	£12.37

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2006	Notes	2006 £m	2005 £m
Foreign exchange translation differences		**(31.1)**	(39.3)
Net gain on hedge of net investment in foreign subsidiaries	18	**27.0**	32.9
Revaluation gains on development properties	18	**67.0**	197.5
Revaluation gains on owner-occupied property	18	**7.6**	11.6
Revaluation gains on investments	18	**14.4**	2.7
Acquisition of minority interests		**(2.2)**	-
Actuarial losses on pension schemes	18	**(0.9)**	(6.3)
Tax on items taken directly to equity	4(c)	**(4.0)**	(55.5)
Net gain recognised directly in equity		**77.8**	143.6
Profit for the year		**1,026.8**	565.7
Total recognised income and expense		**1,104.6**	709.3
Attributable to:			
Equity shareholders		**1,095.7**	699.2
Minority interests		**8.9**	10.1
Total recognised income and expense		**1,104.6**	709.3

RECONCILIATION OF EQUITY

For the year ended 31 December 2006	Notes	2006 £m	2005 £m
Opening equity shareholders' funds		**3,125.8**	2,414.2
Issue of shares		**1.1**	63.6
Purchase of own shares	19	**(4.0)**	(2.3)
Share-based employee remuneration	18	**3.8**	2.1
Gain on award of own shares to employees	18	**0.4**	-
		3,127.1	2,477.6
Total recognised income and expense		**1,095.7**	699.2
		4,222.8	3,176.8
Dividends	5	**(57.7)**	(51.0)
Closing equity shareholders' funds		**4,165.1**	3,125.8

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006	Notes	2006 £m	2005 £m
Operating activities			
Operating profit before gains on investment properties		**201.3**	178.9
Adjustment for non-cash items	20	**(12.7)**	1.8
Decrease/(Increase) in receivables		**14.1**	(44.4)
(Decrease)/Increase in payables		**(31.9)**	38.9
Cash generated from operations		**170.8**	175.2
Interest and bond redemption costs paid		**(155.2)**	(123.6)
Interest received		**11.0**	13.1
Tax paid		**(21.1)**	(19.8)
Cash flows from operating activities		**5.5**	44.9
Investing activities			
Purchase of property and capital expenditure		**(116.4)**	(314.9)
Development of property		**(250.5)**	(223.2)
Sale of property		**628.0**	224.4
Purchase of interests in joint ventures and subsidiary companies		**(132.7)**	6.8
Purchase of investments		**(1.0)**	(0.5)
(Increase)/Decrease in long term receivables		**(9.2)**	18.2
Cash flows from investing activities		**118.2**	(289.2)
Financing activities			
Issue of shares		**1.1**	3.0
Purchase of own shares		**(4.0)**	(2.3)
Proceeds from award of own shares		**0.2**	-
(Decrease)/Increase in medium and long term borrowings		**(277.7)**	318.6
Increase/(Decrease) in short term borrowings		**211.0**	(30.3)
Dividends paid to minorities		**(2.4)**	(1.8)
Equity dividends paid		**(57.7)**	(51.0)
Cash flows from financing activities		**(129.5)**	236.2
Net decrease in cash and deposits		**(5.8)**	(8.1)
Opening cash and deposits		**45.5**	53.7
Exchange translation movement		**(0.3)**	(0.1)
Closing cash and deposits	13	**39.4**	45.5

ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2006	Short term deposits £m	Cash at bank £m	Current borrowings £m	Non-current borrowings £m	**Net debt £m**
Balance at 1 January 2006	22.4	23.1	(0.5)	(2,094.3)	(2,049.3)
Unamortised bond issue costs written off	-	-	-	(2.0)	(2.0)
Acquisition of subsidiaries, including loan notes issued	40.8	3.7	-	(275.1)	(230.6)
Cash flow	(49.9)	(0.4)	(211.0)	277.7	16.4
Exchange	(0.2)	(0.1)	1.3	21.3	22.3
Balance at 31 December 2006	**13.1**	**26.3**	**(210.2)**	**(2,072.4)**	**(2,243.2)**

NOTES TO THE ACCOUNTS

1 OPERATING PROFIT

	Notes	2006 £m	2005 £m
Gross rental income		**278.2**	249.2
Rents payable		**(5.1)**	(4.0)
Gross rental income, after rents payable		**273.1**	245.2
Service charge income		**45.4**	43.2
Service charge expenses		**(53.0)**	(52.3)
Net service charge expenses		**(7.6)**	(9.1)
Other property outgoings		**(28.1)**	(25.8)
Property outgoings		**(35.7)**	(34.9)
Net rental income	2	**237.4**	210.3
Management fees receivable		**4.1**	3.0
Cost of property activities		**(20.9)**	(17.5)
Corporate expenses		**(19.3)**	(16.9)
Administration expenses		**(36.1)**	(31.4)
Operating profit before gains on investment properties		**201.3**	178.9
Profit on the sale of investment properties		**95.8**	32.1
Revaluation gains on investment properties		**664.8**	575.5
Goodwill impairment	22	**(12.6)**	-
Gains on investment properties		**748.0**	607.6
Operating profit		**949.3**	786.5

Included in gross rental income is £3.2 million (2005: £4.8 million) calculated by reference to tenants' turnover.

2 SEGMENTAL ANALYSIS

Primary and Secondary Segments

The group's primary reporting segments are the geographic locations of its properties. The secondary reporting segments are the business sectors in which the group operates.

Other Net Liabilities

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

(a) Totals by Geographic Segment

	United Kingdom		France		Germany		Unallocated		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Gross rental income	**200.9**	170.2	**73.6**	69.0	**3.7**	10.0	**-**	-	**278.2**	249.2
Rents payable	**(5.1)**	(4.0)	**-**	-	**-**	-	**-**	-	**(5.1)**	(4.0)
Property outgoings	**(22.8)**	(24.1)	**(9.3)**	(5.8)	**(3.6)**	(5.0)	**-**	-	**(35.7)**	(34.9)
Net rental income	**173.0**	142.1	**64.3**	63.2	**0.1**	5.0	**-**	-	**237.4**	210.3
Administration expenses	**(10.7)**	(11.7)	**(5.5)**	(5.2)	**(0.6)**	(0.5)	**(19.3)**	(14.0)	**(36.1)**	(31.4)
Operating profit before gains on investment properties	**162.3**	130.4	**58.8**	58.0	**(0.5)**	4.5	**(19.3)**	(14.0)	**201.3**	178.9
Gains on investment properties	**527.0**	401.8	**231.4**	230.3	**(10.4)**	(24.5)	**-**	-	**748.0**	607.6
Operating profit	**689.3**	532.2	**290.2**	288.3	**(10.9)**	(20.0)	**(19.3)**	(14.0)	**949.3**	786.5
Net finance costs	**-**	-	**-**	-	**-**	-	**(156.9)**	(87.9)	**(156.9)**	(87.9)
Segment result	**689.3**	532.2	**290.2**	288.3	**(10.9)**	(20.0)	**(176.2)**	(101.9)	**792.4**	698.6
Property assets	**4,937.2**	4,093.1	**1,707.0**	1,494.7	**71.8**	143.9	**-**	-	**6,716.0**	5,731.7
Net debt	**-**	-	**-**	-	**-**	-	**(2,243.2)**	(2,049.3)	**(2,243.2)**	(2,049.3)
Other net liabilities	**(187.7)**	(431.3)	**(113.8)**	(121.4)	**(6.2)**	(3.9)	**-**	-	**(307.7)**	(556.6)
Equity shareholders' funds	**4,749.5**	3,661.8	**1,593.2**	1,373.3	**65.6**	140.0	**(2,243.2)**	(2,049.3)	**4,165.1**	3,125.8
Capital expenditure	**746.1**	401.9	**25.4**	181.5	**11.6**	11.3	**-**	-	**783.1**	594.7

(b) Totals by Business Segment

	Shopping centres		Retail parks		Offices		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Gross rental income	**173.0**	163.1	**41.8**	29.3	**63.4**	56.8	**278.2**	249.2
Rents payable	**(1.8)**	(0.4)	**(0.1)**	-	**(3.2)**	(3.6)	**(5.1)**	(4.0)
Property outgoings	**(26.2)**	(24.9)	**(2.4)**	(1.2)	**(7.1)**	(8.8)	**(35.7)**	(34.9)
Net rental income	**145.0**	**137.8**	**39.3**	**28.1**	**53.1**	**44.4**	**237.4**	**210.3**
Property assets	**3,521.5**	**3,312.7**	**1,321.1**	**807.0**	**1,873.4**	**1,612.0**	**6,716.0**	**5,731.7**
Capital expenditure	**178.6**	**265.2**	**493.5**	**235.5**	**111.0**	**94.0**	**783.1**	**594.7**

(c) Analysis of Equity Shareholders' Funds

	Assets employed		Net debt		Equity shareholders' funds	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
United Kingdom	**4,749.5**	3,661.8	**(1,246.8)**	(975.1)	**3,502.7**	2,686.7
Continental Europe	**1,658.8**	1,513.3	**(996.4)**	(1,074.2)	**662.4**	439.1
	6,408.3	5,175.1	**(2,243.2)**	(2,049.3)	**4,165.1**	3,125.8

As part of the group's foreign currency hedging programme, at 31 December 2006 the group had sold €369.2 million (2005: €100.0 million) forward against sterling for value on 3 January 2007, at a spot rate of £1 = €1.490.

Net debt cannot be allocated between countries within continental Europe.

3 NET FINANCE COSTS

	2006 £m	2005 £m
Interest on bank loans and overdrafts	**13.7**	16.8
Interest on other loans	**121.5**	102.0
Interest on obligations under finance leases	**3.1**	3.2
Other interest payable	**6.3**	1.3
Gross interest costs	**144.6**	123.3
Less: Interest capitalised	**(26.6)**	(21.2)
Finance costs	**118.0**	102.1
Bond redemption costs	**34.0**	-
Change in fair value of interest rate swaps	**16.1**	(1.6)
Finance income	**(11.2)**	(12.6)
Net finance costs	**156.9**	87.9

In May 2006, £93.8 million of the £200 million 10.75% sterling bonds 2013 were redeemed. Bond redemption costs include a redemption premium of £32.0 million and unamortised issue costs of £2.0 million.

4 TAX

(a) Tax (Credit)/Charge

	2006 £m	2005 £m
UK current tax		
On net income before revaluations and disposals	**0.2**	1.0
Credit in respect of prior years	**(0.5)**	-
Entry charge payable on election for UK REIT status	**100.5**	-
	100.2	1.0
Foreign current tax		
On net income before revaluations and disposals	**1.1**	2.0
Credit in respect of prior years	**(1.9)**	(4.0)
	(0.8)	(2.0)
Total current tax charge/(credit)	**99.4**	(1.0)
Deferred tax		
On net income before revaluations and disposals	**17.9**	21.0
On revaluations and disposals	**127.6**	129.6
On bond redemption costs	**(10.2)**	-
On movements in fair values of interest rate swaps	**(4.8)**	0.5
Credit in respect of prior years	**(15.7)**	(17.2)
Released on election for UK REIT status	**(448.6)**	-
	(333.8)	133.9
Tax (credit)/charge	**(234.4)**	132.9

(b) Tax Charge Reconciliation

	2006 £m	2005 £m
Profit before tax	**792.4**	698.6
Profit multiplied by the UK corporation tax rate of 30%	**237.7**	209.6
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)**	(3.6)
Benefit of SIIC tax exemption net of deferred tax on SIIC dividends	**(33.9)**	(34.6)
Indexation relief on UK investment properties	**(30.8)**	(18.4)
Prior year adjustments	**(18.1)**	(21.2)
Other items	**12.3**	1.1
Tax (credit)/charge	**(234.4)**	132.9

4 TAX (continued)

(c) Tax Recognised Directly in Equity

	2006 **£m**	2005 £m
Deferred tax charge on revaluations	**12.1**	57.0
Deferred tax released on election for UK REIT status	**(8.5)**	-
Deferred tax charge/(credit) on actuarial gains/(losses) on pension schemes	**0.4**	(1.5)
Tax recognised directly in equity	**4.0**	55.5

(d) Deferred Tax Movements

	1 January 2006 £m	Recognised in income £m	Recognised in equity £m	Corporate acquisitions £m	Foreign exchange £m	**31 December 2006 £m**
UK						
Capital gains net of capital losses	328.7	(335.2)	2.1	7.0	-	**2.6**
Capital allowances	36.1	(35.9)	-	-	-	**0.2**
Surpluses in trading subsidiaries	0.4	(3.6)	-	20.9	-	**17.7**
Other timing differences	(2.3)	(4.1)	0.4	-	-	**(6.0)**
Dividends receivable from France	62.0	34.9	1.5	-	(1.2)	**97.2**
Revenue tax losses	(33.1)	(4.1)	-	-	-	**(37.2)**
	391.8	(348.0)	4.0	27.9	(1.2)	**74.5**
France	14.6	14.2	-	-	-	**28.8**
Net deferred tax provision	406.4	(333.8)	4.0	27.9	(1.2)	**103.3**

(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 2006 the total of such gains was £900 million and the potential tax effect £270 million (2005: £490 million, potential tax effect £150 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. When such properties are expected to be retained past the three year period, provision is not made for the tax that could arise on an early disposal. The properties concerned had an aggregate value at 31 December 2006 of £1,570 million and the unprovided deferred tax was £130 million. A deferred tax asset of £8.2 million (2005: £nil), for carried forward UK tax losses that may not be utilised, was not recognised because it is uncertain whether appropriate taxable profits will arise.

(f) UK REIT Status

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

As a REIT, Hammerson plc is required to pay property income dividends equal to at least 90% of the group's exempted net income.

On entering the REIT regime, an entry charge is 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 provide for this entry charge in current tax and show a release of deferred tax relating to UK capital gains and UK capital allowances. The total entry charge is £100.5 million and this will be paid in quarterly instalments between July 2007 and April 2008. The total deferred tax release, including an amount recognised directly in equity, is £457.1 million.

To qualify as 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 Finance Act 2006.

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 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. 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 the 31 December 2006 values, a total of £324 million of dividends would arise (2005: £207 million), and deferred tax 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.

(h) Commentary

Unless tax exemptions apply, UK corporation tax and deferred tax is calculated at a rate of 30% (2005: 30%) and foreign tax is calculated using appropriate local rates.

Current tax in the year, before the UK REIT entry charge, was reduced by the French tax exemption, capital allowances and tax relief for capitalised interest.

Current tax in the future should generally be low because of UK REIT and French SIIC status and carried forward UK tax losses. The principal taxable property is 9 place Vendôme.

5 DIVIDENDS

The proposed final dividend of 15.3 pence per share (2005: 13.91 pence per share) was approved by the Board on 26 February 2007 and is payable on 14 May 2007 to shareholders on the register at the dose of business on 13 April 2007. The dividend has not been included as a liability at 31 December 2006. The total dividend for the year ended 31 December 2006 will be 21.68 pence per share (2005: 19.71 pence per share).

The £57.7 million dividend included in the Reconciliation of Equity statement comprises the 2005 final dividend of £39.6 million, which was paid on 17 May 2006 along with the 2006 interim dividend of £18.1 million paid on 20 October 2006.

6 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below. The weighted average number of shares excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled.

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 £m	**Shares million**	**2006 Pence per share**	Earnings £m	Shares million	2005 Pence per share
Basic	**1,016.9**	**284.4**	**357.5**	554.4	280.0	198.0
Adjustments:						
Dilutive share options	**-**	**0.5**	**(0.6)**	-	0.5	(0.4)
Diluted	**1,016.9**	**284.9**	**356.9**	554.4	280.5	197.6
Adjustments:						
Revaluation gains on investment properties	**(664.8)**		**(233.3)**	(575.5)		(205.1)
Profit on the sale of investment properties	**(95.8)**		**(33.6)**	(32.1)		(11.4)
Goodwill impairment	**12.6**		**4.4**	-		-
Change in fair value of interest rate swaps	**16.1**		**5.7**	(1.6)		(0.6)
Deferred tax (credit)/charge	**(333.8)**		**(117.2)**	133.9		47.7
UK REIT entry tax charge	**100.5**		**35.3**	-		-
Minority interests in respect of the above	**7.8**		**2.7**	8.4		3.0
EPRA, diluted	**59.5**		**20.9**	87.5		31.2
Bond redemption costs	**34.0**		**11.9**	-		-
Adjusted, diluted	**93.5**		**32.8**	87.5		31.2

6 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

The calculations for net asset value per share are shown in the table below:

	Equity shareholders' funds £m	**Shares million**	**2006 Net asset value per share £**	Equity shareholders' funds £m	Shares million	2005 Net asset value per share £
Basic	**4,165.1**	**285.2**	**14.60**	3,125.8	285.0	10.97
Company's own shares held in Employee Share Ownership Plan	**-**	**(0.7)**	**n/a**	-	(0.7)	n/a
Unexercised share options	**8.7**	**1.2**	**n/a**	8.5	1.4	n/a
Diluted	**4,173.8**	**285.7**	**14.61**	3,134.3	285.7	10.97
Fair value adjustment to borrowings (net of tax)	**(63.5)**		**(0.22)**	(144.6)		(0.51)
EPRA triple net, diluted	**4,110.3**		**14.39**	2,989.7		10.46
Fair value of interest rate swaps	**8.8**		**0.03**	(7.3)		(0.02)
Fair value adjustment to borrowings (net of tax)	**63.5**		**0.22**	144.6		0.51
Deferred tax	**103.3**		**0.36**	406.4		1.42
EPRA, diluted	**4,285.9**		**15.00**	3,533.4		12.37

7 INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Valuation £m	Investment properties Cost £m	Development properties Valuation £m	Development properties Cost £m	**Total 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**

	Investment properties Valuation £m	Investment properties Cost £m	Development properties Valuation £m	Development properties Cost £m	Total Valuation £m	Total Cost £m
Balance at 1 January 2005	4,082.5	3,085.7	520.5	420.5	4,603.0	3,506.2
Exchange adjustment	(39.0)	(32.6)	(2.3)	(2.2)	(41.3)	(34.8)
Additions - Capital expenditure	77.9	77.9	130.8	130.8	208.7	208.7
- Asset acquisitions	279.6	279.6	2.1	2.1	281.7	281.7
- Corporate acquisitions	104.3	104.3	-	-	104.3	104.3
	461.8	461.8	132.9	132.9	594.7	594.7
Disposals	(193.3)	(214.9)	-	-	(193.3)	(214.9)
Transfers	95.9	59.8	(95.9)	(59.8)	-	-
Transfer to owner-occupied properties	(25.6)	(11.8)	-	-	(25.6)	(11.8)
Capitalised interest	0.2	0.2	21.0	21.0	21.2	21.2
Revaluation adjustment	575.5	-	197.5	-	773.0	-
Balance at 31 December 2005	4,958.0	3,348.2	773.7	512.4	5,731.7	3,860.6

Properties are stated at market value as at 31 December 2006, valued by professionally qualified external valuers. In the United Kingdom, office properties and the group's interests in the Birmingham Alliance properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors, and all other retail properties were valued by Donaldsons, 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.

7 INVESTMENT AND DEVELOPMENT PROPERTIES (continued)

At 31 December 2006 the total amount of interest included in development properties was £12.1 million (2005: £34.7 million) calculated using the group's average cost of borrowings.

	2006 £m	2005 £m
Capital commitments	**746.6**	540.1

At 31 December 2006, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £334.7 million (2005: £356.1 million).

8 PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	Plant and equipment £m	**Total £m**
Book value at 31 December 2006	**34.9**	**7.3**	**42.2**
Book value at 31 December 2005	42.4	1.9	44.3

9 JOINT VENTURES

As at 31 December 2006 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
Shires Limited Partnership	60
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
9 place Vendôme SCI	50
Developments	
125 Old Broad Street Unit Trust	50
Bishopsgate Goodsyard Regeneration Limited	50
Paddington Triangle	50
Wensum Developments Limited	50

The group's interest in Shires Limited Partnership and The Moor House Limited Partnership do not confer the majority of voting rights nor the right to exercise dominant influence over the partnerships. Instead the partnerships are under the joint control of Hammerson and its respective partners. Consequently, the group's interests are accounted for by proportional consolidation and not treated as subsidiaries.

9 JOINT VENTURES (continued)

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:

Income statements for the year ended 31 December 2006

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

Balance sheets as at 31 December 2006

	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets										
Investment and development properties at valuation	438.7	176.2	317.9	285.2	180.0	258.1	201.3	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	285.2	180.0	258.1	203.2	167.7	245.4	**2,272.7**
Current assets										
Other current assets	4.0	1.2	2.0	3.8	1.9	1.7	0.6	3.1	17.1	**35.4**
Cash and deposits	-	3.3	2.6	2.8	1.9	3.0	1.2	0.2	4.2	**19.2**
	4.0	4.5	4.6	6.6	3.8	4.7	1.8	3.3	21.3	**54.6**
Current liabilities										
Borrowings	-	-	-	-	-	-	-	-	-	**-**
Other liabilities	(11.6)	(3.3)	(4.8)	(5.3)	(3.3)	(4.5)	(0.9)	(2.3)	(9.6)	**(45.6)**
	(11.6)	(3.3)	(4.8)	(5.3)	(3.3)	(4.5)	(0.9)	(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	286.5	180.5	258.3	201.9	168.5	231.2	**2,253.1**

Other than as shown above, the joint ventures are funded by the Company and the relevant partners.

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

9 JOINT VENTURES (continued)

Income statements for the year ended 31 December 2005

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	Moorhouse Limited Partnership £m	9 place Vendôme SCI £m	Other £m	Total 2005 £m
Net rental income	15.9	3.1	12.1	11.9	1.0	7.6	(0.5)	(0.2)	2.3	53.2
Administration expenses	-	(0.2)	(0.1)	-	-	-	-	-	-	(0.3)
Operating profit before gains on investment properties	15.9	2.9	12.0	11.9	1.0	7.6	(0.5)	(0.2)	2.3	52.9
Gains on investment properties	52.7	3.1	27.4	36.5	3.5	8.5	22.0	-	18.3	172.0
Net finance costs	-	0.1	0.1	0.1	-	-	(4.9)	-	(0.4)	(5.0)
Profit before tax	68.6	6.1	39.5	48.5	4.5	16.1	16.6	(0.2)	20.2	219.9

Balance sheets as at 31 December 2005

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Shires Limited Partnership £m	Moorhouse Limited Partnership £m	9 place Vendôme SCI £m	Other £m	Total 2005 £m
Non-current assets										
Investment and development properties at valuation	409.3	106.0	297.0	266.4	159.6	172.9	129.3	121.2	174.1	1,835.8
Interests in leasehold properties	-	0.3	-	-	-	-	1.9	-	10.0	12.2
	409.3	106.3	297.0	266.4	159.6	172.9	131.2	121.2	184.1	1,848.0
Current assets										
Other current assets	4.5	1.6	1.6	1.2	-	0.6	-	2.9	4.5	16.9
Cash and deposits	-	5.9	3.7	3.2	2.6	2.4	0.3	1.8	1.7	21.6
	4.5	7.5	5.3	4.4	2.6	3.0	0.3	4.7	6.2	38.5
Current liabilities										
Borrowings	-	-	-	-	-	-	-	-	(0.5)	(0.5)
Other liabilities	(12.0)	(3.0)	(5.0)	(7.5)	(2.4)	(2.1)	(1.4)	(1.7)	(2.7)	(37.8)
	(12.0)	(3.0)	(5.0)	(7.5)	(2.4)	(2.1)	(1.4)	(1.7)	(3.2)	(38.3)
Non-current liabilities										
Borrowings	-	-	-	-	-	-	(69.1)	-	-	(69.1)
Other liabilities	-	(0.3)	-	(1.3)	-	-	(1.9)	-	(10.1)	(13.6)
	-	(0.3)	-	(1.3)	-	-	(71.0)	-	(10.1)	(82.7)
Net assets	401.8	110.5	297.3	262.0	159.8	173.8	59.1	124.2	177.0	1,765.5

Other than as shown above, the joint ventures are funded by the Company and the relevant partners.

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

10 INVESTMENTS

Available for sale investments	2006 £m	2005 £m
Value Retail Investors Limited Partnerships	**47.3**	34.1
Interests in Value Retail plc and related companies	**16.1**	14.3
Other investments	**1.5**	1.1
	64.9	49.5

The group has an effective 33.5% interest in Value Retail Investors Limited Partnership I and an effective 27.5% interest in Value Retail Investors Limited Partnership II, both of which have interests in a designer outlet centre in Bicester, in the United Kingdom. The total cost of the interests was £15.7 million and they are included at a total value, based on the market value of the underlying property, at 31 December 2006 of £47.3 million (2005: £34.1million), the property elements of which have been reviewed by Donaldsons, Chartered Surveyors. These investments have not been consolidated within the group accounts as the group does not have significant influence over the management of the partnerships. Investments in Value Retail plc and certain related companies are included at fair value. The cost of these investments was £14.9 million.

Other investments include the group's 15% stake in Stonemartin plc, which was acquired for a total cost of £4.4 million. Stonemartin plc, which operates serviced offices under the brand name of the Institute of Directors, is listed on the Alternative Investment Market ("AIM") and at the balance sheet date the investment has been included at market value.

11 RECEIVABLES: NON–CURRENT ASSETS

	2006 £m	2005 £m
Loans receivable	**10.8**	-
Other receivables	**2.8**	4.5
	13.6	4.5

Loans receivable comprised a loan of €16.0 million (£10.8 million) to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2008. The loan is classified as 'available for sale' and is included in the balance sheet at fair value, which equates to cost. At 31 December 2005 a loan to Value Retail plc of €30.0 million (£20.6 million) was included in receivables within current assets.

12 RECEIVABLES: CURRENT ASSETS

	2006 £m	2005 £m
Trade receivables	**57.1**	34.3
Loans receivable	**-**	20.6
Other receivables	**87.0**	78.6
Corporation tax	**0.6**	0.5
Prepayments	**3.3**	2.9
Fair value of interest rate swaps	**-**	7.3
	148.0	144.2

The figures shown above are after deducting a provision for bad and doubtful debts of £4.3 million (2005: £2.6 million).

13 CASH AND DEPOSITS

	2006 £m	2005 £m
Cash at bank	**26.3**	23.1
Short term deposits	**13.1**	22.4
	39.4	45.5
Analysis by currency		
Sterling	**27.3**	29.4
Euro	**12.1**	16.1
	39.4	45.5

Short term deposits principally comprised deposits placed on money markets with rates linked to LIBOR for maturities of not more than one month, at an average rate of 4.1% (2005: 3.5%). Such deposits are considered to be cash equivalents.

14 PAYABLES: CURRENT LIABILITIES

	2006 £m	2005 £m
Trade payables	**48.7**	46.7
Other payables	**137.3**	154.3
Accruals	**23.4**	19.7
Fair value of interest rate swaps	**8.8**	-
	218.2	220.7

15 BORROWINGS

	2006 £m	2005 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.5**	197.4
£300 million 6% Sterling bonds due 2026	**296.5**	296.4
£250 million 6.875% Sterling bonds due 2020	**247.0**	246.9
£300 million 5.25% Sterling bonds due 2016	**296.9**	-
€700 million 4.875% Euro bonds due 2015	**469.3**	-
£106.2 million (2005: £200 million) 10.75% Sterling bonds due 2013	**103.9**	195.6
€500 million 6.25% Euro bonds due 2008	**336.2**	342.4
£26 million variable rate loan notes due 2008	**26.0**	-
€300 million 5% Euro bonds due 2007	**202.0**	205.6
Bank loans and overdrafts	**90.8**	540.9
	2,266.1	2,025.2
Exchange difference on currency swaps	**1.0**	-
	2,267.1	2,025.2
Secured		
Sterling fixed rate mortgages due 2009	**15.5**	-
Sterling variable rate mortgages due 2007	**-**	69.1
Sterling variable rate loans due within one year	**-**	0.5
	15.5	69.6
	2,282.6	2,094.8

Security for secured borrowings as at 31 December 2006 is provided by charges on property.

15 BORROWINGS (continued)

Maturity

	Bank loans and overdrafts £m	**Other loans £m**	**2006 Total £m**	2005 Total £m
After five years	(1.1)	1,611.1	**1,610.0**	936.3
From two to five years	100.2	-	**100.2**	883.3
From one to two years	-	362.2	**362.2**	274.7
Due after more than one year	99.1	1,973.3	**2,072.4**	2,094.3
Due within one year	7.2	203.0	**210.2**	0.5
	106.3	2,176.3	**2,282.6**	2,094.8

At 31 December 2005 and 2006 no loans due after five years were repayable by instalments.

Undrawn committed facilities

	2006 £m	2005 £m
Expiring between one and two years	**-**	225.9
Expiring after more than two years	**845.0**	57.7
	845.0	283.6

Interest rate and currency profile

	Fixed rate borrowings %	**Years**	**£m**	**Floating 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**

	Fixed rate borrowings %	Years	£m	Floating rate borrowings £m	2005 Total £m
Sterling	7.83	16	759.9	244.6	1,004.5
Euro	5.78	2	548.0	542.3	1,090.3
	6.97	11	1,307.9	786.9	2,094.8

Rates at which interest is charged on borrowings due after more than one year

	2006 £m	2005 £m
Up to 7%	**1,361.4**	914.9
7% to 10%	**197.5**	197.4
Over 10%	**103.9**	195.6
	1,662.8	1,307.9
Variable rates	**409.6**	786.4
	2,072.4	2,094.3

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 2005 and 2006.

16 FINANCIAL INSTRUMENTS

Fair values of financial instruments

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

	2006 Book value £m	**2006 Fair value £m**	2005 Book value £m	2005 Fair value £m
Current borrowings	**(209.4)**	**(210.4)**	(0.5)	(0.5)
Non-current borrowings	**(2,091.3)**	**(2,181.0)**	(2,111.2)	(2,317.8)
Unamortised borrowing costs	**19.1**	**19.1**	16.9	16.9
Currency swaps	**(1.0)**	**(1.0)**	-	-
Total borrowings	**(2,282.6)**	**(2,373.3)**	(2,094.8)	(2,301.4)
Interest rate swaps	**(8.8)**	**(8.8)**	7.3	7.3

At 31 December 2006, the fair value of financial liabilities exceeded their book value by £90.7 million (2005: £206.6 million), equivalent to 32 pence per share (2005: 72 pence per share) on an adjusted net asset value per share basis. On a post tax basis, using a tax rate of 30%, the difference was equivalent to 22 pence per share (2005: 51 pence per share).

17 SHARE CAPITAL

	Authorised **2006 £m**	Authorised 2005 £m	Called up, allotted and fully paid **2006 £m**	Called up, allotted and fully paid 2005 £m
Ordinary shares of 25p each	**94.8**	94.8	**71.3**	71.2

Movements in issued share capital	Number
Number of shares in issue at 1 January 2006	284,985,440
Share options exercised	216,500
Number of shares in issue at 31 December 2006	**285,201,940**

18 RESERVES

	Share premium account £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m
Balance at 1 January 2006	659.5	(32.8)	32.9	7.2	6.7
Exchange adjustment	-	(30.1)	-	-	-
Net gain on hedging activities	-	-	27.0	-	-
Premium on issue of shares	1.0	-	-	-	-
Share-based employee remuneration	-	-	-	-	3.8
Cost of shares awarded to employees	-	-	-	-	(1.4)
Transfer on award of own shares to employees	-	-	-	-	(0.2)
Balance at 31 December 2006	**660.5**	**(62.9)**	**59.9**	**7.2**	**8.9**

	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2006	221.8	2,163.7
Revaluation gains on development properties	67.0	-
Revaluation gains on owner-occupied property	7.6	-
Revaluation gains on investments	14.4	-
Transfer on completion of development properties	(202.1)	202.1
Transfer on sale of development and owner-occupied property	(26.2)	26.2
Acquisition of minority interest	-	(2.2)
Actuarial losses on pension schemes	-	(0.9)
Gain on award of own shares to employees	-	0.4
Transfer on award of own shares to employees	-	0.2
Dividends paid	-	(57.7)
Deferred tax recognised directly in equity	(3.6)	(0.4)
Profit for the year attributable to equity shareholders	-	1,016.9
Balance at 31 December 2006	**78.9**	**3,348.3**

19 INVESTMENT IN OWN SHARES

At cost	**2006 £m**	2005 £m
Balance at 1 January	**4.4**	2.8
Purchase of own shares	**4.0**	2.3
Cost of shares awarded to employees	**(1.4)**	(0.7)
Balance at 31 December	**7.0**	4.4

20 ADJUSTMENTS FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

	2006 £m	2005 £m
Depreciation	**0.8**	0.5
Share-based employee remuneration	**3.8**	2.1
Amortisation of lease inducements and other direct costs	**1.2**	4.4
Increase in accrued rents receivable	**(17.5)**	(5.6)
Other items	**(1.0)**	0.4
	(12.7)	1.8

21 CONTINGENT LIABILITIES

There are contingent liabilities of £27.8 million (2005: £12.6 million) relating to guarantees given by the group and a further £14.0 million (2005: £10.1 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 £2.9 million (2005: £6.9 million).

22 ACQUISITION

Name of business acquired		LxB Holdings Limited
Date of acquisition		11 August 2006
Proportion of shares acquired		100%

	Book value £m	**Fair value £m**
Investment properties	333.5	**426.5**
Intangible assets	0.2	**-**
Current receivables	6.5	**6.3**
Cash and deposits	44.5	**44.5**
Current payables	(10.5)	**(14.0)**
Non-current borrowings	(248.8)	**(249.1)**
Non-current deferred tax	-	**(23.6)**
Net assets acquired	125.4	**190.6**
Goodwill on acquisition		**12.6**
Cost of acquisition		**203.2**
Satisfied by:		
Cash paid		**173.3**
Variable rate loan notes issued		**26.0**
Costs paid		**3.9**
		203.2

LxB Holdings Limited is the parent company of a group involved in property investment and development. The fair values of investment properties, intangible assets and deferred tax liabilities were determined by the directors. The goodwill arising on this acquisition is principally attributable to provisions made for deferred tax resulting from the difference between how deferred tax is calculated for accounting purposes and the way it is valued during purchase negotiations. In the opinion of the directors, the carrying amount of this goodwill cannot be justified by future cashflows and consequently it has been impaired. The impairment has been included in the income statement (see note 1).

23 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 2005 but does not constitute the group's statutory accounts for the years ended 31 December 2005 or 2006. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS) this announcement does not itself contain sufficient information to comply with IFRS. The financial information for the year ended 31 December 2005 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 2006, 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.

SHAREHOLDER INFORMATION

Financial Calendar

Full year results announced		26 February 2007
Annual General Meeting		3 May 2007
Recommended final dividend	– Ex dividend date	11 April 2007
	– Record date	13 April 2007
	– Payable on	14 May 2007
Anticipated 2007 interim dividend		October 2007

Website

The 2006 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.
Dividend cover	Adjusted earnings per share divided by the dividend per share.
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.
IFRS	International Financial Reporting Standards.
IPD	Investment Property Databank.
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 interest rate swaps and bond redemption costs.
Interest rate and currency swap	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.
Pre-let	A lease signed with a tenant prior to completion of a development.
REITs	Real Estate Investment Trusts. 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 opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time weighted basis.
Total shareholder return	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
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.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.