Annual Report 2009

Hammerson

WHO WE ARE

Hammerson has been creating and managing some of the most exciting retail destinations and office buildings in Europe for over 50 years. Our objective is to create value by developing and actively managing high quality properties to meet the needs of our occupiers, our partners and our shareholders.

Hammerson's vision is to be the best owner-manager and developer of retail and office property in the UK and France.

Our strategy is to focus on prime regional shopping centres and out-of-town retail, while exploiting opportunities in the office sector.

Please see details of our strategy on pages 11-17.

FINANCIAL HIGHLIGHTS

Net rental income
2008: £300m

£294m

Property assets
2008: £6,457m

£5,142m

Adjusted profit before tax(1)
2008: £114m

£130m

Equity shareholders' funds
2008: £2,821m

£2,950m

Adjusted earnings per share(1)
2008: 25.8p(2)

19.7p

Adjusted net asset value per share, EPRA basis(1)
2008: £5.16(3)

£4.21

Interest cover
2008: 1.7x

2.2x

Gearing
2008: 118%

72%

Total dividend per share
2008: 18.9p(2)(4)

15.45p

Return on shareholders' equity
2008: (32.5)%

(16.9)%

Notes
(1) The calculations for adjusted figures are shown on pages 33 and 36 and in note 10 to the accounts.
(2) Restated following the rights issue referred to in notes 10 and 24 on pages 86 and 101. The average number of shares in issue during 2009 was 637.2 million.
(3) Pro forma following the rights issue.
(4) Pro forma 2008 dividend: 15.0 pence per share.

CONTENTS

BUSINESS HIGHLIGHTS

Hammerson owns a portfolio of the highest quality. Our 16 regional shopping centres in the UK and France attract over 220 million customer visits a year.

Acquisitions and disposals

Over the year Hammerson disposed of: Forum Steglitz, its remaining German property; Les Trois Quartiers, a mixed-use building in Paris; a 75% interest in the Bishops Square office building in London; and the office building at rue de l'Université in Paris. These disposals reduced net debt by an aggregate £670 million.

Hammerson raised an additional £114 million from the disposal of a number of retail parks in 2009, but also extended and improved three UK retail parks at a total cost of £59 million.

In December Hammerson completed its first major acquisition since 2007 with the purchase of a 50% interest in Silverburn, a 91,100m^2 shopping centre near Glasgow, at a cost of £152 million. The modern, well-let centre offers opportunities to create value through active asset management.

Developments

Hammerson completed two major developments in 2009. 60 Threadneedle Street, completed in January, is a prime office building in the City of London which is now 100% let or in solicitors' hands. Union Square, completed in October, is a major shopping centre in Aberdeen. The scheme opened with over three-quarters of the rental income secured, despite the recessionary backdrop. Both buildings have been designed and constructed to the highest environmental standards.

In December Hammerson acquired Les Terrasses du Port, Marseille, which is one of the largest shopping centre developments anticipated in France in the next few years.

Significant milestones were reached in respect of a number of the Group's development pipeline assets in the year. In April, we achieved outline planning consent for Watermark WestQuay, a mixed-use development adjacent to our existing WestQuay shopping centre. In November, we received approval for the Bishops Place regeneration project in London, and also planning consent for the £4.5 billion Brent Cross Cricklewood regeneration plan.

In 2010 we started work on a £30 million extension and refurbishment of our property at 54-60 rue du Faubourg Saint-Honoré, Paris.

Leasing

395 leases in respect of 176,000m^2 were signed in 2009. We brought major international retailers into our portfolio and continued to refresh the tenant mix in both the UK and France. Occupancy at the year end was 95%, compared with 93% at the end of June 2009.

Income security

Hammerson's like-for-like net rental income grew 1.1% over 2009.

The weighted average unexpired lease term in the investment portfolio is around nine years, and rent collection rates remained excellent throughout 2009.

Financing

In March 2009 we completed a rights issue which raised £584 million.

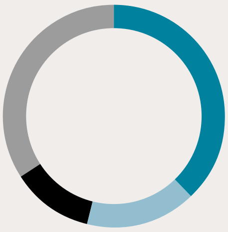
72% of Hammerson's debt is drawn from bond markets, thereby reducing the Company's reliance on bank debt. Hammerson has an average cost of borrowing of 5.1% and average debt maturity of around eight years.

The Company has a sound, flexible financial position with year-end gearing of 72% and liquidity (cash and undrawn facilities) of £767 million. Only £63 million of debt matures before 2012.

AT A GLANCE

Our portfolio

Total portfolio
As at 31.12.09
£5.1bn



- UK shopping centres **38%**
- UK retail parks **16%**
- UK offices **12%**
- France retail **34%**

Geographic location
UK
66%
France
34%

Sector split
Retail
88%
Office
12%

Our 10 major investments

1. O'Parinor, Aulnay-sous-Bois
Valuation **£404m**
Passing rent **£21.6m**

2. Italie 2, Paris 13ème
Valuation **£356m**
Passing rent **£19.5m**

3. Brent Cross, London NW4
Valuation **£257m**
Passing rent **£17.2m**

4. Highcross, Leicester
Valuation **£254m**
Passing rent **£15.8m**

5. Bullring, Birmingham
Valuation **£234m**
Passing rent **£15.4m**

6. Cabot Circus, Bristol
Valuation **£215m**
Passing rent **£14.3m**

7. Espace St Quentin, Saint Quentin-en-Yvelines
Valuation **£212m**
Passing rent **£12.7m**

8. The Oracle, Reading
Valuation **£208m**
Passing rent **£13.1m**

9. Les 3 Fontaines, Cergy Pontoise
Valuation **£199m**
Passing rent **£11.9m**

10. WestQuay, Southampton
Valuation **£198m**
Passing rent **£13.4m**

Valuations and passing rent are as at 31 December 2009.
Figures show Hammerson's share of valuation and passing rent in respect of joint ventures.

CHAIRMAN'S STATEMENT

This was a year of intense activity for the Company in volatile conditions. In the first half of the year we addressed rising gearing through a combination of an equity rights issue and asset disposals. In the second half we took advantage of our strengthened position to acquire assets with good growth potential.

RESULTS

The first six months of 2009 saw continued falls in commercial property values, however in the second half of the year investment activity increased and there was a recovery in values, particularly for prime properties in the UK. Against this background, although the value of Hammerson's portfolio has increased by 6% since June, for the year as a whole it showed a decline of 9%. Adjusted net asset value per share was £4.21 at the year end, an 18% fall over the year, but a 13% increase since 30 June. At 31 December 2009 gearing was 72%, compared to 118% at the end of 2008.

The Group's adjusted profit before tax for 2009 increased by £16 million to £130 million. However, reflecting the increased number of shares in issue following the rights issue, adjusted earnings per share fell to 19.7 pence. The Board has declared a second interim dividend of 8.5 pence per share, with a scrip alternative, giving a total dividend for the year of 15.45 pence. This compares with a pro forma dividend for 2008 of 15.0 pence per share. The second interim dividend, in lieu of the final dividend, will be payable on 1 April 2010, so that it will be received in the current tax year. Full details are included in the circular which will be issued to shareholders today.

PORTFOLIO

I am pleased to report that we made good progress during the year in the four areas which we identified as key: managing the existing portfolio to ensure it is well positioned to benefit from the recovery in markets; focusing on letting remaining space in recently completed developments; ensuring that we can exploit the development pipeline when conditions permit; and taking advantage of opportunities presented by current market conditions.

In 2009 we signed 395 leases in respect of approximately 176,000m^2 across our portfolio. In our shopping centres we continued to refresh the tenant mix bringing major international retailers into our schemes. We opened Union Square, Aberdeen, in October. Despite letting in the midst of the recession, the centre is over three-quarters let or in solicitors' hands, and has an attractive retail and leisure line up. We completed three retail park extensions, all of which were fully let at the year end, and our recently completed London office developments at 60 Threadneedle Street and 125 Old Broad Street were both over 90% let or in solicitors' hands at 31 December. At the year end the Group's overall occupancy rate was 95%, compared to 93% in June.

Our prime, modern portfolio, much of which we have developed ourselves, is at the forefront of sustainability in terms of design, construction, and resource utilisation. We also engage actively with the communities in which we operate, not only creating jobs but running training and education programmes to support our retailers in their recruitment. I am delighted that we have been recognised as an industry leader in this area.

Hammerson's proven expertise in retail property puts us in a strong position to take advantage of opportunities presented by current markets. In December we bolstered the portfolio with two significant acquisitions. We invested £152 million in the Silverburn shopping centre in Glasgow, undertaken in joint venture with the Canada Pension Plan Investment Board. We also acquired the Terrasses du Port retail development scheme in Marseille. This three year project has an anticipated total cost of £400 million, and we expect work to start on site later this year. In January 2010, following the appointment of administrators to Thornfield Ventures Limited, we were appointed as the development and asset manager for a partially completed retail development scheme.

BOARD

We announced in August that John Richards would be retiring as Chief Executive. John had been with Hammerson for nearly 30 years, the last ten as Chief Executive. We owe him a huge debt of gratitude for all that he did for the Company.

I am delighted that the Board appointed David Atkins as John's successor as Chief Executive. David has been with the Company for 12 years, was previously Managing Director of the UK business, and is one of the outstanding property executives in the industry.

"I am pleased to report that we made good progress during the year in the four areas which we identified as key."

We welcomed Terry Duddy, Chief Executive of Home Retail Group, to the Board as a non-executive Director in December. John Clare, who served on the Board for 11 years and was, most recently, the Senior Independent Director, retired at the end of 2009. I thank him for his particularly valuable contribution to the Company over such a long period. Tony Watson has succeeded John as the Senior Independent Director. In November, Christophe Clamageran, Managing Director of Hammerson France, resigned to take up a position in the quoted French real estate sector.

FINANCING

Net debt at the year end was £2.1 billion, down by £1.2 billion from 31 December 2008. 97% of our debt is unsecured, and we have liquidity (cash and undrawn facilities) of £767 million, giving us good financial flexibility. We have just £63 million of debt maturing before the end of 2011, and nearly three quarters of our debt is drawn from the bond markets, reducing our reliance on the bank market.

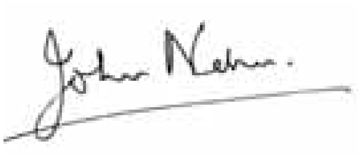
OUTLOOK

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support throughout 2009. I believe the actions which we have taken put the Company in a strong position for the future.

Hammerson has a clear strategy of concentrating on high quality retail assets in the UK and France, whilst exploiting opportunities in the office sector.

Recently there has been a recovery in property markets, supported by strong investor demand and the policy of central banks supporting financial markets. The economic outlook, however, remains uncertain, and against this background the Board intends to maintain a prudent approach to financing.

Our reinvigorated management team, under David Atkins, is focused on creating value by maximising the income from our assets and improving operational efficiency. We rigorously evaluate the projected performance of our properties against financial benchmarks and will progress selected developments. We will continue to capitalise on opportunities which are being presented by the markets. This is likely to lead to more active management and evolution of our portfolio.



John Nelson
Chairman
22 February 2010

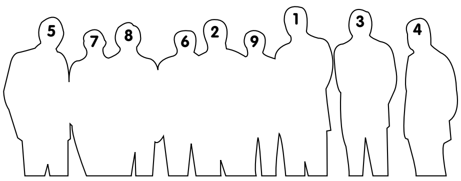
"The actions which we have taken put the Company in a strong position for the future."

John Nelson
Chairman

BOARD OF DIRECTORS

"On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support during 2009."

John Nelson
Chairman



1. John Nelson
Chairman

John Nelson, a Chartered Accountant, was appointed Chairman in 2005 and is a member of the Remuneration Committee and Chairman of the Nomination Committee. He is deputy chairman and the senior independent director of Kingfisher plc and senior advisor to Charterhouse Capital Partners LLP.

2. David Atkins
Chief Executive

David Atkins, a Chartered Surveyor, joined the Company in 1998 and was appointed to the Board of the Company's UK business in 2003. He was appointed an Executive Director of Hammerson in 2007 and Chief Executive on 1 October 2009. He is also a board member of the European Public Real Estate Association and member of the British Council of Shopping Centres advisory committee.

3. Peter Cole
Chief Investment Officer

Peter Cole, a Chartered Surveyor, joined the Company in 1989 as a senior development surveyor and was appointed to the Board of the Company's UK business in 1992. He was appointed an Executive Director of Hammerson in 1999. He is a general council member and past president of the City Property Association.

4. Terry Duddy
Non-Executive Director

Terry Duddy was appointed a Non-Executive Director of Hammerson on 3 December 2009 and is a member of the Audit and Nomination Committees. He is chief executive of Home Retail Group plc.

5. David Edmonds CBE
Non-Executive Director

David Edmonds was appointed a Non-Executive Director of Hammerson in 2003 and is a member of the Remuneration Committee. He acts as Chairman to the Hammerson Pension Scheme Trustees. He is chairman of Wincanton plc, the Legal Services Board and NHS Shared Business Services Limited. He is also a non-executive director of William Hill plc and the Olympic Park Legacy Company.

6. Jacques Espinasse
Non-Executive Director

Jacques Espinasse was appointed a Non-Executive Director and member of the Audit Committee in 2007. He is a non-executive director of AXA Belgium, Maroc Telecom, SES and LBPAM.

7. John Hirst
Non-Executive Director

John Hirst, a Chartered Accountant, joined the Board as a Non-Executive Director in 2004 and is Chairman of the Audit Committee. He is chief executive of the Met Office, a director of Epilepsy Research UK and a trustee of Epilepsy Bereaved.

8. Simon Melliss
Chief Financial Officer

Simon Melliss, a Chartered Accountant, joined the Company in 1991 as group financial controller, having worked in various financial positions for other companies, and was appointed Chief Financial Officer in 1995. He is a non-executive director and chairman of the audit committee of Whitbread PLC and a member of the committee of management of Hermes Property Unit Trust.

9. Anthony Watson CBE
Non-Executive Director

Tony Watson was appointed a Non-Executive Director of Hammerson in 2006. He is the Senior Independent Director, Chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. He is chairman of Marks & Spencer Pension Trust Limited and the Asian Infrastructure Fund Limited and a member of the Shareholder Executive Advisory Group. He is also a non-executive director of Lloyds Banking Group plc, Witan Investment Trust PLC and Vodafone Group plc and is on the advisory board of Norges Bank Investment Management.

CHIEF EXECUTIVE'S Q&A

David Atkins answers some of the questions which are frequently posed by shareholders.

Interview by Andrea Cockram, Corporate Communications Manager

AC: You became Chief Executive on 1 October 2009, after first running UK Retail and then becoming MD of the UK business. What was your background before then?

DA: I've been in property all my working life, joining DTZ straight after university in the late 1980s. I was there for ten years, originally working on investment and development in central London.

At Hammerson I originally worked in a special projects role. It was an interesting job, focusing on group strategy, research and valuation work with an international remit. The great thing about this period was that it was very varied. I got to know a lot of people in the business, both here and abroad, and importantly got to see and understand all of our property assets in the various territories.

AC: What is your strategy, and where are the areas of focus?

DA: I want Hammerson to be the best owner-manager and developer of retail and office property in the UK and France. We concentrate on prime regional shopping centres and out-of-town retail, whilst exploiting opportunities in offices.

In terms of focus, there are really three things. First, we are thinking much more about the needs of our customers. Second, we're undertaking more rigorous analysis of each individual asset to ensure it is meeting our expectations – we are not in the business of accumulating assets just for the sake of size. Third, we've put in place a prudent financial and operational framework, but within that we will be entrepreneurial and opportunistic. People often ask if we are in buying or selling mode, and the truth is that it's both: we should be looking to divest if we believe there are opportunities to acquire assets with better prospects.

AC: What do you plan to do differently?

DA: For many years we've prided ourselves on the quality of our relationships with our joint venture partners, local authorities, and shareholders. A good example of this is the way in which we work with local communities: our schemes are designed to be environmentally sustainable, we prefer to employ local people, and we aim to support local charities and initiatives.

However, I also want us to become passionate about our customers, the occupiers. I started a piece of work early last year to find out what our customers thought of us and how we could improve. Most of the feedback was positive but there were some surprises. I reached the conclusion that we could gain a lot of ground by restructuring the business in the UK to more closely align with our customers. That process is currently underway, and should deliver real improvements. We hope to make leasing and renewals happen faster. That's got to be good for the retailer as it will save money and take out some of the frustration. In summary, I want Hammerson to develop a reputation as an owner-manager which matches that which we have as a developer.

AC: Hammerson has been well-known in the past for its flagship retail developments. What role will development play going forward?

DA: Development is one of our core strengths and has a fundamental place within Hammerson's strategy, indeed we expect to start two developments in France this year. What we need to examine is the way in which we bring development forward and the overall amount of development at any one time. Developments should be lower as a proportion of gross asset value than the 15%-20% that they have been in the past. That's not to say we'll do fewer projects, but we will be more disciplined about which ones we progress, and will identify potential exit routes at the outset.

AC: So will you focus more on the earnings profile or net asset value?

DA: As a REIT, I believe there has to be a balance between net asset value growth and income growth. The reality is that, outside the sphere of development and asset management, the NAV can be more heavily influenced by external factors, whereas we can work to protect and grow income. The prime nature of our assets and our retail expertise allows us to create thriving destinations which encompass dining and leisure activities. This attracts shoppers, which of course makes the location more profitable for retailers. We work hard at refreshing the tenant line-up in our centres to ensure that they stay up to date, and we also maximise other sources of revenue such as advertising.

"I want us to become passionate about our customers, the occupiers."

"The prime nature of our assets and our retail expertise allows us to create thriving destinations which encompass dining and leisure activities."

David Atkins
Chief Executive

CHIEF EXECUTIVE'S Q&A
continued

AC: Retailers have had a very difficult year, and prospects for 2010 look uncertain. Does that worry you?

DA: Of course the economic backdrop is not easy, but I am a firm believer in the strength of European retail. Despite the recession, our assets have generated very solid income over the last two years.

The truth is that there has been something of a polarisation of formats, with strong retailers doing quite well. We are always on the lookout for new and innovative retailers, and time and time again we've managed to get the first UK shopping centre store for an international retailer, including, most recently, Apple, Hollister and Banana Republic. By doing that we will ensure that Hammerson centres continue to attract customers.

AC: Will the property market change in response to the events of the last two years?

DA: There will be some structural changes, as it is now clear that there was simply too much debt financing property which caused the bubble in values. I believe that well managed REITs are actually an ideal tax transparent vehicle for investors to gain exposure to property and you'll see more IPOs and private vehicles moving to public ownership over the next few years.

From our perspective we'll be running the business in such a way that ensures we can cope better with the worst of the market cycles. In practice that means continuous benchmarking and assessment of properties to ensure that we have sufficient liquidity in the portfolio. It also means managing the amount of debt that we have in the business to make sure we are not caught out by significant movements in market values. I therefore anticipate that going forward we'll have lower average gearing than we have recently.

AC: How do you run the business on a day-to-day basis?

DA: Alongside my two fellow Executive Directors, I have a great senior management team, led by our three managing directors: Lawrence Hutchings for UK Retail, Martin Jepson for London and Jean-Philippe Mouton who runs our French operations. They report directly to me which is a change from the past and means that I have a direct link with the property teams.

In terms of staff, we have some of the very best people in the industry and I want to ensure that they perform to their optimum. There are two ways that we can help them do that. One is to ensure that they understand the authority they have in the business. The other – and we can't do enough of this – is for us to build better communications within the business. That's something that I'm working very hard on, and I believe that people work more effectively as a result.

AC: Finally, what do you want to get out of your first year as Chief Executive?

DA: I took the view that in my first year I need to build on relationships with shareholders, banks, bondholders and other financial stakeholders. This I have been doing. However, I also think that a CEO in this industry needs to keep an excellent feel for property and to be driving the business day-to-day. In order to generate the best returns for shareholders I need to ensure that we are providing the best trading environments for our occupiers, continually evaluating our portfolio and critically assessing development and acquisition opportunities. So, going forwards, I want to stay very close to our property teams, our properties and our customers.

"We provide environments for businesses to thrive. We encourage our people to maximise their potential and we treat our tenants as customers, responding to their needs. We rigorously evaluate the projected financial performance of each of our properties, to shape investment decisions and drive future returns."

David Atkins
Chief Executive

OUR STRATEGY

Hammerson's vision is to be the best owner-manager and developer of retail and office property in the UK and France.

Our strategy is to focus on prime regional shopping centres and out-of-town retail, while exploiting opportunities in the office sector.

The Hammerson difference

Hammerson has built a reputation for **providing exceptional properties.** Our expertise lies in our **management** of these properties. We pride ourselves on our **relationships** with our joint venture and local authority partners, our customers and our investors.

Providing exceptional properties
» p12

Expert management
» p14

High quality relationships
» p16

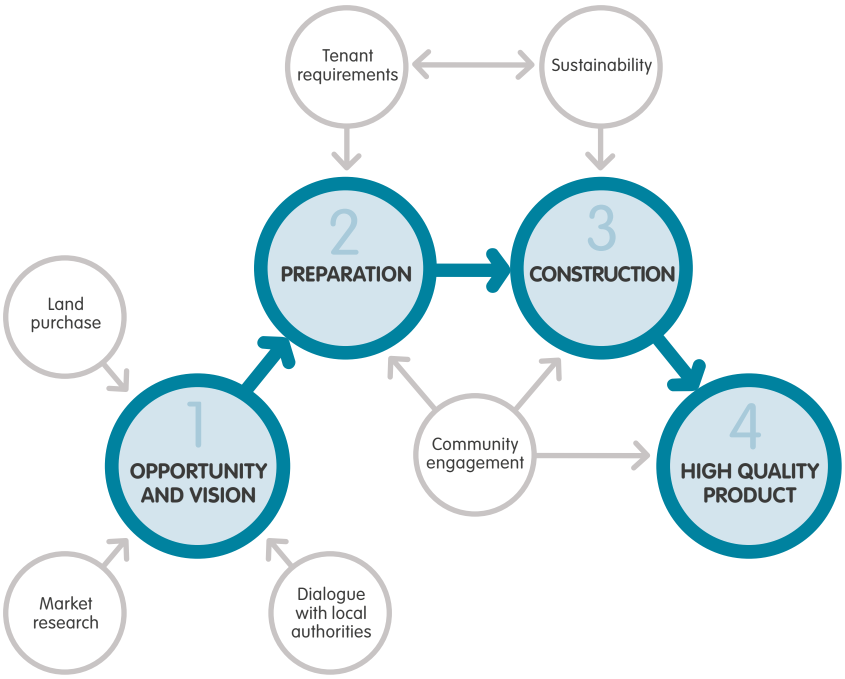
OUR STRATEGY: PROVIDING EXCEPTIONAL PROPERTIES

Hammerson has a strong tradition of providing exceptional properties. We have the skills and expertise to deliver large, regionally dominant shopping centres which become a focal point for the community. We have proven credentials in urban regeneration, having built most of the shopping centres in our portfolio today, and our office developments provide the highest quality prime space in a modern, sustainable environment.

Tim Gore
Assistant Director Investment, London Group

Approach

We start by using research to identify a potential opportunity, then work with local authorities and prospective tenants to ascertain whether that vision can be turned into a viable, desirable scheme. We ensure that our buildings have sustainability built in from the design stage and where possible use local employees in realising the scheme. We engage with the local community at every stage of the process.



Challenge

Create a state of the art City office which also meets the highest environmental standards.

» Solution

60 Threadneedle Street, completed in January 2009, provides 20,200m^2 in the heart of the City of London. It has attracted a range of high quality occupiers and is almost fully let twelve months after completion. The building has a green roof, dual-fuel boiler, and features to reduce water consumption. It has a BREEAM Excellent Rating – the highest standard achievable for environmental performance.

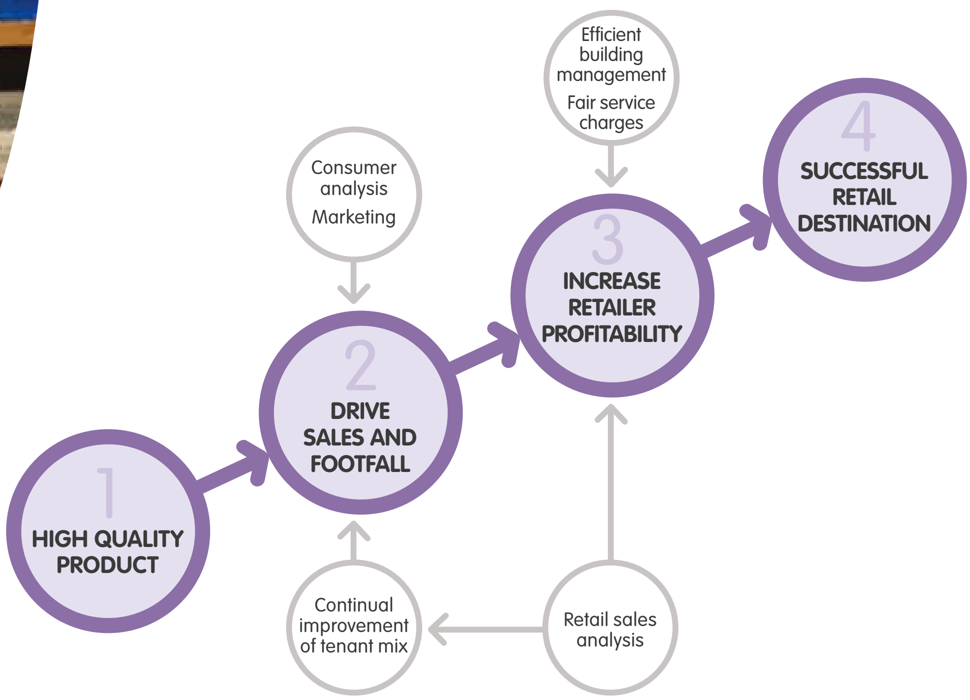
OUR STRATEGY: EXPERT MANAGEMENT

We recognise that the success of our business lies in our expert management of our properties. We treat our tenants as customers and understand that the fundamental value of our properties lies in the success of their business. Our objective is to create value for our shareholders by providing environments for our customers to thrive.

Sarah Zerouali
Director, Les 3 Fontaines

Approach

Our research-led approach ensures that we understand our retail customers' trading patterns, allowing us to help them improve their profitability and ensure we have the optimum mix of retailers in our centres. We manage our buildings efficiently and commit to offer value for money on rent and transparency on service charges. To ensure our centres continue to provide an exciting experience for consumers, we continually refresh our mix of retailers. This creates value by raising the appeal of the centre.



Challenge

Driving sales in shopping centres.

Solution

Our marketing programmes focus on creating customer loyalty and encouraging repeat visits. At our French shopping centres, we have been successfully running a loyalty card for seven years. This offers consumers discounts across a number of stores, and advertises retailer openings and promotions, ensuring customers visit our centres several times each month.

OUR STRATEGY:
HIGH QUALITY RELATIONSHIPS

We pride ourselves on our relationships with all of our stakeholders, from our customers and our staff to joint venture and public sector partners. Our pragmatic and constructive approach enables us to better serve our customers, allows our staff to maximise their potential, and to find innovative solutions to problems.

Sheila King
Director, Group Retail Leasing

Approach

The success of a Hammerson property relies on our ability to engage with retailers and office occupiers to understand and meet their requirements. In 2009, we commissioned interviews with some of our major customers to assess their perceptions of value and to gain feedback on actions which we could take to improve our service. Analysis of the results will allow us to respond to their needs and improve our own performance, which we will benchmark by conducting a similar survey on an annual basis. As a result of this survey we have restructured our internal teams to focus on specific customers.

Challenge

Successfully bring a major international retail brand into the UK for the first time.

» Solution

We met with Abercrombie & Fitch at a trade fair in New York and subsequently maintained contact with them in both the UK and France. Through our detailed understanding of the US retailer we were convinced that the brand would have traction in the UK and we brought Hollister into Brent Cross as their first ever UK store. The relationship has been fruitful for both parties, and we were delighted to be able to expand their UK presence at both WestQuay in Southampton and Scotland's first Hollister store at Union Square in Aberdeen.

BUSINESS FRAMEWORK

LEGAL AND REGULATORY FRAMEWORK

Hammerson operates in the UK and France where planning regimes impose restrictions on new property developments. These restrictions are particularly onerous in the case of large retail schemes, limiting the supply of new space and thereby benefiting owners of existing retail properties. By contrast, it is generally easier to gain permission to create new office buildings, which can lead to more marked imbalances between supply and demand, resulting in greater fluctuations in rents and values. From a developer's perspective, the planning process can sometimes be uncertain and protracted.

In the UK, contracts to lease property are governed principally by the Landlord and Tenant Act 1954. The duration of a typical lease is 10-15 years, with rent payable quarterly in advance and with rent reviews at the end of each five year period. Rent reviews are generally 'upward only' whereby the rent will be increased to the market rent, unless the market rent is lower than the passing rent, in which case it will remain unchanged. Occupiers bear the responsibility for repairing and insuring the property. The trend in the UK is for a more flexible approach by property owners, which may include shorter leases, rent which is related to an occupier's turnover and rents being paid monthly.

Leases in France are governed by the 'Code du Commerce' and a typical lease is of around ten years' duration, with the occupier often having the right to break the lease every three years. Rent for the majority of leases is revised annually according to one of two official indices which are related to retail prices, retail sales and construction costs. Rents may go up or down depending on changes in the index. Occupiers have the right to renew their leases for a further term at the end of the lease.

Hammerson is subject to various environmental laws and regulations in the UK and France. In particular, our office and retail portfolio investment activities are subject to:

- Energy efficiency objectives
- Carbon emission reduction commitments
- Landfill regulations

STRATEGY AND RISK MANAGEMENT

The Group's strategy, which is covered in the interview with the Chief Executive on pages 8 to 10 and on pages 11 to 17, is set by the Board and documented in the Group's annual business plan for the following three years. The strategy and associated action plans take into account the current and anticipated conditions in property markets. A review of the property markets in 2009 and the outlook is set out opposite.

The Group's real estate strategy is supported by operational and financial strategies implemented within a risk management framework designed to identify and manage risk. More details of these strategies are provided in the Business and Financial Reviews on pages 24, 32 and 37 respectively. A summary of the principal risks faced by Hammerson and how these are managed is set out on pages 20 and 21.

KEY PERFORMANCE INDICATORS

We use financial and operational measures to monitor the performance of the business. The Key Performance Indicators (KPIs) which we believe are most important to the Group's performance are shown on page 22 and details of our financial and property returns are on page 23.

CORPORATE RESPONSIBILITY

The impact of our business on the environment and our stakeholders, including employees and the communities in which we operate, is discussed on pages 38 and 39 and pages 42 to 47.

CONTRACTUAL RELATIONSHIPS

Our principal contractual relationships are with occupiers, joint venture partners, managing agents and building contractors. However, due to the number and diversity of the businesses with whom we deal, there are no individual contractual arrangements which are essential to the Group's business. As part of our discussion of the security of Hammerson's income stream, details of our largest occupiers by rental income are provided in the Business Review on page 29.

We also have important relationships with our banks and bondholders who, together with shareholders, finance the Group. We use a number of banks and our bonds are widely held by a diverse range of investors. Accordingly our financing risk is not concentrated with any particular lender.

PROPERTY MARKETS AND OUTLOOK

INVESTMENT MARKET

The commercial property markets in the UK saw a notable improvement during the second half of 2009, whilst the French markets stabilised. Following systemic failures within the international financial system, the global economy fell into the deepest post-war recession on record during early 2009. The extent of the downturn prompted coordinated action by central banks and governments, providing extensive support for financial markets and economic activity. This in turn led to an improvement in real estate investor sentiment during the second half of 2009 and saw demand for commercial property investment increase, supporting lower yields and higher property valuations.

In the UK, the volume of property transactions increased in 2009 by around 6%, compared with 2008, reflecting a rapid increase in sales activity during the second half of the year. The quarterly IPD all-property equivalent yield moved out 80 basis points during the first half of the year, before falling back 100 basis points in the second half to 8.0%. As a result, both retail properties and offices recorded total returns of more than 10% in the last six months of 2009.

In France, where the Group has 34% of its portfolio, sales volumes reached a ten year quarterly low during the first three months of 2009. Transaction levels steadily improved throughout the year but the weakness of the first half meant that the volume of transactions was 40% below that seen in 2008. The latest market analysis shows shopping centre and office yields stabilising and moving in for the best assets. Shopping centre values fell during 2009 by an estimated 8.0%.

Property yields are still above their long-term average and greater than many other investment classes. As such the investment market in 2010 should improve further, provided investor demand is sustained. The level of improvement will remain dependent upon the strength of economic recovery and sustained policy support. Outstanding bank loans to UK commercial property remain very high at around £250 billion and around £160 billion of this debt is due to be refinanced before the end of 2013. The need for banks to reduce their lending to commercial property and the refinancing requirement are likely to dampen the recovery in property values.

RETAIL PROPERTY

In the UK, non-food retail sales values fell by around 2% in 2009, significantly less than forecast at the start of the year. The higher than expected level of sales came in the face of rising unemployment and low consumer confidence and has been attributed in part to the impact of lower interest rates on mortgages. Whilst sales were better than expected, trading conditions for retailers remained difficult throughout the year, reducing the demand for new stores. Looking ahead, the recovery in retail is likely to be fragile as improved confidence is set to be tempered by rising taxation, the potential for rising interest rates and the level of unemployment.

Following a rise in new retail space in 2008, the level of development completions fell by around half in 2009, and is expected to fall again in 2010. With demand for new space remaining low and some retailers closing stores, UK retail vacancy rates were higher in the year, weighing negatively upon rental levels. According to the IPD Quarterly Index, retail rents fell by 6.1% in 2009, the largest annual fall on record.

In Hammerson's experience, the rise in vacancies has been less severe in prime locations, with retailers in some cases deciding to use the opportunity to open new stores in the best retail centres.

In France, consumer confidence remained low throughout 2009, resulting in falling retail sales. However, with the French economy returning to growth in the second quarter, consumer confidence has shown a gradual improvement and retail sales grew throughout much of the second half of the year. Unlike the UK, the downturn in sales did not result in a large number of retailers entering administration.

Although a difficult retail environment precluded an expansion of operations in France, fewer administrations and the payment of key money by retailers prevented a significant increase in the level of vacancies and supported rental values, particularly in the most prime shopping centres. For existing leases, the rate of indexation under the ILC index fell to 0.84% at 1 January 2010, down from 3.85% in the previous year, following lower inflation and weaker retail sales.

OFFICE PROPERTY

The Central London office market closely mirrored the fall and recovery experienced across global financial markets. Having fallen to its lowest level on record in the first quarter of the year, the take-up of office space in Central London progressively improved throughout the rest of 2009, ending the year strongly with 0.3 million m^2 of space leased in the fourth quarter.

Despite the pick-up in leasing activity in the latter part of the year, take-up was down 23% on 2008, and coincided with the completion of an additional 0.6 million m^2 of new space. The Central London vacancy rate increased from 5.3% at the start of the year to 7.2% by the end of 2009, with the highest rates in the City at 8.5%. City rents fell by around 20% in the year to £43.50/ft^2, whilst incentive packages increased to the equivalent of a 30 month rent free period on a ten year lease.

City office vacancy rates, which fell in the second half of 2009, are expected to continue to decline in 2010 as sustained take-up and fewer developments erode availability, providing a firm base for rental stabilisation and subsequent growth. Following delays and cancellations over the past two years, new completions are set to fall further throughout the early part of this decade, increasing the probability of a medium-term recovery in net rents as demand returns.

RISK MANAGEMENT

How we manage risk

Risk management is integral to the achievement of our financial and operating objectives. Our risk management policies are designed to reduce the chances of financial loss and enhance performance when the right opportunities arise. We have developed a risk management framework to identify and control risk. The six principal risk areas in that framework, and the steps we take to mitigate them, are shown in the table below. We have also included references to the pages in this Annual Report where these risks, or the parts of the business affected by them, are discussed further.

	Risk	Mitigation	Commentary	Page
Business strategy	Implementation of a strategy inconsistent with the market environment. Over-concentration of activities and investment exposure in particular markets.	We commission and evaluate research into the economy and investment and occupational markets and use this to prepare an annual Business Plan and regular financial forecasts. Hammerson's portfolio is geographically diversified and its allocation is regularly reviewed.	Property markets and outlook Property portfolio and allocation Principal risks and uncertainties	19 24 21
Treasury	Breach of borrowing covenants, triggering default and/or repayment. Insufficient liquidity to progress the development programme. Adverse currency or interest rate movements.	Guidelines for financial ratios are set and monitored by the Board. Future investment requirements are approved by the Board and sufficient facilities put in place. Fixed rate borrowings are used where appropriate and foreign currency denominated assets financed by borrowings in the same currency.	Principal risks and uncertainties Financial Review Notes 20 and 21 to the accounts	21 37 93 to 100
Business organisation and human resources	Failure to recruit and retain key staff with appropriate skills and calibre.	Recruitment procedures and the remuneration structure are regularly reviewed and benchmarked. Succession plans are in place for senior positions.	Remuneration Report Human Resources Corporate Governance	56 to 63 38 and 39 50
Property development	Poor control of the development programme and failure to address investment and occupational market risks.	Detailed analysis, including market research, is undertaken prior to the approval of each development project. The Group's overall exposure to development is monitored and projects phased. A programme of post completion reviews ensures potential improvements to processes are identified.	Developments Principal risks and uncertainties	32 21
Property investment	Acquisition of properties that fail to meet performance expectations.	Acquisitions are thoroughly evaluated, including due diligence reviews. The performance of individual properties is benchmarked against target returns.	Investment portfolio	26 to 31
Tenant default	Financial loss arises through tenant default.	Our occupier base is large and diverse and the majority of our tenants are of sound financial standing. We regularly analyse our retailers' performance and the credit rating of all our key occupiers to identify tenants at risk so that appropriate action can be taken. We have clear policies and procedures for rent collection and how we deal with occupiers in difficulty.	Principal risks and uncertainties Income security and quality	21 29 and 30

PRINCIPAL RISKS AND UNCERTAINTIES

PROPERTY VALUATIONS

Our property portfolio is the largest component of the Group's net asset value. The value of the portfolio is affected by the conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value can change due to external factors beyond management's control. In light of the improved economic conditions and government support for the financial sector, investors have recently become more active in the real estate investment market with the result that property values have started to rise for the first time in two years.

Hammerson has a high quality portfolio which is geographically diversified and let to a large number of tenants. These factors should continue to mitigate any negative impact arising from changing conditions in the financial and property markets. The Property Markets and Outlook section of this report provides further discussion of these issues.

Our property portfolio is valued in compliance with international standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable market transactions. As the economic environment has improved, the number of transactions for the types of property owned by Hammerson in the UK and France has increased, and this in turn has made property valuations more reliable.

LIQUIDITY RISK

Although conditions in the financial markets have improved significantly in 2009, companies with short-term refinancing requirements may continue to find it difficult to secure adequate funding at costs comparable with their existing facilities. Hammerson has just £63 million of debt maturing before 2012, and we have time to plan for an optimal debt maturity and cost profile, with the option of further property sales if considered necessary.

Following the completion of the rights issue in March 2009 and the receipt of the proceeds from our disposal programme, gearing has decreased from 118% at the end of 2008 to 72% at 31 December 2009. The risk that the Group could breach its borrowing covenants, the most stringent of which is that gearing should not exceed 150%, has therefore receded. We estimate that, on a pro forma basis, the value of our portfolio would have to fall by 30% to endanger our most rigorous gearing covenant.

DEVELOPMENT AND LETTING

The recent recession has made many potential occupiers cautious about entering into commitments to lease space. Therefore it has taken longer than originally anticipated to agree new leases at our recently completed developments. However, the improvements seen in the economy in the last few months have resulted in greater interest in the vacant space at the developments we completed in 2008 and 2009, as discussed in the Business Review on page 29. We currently have no significant developments underway.

TENANT DEFAULT

The trading environment has improved during 2009, and the rate at which retail companies in the UK are going into administration has fallen. However some tenants, principally in the UK retail sector, continue to face difficult operating conditions and there is a risk that they will be unable to pay their rents. The large number of tenants and their geographical spread mean the risk of individual tenant default to Hammerson is low. Furthermore, our occupational leases are long-term contracts, thus making the income relatively secure. The quality of the Group's income is discussed on pages 29 and 30 of the Business Review.

INTEREST RATES

Interest charged on borrowings is a significant cost for Hammerson and we set guidelines for our exposure to fixed and floating interest rates and use interest rate and currency swaps to manage this risk. At 31 December 2009, 78% of the Group's gross debt was at fixed rates of interest. The short-term outlook for interest rates is uncertain, but our hedging programme would partly mitigate the impact of any rise.

EXCHANGE RISK

Exchange risk is managed by matching foreign currency assets with foreign currency debt, using derivatives where appropriate. As at 31 December 2009, 80% of the value of the French property portfolio was hedged. We estimate that a 1% strengthening of the euro relative to sterling would have the effect of increasing shareholders' funds by around £3 million and increasing net debt by approximately £13 million.

KEY PERFORMANCE INDICATORS

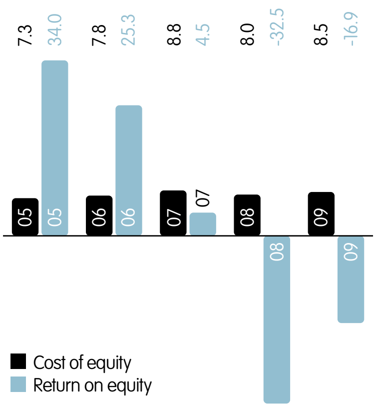
How we measure our performance

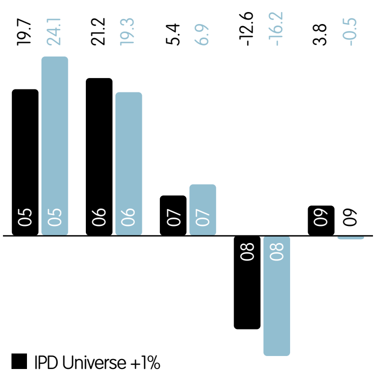
We monitor the performance of our business by measuring three principal indicators against appropriate benchmarks. Set against the background of our strategy, these 'Key Performance Indicators', or 'KPIs', demonstrate the extent to which earnings and valuation growth drive returns. Growth in portfolio and equity returns should, over time, be reflected in improved shareholder returns. The sources of the information used to calculate KPIs are management reporting systems and IPD.

	Return on shareholders' equity (ROE)	Portfolio returns relative to IPD[3]	Occupancy
Description	ROE represents the income and capital returns in a year expressed as a percentage of shareholders' equity at the start of the year.[1]	The Group compares the total returns it achieves from its portfolio against the relevant IPD index.	The ERV of the space in the portfolio which is currently let, as a percentage of the total portfolio.[1] [4]
Why it is important	It is a measure of how effective Hammerson is in generating a return on the equity invested by shareholders in the business.	It enables the Group to monitor the returns it achieves from its portfolio against a recognised benchmark.	The Group aims to maximise the occupancy of its properties as income lost through vacancy has a direct impact on profitability.
Benchmark	**8.5%** (estimated cost of equity)	**IPD Universe +1.0%**	**97.0%**
2008 actual	**-32.5%[2]**	**-16.2%** (IPD Universe: -13.6%)	**95.2%**
2009 actual	**-16.9%**	**-0.5%** (IPD Universe: 2.8%)	**95.2%**
Commentary	Financial and property returns **»p23**	Financial and property returns **»p23**	Business Review **»p29**

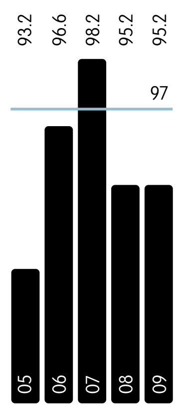
Notes
(1) Please refer to the glossary on page 126 for a full definition.
(2) Excluding deferred tax and the UK REIT entry charge.
(3) 2009 data refers to UK data only, based on the IPD quarterly index, as the UK annual index was unavailable at the time of publication. There is no French quarterly index and the French annual IPD index was unavailable at the time of publication. The figures will be updated when the annual indices are available.
(4) EPRA has issued revised guidance for the calculation of vacancy. Previously, vacancy was reported as a percentage of the total ERV of a property or portfolio. The revised definition expresses vacancy as a percentage of rents passing plus the ERV of vacant space. We have adopted this new definition and restated our 2008 comparatives for vacancy and occupancy data.

Five-year record for key performance indicators





The chart above shows returns and indices for 2005 to 2008 for the UK and French portfolios weighted by value. The data for 2009 is for the UK only as the IPD index for France was not available at the time of publication.



FINANCIAL AND PROPERTY RETURNS

RETURNS

Our objective is to achieve a return on equity in excess of our cost of equity. To achieve this, we set hurdle rates for investment. The hurdle rates are based on a minimum five-year internal rate of return and are adjusted according to the risk associated with each project and to reflect the cost of borrowing in euros where appropriate.

When appropriate, the returns that would be generated by buying in the Company's own shares are evaluated against the potential returns from property investment and development.

The table below provides information on the financial returns achieved in 2009 and compares them with appropriate benchmark indices. The returns include those from joint ventures.

The IPD annual return was not available at the time of publication, so the IPD benchmarks shown for the UK portfolio are based on the quarterly index. There is no benchmark for total portfolio returns which is comparable with Hammerson's geographical portfolio allocation. IPD data relating to the returns of the French property sector in 2009 will be available only after this Annual Report has been published.

Returns data for 2009

Return	%	Benchmark	%
UK portfolio capital return	-5.9	UK IPD Universe – capital	-4.1
UK portfolio income return	5.7	UK IPD Universe – income	7.1
UK portfolio total return	-0.5	UK IPD Universe – total	2.8
Total portfolio capital return	-9.2	n/a	
Total portfolio income return	5.6	n/a	
Total portfolio total return	-4.1	n/a	
Return on shareholders' equity	-16.9	Estimated cost of equity	8.5
Total shareholder return over one year	24.2	FTSE EPRA/NAREIT UK index over one year	14.9
Total shareholder return over three years p.a.	-23.9	FTSE EPRA/NAREIT UK index over three years p.a.	-26.6
Total shareholder return over five years p.a.	-3.6	FTSE EPRA/NAREIT UK index over five years p.a.	-7.0

An analysis of capital and total returns by business segment is provided on pages 25 and 26 of the Business Review.

The IPD Universe includes retail, office and industrial returns for all grades of property in the UK, although Hammerson does not invest in the industrial sector. The underperformance of the IPD Universe capital return index arose because Hammerson's portfolio is weighted towards shopping centres, which recovered less strongly than other sectors in the second half of the year. Prime shopping centres and offices provide low initial yields reflecting the high quality of these assets. Consequently, the income returns for our portfolio are lower than the index.

Hammerson's return on shareholders' equity for the year ended 31 December 2009 was –16.9%. The income element of the return on shareholders' equity will tend to be relatively low given the high quality of the property portfolio, as described above. In 2009 the capital element of the return on equity was negative due to the decline in value of the portfolio during the first half of the year, reflecting market conditions.

Total shareholder return for 2009 outperformed the FTSE EPRA/NAREIT UK index by more than nine percentage points. Over the last five years, Hammerson's average annual total shareholder return has been -3.6% compared with -7.0% for the EPRA/NAREIT index.

BUSINESS REVIEW

REAL ESTATE STRATEGY

There are three elements to our real estate strategy, which aims to maximise the total returns from the portfolio:

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

This Business Review provides more detail on our performance in these areas during 2009, together with information on the potential future growth in income and value in the portfolio.

All references in this Business Review to the property portfolio exclude the Group's 25% interest in Bishops Square, which is accounted for as an associate.

PROPERTY PORTFOLIO AND ALLOCATION

We use external and internal research to analyse in detail the markets in which we operate and base our decisions on overall portfolio allocation using this analysis. As part of our annual business planning process, we review the current and projected performance of each of our properties and identify assets for disposal. The result of this active approach to managing the portfolio is the £2.1 billion raised from disposals in the last five years, whilst £2.2 billion has been invested in acquisitions and new developments over the same period.

At 31 December 2009, Hammerson's retail portfolio in the UK and France provided 1.6 million m^2 of space including 16 major shopping centres and 16 retail parks. Our office portfolio includes six prime buildings in central London, providing 169,000 m^2 of accommodation.

Our property portfolio was valued at £5.1 billion at the end of 2009, with our investment portfolio valued at £5.0 billion and developments making up the balance. Joint ventures, including eight major shopping centres in the UK, accounted for 37% by value of the total portfolio.

During 2009, acquisitions, disposals, development completions and the effects of changes in exchange rates have combined to change the weighting of the portfolio. At the end of the year, the retail portfolio represented 88% of the total, whilst the UK accounted for 66%. The comparative figures for 31 December 2008 were 76% and 60% respectively.

During 2009, the value of the portfolio reduced by £1.3 billion and the movement is analysed in the table below.

Movement in portfolio value in 2009	**£m**
Portfolio value at 1 January	6,457
Valuation decrease	(444)
Capital expenditure	
Acquisitions	187
Development programme	87
Expenditure on existing portfolio	110
Capitalised interest	10
Disposals	(1,055)
Exchange	(210)
Portfolio value at 31 December	**5,142**

The 2009 capital return for the UK and French portfolios was -8.9%, as shown in the table below.

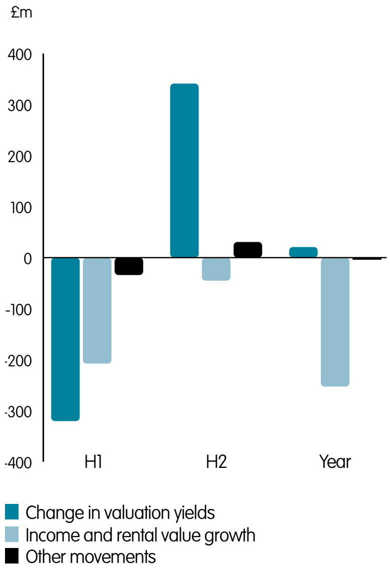
CAPITAL RETURNS – UK AND FRANCE
for the year ended 31 December 2009

	Shopping centres		Retail parks		Offices		Total	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	1,978	-8.3	833	0.6	596	-7.8	3,407	-5.9
France	1,643	-10.2	92	-19.7	–	-36.7	1,735	-14.2
Total	**3,621**	**-9.0**	**925**	**-2.0**	**596**	**-13.1**	**5,142**	**-8.9**

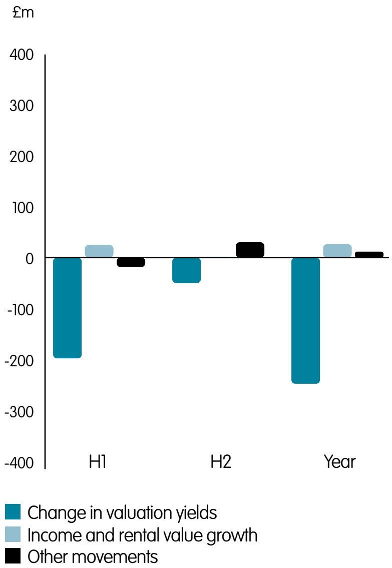
In the UK and France, the underlying valuation decreases for 2009 were 5.9% and 14.2% respectively. For the year as a whole, more than half of the decline in values resulted from changes to investment yields with the remainder principally due to lower rental values. However, this masked contrasting performances in the first and second halves of the year. In the UK portfolio in the first six months, investment yields weakened and rental values fell. The second half saw investment yields recover and the rate of decline of rental values slow. Investment yields in the French portfolio increased in both halves of the year, although the rate of increase slowed significantly in the last six months. Rental values in France increased slightly in the first half, but were virtually unchanged in the second.

The components of the valuation change in 2009 are shown in the chart below.

2009 COMPONENTS OF VALUATION CHANGE UK PORTFOLIO



2009 COMPONENTS OF VALUATION CHANGE FRENCH PORTFOLIO



INVESTMENT PORTFOLIO

VALUATION DATA FOR INVESTMENT PROPERTY

for the year ended 31 December 2009

	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	1,966	(152)	(8.0)	(3.1)	5.6	7.1
Retail parks	826	19	1.4	8.1	5.7	6.9
	2,792	(133)	(5.3)	0.2	5.6	7.0
Office: City	345	(27)	0.5	6.6	4.7	6.5
Other	189	(35)	(16.3)	(10.0)	6.6	7.5
	534	(62)	(5.4)	0.6	5.4	6.8
Total United Kingdom	**3,326**	**(195)**	**(5.0)**	**0.6**	**5.6**	**7.0**
Continental Europe						
France: Retail	1,696	(209)	(10.9)	(6.2)	5.2	5.9
Group						
Retail	4,488	(342)	(7.5)	(2.3)	5.5	6.6
Office	534	(62)	(5.4)	0.6	5.4	6.8
Total investment portfolio	**5,022**	**(404)**	**(7.3)**	**(2.0)**	**5.5**	**6.6**
French office and German retail properties sold in the year	–	–	(36.2)	(33.3)		
Developments	120	(40)	(33.0)	(33.1)		
Total Group	**5,142**	**(444)**	**(9.2)**	**(4.1)**		

Notes

[1]Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.

[2]The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.

[3]Further analysis of development properties by segment is provided in note 3B on page 78.

In the table above, the initial yield calculation is based on passing rents excluding rent of £21.6 million per annum which will be received after the expiry of rent free periods.

On 29 October, Union Square, our 49,600m² major shopping and leisure development in Aberdeen, opened to the public. The scheme received its one millionth visitor just three weeks after opening and was 79% let or in solicitors' hands at the end of December. Anchored by Marks & Spencer, and featuring a 203-bed Jurys hotel and Cineworld, Aberdeen's largest cinema, Union Square was awarded a BREEAM Very Good environmental rating and created over one thousand retail and leisure jobs.

In 2009, we successfully completed a number of extensions in our retail parks portfolio. The extension of Westwood Retail Park, Thanet, was completed in June and was fully let on opening to Bhs Homestore, Brantano and Dunelm. The extension to Cleveland Retail Park, Middlesbrough, was finished in July and the scheme was fully let by the end of the year. At Fife Central Retail Park in Kirkcaldy, we completed in August an 11,000m² extension which is fully let to tenants including B&Q, Mothercare and Toys R Us. The total cost of these three projects was £59 million and the annual rent receivable is £4.8 million.

We pursued our disposal programme during the year, which commenced with the exchange of contracts for the sale of Forum Steglitz, our remaining German asset, in May. The net proceeds of £58 million for the 31,600m² shopping centre were received in July and the comparable book value of the property at the end of 2008 was £79 million. We expect the sale to reduce administration expenses by around £0.5 million per annum.

June saw three further disposals. Les Trois Quartiers, the 29,700m² retail and office building in Paris 1er was sold for net proceeds of £172 million and its comparable book value at 31 December 2008 was £238 million. Hammerson loaned the purchaser €30 million for a two year term, extendable at the option of the purchaser for a further two years.

We sold a 75% interest in Bishops Square, London E1 in June. The principal tenant of the 71,500m² building is international law firm Allen & Overy and the asset is now held in a 25:75 joint venture between Hammerson and the Oman Investment Fund, an investment arm of the Government of Oman. The consideration for the property was £445 million compared with its book value at the end of 2008 of £486 million. Hammerson's interest in the property, including the related secured debt, is accounted for as an associate and the balance sheet includes Hammerson's share of the associate's net asset value. We provide asset management services to the joint venture for which we receive a fee of £300,000 per annum.

In December, our office building at 148 rue de l'Université, Paris 7ème was sold for £74 million. The equivalent book value of the property at 31 December 2008 was £108 million and at the time of sale, the property was 38% vacant and passing rents were £3.6 million.

During the year we disposed of five retail parks: Victoria Retail Park, Nottingham; Les Rives de L'Aa, St Omer; Cap Malo Boutiques, Rennes; Seacourt Retail Park, Oxford; and Berkshire Retail Park, Theale for total proceeds of £114 million.

In January 2010, we started work on a £30 million extension and refurbishment of our building at 54-60 rue du Faubourg Saint-Honoré in the eighth arrondissement of Paris. The scheme will result in a 7,400m² mixed-use property comprising 4,100m² of retail space and 3,300m² of residential accommodation and is expected to be completed in January 2011. The estimated rental uplift from the refurbishment is £2.5 million per annum and all of the space has been pre-let.

We completed our first major acquisition since 2007 in December, with the purchase of a 50% interest in Silverburn, a 91,100m² shopping centre in Glasgow. The scheme, which opened in 2007, is a single-level covered mall anchored by Debenhams, Marks & Spencer, New Look, Next and Tesco Extra. It has 98 retail units let to high quality retailers and is 97% occupied with an average unexpired lease term of 12 years. The centre is held in a 50:50 joint venture with the Canada Pension Plan Investment Board and Hammerson's share of the acquisition cost of the property was £152 million. There are opportunities to increase the value of the scheme through active asset management and by extending the property. Hammerson is the asset manager for the joint venture.

INVESTMENT PORTFOLIO OVERVIEW

Investment portfolio at 31 December 2009

	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		5,299	5,299
Purchasers' costs			(277)
Net portfolio valuation as reported in the financial statements			5,022
Income and yields			
Rent for valuers' initial yield	290.1	5.5%	5.8%
Void allowance (net of outstanding rent reviews)	6.7	0.1%	0.1%
Rent free periods	21.6	0.4%	0.4%
Passing rents	318.4	6.0%	6.3%
ERV of vacant space	15.7	0.3%	0.3%
Reversions	13.7	0.3%	0.3%
Total ERV/Reversionary yield	347.8	6.6%	6.9%
True equivalent yield		6.6%	
Nominal equivalent yield		6.3%	

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

RENTAL INCOME

RENTAL DATA FOR INVESTMENT PORTFOLIO

for the year ended 31 December 2009

	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rent passing £/m²	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes			1	2	3	4	5
United Kingdom							
Retail: Shopping centres	121.3	92.4	6.4	420	124.7	143.0	7.7
Retail parks	56.4	50.1	3.6	185	52.0	57.2	6.1
	177.7	142.5	5.5	335	176.7	200.2	7.2
Office: City	40.3	33.4	8.1	455	27.6	25.2	(20.6)
Other	15.9	14.7	9.0	260	16.1	16.6	(6.8)
	56.2	48.1	8.4	365	43.7	41.8	(15.1)
Total United Kingdom	**233.9**	**190.6**	**6.2**	**340**	**220.4**	**242.0**	**3.1**
Continental Europe							
France: Retail	101.0	91.2	1.5	360	98.0	105.8	6.4
Group							
Retail	278.7	233.7	4.1	340	274.7	306.0	7.0
Office	56.2	48.1	8.4	365	43.7	41.8	(15.1)
Total investment portfolio	**334.9**	**281.8**	**4.8**	**345**	**318.4**	**347.8**	**4.1**
Income from French office and German retail properties sold in the year	15.9	12.2					
Income from developments and other sources not analysed above	0.7	(0.4)					
As disclosed in note 2 to the accounts	**351.5**	**293.6**					
Selected data for the year ended 31 December 2008							
Group							
Retail	238.9	206.4	4.4	365	276.3	311.1	7.8
Office	98.6	90.6	5.8	445	91.8	89.7	(8.9)
Total investment portfolio	**337.5**	**297.0**	**4.8**	**380**	**368.1**	**400.8**	**3.8**

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 sum of the rents passing and the ERV of vacant space for that property or portfolio.

[2]Average rent passing at 31 December 2009 before deducting head and equity rents and excluding rents passing from anchor units and car parks.

[3]The annual rental income receivable from an investment property at 31 December 2009, after any rent-free periods and after deducting head and equity rents.

[4]The estimated market rental value of the total lettable space in a property at 31 December 2009, after deducting head and equity rents, calculated by the Group's valuers.

[5]The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December 2009.

For the year ended 31 December 2009, net rental income was £294 million, whilst passing rents from the investment portfolio totalled £318 million at that date. Further details of net rental income, including a like-for-like analysis, are provided in the Financial Review on pages 33 and 34.

In the UK we agreed 77 rent reviews in 2009, for which the current rents receivable were £8.5 million, and secured additional income of £1.3 million per annum. Assuming that rent reviews outstanding at the end of the year are settled at ERV, annual rents could increase by a further £3.4 million.

Rents at shopping centres in France change annually according to either a composite index, partly based on retail prices, or a construction cost index. From 1 January 2010, indexation of 0.84% will be applied to around 60% by value of the retail leases in Hammerson's French portfolio. The corresponding index for 2009 was 3.85%. The balance of the leases is indexed according to construction costs, for which the index for 2010 is -4.1%.

OCCUPANCY/VACANCY

EPRA has issued revised guidance for the calculation of vacancy. Previously, vacancy was reported as a percentage of the total ERV of a property or portfolio. The revised definition expresses vacancy as a percentage of rents passing plus the ERV of vacant space. We have adopted this new definition and restated our 2008 comparatives for vacancy and occupancy data.

By the end of 2009, occupancy in the investment portfolio returned to its December 2008 level of 95.2%. A strong letting performance at the developments completed in 2008 offset the effects of the inclusion of 60 Threadneedle Street and Union Square following their completion in 2009.

The retail schemes at Highcross, Leicester; Cabot Circus, Bristol and O'Parinor, to the north of Paris, were respectively 94%, 95% and 99% let at 31 December 2009, whilst, in the City of London, 125 Old Broad Street was 91% let and 60 Threadneedle Street was 73% let. At the latter property, leases for the remaining space are in solicitors' hands.

INCOME SECURITY AND QUALITY

The weighted average unexpired lease term in our investment portfolio was around nine years at the end of 2009, indicating both a secure income stream and the potential for rental growth.

In the UK at 31 December 2009, 45 retail units were let to tenants in administration, and of these, 23 were still trading. The equivalent figures for France were 19 and 13 units respectively. The number of tenants in administration is lower than at the beginning of 2009, and substantially lower than at 30 June 2009. For the Group as a whole, income from tenants in administration represents 1.6% of passing rent at 31 December 2009.

Hammerson's largest tenants by rental income are shown in the table below. The ten largest retail tenants account for £52 million or 16% of total passing rents at 31 December 2009. In the office portfolio, the five largest tenants represented £23 million or 7% of total passing rents.

Retail

Tenant	% of total passing rent
B&Q	3.0
H&M Hennes Limited	2.5
Arcadia	1.7
New Look	1.6
DSG Retail Limited	1.4
Next Group	1.3
Inditex	1.2
Vivarte	1.2
Home Retail Group	1.2
Boots	1.1
Total	**16.2**

Office

Tenant	% of total passing rent
Deutsche Bank	3.2
Latham & Watkins LLP	1.5
HM Government	1.2
Barclays Bank	0.7
DTZ Debenham Tie Leung	0.6
Total	**7.2**

In addition to the above, our share of the rent passing from the lease to Allen & Overy at Bishops Square is £8.6 million. Hammerson's investment in Bishops Square is now accounted for as an associate and is excluded from the rental and other data presented for the investment portfolio.

All new leases are assessed for the covenant strength of prospective tenants. Our credit control team monitors the credit ratings of all key tenants, using a credit rating agency's risk indicator scale of one to five, with one being low risk and two lower-than-average risk. At 31 December 2009, all but two of the top ten retail tenants had a rating of one, whilst the remainder scored two. Tenants with a low or lower-than-average risk indicator comprised 78% by passing rent of the UK retail portfolio.

Our office tenants are generally of lower risk than retailers, although we also monitor their risk indicators. At 31 December 2009, four of the top five office tenants had a low or lower-than-average risk indicator and the rent of the fifth was guaranteed by its parent company. There have been no significant rent payment defaults in our office portfolio in 2009.

Retailer performance

In the UK, like-for-like turnover at Hammerson's core shopping centres rose by 0.4% during 2009 when compared with 2008, with a poor first half offset by a strong finish to the year. The Bullring in Birmingham saw like-for-like growth of 3.8%, outperforming the Hammerson portfolio average. At Highcross, Leicester, the extension, which opened in September 2008, diluted turnover at comparable retail stores.

In the UK, like-for-like sales at medium-sized stores increased by an average of 4.0% in 2008 and by 0.4% in 2009, whilst sales at department stores have fallen by 4.5% over the same period. Across merchandising ranges, fashion, non-fashion and leisure have performed reasonably well, but general merchandise has suffered.

Footfall trends have been mixed with growth at Highcross, Leicester, following the opening of the extension and at WestQuay, Southampton, as a consequence of the opening of an IKEA store next door which also attracted customers to the shopping centre. Elsewhere footfall declined slightly, suggesting a general picture of fewer visits but higher spending per visit.

In France, retail spending was subdued in 2009, despite a good Christmas season. Nationally, sales at regional shopping centres fell by 4.2%, with Hammerson centres showing a decline of 3.6%. Italie 2 recorded the best performance with sales stable, thanks to the introduction of new concepts and the rebranding of the supermarket. O'Parinor, Espace Saint Quentin and Cergy 3 Fontaines also performed better than the national average whilst Bercy 2 and Place des Halles suffered from competitor activity.

In the Hammerson France portfolio, turnover at unit shops was flat whilst larger stores saw sales decline by 2.8%; hypermarket sales decreased by 7.5%.

Footfall performances matched the national benchmark at -3.7% year-on-year. Bercy 2 (+0.6%) and O'Parinor (-1.5%) outperformed within the portfolio.

Affordability of rents

In the UK, affordability levels, measured as rents as a percentage of sales turnover, at stronger locations such as Bullring, WestQuay and Oracle were marginally lower at the end of 2009, which should enable future rental growth as turnover levels recover. Elsewhere, and particularly at the recently completed centres in Bristol and Leicester, rent to sales ratios are high. As these centres mature and sales grow, affordability is expected to improve.

In France, the level of rents in relation to turnover is generally lower than in the UK. However passing rents have risen due to increases in the rental indices in 2008 and 2009 and there is pressure on turnover due to the economic downturn.

LEASE EXPIRIES AND BREAKS

as at 31 December 2009

	Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
	2010 £m	2011 £m	2012 £m	2010 £m	2011 £m	2012 £m	to break years	to expiry years
Notes	1	1	1	2	2	2		
United Kingdom								
Retail: Shopping centres	8.4	5.7	2.4	12.2	6.4	2.9	9.4	10.4
Retail parks	1.7	0.6	2.2	2.0	0.7	2.2	12.4	13.0
	10.1	6.3	4.6	14.2	7.1	5.1	10.4	11.3
Office: City	0.7	8.9	–	0.4	5.9	–	7.8	9.3
Other	1.1	3.7	1.7	1.0	3.4	1.4	5.1	6.7
	1.8	12.6	1.7	1.4	9.3	1.4	6.9	8.4
Total United Kingdom	**11.9**	**18.9**	**6.3**	**15.6**	**16.4**	**6.5**	**9.6**	**10.6**
Continental Europe								
France: Retail	**20.2**	**11.5**	**11.9**	**22.9**	**12.2**	**12.3**	**1.9**	**4.2**
Group								
Retail	30.3	17.8	16.5	37.1	19.3	17.4	7.3	8.7
Office	1.8	12.6	1.7	1.4	9.3	1.4	6.9	8.4
Total Group	**32.1**	**30.4**	**18.2**	**38.5**	**28.6**	**18.8**	**7.2**	**8.6**

Notes

[1] The amount by which rental income, based on rents passing at 31 December 2009, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK it includes tenants' break options. For France, it is based on the earliest date of lease expiry.

[2] The ERV at 31 December 2009 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

The table above shows that leases with current rents passing of £80.7 million will expire, or are subject to tenants' break clauses, during the period from 2010 to 2012. Assuming renewals take place at current rental values, we estimate that additional rents of £5.2 million per annum would be secured. Rental uplifts in the retail portfolio would be partly offset by over-renting in the UK office portfolio. This is not a forecast and takes no account of void periods, lease incentives or possible changes in rental values.

RENT REVIEWS

as at 31 December 2009

	Rents passing subject to review in				Projected rent at current ERV of leases subject to review in			
	Outstanding £m	**2010 £m**	**2011 £m**	**2012 £m**	**Outstanding £m**	**2010 £m**	**2011 £m**	**2012 £m**
Notes	1	1	1	1	2	2	2	2
United Kingdom								
Retail: Shopping centres	18.4	12.8	9.7	12.2	20.3	13.4	10.0	13.1
Retail parks	12.0	13.9	8.7	8.3	13.4	15.1	9.1	8.4
	30.4	26.7	18.4	20.5	33.7	28.5	19.1	21.5
Office: City	–	1.6	7.9	0.8	–	1.6	7.9	1.1
Other	2.6	5.1	2.3	1.1	2.7	5.1	2.9	1.1
	2.6	6.7	10.2	1.9	2.7	6.7	10.8	2.2
Total United Kingdom	**33.0**	**33.4**	**28.6**	**22.4**	**36.4**	**35.2**	**29.9**	**23.7**

Notes

[1]Rents passing at 31 December 2009, 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 2009 and ignoring the impact of changes in rental values before the review date.

The investment portfolio as a whole was 4.1% reversionary at the end of 2009, compared with 3.8% at 31 December 2008. Although reversion in the UK portfolio has fallen, particularly at our office buildings where rental values have declined, the impact was more than offset by the sale of over-rented properties in France.

The table above shows that in the UK, leases with passing rents of £84.4 million are subject to review over the next three years. On review, we estimate that rents receivable in respect of these leases would increase by £4.4 million per annum by 2012, if reviewed at current rental values. Assuming that outstanding rent review negotiations are concluded at current rental values, an additional £3.4 million per annum would be secured. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

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

CONTRACTED INCOME: DEVELOPMENTS COMPLETED IN 2008 AND 2009

In 2010, our cash flow will increase substantially due to leases and contracts that have been signed at recently completed developments. The table below shows contracted income on both cash flow and accounting bases.

	2009 £m	**2010 £m**	**2011 £m**	**2012 £m**
Offices – UK	2.2	3.7	6.2	8.4
Shopping centres – UK	14.7	25.8	31.1	31.9
Retail parks – UK	0.8	4.4	4.7	4.8
Retail – France	7.8	8.7	10.2	11.6
Total – cash flow	**25.5**	**42.6**	**52.2**	**56.7**
– accounting basis	**37.9**	**55.3**	**58.2**	**59.6**

Note

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

DEVELOPMENTS

Our objectives from development are:

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

Hammerson has built a reputation as one of the leading developers in the UK and France, managing complex urban regeneration schemes and forging strong links with local authorities and key occupiers. In April 2009, we were named Property Week's Developer of the Year. The completion of Union Square in October marked the end of our recent programme of major developments.

The developments shown in note 11 to the accounts on page 87 principally represent the costs incurred to date on the development pipeline.

Hammerson has a substantial pipeline of potential future development opportunities. We have maintained close contact with the local authorities involved with these schemes and continued to progress planning, legal and design work so that we may benefit from them as market conditions improve.

In December, we acquired Les Terrasses du Port, Marseille, one of the largest shopping centre developments anticipated in France over the next few years. The initial capital commitment, including the acquisition cost, is expected to be approximately £45 million in the first six months. The 52,000m^2 centre will provide 150 stores, a 260m-wide restaurant terrace overlooking the sea and 2,850 car parking spaces. There is strong retailer interest in the scheme, with leases in respect of 44% of the retail income pre-let or under offer. Net rental income is anticipated to be £29 million per annum and the total development cost will be around £400 million. We expect to start enabling work later in 2010.

We have also achieved the following milestones during 2009:

- In April, Southampton City Council granted outline planning consent for Watermark WestQuay, a project set on a four hectare brownfield site adjacent to our existing WestQuay Shopping Centre. The consent was subject to confirming S106 provisions, which were agreed in February 2010, and a development agreement with the Council is now in place. The mixed-use scheme will include up to 24,000m^2 of retail space, a hotel, a residential building with up to 240 apartments and leisure facilities.
- We have entered into an agreement with The City of London Corporation, which provides us with a development option for the St Alphage House, London EC2 site. We intend to follow a full consultation process and work up the scheme design over the next two years.
- In November, The London Borough of Hackney approved Hammerson's Bishops Place Regeneration Project. The scheme will open up a 1.3 hectare site in the heart of London and almost half of the scheme's footprint will be allocated to the public realm. The 140,000m^2 project, designed by Foster + Partners, will include high quality offices, residential accommodation, a hotel, serviced apartments and retail space. The site will also accommodate 50 affordable housing units, comprising properties for both shared ownership and rental.
- The London Borough of Barnet passed a resolution to grant planning consent in November for the £4.5 billion Brent Cross Cricklewood regeneration plan. The partners of the joint venture proposing the scheme are the owners of Brent Cross Shopping Centre, Hammerson and Standard Life, and a separate joint venture between Hammerson and Brookfield Europe. A new town centre will be created, incorporating the delivery of 7,500 new homes, 27,000 jobs, three schools, a new train station, six bridges, new open spaces and an extension to Brent Cross Shopping Centre.
- Our proposed retail-led regeneration of Leeds city centre, Eastgate Quarter, has outline planning consent. We have a development agreement with Leeds City Council and agreements for lease with anchors John Lewis and Marks & Spencer.
- In Sheffield, we have outline planning consent for the retail-led Sevenstone development and detailed planning consent for some of the buildings within that scheme. A development agreement is in place with Sheffield City Council and we have an agreement for lease with John Lewis to anchor the centre. Discussions continue with the city council to complete the land acquisition phase of the project.

Since the year end, Hammerson has been appointed as development and asset manager by the administrators of Thornfield Ventures Limited (TVL), a non-trading holding company within the Thornfield Capital Limited group. Hammerson has not committed any capital to TVL or its subsidiaries. The principal asset of TVL is The Rock in Bury, a 60,000m^2 shopping centre development which is scheduled for completion this summer. As well as managing the development and the letting process, we will manage and evaluate the other properties and potential developments of the group.

FINANCIAL REVIEW

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

RESULT BEFORE TAX

There was a loss before tax of £453.1 million for the year ended 31 December 2009, compared with the loss of £1,611.5 million for 2008. The reduction in the deficit reflects the slowing decline and, in the second half of the year, partial recovery in property values during 2009. Accordingly, for the first six months of the year, the Group reported a loss of £818.5 million, but a profit of £365.4 million in the second half. Development properties are now accounted for under IAS 40 'Investment Property' and revaluation changes for developments are recognised in the income statement alongside those for investment properties.

In note 2 to the accounts, we have reanalysed the income statement to separately identify recurring, or 'adjusted', income and expenditure from large one-off items and valuation changes, categorised as 'capital and other'. The table below reconciles the loss for the year to the adjusted profit before tax of £130.0 million.

Analysis of (loss)/profit before tax	2009 £m	2008 £m
Adjusted profit before tax	**130.0**	113.7
Adjustments:		
Loss on the sale of investment properties	**(163.4)**	(32.5)
Revaluation losses on investment properties	**(403.9)**	(1,473.4)
Revaluation losses on development properties	**(40.2)**	(176.5)
Revaluation changes in associate	**(1.7)**	–
Release of provision relating to formerly owned property	**5.3**	–
Asset impairment	**–**	(15.9)
Recycled exchange differences	**9.8**	–
Net negative goodwill	**2.0**	–
Income from investment	**13.1**	–
Change in fair value of derivatives	**(4.1)**	(26.9)
Loss before tax	**(453.1)**	(1,611.5)

Adjusted profit before tax was £16.3 million, or 14%, higher than the previous year. Disposals and the cessation of capitalised interest at the recently completed developments reduced profit. However, these effects were more than offset by the interest saved by using the rights issue proceeds to repay debt, lower interest rates, the movement in exchange rates, rental indexation in France and rent reviews in the UK.

Adjusted earnings per share were 19.7 pence for 2009, a reduction of 6.1 pence compared with 25.8 pence for the year ended 31 December 2008. The comparative figure for 2008 has been restated to take account of the bonus share element of the rights issue in March 2009. Note 10A to the accounts on page 86 provides detailed calculations for earnings per share.

The following table summarises the calculation of adjusted earnings per share in 2008 and 2009:

	2009	2008	Change
Adjusted profit for the year (£m)	**125.3**	110.3	+13.6%
Average number of shares in issue (million)	**637.2**	426.9	+49.3%
Adjusted earnings per share (pence)	**19.7**	25.8	-23.6%

NET RENTAL INCOME

At £293.6 million, net rental income for 2009 was £6.2 million, or 2.1%, lower than in 2008. The income lost from disposals was greater than that gained from recently completed developments, the effects of exchange and indexation in France. The tables below compare net rental income for 2009 and 2008, analysing the portfolio between investment properties owned throughout both years and those properties which have been acquired, sold or been under development at any time during the two year period.

Included within net rental income in 2009 is net income from car parks of £8.6 million and rent related to tenants' turnover, which amounted to £3.5 million. The comparative figures for 2008 were £8.4 million and £3.0 million respectively.

There is a trend in advertising away from television and radio and towards other media. This has worked to the advantage of retailing destinations such as shopping centres, so that Hammerson benefits from additional income through the sale of advertising and merchandising opportunities in its malls. In total this income amounted to £5.4 million in 2009 (2008: £6.0 million).

Property outgoings were £52.5 million in 2009, up from £38.2 million in the previous year. The increase principally reflected higher costs of vacancy, including unrecovered service charges, together with lease incentives written off and bad debt expense.

Our investment portfolio generated an increase in net rental income of 1.1% on a like-for-like basis, as the impact of lettings, indexation and rent reviews more than offset the increased cost of vacancy in the UK retail portfolio.

Analysis of net rental income	2009 £m	2008 £m
Net rental income as reported in the income statement	**293.6**	299.8
Items included in net rental income		
Amortisation of lease incentives and other costs	**5.3**	3.1
Rent allocated to rent free periods	**(10.6)**	(4.1)
Net income receivable	**288.3**	298.8

The table above reconciles net rental income disclosed in the income statement to the net income receivable, which is a proxy for the net cash inflow from tenant leases. The amortisation of lease incentives and rent allocated to rent free periods have both increased year on year, reflecting a full year's adjustment for the developments completed in 2008 and 2009. The increase in tenant incentives written off is principally a result of tenants going into administration.

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

	Properties owned throughout 2008/9 £m	Increase/ (Decrease) for properties owned throughout 2008/9 %	Acquisitions £m	Disposals £m	Develop-ments £m	Total net rental income £m
United Kingdom						
Retail	120.4	(3.1)	2.1	2.8	17.1	142.4
Office	30.7	2.7	–	14.1	2.9	47.7
Total United Kingdom	**151.1**	**(2.0)**	**2.1**	**16.9**	**20.0**	**190.1**
Continental Europe						
France	82.9	7.4	(0.4)	12.4	7.5	102.4
Germany	–	–	–	1.1	–	1.1
Total Continental Europe	**82.9**	**7.4**	**(0.4)**	**13.5**	**7.5**	**103.5**
Group						
Retail	203.3	0.9	1.7	5.2	24.6	234.8
Office	30.7	2.7	–	25.2	2.9	58.8
Total	**234.0**	**1.1**	**1.7**	**30.4**	**27.5**	**293.6**

LIKE-FOR-LIKE NET RENTAL INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

	Properties owned throughout 2008/9 £m	Exchange £m	Acquisitions £m	Disposals £m	Develop-ments £m	Total net rental income £m
United Kingdom						
Retail	124.3	–	1.7	5.3	4.2	135.5
Office	29.9	–	–	41.4	1.1	72.4
Total United Kingdom	**154.2**	**–**	**1.7**	**46.7**	**5.3**	**207.9**
Continental Europe						
France	77.2	(10.7)	(1.8)	20.4	3.8	88.9
Germany	–	(0.4)	–	3.4	–	3.0
Total Continental Europe	**77.2**	**(11.1)**	**(1.8)**	**23.8**	**3.8**	**91.9**
Group						
Retail	201.5	(2.2)	(0.1)	8.6	8.0	215.8
Office	29.9	(8.9)	–	61.9	1.1	84.0
Total portfolio	**231.4**	**(11.1)**	**(0.1)**	**70.5**	**9.1**	**299.8**

ADMINISTRATION EXPENSES

Administration expenses were £41.0 million for the year ended 31 December 2009, compared with £42.3 million for 2008. Lower staff numbers following the reorganisation in 2008 and reduced performance related bonuses contributed £2.6 million to the reduction. A charge of £0.8 million is included in administration expenses in 2009 in respect of John Richards' retirement. Management fees receivable were £1.6 million lower than in 2008 due to the completion of several joint venture developments late in 2008 and the reduction of asset management fees linked to property values.

NET FINANCE COSTS

Excluding the change in fair value of derivatives, capitalised interest and one-off investment income, net finance costs were £133.5 million in 2009, some £46.2 million or 26% lower than the equivalent 2008 figure of £179.7 million. The reduction reflected the use of the proceeds of the rights issue and disposals to reduce indebtedness, together with lower interest rates.

Interest capitalised in respect of developments was £10.0 million, virtually all of which related to Union Square, which completed in October. In 2008, interest capitalised totalled £35.9 million.

The Group's average cost of borrowing in 2009 was 5.1%, slightly lower than the average cost of 5.4% for 2008.

SHARE OF RESULTS OF ASSOCIATE

During 2009, we sold a 75% interest in Bishops Square. Our remaining 25% investment in the company which owns the property and its related debt is accounted for as an associate. The share of results of the associate includes £0.9 million in respect of Hammerson's share of net rental income and interest costs.

TAX

Due to its status as a UK REIT and French SIIC, the Group bears minimal current tax.

Until mid-2009, a deferred tax provision was made for the UK tax that could arise on dividends to be received by Hammerson plc from French subsidiaries under the SIIC rules. However in July 2009, a corporation tax exemption for foreign dividends, introduced by the UK Government, was enacted. The result of this is the release of virtually all of the opening deferred tax provision for 2009 of £108 million.

The tax case relating to capital gains incurred by Grantchester prior to its acquisition by Hammerson in 2002, for which the Group paid a total of £52.0 million in tax and interest in 2008, has been settled in favour of HM Revenue & Customs. No further tax costs were incurred in 2009.

DIVIDEND

The Board has approved a second interim dividend, in lieu of a 2009 final dividend, of 8.5 pence per share. Together with the first interim dividend of 6.95 pence, this makes a total dividend of 15.45 pence per share for 2009. The total dividend for 2008 was 27.9 pence and this year's dividend reflects the increased number of shares in issue following the rights issue.

The second interim dividend, for which the record date is 5 March 2010, will be paid as a PID, net of withholding tax if appropriate. Following the success of 2009's first interim dividend scrip alternative, shareholders will be offered a similar arrangement for the second interim dividend and have until 19 March 2010 to elect for the scrip alternative. Further details of the scheme are provided in a letter which is being sent to shareholders today. Where shareholders elect for the scrip dividend alternative, this will not be treated as a PID and will not be subject to withholding tax.

Shareholders should note that, whilst the scrip dividend scheme enables the Directors to offer an alternative to the cash dividend, there is no guarantee that the Board will offer a scrip dividend alternative for any future dividends.

CASH FLOW

Cash generated from operations was £239 million in 2009 compared with £346 million in the previous year. The figure for 2008 was particularly high due to the effects of exchange, the timing of receipts from tenants for the December quarters of 2007 and 2008 and the timing of VAT receipts and other changes to working capital. The cash generated from operations in 2009 also reflected disposals in 2008 and 2009. The increase in the cash inflow from operating activities from £30 million in 2008 to £105 million in 2009 reflected lower interest payments as a result of the rights issue, property disposals, lower interest rates and large tax payments in 2008 in respect of the final instalment of the UK REIT entry charge, the settlement of prior year tax liabilities and overseas disposals.

Capital expenditure, including acquisitions, was £227 million in 2009, whilst £424 million was raised from disposals.

After taking account of the net cash outflow from financing activities of £204 million, including the £584 million proceeds from the rights issue, there was a net increase in cash and deposits of £68 million in 2009.

BALANCE SHEET

At 31 December 2009, equity shareholders' funds were slightly up on the year at £2.9 billion, as the decline in property values was offset by the proceeds from the rights issue and retained profit. After adjusting for deferred tax and other items, adjusted net asset value per share was £4.21. Detailed calculations for net asset value per share are provided in note 10B to the accounts and the table below shows a reconciliation of the movement in net asset value over the year.

Analysis of net asset value	2009 £m	2009 £ per share	2008 £m	2008 £ per share*
Basic	**2,949.7**	**4.20**	2,820.6	6.58
Dilution on exercise of share options	**4.5**	**n/a**	4.8	n/a
Diluted	**2,954.2**	**4.20**	2,825.4	6.61
Adjustments:				
Fair value of derivatives	**(1.9)**	**–**	73.0	0.17
Deferred tax	**0.4**	**–**	108.4	0.25
Adjustment for associate	**7.6**	**0.1**	–	–
EPRA	**2,960.3**	**4.21**	3,006.8	7.03
Basic shares in issue (million)	**702.8**		427.9	
Diluted shares in issue (million)	**702.9**		427.1	

*The 2008 figures have been restated following the rights issue.

Movement in net asset value	Equity shareholders' funds* £m	EPRA NAV* £ per share
31 December 2008 restated following rights issue	3,007	7.03
Rights issue	584	(1.87)
31 December 2008 pro forma	3,591	5.16
Revaluation changes	(444)	(0.63)
Loss on disposals	(163)	(0.23)
Retained profit (excluding revaluation changes and loss on disposal)	164	0.23
Dividends	(68)	(0.10)
Exchange and other movements	(120)	(0.22)
31 December 2009	**2,960**	**4.21**

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

Changes to IFRS mean that developments are now accounted for under IAS 40 'Investment Properties'. Properties on which development is ongoing have been separately identified within note 11 to the accounts. Income generating properties which were acquired with the intention of being developed have been reclassified as investment properties within the note. These properties will be categorised as developments in the event that a development commences.

FINANCING

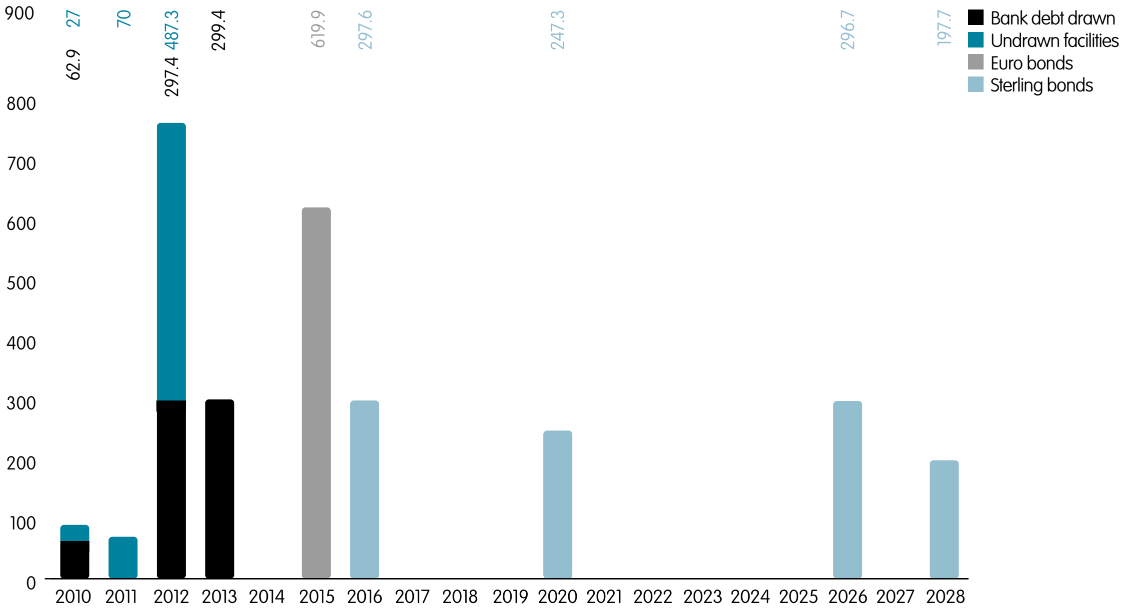
Our policy is to optimise the Group's weighted average cost of capital by using an appropriate mix of debt and equity. The Group's financial structure is monitored with reference to guidelines approved by the Board which currently include a minimum interest cover of 2.0 times, gearing of no more than 85% for an extended period and a net debt to EBITDA ratio of less than ten times. For 2009, these ratios were 2.2 times, 72% and 8.3 times respectively.

We manage the Group's exposure to interest rate and currency fluctuations using appropriate hedging policies.

At 31 December 2009, borrowings were £2.3 billion and cash and deposits were £183 million so that net debt totalled £2.1 billion, compared with £3.3 billion at the beginning of the year. Property disposals and the rights issue reduced net debt by approximately £1.4 billion. Hammerson's share of the debt secured on Bishops Square is included in the balance sheet within 'investment in associate'.

At the year end, the Group's borrowings had a weighted average maturity of around eight years and 78% of gross debt was at fixed rates of interest. The chart below shows the maturity profile of our debt portfolio.

MATURITY ANALYSIS OF GROSS DEBT AND UNDRAWN FACILITIES AT 31 DECEMBER 2009 (£m)



Undrawn committed facilities were £584 million at the end of 2009, which, together with cash and short-term deposits, provided liquidity of £767 million. Just £97 million of the undrawn facilities mature by the end of 2011. Committed expenditure at the end of 2009 amounted to £60 million.

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

Gearing at the end of 2009 was 72%. The substantial reduction from the figure of 118% at 31 December 2008 resulted from lower levels of net debt, partly offset by the reduction in shareholders' equity arising from the decline in the value of the property portfolio.

At 31 December 2009, the market value of the Group's debt was £5 million lower than its book value. The corresponding figure for 2008 was £614 million and the substantial reduction during the year is principally the result of narrower credit margins.

HUMAN RESOURCES

Our people are key to building and enhancing our reputation. Hammerson invests in its people, enabling them to maximise their potential and their contribution to the business.

Our objective is to provide a working environment that motivates and develops people to achieve their maximum potential and achieve an alignment between the Company's strategy and the individual's talents. We do this through performance appraisal, personal development reviews and appropriate reward and recognition policies.

Hammerson in the UK is recognised as an Investor in People (IIP), having first achieved this status in 1997. IIP is a national UK quality standard for effective investment in people, showing the importance an organisation places on the development of its staff.

The number of people employed directly by Hammerson has grown in recent years. Formerly a company which outsourced much of its property management, Hammerson now employs around 240 people in the UK and 100 in France, of whom 125 are employed at our properties.

Hammerson reports on a number of performance indicators relating to employees as part of the Global Reporting Initiative. During the year, the Company spent £338,400 on external staff training. More data is available in the online CR report at www.hammerson.com.

ENGAGEMENT

Towards the end of 2009, all employees were invited to complete the Great Place to Work survey. The response rate was 79% and the results provide a picture of staff attitudes across all areas of the business. Encouragingly, the survey shows that the overwhelming majority of people at Hammerson take great pride in their jobs and their association with Hammerson and find it a friendly place to work. We share the results with staff, discussing with them how areas for development will be addressed. We will run the survey every year so we can track our progress over time.

ORGANISATION

In the UK we reviewed the organisational structure and certain business processes in 2009.

We decided to employ directly the property managers at our UK shopping centres. There are numerous advantages to this, not least the ability to create synergies in areas such as marketing and facilities management and the ability to offer specialist shopping centre management professionals the opportunity for career development. The transfer of employment was well received by staff and we are already benefiting from these employees' greater involvement and integration into Hammerson's business.

We also redesigned our approach to leasing, reorganising our sales and marketing functions to provide each customer with a single point of contact, and to give employees greater clarity over their responsibilities. We are streamlining the arrangements for approval of tenant shop fittings, reducing both timescales and costs.

Finally, our legal services review was similarly designed to improve risk management and reduce costs. We already carry out much of our legal work on leases in-house in France, and have appointed a General Counsel for the UK business.

Sally Learoyd
Director, Human Resources

PERSONAL DEVELOPMENT

In 2009 we reviewed how individuals contribute to, and are supported by the organisation. We looked at specific areas including: job descriptions; team responsibilities; the appraisal process; and career development.

Our aim is for employees to clearly understand: how they fit into the organisation; how their work contributes to Hammerson's aims; how they are performing; and what opportunities they have to develop and progress.

We are making improvements to the appraisal systems we use in the Company. Through these changes we will assess not only what people do, but also how they do it, encouraging adherence to corporate values and effective deployment of skills and knowledge.

We already train managers to review the performance of their staff. In 2010 we will introduce devleopment programmes in the UK and France, to enhance managers' leadership skills.

Across the Group in 2009, 34 people or 10% of staff moved into new roles. Of these, 15 moves represented promotions and the remainder were to similar-level positions to broaden their experience and skills either in a different department or geographical location.

REWARD

We aim to ensure that our employee reward policies encourage the highest levels of employee performance and enable us to attract and retain talented people. In 2010 we will undertake some refinements to improve the links between performance and reward, and to achieve the right balance between group and individual reward. The remuneration of Directors is set out on pages 56 to 63.

It is intended that staff are provided with the opportunity to build a shareholding in the Company. At 31 December 2009, 218 employees owned shares or participated in one of the Group's share plans.

> "Our aim is for employees to clearly understand how they fit into the organisation."

Challenge

Improving internal communications.

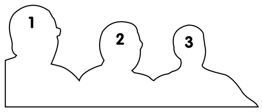
Solution

We recognised a need to improve internal communications following feedback from employees in our staff survey. In late 2009 we therefore held a workshop with people from across the business to identify potential improvements. Following an analysis of the results we adopted a number of new measures, including introducing quarterly strategy briefing sessions for staff; running informal knowledge-sharing sessions on projects and making internal communications more interactive.

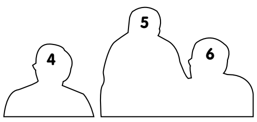
GROUP EXECUTIVE COMMITTEE

Responsibility for the day-to-day running of the Company falls to the Group Executive Committee (GEC). The GEC comprises the three Executive Directors, the Managing Directors for Retail and Offices in the UK and the Managing Director for France.

1. **Peter Cole**
2. **David Atkins**
3. **Martin Jepson**



4. **Simon Melliss**
5. **Lawrence Hutchings**
6. **Jean-Philippe Mouton**



The Executive Committee meets on a monthly basis, in either London or Paris, to monitor the performance of all aspects of the business. This can range from the performance of an individual asset to the terms of a lease, or from the assessment of IT provision to the findings of the staff survey. The Committee makes investment, development and sale recommendations to the Board, within clearly defined authority limits.

SENIOR MANAGEMENT

UK

James Aitchison
Director of Taxation

Warren Austin
Group Financial Controller

Duncan Beardsley
Group Treasurer

Andrew Berger-North
Director, Retail Parks

Morgan Bone
Director of Corporate Communications

Stephen Court
Director of Commercial & Brand Partnerships

Kevin Crowley
Director, Business Development

Robin Dobson
Director, Retail Development

Paul Edwards
Head of Sustainability

Nick Hardie
Director, UK Finance

Stuart Haydon
Company Secretary

Lawrence Hutchings
Managing Director, UK Retail

Martin Jepson
Managing Director, London Group

Sheila King
Director, Group Retail Leasing

Sally Learoyd
Group Human Resources Director

John Mulqueen
Director, Investment Management, London Group

Ryan Perryman
Director, Information Systems

Vinod Thakrar
Director, Project Management

Andrew Thomson
Director, UK Operations

Simon Travis
Director, Business Development

France

Igor Aglat
Director, Retail Leasing

Christophe Delaporte
Director, Finance

Thomas Havas
Director, Marketing & Communication

Gérald Ferezou
Director, Acquisitions and Asset Management

Stéphane Girard
Director, Retail Management

Michael Krief
Director, IT

Jean-Philippe Mouton
Managing Director, France

Christophe Proffit
Director, Reporting and Control

Christophe Rigo
Director, Human Resources

Laurent Santiago
Director, Project Management

The Board agrees overall CR strategy, with the CR Group monitoring progress against targets. CR targets are grouped around our five material areas and are delivered by working groups representing the three principal areas of Hammerson's business: Operations; Development; and Corporate. We adopt a common approach in the UK and France.

How we manage CR

» Set and monitor targets and policies

CR Group

David Atkins
Chief Executive, Hammerson plc

Jean-Philippe Mouton
Managing Director, France

Robin Dobson
Director, UK Retail Development

Andrew Thomson
Director, UK Operations

Paul Edwards
Head of Sustainability

Philippe Bouveret
Sustainability Director, France

Andrea Cockram
Corporate Communications Manager

» Deliver against targets and formulate policies

CR Working Groups

Operations

UK
Andrew Thomson
Director, UK Operations

France
Marc Valente
Retail Property Deputy Director

Development

UK
Robin Dobson
Director, UK Retail Development

France
Eymeric de Montauzon
Development Director

Corporate

UK
Paul Edwards
Head of Sustainability

France
Thomas Havas
Director, Marketing & Communication

- The CR Group meets quarterly. Working groups meet at least every two months.
- Our knowledge, education and communication programmes span our five material areas. They focus on sharing sustainability knowledge with our occupiers and visitors to our shopping centres, and on ensuring that our employees and suppliers fully understand our objectives and the reasons for them.

- A major focus since 2006 has been the improvement of measuring and monitoring systems, both at the point of data collection and in its subsequent analysis. This is fundamental to our approach.
- This is our second year of reporting using the Global Reporting Initiative (GRI) guidelines. As in 2008, we are targeting level B. We also participate in recognised indices such as DJSI and FTSE4Good, and publish our response to the Carbon Disclosure Project. Responses to investor questionnaires are available on our website www.hammerson.com.

Material areas and stakeholders

Hammerson focuses its sustainability initiatives on five key areas identified through a materiality study carried out in 2007. These five areas around which we group our initiatives and annual targets encompass a number of more specific issues, set out below.

OUR INITIATIVES

1 CLIMATE CHANGE AND ENERGY

- Carbon footprint
- Changes in weather patterns
- Mitigation and adaptation
- Energy consumption
- Transport

2 RESOURCE USE

- Land use
- Waste and recycling
- Environmental design
- Water use
- Sustainable consumption and production
- Biodiversity

3 COMMUNITY REGENERATION

- Community investment
- Community consultation
- Job creation
- Local employment
- Education and training

4 SUPPLY CHAIN

- Sustainable procurement
- Measuring and monitoring
- EMS/ISO 14001
- Auditing

5 CUSTOMERS

- Occupier satisfaction
- Customer awareness and engagement on sustainability issues
- Occupier partnerships
- Visitor travel

STAKEHOLDERS

Hammerson engages with a number of stakeholders as part of its activities. These include: investors; office occupiers; retailers; visitors to its shopping centres; Government (local and national); community organisations; suppliers; our employees; leaders in sustainability; and peers. Further information on our engagement with stakeholders and industry organisations can be found in the online CR Report.

Connected Reporting Framework

1. CLIMATE CHANGE AND ENERGY

STRATEGIC OBJECTIVES

- To reduce the carbon footprint of each of our properties
- To adapt our buildings to minimise the impact of climate change

ACTIONS

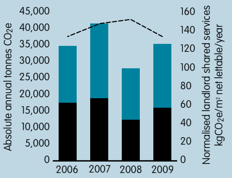
Our focus is to reduce energy consumption and greenhouse gas emissions on a like-for-like basis in our investment portfolio in line with our 2010 target. In order to do this we have taken a series of actions in 2009:

- Careful monitoring of energy use and continued efforts to improve the reliability of our carbon data in all portfolios. This is particularly important in preparing for the CRC Energy Efficiency Scheme as accurate reporting becomes a legal requirement.
- Implemented measures ranging from investment in low-energy technologies from voltage optimisation to providing train tickets for staff to travel to meetings.
- Investigated how carbon is generated at each asset through the use of a bespoke carbon footprinting tool and the Carbon Trust Standard tool.

Recognising the potential impacts of climate change, we have conducted a detailed climate change study in both the UK and France, looking at three key areas: subsidence, rainfall and flooding.

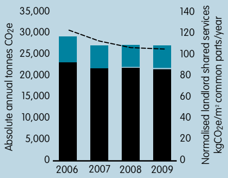
PERFORMANCE

Offices (UK) – CO_2e from building energy consumption – all properties



- Landlord shared services CO_2e
- Tenant sub-metered consumption CO_2e
- -- Landlord shared services kg CO_2e /m² net lettable/year

Shopping Centres (UK & France) – CO_2e from building energy consumption – all properties



- UK landlord shared services CO_2e
- France landlord shared services CO_2e
- France tenant sub-metered consumption CO_2e
- -- kg CO_2e /m² common parts/year

Energy UK	2007 £	2008 £	2009 £
Energy cost	6,200,000	7,500,000	10,500,000
Investment	283,000	855,000	53,000
Estimated savings	132,000	335,000	980,000

COMMENTARY

- Since our baseline year of 2006, we have **reduced our carbon emissions** (expressed in CO_2e) from landlord shared services by 15.9% for UK shopping centres, 17.3% for French shopping centres and by 19.6% for UK offices, when normalised by m² for a like-for-like set of buildings.
- Despite this reduction in consumption, our **overall energy costs have risen**. This is due to two factors – the inclusion of two new assets in our reported UK office investment portfolio and rising energy costs. Until now, energy prices in France have been regulated by the government. This will stop in 2010, with a potential impact on costs. This rise in energy spending reinforces our aim to further reduce energy consumption; it also means that the payback periods for investments in energy efficiency technologies will become increasingly attractive in future years.
- In line with our aim to increase the scope of our reporting, French energy costs investment and savings data for 2009 are available in our online CR report.
- For the latter part of 2009 we were unable to purchase green energy in our UK shopping centre portfolio due to a significant lack of availability in the market.

2. RESOURCE USE

STRATEGIC OBJECTIVES

- To maximise the efficiency of our use of natural resources
- To reduce waste and reuse where viable

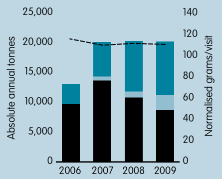
ACTIONS

- In 2009 we continued to engage with our construction and architect suppliers to consider resource use in their designs, thereby helping us reduce our future impacts. We have now extended Sustainability Implementation Plans (SIPs) to UK Retail Parks and future developments in France. The SIP, which goes beyond recognised standards such as BREEAM and HQE, contains strict targets for recycled content, timber, paint and other materials, and also encompasses water, waste and biodiversity criteria.
- At our managed assets, we continue to focus our teams' efforts on increasing reuse and recycling. In order to understand the issues and set comprehensive plans for each asset, we are also rolling out waste audits at all assets.

We commissioned water audits for both common areas and occupier space across the shopping centres porfolio.

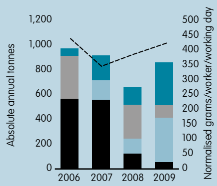
PERFORMANCE

Shopping Centres (UK & France) Annual waste production (absolute by final disposal route) (UK only in 2006)



- Landfill
- Recycled/re-used/composted
- Incinerated waste (use as fuel)
- -- Grams/visit

Offices (UK) Annual waste production by final disposal route



- Landfill
- Recycled/re-used/composted
- Incinerated waste (use as fuel)
- Materials Recovery Facility – recovery rate not known
- -- Grams/worker/working day

Waste UK	2007 £	2008 £	2009 £
Total waste cost	1,477,000	1,720,000	1,473,000
Money saved in landfill tax	117,000	254,000	370,000
Income from sale of waste	35,000	55,000	44,000

COMMENTARY

- **Waste:** In 2009, the proportion of waste recycled, reused or composted (through onsite and offsite segregation) reached 53% for UK shopping centres, 28% for French shopping centres and 40% for UK offices. Our target is that by 2013, this proportion will be at least 75% for UK shopping centres, 75% for UK offices and 50% for France. Intelligent waste management is a significant financial opportunity for us, in particular with rises in UK landfill tax and the French equivalent, TGAP (Taxe Générale sur les Activiés Polluantes). For this reason, we have focussed on changing the behaviours of both our retail customers and tenants, the simple installation of onsite waste segregation facilities and minimal investments in waste technologies. Hammerson has now made substantial savings and has even generated a revenue stream within the service charge.
- **Water** costs are less material for Hammerson but we anticipate that this will change as the increasing implementation of the EU Water Framework Directive and a changing climate leads to an increase in water prices.

3. COMMUNITY REGENERATION

» To invest in local communities including skills training and job creation

- Over the past 10 years Hammerson has developed a comprehensive training programme to increase the skills of unemployed people living in the vicinity of our shopping centres, in order to provide local communities with access to jobs, and retailers with a pool of skilled workers.
- In 2009, we began to provide ongoing support to retailers and local communities by working with the National Skills Academies (NSA) and other public sector partners.
- Hammerson also supports the community through cash and in-kind donations, including community bursaries, volunteer work and school careers tours.
- Our Community Bursary Scheme in Aberdeen helped 13 organisations, including Mental Health Aberdeen, the Forget-Me-Not Club, a charity for people with dementia and the Hip Hop School. A number of organisations who benefited from financial assistance took part in launch day celebrations.

JOBS CREATED FROM DEVELOPMENTS – UNION SQUARE, ABERDEEN:

JOBS CREATED

1,200

PREVIOUSLY UNEMPLOYED

56%

INDIRECT CONTRIBUTIONS (UK):

(E.G. CHARITABLE DONATIONS RAISED BY CUSTOMERS IN HAMMERSON SHOPPING CENTRES):

£821,484

DIRECT CONTRIBUTIONS (UK):

(CASH, VALUE OF TIME AND IN-KIND DONATIONS MADE DIRECTLY BY HAMMERSON):

£753,611

- Jobs for U, the skills training programme we ran to support the opening of our Union Square shopping centre in Aberdeen, delivered strong results. Of the 1,200 people employed at the centre, 56% were previously unemployed.
- Working with the NSA, Skills Academies were set up in three cities where Hammerson owns a major shopping centre: Birmingham; Bristol and Leicester. Hammerson hosted a 'pop-up' Skills Shop at the Bullring shopping centre as part of this roll-out. Further academies will open in Aberdeen, Brent Cross and Reading in 2010.
- As part of our ongoing involvement in the Spitalfields area of London, Hammerson launched the Spitalfields Art Prize in 2009, a £45,000 bursary awarded to artist Kenny Hunter to create a piece for display at Bishops Square.

4. SUPPLY CHAIN

» To engage with our suppliers to share best practice and to procure sustainable goods and services

- Two years ago, we launched a Responsible Procurement Policy and carried out a risk assessment of our supply chain against economic, social and environmental indicators. We identified two key initiatives as a result of this. The first is to engage with all suppliers during the tender process. The second, introduced as a trial in 2009, is to issue all suppliers with a Sustainability Questionnaire. Each supplier receives a score according to responses. We have set a minimum score that suppliers must reach in order to work with us, and are giving existing suppliers three years to comply, with year-on-year improvements. We are offering assistance to suppliers to help them achieve this level.
- In France we have developed a questionnaire for the tender process and implemented it at our new developments. We have also created a standard measurement tool which clearly identifies the metrics that must be used for measurement during construction and will implement this at both 54-60 rue Faubourg St-Honoré and our Les Terrasses du Port development in Marseille.

TOTAL NUMBER OF SUPPLIERS:

(2008: 2,520)

2,361

NUMBER OF SUPPLIERS WE ENGAGED WITH ON SUSTAINABILITY:

(2008: 187)

155

TOTAL COST OF GOODS & MATERIALS:

(2008: £501.7m)

£307.2m

VALUE OF CONTRACTS FOR SUPPLIERS WE ENGAGED WITH ON SUSTAINABILITY:

(2008: £235m)

£166m

- With an increasing focus by the regulatory authorities on enforcement of environmental legislation for construction activities, including large fines, it is clear to Hammerson that supplier engagement reduces our operational and financial risks on large development projects.

5. CUSTOMERS

» To anticipate and meet our occupiers' long-term needs

» To share best practice on sustainability issues

Our approach to engaging with our customers on sustainability issues is to:

- introduce green leases across the portfolio.
- assist customers on fit-out and operations through our Tenants' Sustainability Guide.
- create Green Groups in our shopping centres.
- develop exemplar stores in partnership with customers.

We engage with our customers on an ongoing basis to understand their needs and identify ways of improving environmental and social performance.

TOTAL NUMBER OF GREEN LEASES IN PORTFOLIO:

(2008: 370)

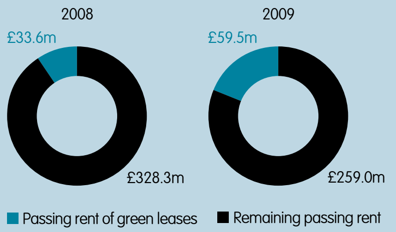
698

TOTAL NUMBER OF OCCUPIERS:

(2008: 2,222)

2,568

Green leases as a proportion of passing rent (UK & France)



- Hammerson had 698 green leases with tenants by the end of 2009: 590 in the UK and 108 in France.
- We created Green Groups at 99 Bishopsgate, Brent Cross and Highcross to encourage tenants to share sustainability ideas. We commit to having green groups at all assets by the end of 2010.
- In 2009 we issued our first Tenants' Sustainability Guide in France to all existing customers. The guide offers information on ongoing operations as well as fit-out.
- We have continued to work with De Montfort University on a partnership to deliver StoreLab, a facility which will allow retailers to test sustainable technologies and compare products. We were successful in our joint application to the EU to fund the project, which will be located on the university campus.

For full data, notes and commentary, please visit our online CR report at www.hammerson.com

CORPORATE RESPONSIBILITY
continued

2009 REVIEW

Following a year of consolidation in 2008, in which we extended the reach of our CR initiatives to encompass the whole of our UK managed portfolio and our operations in France, in 2009 we focused on embedding these initiatives in our day-to-day operations. Activity concentrated on: further improving the accuracy of our monitoring, measuring and reporting; assessing the potential return on investment of specific initiatives and implementing those which demonstrate the highest returns; reducing our consumption of energy and water; increasing waste recycling in the managed portfolio; sharing our CR objectives with staff, suppliers and occupiers; implementing an environmental training programme for staff in our shopping centres and in our Paris office; and working with industry bodies in order to understand and shape legislation and best practice in the UK and France.

Our CR initiatives were focused on improving the environmental performance of our existing portfolio, to reduce costs associated with energy consumption and waste. For example, we have begun a programme to change the lighting at all our shopping centre car parks and back-of-house areas from high-energy T8 to low-energy T5 fittings. At Espace St Quentin, near Paris, we have seen a 17% reduction in electricity consumption since similar action was taken in 2008.

Overall, our initiatives have allowed us to maintain competitive service charges for our customers. Since 2006 we have reduced carbon emissions at our UK shopping centres by 15.9%; UK offices by 19.6%; and French shopping centres by 17.3% when normalised by m².

These reductions also mean that Hammerson is relatively well placed ahead of the introduction of Carbon Reduction Commitments (CRCs) in the UK and the Carbon Tax in France. However, with retailers responsible for around 85% of energy use in shopping centres, we continue to engage with occupiers to help them reduce their own consumption, thereby reducing their CRC payments. We continue to roll out our Green Lease as standard, this year signing 360 new leases and lease renewals with our Green clause, and we work with occupiers to implement the Tenants' Sustainability Guide during fit-out. We have established Green Groups at our shopping centres which allow store managers to share knowledge with each other and receive sustainability information from Hammerson.

Our aim is to reduce waste sent to landfill both through reducing overall waste and by increasing recycling. In 2009, the proportion of waste recycled in our like-for-like UK shopping centre portfolio rose to 53%; in the office portfolio, we recycle 40% of waste. Waste sent to landfill has fallen to 6% in the offices portfolio. In the shopping centre portfolio, we continue to make progress but still send 43% of waste to landfill.

Following increased demand from investors for information relating to Environmental, Social and Governance (ESG) issues in 2009, we have sought to improve our engagement with investors who demonstrate an interest in this area. We held Socially Responsible Investment (SRI) investor tours in London and, for the first time, in Holland. We have refined our Connected Reporting Framework (CRF), and we are working with EPRA to establish common performance measures for property companies.

We continue to increase our employees' awareness and understanding of sustainability issues, and of what is required of them in their individual roles. This year, we ran a programme of presentations on our sustainability results and initiatives for all staff in the UK and France; ran a second Hammerson in the Community Day for staff at our head office in London; and implemented environmental training for our employees in Paris and 85 employees at WestQuay, Southampton, the latter as part of our roll-out of ISO 14001 across our UK shopping centre portfolio. We also ran Sustainability Awareness Days for our staff in London and Paris. We have committed to incorporating sustainability criteria into performance reviews for all staff as part of a wider review of role profiles and responsibilities outlined on page 38 to 39 of this report.

Challenge

Reducing carbon emissions and associated costs at WestQuay, Southampton.

Assessing the value of sustainability initiatives.

While the investment portfolio was our primary focus, we also achieved strong results in our developments. An emphasis on cost reduction led us to review the design of Union Square, Aberdeen, which opened in October 2009. Initiatives implemented at the scheme, including natural light and ventilation, are expected to result in reduced occupational costs for retailers. We ran our skills training programme for the 1,200 jobs created at the scheme, with the result that 56% of new jobs were awarded to people who were previously unemployed.

We continue to incorporate best practice into our designs for future developments through the creation, review and updating of Sustainability Implementation Plans (SIPs). Notable successes in 2009 include the award of a "High Quality Environment" (HQE) rating for our proposed extension to Italie 2 shopping centre in Paris and the creation of a "Sustainable Implementation Plan" (SIP) for our submission for an urban regeneration programme near Lyon. This will be used as a blueprint for future SIPs, including Les Terrasses du Port in Marseille, a development we acquired in December 2009 and where we expect to start on site in late 2010.

As we did not start any new developments, a number of targets we set for the year were no longer relevant. Instead we focused our efforts on environmental initiatives in the managed portfolio which offered immediate impacts on both carbon emissions and costs. The success of this strategy is evident in the Connected Reporting Framework section, but less so in our targets, which until now have tended to be based on discrete projects. Following feedback from Bureau Veritas, who we contracted to carry out a review of our data collection in 2008, we have changed our approach to targets for 2010, setting a smaller number of clearly auditable targets alongside a series of commitments for both assets and developments.

» A full review of our initiatives, performance against targets and sustainability KPIs can be found in our 2009 Online CR report, published in March 2010.

The full texts of our corporate policies, including our Climate Change and Carbon Management Policy, Environmental Policy, Procurement Policy and Equal Opportunities Policy, are available at www.hammerson.com. Responsibility for overall governance of these policies rests with the Board and implementation thereof lies with the CR group, which is also tasked with periodically reviewing the policies to ensure they remain relevant and adhere to best practice.

» Solution

In 2009, two projects were introduced at WestQuay shopping centre which are designed to reduce energy consumption by around 30%:

- Installation of voltage optimisation (VO) equipment on incoming electricity supplies.
- Replacement of existing 'T8' fluorescent tubes with more efficient 'T5' alternatives, together with the introduction of a system which allows lights to operate at 10% of their capacity in low-use areas when nobody is present.

Taking into consideration a 19% increase in opening hours at the shopping centre, the like-for-like year-on-year reduction in energy consumption achieved by the projects was between 31% and 35%, exceeding the original projection. The forecast payback period for the projects is less than three years, based on a cost of £510,000 and estimated annual energy savings of £184,000.

Prior to installation, WestQuay would have qualified in its own right under the CRC tax scheme, as its annual consumption exceeds 6,000 MWh. However, the savings achieved by the projects means the centre no longer falls under CRC, saving a projected £40,000 p.a. in CRC tax. If this tax reduction is factored in, the projects' payback period is less than two years.

CORPORATE GOVERNANCE

THE COMBINED CODE

The Board is committed to maintaining high standards of corporate governance and, except where otherwise stated, the Company has complied with section 1 of the 2008 Combined Code on Corporate Governance throughout the year ended 31 December 2009. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

BOARD OF DIRECTORS

The Board currently consists of the Chairman, three Executive Directors and five Non-Executive Directors. The Board, which meets routinely not less than ten times during the year and additionally as may be required, met on 14 occasions in 2009. Non-Executive Directors are encouraged to communicate directly with Executive Directors between formal Board meetings and, in addition to these regular Board meetings, the Board holds an annual strategy meeting at which it considers the future direction of the Company as part of the business planning process. All Directors are expected to attend all meetings of the Board, and of those Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to properly fulfil their duties as Directors. This was the case for all meetings, with a small number of exceptions when meetings were arranged at short notice or rescheduled, as was the case with five meetings in 2009. The following table shows Directors' attendance at Board meetings they were eligible to attend:

John Nelson	14/14
David Atkins	14/14
Peter Cole	14/14
Terry Duddy	2/2
David Edmonds	13/14
Jacques Espinasse	10/14
John Hirst	12/14
Simon Melliss	14/14
Tony Watson	13/13

When Directors are unable to attend meetings, their comments on briefing papers to be considered at the meeting are provided in advance to the Chairman.

The roles and responsibilities of the Chairman, Chief Executive, Executive Directors and Non-Executive Directors are clearly defined and documented.

The Board, which has ultimate responsibility for Hammerson's overall management and its business and financial strategy, operates within the terms of its written authorities, which include a formal schedule of matters reserved for its approval, including:

- strategy;
- acquisition and divestment policy;
- approval of major capital expenditure projects;
- risk management;
- internal control;
- treasury and the raising of finance;
- human resources; and
- corporate governance.

Specific responsibilities are delegated to the Audit, Remuneration and Nomination Committees and documented in their terms of reference. The procedures and accountability for these matters are set out in the Company's operations and control manuals. A schedule of routine matters to be addressed by the Board and its Committees is agreed on an annual basis and information is supplied to them in a manner that enables them to fulfil their responsibilities. This includes the circulation of comprehensive briefing papers one week prior to Board and Committee meetings. Presentations on business and operational issues are made regularly to the Board by senior management and during 2009 the Board visited the Company's Paris office and received a presentation from members of the Company's French management team and representatives from external consultants on the office and retail markets and the Company's French portfolio.

RESOURCES

All Directors have access to independent professional advice at the Company's expense and to the advice and services of the Company Secretary who is responsible to the Board for advice on corporate governance matters and for ensuring that Board procedures are followed and that the Company and the Board operate within applicable legislation, rules and regulations. The Company Secretary is also responsible for facilitating the programme of directors' induction and professional development and Board performance evaluation. The appointment and removal of the Company Secretary is a matter requiring approval of the Board.

In accordance with the Company's Articles of Association, Directors are required to submit themselves for election at the first opportunity after their appointment and thereafter for re-election at least every three years.

TRAINING AND DEVELOPMENT

All Directors are kept informed of changes in relevant legislation and regulations and changing financial and commercial risks with the assistance of the Company's legal advisers and auditors where appropriate. Executive Directors are subject to the Company's performance development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered. The performance of Non-Executive Directors is appraised annually by the Chairman. The training and personal development requirements of Non-Executive Directors is reviewed annually as part of the appraisal process and Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development and a record of this is maintained.

BOARD EFFECTIVENESS

The effectiveness of the Board and its Committees is vital to the success of the Company and they therefore monitor and evaluate their own performance and the contribution made by individuals.

An external evaluation of the Board's effectiveness and procedures, and those of its Committees, was undertaken in 2007. During 2008 and 2009, further evaluations were undertaken by the Company Secretary. These evaluations concluded that the Board and its Committees were operating effectively, but highlighted that some minor changes in processes, reporting and communication would further increase efficiency. These changes have all been implemented under the guidance of the Chairman and the Company Secretary. It is intended that the next Board evaluation, which is due later in 2010, will be undertaken externally.

The Chairman meets as necessary, but at least twice each year, with the Non-Executive Directors without Executive Directors present. The Senior Independent Director, having first sought the views of Executive Directors, chairs an annual meeting of Non-Executive Directors without the Chairman in order to appraise his performance and to provide an opportunity to address any other matters which the Non-Executive Directors might wish to raise.

NON-EXECUTIVE DIRECTORS

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material commercial or other connection with the Company, are able to exercise independent judgement. Their experience, gained from varied commercial backgrounds, enables them to make a valuable contribution to the Company as part of which they assist the executive management and challenge assumptions. The Chairman holds other positions which are set out on page 7. The Board is satisfied that these appointments, including his appointment as deputy chairman of Kingfisher plc during the year, do not adversely affect his commitment as the Company's Chairman. Positions held by Non-Executive Directors are also set out on page 7 and the Board is likewise satisfied that each of the Non-Executive Directors is able to devote sufficient time to the Company's business. Non-Executive Directors are advised on appointment of the time required to fulfil the role and are asked to confirm they can make the required commitment. Tony Watson is the Senior Independent Director. In this role he would deputise for the Chairman in his absence and is available to advise and counsel particularly Non-Executive, but also Executive, colleagues. He is a member of the Audit, Remuneration and Nomination Committees.

There is an induction programme in place which is based on the guidelines issued by the Institute of Chartered Secretaries and Administrators tailored to the specific requirements of newly appointed Non-Executive Directors. On their appointment, Non-Executive Directors meet with the Chairman and the Chief Executive and are provided with briefings on their responsibilities as Directors and on the Company's business, finances, risks, strategy, procedures and the markets in which the Company operates. Non-Executive Directors also meet with members of senior management who provide further information on the Company's operations, including visits to the Company's properties, and with representatives from the Company's auditors and advisers.

RELATIONS WITH SHAREHOLDERS

The Company has an active dialogue with its shareholders through a programme of investor meetings which include formal presentations of the full and half-year results. All Non-Executive Directors are available to attend meetings if requested to do so by shareholders and may attend meetings between shareholders and management if desired. The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' circulars. This enables the Directors to obtain the required understanding of the views of shareholders. Shareholders are invited to ask questions at the Company's Annual General Meeting and meet the Directors informally after the meeting. The number of proxy votes cast in resolutions is announced at the Annual General Meeting and published on the Company's website.

EXTERNAL APPOINTMENTS

Executive Directors are encouraged to take non-executive positions in other companies, to broaden their experience. The appointment to such positions is subject to the approval of the Board which considers, in particular, the time commitment required.

Simon Melliss is a member of the committee of management of Hermes Property Unit Trust, for which he received a fee of £20,000 in 2009 and a non-executive director and chairman of the Audit Committee of Whitbread PLC, for which he received a fee of £65,000 in 2009. The fees paid are retained in recognition of the personal commitment and expertise required for such positions.

STANDING COMMITTEES OF THE BOARD

The Board has Audit, Remuneration and Nomination Committees, each of which has written terms of reference which are modelled closely on those recommended by the Institute of Chartered Secretaries and Administrators. They deal clearly with the authorities and duties of each Committee and are formally reviewed annually. Copies of these terms of reference are available on the Company's website. Each of these Committees is comprised of Independent Non-Executive Directors of the Company who are appointed by the Board on the recommendation of the Nomination Committee.

The Company Secretary is secretary to each Committee.

The Chairman of each Committee reports the outcome of meetings to the Board.

THE AUDIT COMMITTEE

The Audit Committee is responsible for ensuring that management has systems and procedures in place to ensure the integrity of financial information. The Committee maintains an appropriate relationship with the Group's external auditors and reviews the effectiveness, objectivity and independence of the external auditors and considers both the scope of their work and the fees paid to them for audit and non-audit services. The Committee reviews the Company's internal audit arrangements, internal financial controls and the audit process.

The Committee has access to employees and all documentation and information it may require.

Committee membership

The Committee comprises:

Name	Date of appointment
John Hirst (Chairman)	19 August 2004
Terry Duddy	1 January 2010
Jacques Espinasse	1 May 2007
Tony Watson	1 January 2010

John Clare was a member of the Committee until his retirement as a Non-Executive Director on 31 December 2009 and David Edmonds stood down from the Committee on 31 December 2009 having served on it for over six years.

John Hirst, the Chairman of the Committee, is a Chartered Accountant and a member of the Association of Corporate Treasurers. He has been closely involved in financial issues as chief executive of the Met Office since 2007 and as chief executive of Premier Farnell plc between 1998 and 2005; prior to that he was group treasurer of ICI plc. The Board is satisfied that he has the required recent and relevant experience.

Meetings

The Committee meets at least four times each year with agendas organised around the Company's reporting cycle. During 2009 it met on four occasions and all members of the Committee attended all meetings.

The Chairman of the Company, the Chief Executive, the Chief Financial Officer and other senior finance management together with senior representatives of the external auditors are invited to attend all meetings. In order to fulfil its duties as defined in its terms of reference, the Audit Committee receives presentations and reviews reports from the Group's senior management, consulting as necessary with the external auditors.

The Committee meets with the external auditors in the absence of management at least once each year.

Review of the year

During the year, the Committee reviewed the draft half-year and Annual Reports and associated results announcements prior to their approval by the Board.

These reviews considered the application of the Company's accounting policies and practices and any changes to them, major judgemental areas, adjustments resulting from the audit and going concern assumptions. The reviews also included consideration of the Group's compliance with statutory tax obligations, compliance with accounting standards and with regulatory requirements, the statement on internal control, property valuations and clarity of disclosure.

The Committee also reviewed the terms of and documentation relating to the Rights Issue announced in February 2009.

The Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment and the Group's compliance with the Combined Code. To fulfil these duties, the Committee reviewed:

- the external auditors' management letters;
- internal audit reports, including recommendations arising from them and the review of progress in implementing previous recommendations;
- reports on the systems of internal controls and the risk management framework; and
- the Company's approach to compliance with legislation and regulations and to the prevention of fraud, including arrangements for staff to raise concerns in confidence.

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit in which is set out the categories of non-audit services that the external auditors are, and are not, allowed to provide to the Group. Details are given below under the heading External Auditors.

The Committee has recommended to the Board that the external auditors should be reappointed.

REMUNERATION COMMITTEE

The Remuneration Committee comprises:

Name	Date of appointment
Tony Watson (Chairman)	1 February 2006
David Edmonds	1 January 2010
John Nelson	21 July 2006

Tony Watson became Chairman of the Committee following John Clare's retirement on 31 December 2009.

The Remuneration Committee comprises two independent Non-Executive Directors and the Company Chairman which is one less independent Non-Executive Director than is recommended by the Combined Code. The Board considers that, given the number of Non-Executive Directors available for Committee positions and taking account of the number of directors and employees, the Committee is of an appropriate size.

The Committee met eight times during 2009 and all members of the Committee attended all meetings. Full details of the responsibilities of the Remuneration Committee and a review of its activities during the year are included in the report of the Remuneration Committee on pages 56 to 63. The Chief Executive (other than in respect of his own remuneration) is invited to attend the meetings.

NOMINATION COMMITTEE

The Nomination Committee comprises:

Name	Date of appointment
John Nelson (Chairman)	7 April 2005
Terry Duddy	18 February 2010
Tony Watson	3 May 2007

John Clare was a member of the Committee until his retirement as a Non-Executive Director on 31 December 2009.

All members of the Committee were present on the seven occasions on which the Committee met in 2009. The Committee undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of Executive Directors and Non-Executive Directors, continues to be appropriate. In addition to identifying potential successors for executive board level positions, the review considers senior functional positions within the Company.

John Richards retired as Chief Executive on 30 September 2009. The Committee, advised by Russell Reynolds Associates, considered successors for the position and, having concluded that David Atkins was the most suitable candidate for the position, recommended his appointment as Chief Executive.

Christophe Clamageran resigned as a director on 16 November 2009, having been appointed on 9 June 2009. The Committee is currently reviewing internal and external candidates for the position of Managing Director in France.

In anticipation of John Clare's retirement as a Non-Executive Director, the Committee, advised by Russell Reynolds Associates, reviewed several candidates to replace him, having regard to the nature of the skills required collectively by the Board. As a consequence of this review, Terry Duddy was appointed as a Non-Executive Director on 3 December 2009 and some changes were made to the membership of the Remuneration, Nomination and Audit Committees.

The Committee considers the independence of Non-Executive Directors and the balance of skills and knowledge required of both Executive Directors and Non-Executive Directors.

OTHER COMMITTEES

In addition to the principal committees referred to above, the Board has established committees to deal with share plan administration, compliance with the Companies Act and the Listing, Prospectus, Disclosure and Transparency Rules and other relevant regulatory requirements and the administrative arrangements required for financing.

EXTERNAL AUDITORS

The Company's external auditors are Deloitte LLP. The audit partner responsible for the Company's audit matters is changed every five years in accordance with the Ethical Standards issued by the Auditing Practices Board. In forming their opinion on the independence and objectivity of the external auditors, the Audit Committee takes into account the safeguards operating within Deloitte LLP. Under the Company's policy governing the provision of non-audit services by the external auditors, they may not provide a service which places them in a position where they may be required to audit their own work.

Specifically, they are precluded from providing services relating to bookkeeping or other services relating to accounting records or financial statements of the Company, financial information system design and implementation, appraisal or evaluation services, actuarial services, any management functions, investment banking services, legal services unrelated to the audit, remuneration related services or advocacy services.

During 2009, services provided by Deloitte LLP to the Company, in addition to acting as external auditors, included acting as reporting accountants for the rights issue and capital restructuring of subsidiaries, including intra-group distributions, and bond compliance work.

To fulfil its responsibilities regarding the external auditors, the Committee reviewed:

- the scope of the audit as set out in the external auditors' engagement letter for the forthcoming year;
- the external auditors' overall work plan for the forthcoming year;
- the external auditors' fee proposal;
- a report from the external auditors describing their arrangements to ensure objectivity and to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditors to ensure that they are not placed in a position to audit their own work.

Where non-audit services are provided, the fees are based on the work undertaken and are not success related. Consideration is given to the nature of and remuneration received for other services provided by Deloitte LLP to the Company and confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit. The auditors' remuneration in respect of the year ended 31 December 2009, comprised £626,000 for year end audit and half-year review work, £375,000 for the Rights Issue and £64,000 for other work. The Audit Committee has reviewed the briefing paper on effective communication between audit committees and external auditors issued by the Auditing Practices Board. Having considered the recommendations of the briefing paper in respect of the external auditors, the Audit Committee has concluded that the relationship with Deloitte LLP meets the recommendations.

TRUSTEES OF THE PENSION SCHEME

The Company's defined benefit pension scheme was closed to new entrants on 31 December 2002 following which a Group Personal Pension Plan was established for new employees.

The defined benefit pension scheme, The Hammerson Group Management Limited Pension & Life Assurance Scheme, is administered by two corporate trustees. One is an independent trustee. The other is a subsidiary of the Company which has four directors. The Chairman of this subsidiary is David Edmonds, one of the Company's Non-Executive Directors. Two of the remaining directors are employees, but not directors, of the Company and the other is a former employee. The Scheme's funds are invested and managed independently of the Company.

INTERNAL CONTROL

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. This system is designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records, provide reliable financial information and ensure compliance with relevant legislation and regulations.

There is a regular review process throughout the year of the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. However, it must be recognised that any such system can only provide reasonable and not absolute assurance against material misstatement or loss. This system is designed to manage the achievement of business objectives.

Management has established a risk management framework and procedures necessary to enable the Directors to report on internal controls in compliance with the Code. The risk management procedures involve the analysis, evaluation and management of the key risks to the Group and include plans for the continuance of the Company's business in the event of unforeseen interruption. The Board, which reviews the framework and procedures regularly, has allocated responsibility for the management of each key risk to Executive Directors and senior executives within the Group who report on these risks to the Board.

The Company conducts internal audit activities through a programme of reviews. These reviews, which are principally undertaken by BDO LLP, but also on occasion by Company employees, and the implementation of recommendations arising from them, are overseen and co-ordinated by an Internal Controls and Risk Management Committee. This Committee comprises executives from the finance and operational parts of the business, is chaired by the Chief Financial Officer, and is intended to ensure that internal control is integrated into Hammerson's daily operations. The Audit Committee considers these arrangements annually and is satisfied that they provide an appropriate overview of the Company's internal control procedures.

Other key elements of the Group's system of internal control include:

- regular meetings of the Board and the Audit Committee whose overall responsibilities are set out above;
- a management structure that is designed to enable effective decision making with clearly defined responsibilities and limits of authority. Monthly meetings of the Group Executive Committee and of the management boards in the UK and France are an important part of this structure;
- the maintenance of operational control manuals setting out a control framework for management to operate within and containing guidance and procedures for the Group's operations; and
- the measurement of the Group's financial performance on a regular basis against budgets and long-term financial plans.

The Company has a code of conduct which explains how the Company expects employees to fulfil their responsibilities by acting in the best interests of the Company and in line with its corporate and financial objectives. This includes compliance with laws and regulations, acting fairly in dealing with customers and suppliers, maintaining integrity in financial reporting, treating employees fairly, providing training and development and operating within a control framework which includes environmental and health and safety policies. The Company has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. No reports of any such matters have been received. The Company subscribes to the independent charity, Public Concern at Work, so that staff may have free access to its helpline.

The system of internal control and the effectiveness thereof have been reviewed by the Board for the year under review and during the period up to the date of this report and the process accords with the Turnbull guidance.

By Order of the Board

Stuart Haydon
Secretary
22 February 2010

DIRECTORS' RESPONSIBILITIES

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. The Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Signed on behalf of the Board on 22 February 2010

David Atkins	**Simon Melliss**
Director	Director

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

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definition and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

The Directors submit their Report and the audited financial statements for the year ended 31 December 2009.

The Corporate Governance Statement set out on pages 48 to 51 forms part of this report.

1. RESULTS FOR THE YEAR
The results for the year are set out in the consolidated income statement on page 66.

2. DIVIDENDS
The Board has approved a second interim dividend, in lieu of a 2009 final dividend, of 8.5 pence per share to be paid on 1 April 2010. Together with the interim dividend paid on 2 October 2009, this will make a total dividend for the year of 15.45 pence (2008: 27.9 pence, unadjusted for the rights issue). It is intended that warrants in respect of the second interim dividend will be posted on 31 March 2010 for payment on 1 April 2010 to shareholders on the register at the close of business on 5 March 2010.

It is intended that the second interim dividend will be paid as a Property Income Distribution (PID), net of withholding tax where appropriate. Where shareholders elect for the scrip dividend alternative this will not be treated as a PID and will not be subject to withholding tax.

Shareholders participating in the scrip dividend alternative will receive new ordinary shares in Hammerson plc instead of cash in respect of the 2009 second interim dividend. Details on the Company's dividends can be found on the Company's website: www.hammerson.com on the "Investors" page.

3. PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS
The principal activities of the Group have continued to be property investment and development. The Chairman's Statement, Business Review and Financial Review should be read in conjunction with this Directors' Report.

4. BUSINESS REVIEW
A detailed review of the business of the Group and a description of the principal risks and uncertainties facing it, including an analysis of the development and performance of the Group during the year and the position of the Group at the year end, including analysis using key performance indicators and any other information required to fulfil the requirements of the Business Review, can be found on pages 4 and 5 and 18 to 39 and 42 to 47 which are incorporated into this Directors' Report by reference.

5. FIXED ASSETS
Changes in tangible fixed assets during the year are set out in notes 11 and 12 to the accounts on pages 87 and 88, whilst details of Hammerson's property portfolio are provided on pages 113 to 125.

6. SHARE CAPITAL
Changes to the Company's share capital as a result of shares issued under the rights issue and the scrip dividend scheme during the year are set out in note 24 to the accounts on page 101. On 31 December 2009 there were 702,809,926 ordinary shares of 25 pence each in issue each with one vote, of which 500,000 shares were held in treasury, following the transfer of 500,000 shares previously held in treasury to the Company's Employee Share Ownership Plan on 10 July 2009.

There are no specific restrictions on the size of a holding nor on the transfer of shares except UK REIT restrictions. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

7. PURCHASE OF OWN SHARES
The Company was granted authority at the Annual General Meeting in 2009 to purchase its own shares up to a total aggregate value of 14.9% of the issued nominal capital. That authority expires on the date of the 2010 Annual General Meeting. At the Annual General Meeting in 2010 a resolution will be proposed to renew the authority for the purchase of the Company's own shares up to a total aggregate value of 10% of the issued nominal capital.

8. GOING CONCERN
The current economic conditions have created a number of uncertainties as set out on page 21. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 24 to 32 of the Annual Report. The financial position of the Group, its liquidity position and borrowing facilities are described on pages 33 to 37 and in notes 18, 20 and 21 to the accounts.

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

9. SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 18 February 2010 the following interests in voting rights over the issued share capital of the Company had been notified:

	Ordinary shares of 25p each	Percentage of total voting rights
Ontario Teachers' Pension Plan Board/2175972 Ontario Inc.	82,211,835	11.71
BlackRock Inc	53,155,520	7.57
Standard Life Investments	45,427,071	6.47
APG Algemene Pensioen Groep N.V.	31,700,179	4.51
Legal & General Investment Management Ltd	27,279,566	3.88

10. DIRECTORS

The Directors of the Company and biographical details are shown on pages 6 and 7. John Nelson, David Atkins, Peter Cole, David Edmonds, Jacques Espinasse, John Hirst, Simon Melliss and Tony Watson served throughout the year.

John Richards retired as a Director and as Chief Executive on 30 September 2009 and David Atkins was appointed as Chief Executive on 1 October 2009.

Christophe Clamageran was appointed as an Executive Director on 9 June 2009 and resigned on 16 November 2009.

Terry Duddy was appointed as a Non-Executive Director on 3 December 2009. John Clare retired as a Non-Executive Director on 31 December 2009.

David Atkins, David Edmonds, Jacques Espinasse, John Hirst and Simon Melliss, who retire in accordance with the Articles of Association, and Terry Duddy, who retires having been appointed since the last Annual General Meeting, offer themselves for re-election at the forthcoming Annual General Meeting. David Edmonds is a member of the Remuneration Commitee.

David Atkins, Peter Cole and Simon Melliss have service agreements with the Company. The appointments of the Non-Executive Directors, including the Chairman, are governed by letters of appointment. Details of the service agreements and the letters of appointment are set out in the Remuneration Report on page 59. Details of the Directors' interests in the share capital of the Company are set out in paragraph 11 below.

11. DIRECTORS' INTERESTS

All Directors took up their rights in full in respect of the Rights Issue which was completed in March 2009. The beneficial interests of the Directors in the ordinary shares of the Company are set out below:

	31 December 2009	1 January 2009 (or subsequent date of appointment)
John Nelson	**24,000**	10,000
David Atkins	**60,632**	20,372
John Clare	**40,800**	17,000
Peter Cole	**172,482**	61,038
Terry Duddy (appointed 3 December 2009)	**–**	–
David Edmonds	**19,368**	8,000
Jacques Espinasse	**12,000**	5,000
John Hirst	**13,351**	5,563
Simon Melliss	**186,144**	64,789
Tony Watson	**12,000**	5,000

At 31 December 2009, Tony Watson had an interest in £60,000 nominal 6.875% Sterling bonds due 2020 and Simon Melliss had an interest in £56,000 nominal 7.25% Sterling bonds due 2028.

In addition, as beneficiaries under the discretionary trust which holds shares to satisfy awards under the Company's various share incentive schemes (details of which are given in the Remuneration Report), each of David Atkins, Peter Cole and Simon Melliss had an interest on 31 December 2009 in the 392,359 shares held by that trust (1 January 2009: 391,102).

Between 1 January and 18 February 2010, the Directors' interests above have remained unchanged.

No contract existed during the year in relation to the Company's business in which any Director was materially interested.

12. DIRECTORS' REMUNERATION

Details of the remuneration of each of the Directors are set out in the Remuneration Report on pages 56 to 63.

13. DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains Directors' and Officers' liability insurance, which is reviewed annually. The Company's Directors and officers are adequately insured in line with the guidelines produced by the Institute of Chartered Secretaries and Administrators.

14. DONATIONS

During the year Hammerson made charitable donations in the United Kingdom of £134,929 (2008: £139,562). Under the Company's charitable donations policy, donations are made to a variety of children's, medical, music and arts charities and to charities connected to localities in which the Company is represented. In addition to these charitable donations, the Company provides financial assistance to other projects of benefit to the community. Political donations are not made.

15. CREDITOR PAYMENT POLICY

It is the Group's policy and practice that the terms of payment to suppliers are agreed in advance of the supply of any goods and services and that payments are made in accordance with those terms and conditions provided that the supplier has also complied with them. At 31 December 2009, the Group had 29 days (2008: 28 days) purchases outstanding.

16. FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group and the Company are set out in note 21 to the accounts on pages 95 to 100.

17. AUDITORS

Deloitte LLP are willing to be reappointed as auditors to the Company. Their reappointment has been considered and recommended by the Audit Committee and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

18. DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a Director at the date of approval of this Report has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation has been given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

19. ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday 29 April 2010 at 10 Grosvenor Street, London W1K 4BJ at 11.00am. The Notice of Meeting and the explanatory notes will be included in a separate notice to be sent to all shareholders.

By Order of the Board

Stuart Haydon
Secretary
22 February 2010

REMUNERATION REPORT

The Directors submit their report on remuneration for the year ended 31 December 2009.

This report has been approved and adopted by the Board and has been prepared in accordance with schedule 8 to the Accounting Regulations under the Companies Act 2006 and the Listing and Disclosure Rules and the principles relating to Directors' remuneration of the Combined Code. The information, the headings of which have been noted with an asterisk (*), is subject to audit in accordance with the Regulations.

THE REMUNERATION COMMITTEE

The Remuneration Committee's responsibilities are set out in its terms of reference which are available on request to shareholders and on the Company's website. These responsibilities include determination of company policy on the remuneration of Executive Directors and approval of the composition and level of remuneration of Executive Directors and certain senior executives. This includes an annual review of all incentive plans to ensure that they remain appropriate to the Company's current circumstances and prospects and that, in particular, the policies adopted are aligned with and based on the creation of value for shareholders and provide appropriate incentives for management to achieve this objective. The Board has accepted, without amendment, the Committee's recommendations relating to remuneration policy.

COMMITTEE MEMBERSHIP

The Committee comprises Tony Watson (Chairman), David Edmonds and John Nelson. John Nelson was considered independent on his appointment as Chairman in 2005 and the Board considers each of the other members of the Committee to be independent.

REMUNERATION POLICY

In determining an appropriate remuneration policy for recommendation to the Board, the Committee's objective is to ensure that the Company continues to attract, retain and motivate experienced individuals, capable of making a major contribution to Hammerson's success. It is the Committee's objective, having regard to the views of investors, that the Company's remuneration policy should provide for median, or below median, basic salary but with the opportunity to increase total potential remuneration for superior performance through variable remuneration in the form of bonus and long-term incentives. Remuneration for Executive Directors and senior executives takes account of performance through an annual performance-related bonus scheme and, for long-term performance, by the award of shares under a long-term incentive plan. Senior executives, excluding Executive Directors, also participate in the Company's Restricted Share Plan. The Board's intention is that Executive Directors and senior executives should build a shareholding in the Company with a value equivalent to at least their annual basic salary.

Shares to satisfy awards under the various schemes are acquired by market purchases either directly or on transfer from treasury.

In implementing the policy, following its approval by the Board, the Committee takes into account remuneration packages available within other comparable companies, the Company's overall performance, achievement of corporate objectives, individual performance and published views of institutional investors and their representative bodies.

ADVISERS

Hewitt Associates Limited has provided general advice and specific advice on executive remuneration to the Committee during the year. They have provided no other services to the Company during 2009.

The Chief Executive attends all meetings of the Committee by invitation, except when his own remuneration is being discussed, to provide information and advice.

REMUNERATION COMMITTEE – REVIEW OF THE YEAR

During the year, Hewitt Associates Limited was commissioned to prepare a report on executive remuneration. Having taken account of this review, the remuneration of certain senior executives has been adjusted to realign their remuneration with that of the Executive Directors.

In addition, the review highlighted that the Long-Term Incentive Plan was not providing the intended incentive arrangement for certain senior executives. Accordingly, for 2010 the Long-Term Investment Plan is restricted to Executive Directors and members of the Group Executive Committee and the share element of the cash bonus scheme is currently restricted to Executive Directors. Other members of the Company's senior management now receive larger potential awards than previously under the Restricted Share Plan instead of awards under the Long-Term Incentive Plan.

REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration packages for senior staff, including Executive Directors, consist of the following elements and are structured to reward corporate and individual performance. Details of all payments to Executive Directors, which are disclosed in the table on page 60, show the relative values of basic and performance-related elements of remuneration.

BASIC SALARY AND BENEFITS

Basic salaries for Executive Directors and other senior executives are reviewed by the Committee, normally annually or otherwise on promotion, having regard to responsibility, competitive market practice, company and individual performance and independently compiled salary survey information. This exercise is undertaken at the same time and on the same basis as the review of salaries of all employees within the Company. Benefits include the use of a company car or the provision of a car allowance, medical insurance and life assurance cover.

ANNUAL PERFORMANCE-RELATED BONUS SCHEME*

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme. Payments under the scheme, which are not pensionable, are currently based on the achievement of earnings per share, gearing, operational targets and personal objectives. The targets are reviewed and set annually by the Committee and are designed so that payment of the maximum would only be achieved for exceptional performance. Under the terms of the bonus scheme, the maximum amount payable to Executive Directors is up to 200% of their basic salary. However, given the then market conditions, the Remuneration Committee decided that the maximum amount payable for 2009 only should be reduced to 133% of their basic salary, with 60% of the payment receivable in shares in the Company of which half vest immediately and half vest two years after the date of grant, subject to remaining with the Company.

The adjusted earnings per share target was achieved, for Executive Directors, to a level of 8% and the gearing target was achieved to a level of 98.5%. This, together with individual achievement against operational targets and personal objectives, resulted in an average payment to Executive Directors representing 68.6% of the maximum potentially payable. This compares with a payment of 32.3% of the maximum potential in respect of 2008.

Under the terms of the scheme, for Executive Directors 40% of the bonus payment is paid in cash (Part A) and the balance of 60% is paid in shares in two equal parts (Part B and C). Shares under Part B of the scheme are awarded on the date the bonus is paid and the value thereof is included in the table of remuneration on page 60. Shares under Part C of the scheme are receivable in the form of nil cost options, the shares in respect of which vest two years after the date of grant. The entitlement to Part C shares is shown on page 61.

DEFERRED SHARE PLAN

Following the introduction of the Hammerson plc 2007 Long-Term Incentive Plan, which is described below, no further options have been granted under the Deferred Share Plan. Under the terms of the Plan, the actual number of shares received by participants was based on the comparative total shareholder return performance of the Company against a peer group of the eight largest quoted UK property companies, including Hammerson, over a three year period. No vesting of shares was possible under the Plan unless the Company's performance was in the top half of the comparator group. The plan allowed for vesting of between 50% and 100% of options granted depending on the Company's ranking within the top half of the comparator group.

LONG-TERM INCENTIVE PLAN*

The Long-Term Incentive Plan, which was introduced in 2007, provides for conditional awards of Performance Shares worth up to 200% of salary (with a 300% limit in exceptional circumstances). Conditional awards of 150% of salary were made in 2007, 2008 and 2009.

The performance measures applicable to the Plan are a combination of Total Shareholder Return ('TSR') performance (thus aligning the interests of Directors with shareholders) and Total Property Return ('TPR') (to focus on the underlying property returns). For Executive Directors, one half of the award is based on each of these performance measures over the relevant three year performance period.

TPR performance is measured over the three financial years commencing with the year of grant and in comparison with a composite index comprising Investment Property Databank's ('IPD') Annual UK Index and Annual France All Property Index, the relative composition of which may vary with each grant to ensure that it reflects the Company's portfolio.

Vesting under the TPR performance condition is as follows:

Less than index	0%
Equal to index	25%
Index + 0.5% (average) p.a.	55%
Index + 1.0% (average) p.a.	85%
Index + 1.5% (average) p.a.	100%

Vesting for intermediate performance is pro-rata on a linear basis.

Prior to each grant, the Committee considers this range of targets to ensure they remain appropriate in the light of experience and anticipated future performance.

TSR performance is measured over the three year period from the date of grant, in comparison with a comparator group, including some European real estate companies, as follows:

The FTSE 100 Index, The British Land Company plc, Capital & Regional plc, Corio N.V., Derwent London plc, Great Portland Estates plc, IVG Immobilien AG, Klépierre S.A., Land Securities Group PLC, Liberty International PLC, Quintain Estates and Development PLC, Shaftesbury PLC, SEGRO plc, St. Modwen Properties PLC and Unibail-Rodamco SE.

Vesting under the TSR performance condition is as follows:

Less than TSR of median-ranked entity	0%
Equal to TSR of median-ranked entity	25%
Equal to TSR of upper quartile-ranked entity	100%

Awards between median and upper quartile entities are on a linear scale between 25% and 100%.

At 31 December 2009 the following conditional share awards made to Executive Directors under the Long-Term Incentive Plan remained outstanding:

	Maximum number of shares		
Date of grant	11 June 2007	1 April 2008	1 April 2009
David Atkins	36,560	65,115	176,494
Peter Cole	55,633	81,392	220,618
Simon Melliss	55,633	81,392	220,618

The average middle market price, adjusted for the Rights issue where appropriate, of the ordinary shares in the Company for the five dealing days before the award dates which were used for calculating the number of shares over which an award was made was 1029.9p for the 2007 award, 748.4p for the 2008 award and 258.6p for the 2009 award.

SAVINGS RELATED SHARE OPTION SCHEME*

The Directors' interests in options over ordinary shares of the Company under the Company's savings related share option scheme are as follows:

	1 January 2009	Rights issue adjustment	Granted	Exercised	Lapsed	31 December 2009	Exercise price†	Expiry year
David Atkins	1,085	518	–	–	(1,603)	–	598.11p	2011
	–	–	4,212	–	–	4,212	217.20p	2012
Peter Cole	2,356	1,125	–	–	–	3,481	474.43p	2010
Simon Melliss	995	475	–	–	(1,470)	–	635.46p	2009

†The exercise price has been adjusted where appropriate to take account of the Rights Issue.

SHARE INCENTIVE PLAN*

All UK employees are eligible to receive Free Shares up to a value of £3,000 each year, subject to achievement of a performance target under the Share Incentive Plan ('SIP'). In addition, such employees can purchase Partnership Shares, up to a value of £1,500 each fiscal year, which the Company will match through the award of Matching Shares on the basis of two Matching Shares for every Partnership Share purchased. Dividends on shares held under the Share Incentive Plan are used to purchase additional shares.

The Directors' interests in shares of the Company under the Share Incentive Plan at 31 December 2009 are as follows:

	Total SIP shares 1 January 2009	Rights Issue allotment	Partnership shares purchased in 2009	Matching shares awarded in 2009	Free shares awarded in 2009	Dividend shares purchased in 2009	Total SIP shares held 31 December 2009	Cost to Company of shares awarded in 2009
David Atkins	2,252	3,152	495	990	977	180	8,046	£6,600
Peter Cole	1,801	1,008	477	954	977	162	5,379	£6,553
Simon Melliss	2,240	3,136	478	956	977	177	7,964	£6,595

The middle market price of the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 424p on 31 December 2009 and the range during the year was 211p to 453p.

RESTRICTED SHARE PLAN

Certain UK employees, except Directors, receive awards under a Restricted Share Plan which provides an opportunity for these employees to build up a shareholding in the Company. Under the Restricted Share Plan, share awards vest, subject to continued employment, on the third anniversary of grant.

FRENCH SHARE PLAN

For French employees, who are not able to participate in the Share Incentive Plan or the Restricted Share Plan referred to above, there is a share plan under which conditional awards of shares are made. The number of shares which will vest after a two-year period is dependent on a combination of the performance of the Company's investment portfolio in France and the Group's performance.

SHARE OWNERSHIP GUIDELINES

All Directors are encouraged to own shares in the Company. Certain elements of total remuneration are designed to encourage Executive Directors and senior executives, over a period of time, to acquire a shareholding of a value equivalent to at least their annual basic salary.

SERVICE AGREEMENTS

David Atkins, Peter Cole and Simon Melliss have service agreements which may be terminated by the Company on 12 months' notice. With the exception of David Atkins, who was appointed a Director on 1 January 2007, if a contract is terminated at short notice, any resulting compensation would not be subject to mitigation.

The basic annual salaries payable to Executive Directors are reviewed annually on 1 April. Salaries payable with effect from 1 April 2010 are:

David Atkins	£500,000
Peter Cole	£400,000
Simon Melliss	£420,740

As previously disclosed, agreements had been made under which an Executive Director could elect to receive a pension compensation payment rather than further contributions being made to the Company's defined benefit pension scheme.

Simon Melliss, made such an election on 3 December 2009 and therefore became entitled to a Pension Compensation Payment equal to 30% of basic salary whilst continuing in employment.

The Chairman and the Non-Executive Directors do not have service contracts with the Company. Their appointments are governed by letters of appointment, which are available for inspection on request. The Chairman's appointment, which is subject to 12 months' notice, was initially for a period of three years to 30 September 2008, but, following review by the Board (excluding the Chairman), has been renewed for a further period of three years ending 30 September 2011. The appointments of the Non-Executive Directors are reviewed by the Chairman and the Executive Directors every three years and, accordingly, will next be reviewed as follows:

John Hirst	28 February 2010
Jacques Espinasse	30 April 2010
Tony Watson	31 January 2012
David Edmonds	7 May 2012
Terry Duddy	3 December 2012

Notwithstanding the intention that the appointments of Non-Executive Directors are for a term of three years, such appointments are at all times subject to the right of either party to terminate the appointment on not less than three months' notice.

David Atkins, David Edmonds, Jacques Espinasse, John Hirst and Simon Melliss, who retire in accordance with the Articles of Association and Terry Duddy, who retires having been appointed since the last Annual General Meeting, offer themselves for re-election at the forthcoming Annual General Meeting.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Chairman of the Board, John Nelson, is a Non-Executive Director and his fee, and those of the other Non-Executive Directors, are determined by the Board, having regard to the contribution required from, and the responsibility taken by, Non-Executive Directors and current market practice, including the level of fees paid to Non-Executive Directors of comparable companies. Non-Executive Directors are not eligible for performance-related bonuses or participation in the Company's share plans and their fees are not pensionable.

The annual fees payable to the Chairman and the other Non-Executive Directors, which have not increased since 1 October 2007 in respect of the Chairman and 1 October 2006 in respect of the other Non-Executive Directors, will be as follows with effect from 1 April 2010:

Chairman	£270,000
Non-Executive Director – basic fee	£50,000

The level of fees is set to reflect the responsibilities of the role and, in order to recognise the additional responsibility of the Senior Independent Director and of membership and chairmanship of the Audit and Remuneration Committees, further fees are payable in respect of these positions as listed below:

Senior Independent Director	£10,000
Audit Committee chairmanship	£10,000
Audit Committee membership	£5,000
Remuneration Committee chairmanship	£10,000
Remuneration Committee membership	£5,000

REMUNERATION OF DIRECTORS*

The following table shows a breakdown of the remuneration of the Directors for the year ended 31 December 2009:

	Salary and fees £000	Performance related bonus £000	Benefits in kind £000	Total emoluments excluding pension contributions 2009 £000	Total emoluments excluding pension contributions 2008 £000	Deferred Share Plan gain on shares 2009 £000	Deferred Share Plan gain on shares 2008 £000
Executive Directors							
David Atkins	350	256	16	**622**	392	**36**	96
Christophe Clamageran (appointed 9 June 2009; resigned 16 November 2009)	152	–	6	**158**	–	**–**	–
Peter Cole	375	236	16	**627**	472	**91**	195
Simon Melliss	378	233	26	**637**	488	**91**	232
John Richards (retired 30 September 2009)	411	–	26	**437**	677	**128**	340
Non-Executive Directors							
John Nelson	225	–	–	**225**	225	**–**	–
John Clare (retired 31 December 2009)	64	–	–	**64**	64	**–**	–
Terry Duddy (appointed 3 December 2009)	3	–	–	**3**	–	**–**	–
David Edmonds	52	–	–	**52**	52	**–**	–
Jacques Espinasse	44	–	–	**44**	44	**–**	–
John Hirst	50	–	–	**50**	50	**–**	–
Tony Watson	44	–	–	**44**	44	**–**	–
	2,148	725	90	**2,963**	2,508	**346**	863

The value of benefits in kind includes the use of a company car or provision of a car allowance, medical insurance and life assurance cover.

During the year ended 31 December 2009 no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment or appointment.

John Richards, who was appointed a Director in 1990 retired on 30 September 2009. To conform to changes in best practice in corporate governance, his service agreement, along with those of other longer serving Executive Directors, had been revised on a number of occasions in previous years, primarily to reduce the notice period which, on the date he left the Company, was one year. Accordingly, on termination of John Richards' service agreement and in accordance with the terms of that agreement, he received a payment of £889,749 which comprised one year's basic salary and the value of other benefits and an amount calculated as the average of the previous three years' bonus payments,to reflect the loss of bonus which would have been payable for 2009. In addition, his holding of a total of 85,735 shares granted under Part C of the 2007 and 2008 bonus scheme vested on retirement. Their total value at the date of grant was £281,000. At the date of retirement, conditional awards over a total of 476,488 shares made to John Richards under the Long-Term Incentive Plan remained outstanding. Having applied a pro-rata reduction to reflect the time outstanding prior to the vesting date, conditional awards over a total of 308,305 shares now remain outstanding and will vest on their normal vesting dates, subject to satisfaction of the relevant performance conditions. Their total value at the date of grant was £1,767,526. None of these amounts are included in the table above.

As explained on page 57, the performance related bonus is payable in three parts. One part is payable in cash (Part A) and a further element of the bonus is payable in shares (Parts B and C).

The payment in shares is made in two parts, one of which (Part B) is made at the time the cash bonus is paid and the other of which (Part C) is deferred for two years and is subject to the participant remaining with the Company.

Payments under Part A and Part B are included in the remuneration table above and deferred entitlements under Part C are shown in the table below.

However, in respect of the bonus for 2008 only, in view of market conditions, the Executive Directors agreed to defer the vesting of Part B shares such that they would be treated in the same way as Part C shares. Accordingly, for 2008 only, the entitlement to Part C shares given in the table below additionally includes the potential entitlement to Part B shares.

	Part C Entitlements					Part C Shares vested	
		2008 Bonus		2007 Bonus		2006 Bonus	
	2009 Bonus value £000	Shares vesting in 2011	Market value at date of grant £000	Shares vesting in 2010	Market value at date of grant £000	Shares vested on 2 April 2009	Market value at date of grant £000
David Atkins	110	52,845	140	5,036	39	1,977	21
Peter Cole	101	49,075	130	7,664	59	8,206	85
Simon Melliss	100	52,471	139	7,664	59	8,206	85
John Richards	–	–	–	–	–	11,738	122

PENSIONS*

The UK resident Executive Directors all participate in the Company's defined benefit pension scheme, more fully described in note 6 to the accounts on pages 80 and 81 which provides pension and other benefits.

Pension entitlements are based on basic salary. In previous years, members who joined the Scheme on or after 1 June 1989 were subject to restrictions imposed by the Income and Corporation Taxes Act 1988. Following the introduction of the Finance Act 2004, these restrictions no longer apply for service accrued on or after 6 April 2006. In the case of Simon Melliss, provision in respect of pensionable salary above the restriction was paid to a money purchase arrangement prior to 6 April 2006. No pension arrangements are made by the Company for Non-Executive Directors.

Since 6 April 2006 an individual's benefits under the Company's pension scheme would be subject to additional tax should those benefits exceed certain defined limits. The Remuneration Committee has agreed that, in these circumstances, a Director may elect to receive a Pension Compensation Payment rather than further contributions being made to the Scheme. Such compensation payments will be subject to income tax and national insurance contributions and will not qualify for annual bonus purposes or entitlements under long-term incentive plans.

The following tables set out information on Directors' defined benefit pension entitlements, including funded and unfunded arrangements:

	Age at 31 December 2009	Years' service at 31 December 2009	Total accrued benefit at 31 December 2009 £000	Increase in accrued benefit during the year £000	Increase in accrued benefit during the year excluding inflation £000
David Atkins	43	11	36	6	6
Peter Cole	50	20	174	9	11

For each Director, the total accrued benefit at 31 December 2009 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each Director at 31 December 2009. The increase in accrued benefit earned during the year represents the increase in this expected pension, including the effect of inflation, when compared with the position at 31 December 2008.

The increase in accrued pension excluding the effect of inflation over the year is also shown.

Requirements under:	Companies Act 2006		The Listing Rules	
	Transfer value at 31 December 2008 of total accrued benefit £000	Transfer value at 31 December 2009 of total accrued benefit £000	Value of increase in accrued benefit during the year £000	Transfer value at 31 December 2009 of increase in accrued benefit £000
David Atkins	269	334	65	58
Peter Cole	1,962	2,141	179	132

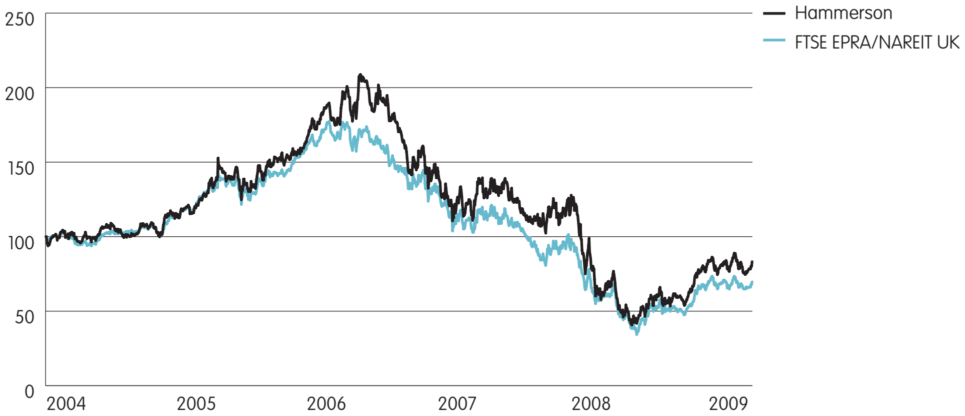
All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

John Richards retired on 30 September 2009 and, in accordance with the rules of the pension scheme, received a lump sum of £820,800 and a retirement pension of £166,090 per annum. This compared to an accrued pension of £277,000 per annum as at 31 December 2008. The combined transfer value of these retirement benefits was £4,101,000 as at 30 September 2009, which compares to the transfer value of £3,698,000 as at 31 December 2008.

As explained on page 59, whilst continuing in employment, Simon Melliss elected to receive a pension compensation payment with effect from 3 December 2009 rather than further contributions being made to the scheme. In accordance with the rules of the pension scheme he received a lump sum of £426,200 and a retirement pension of £63,929 per annum. This compared to an accrued pension of £87,800 per annum as at 31 December 2008. The combined transfer value of these retirement benefits was £1,642,000 as at 3 December 2009, which compares to the transfer value of £1,339,000 as at 31 December 2008.

SHAREHOLDER RETURN

The graph below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the five years ended 31 December 2009 relative to the total return of the FTSE EPRA/NAREIT UK Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2004.



Source: Datastream on 19/02/2010.

By Order of the Board

Stuart Haydon
Secretary
22 February 2010

INDEPENDENT AUDITORS' REPORT ON THE GROUP FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

We have audited the Group financial statements (the 'financial statements') of Hammerson plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, the analysis of movement in net debt and the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made;
  or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

OTHER MATTER
We have reported separately on the parent company financial statements of Hammerson plc for the year ended 31 December 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Georgina Robb (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
22 February 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Gross rental income	2	**351.5**	344.2
Operating profit before other net losses and share of results of associate	2	**252.6**	257.5
Other net losses	2	**(590.4)**	(1,698.3)
Share of results of associate	2	**(0.8)**	–
Operating loss	2	**(338.6)**	(1,440.8)
Finance costs		**(129.0)**	(153.8)
Change in fair value of derivatives		**(4.1)**	(26.9)
Finance income		**18.6**	10.0
Net finance costs	7	**(114.5)**	(170.7)
Loss before tax		**(453.1)**	(1,611.5)
Current tax	8A	**(0.9)**	(0.6)
Deferred tax	8A	**103.6**	38.3
Tax credit		**102.7**	37.7
Loss for the year		**(350.4)**	(1,573.8)
Attributable to:			
Equity shareholders		**(344.5)**	(1,572.6)
Equity minority interests		**(5.9)**	(1.2)
Loss for the year		**(350.4)**	(1,573.8)
Basic loss per share	10A	**(54.1)p**	(368.9)p
Diluted loss per share	10A	**(54.1)p**	(368.4)p

Comparative per share data has been restated following the rights issue in March 2009 (see note 10). Adjusted earnings per share are shown in note 10A. All results derive from continuing operations.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Investment and development properties	11	**5,141.5**	6,456.8
Interests in leasehold properties		**23.0**	25.6
Plant, equipment and owner-occupied property	12	**30.4**	38.5
Investment in associate	13	**10.4**	–
Other investments	15	**114.0**	112.1
Receivables	16	**61.5**	19.7
		5,380.8	6,652.7
Current assets			
Receivables	17	**102.7**	123.6
Cash and deposits	18	**182.9**	119.9
		285.6	243.5
Total assets		**5,666.4**	6,896.2
Current liabilities			
Payables	19	**228.4**	296.5
Tax	8D	**1.6**	3.8
Provision	2	**–**	6.0
Borrowings	20A	**62.9**	32.5
		292.9	338.8
Non-current liabilities			
Borrowings	20A	**2,256.1**	3,420.1
Deferred tax	8D	**0.4**	108.4
Tax	8D	**1.3**	0.4
Obligations under finance leases	22	**22.8**	25.5
Payables	23	**69.8**	93.1
		2,350.4	3,647.5
Total liabilities		**2,643.3**	3,986.3
Net assets		**3,023.1**	2,909.9
Equity			
Share capital	24	**175.7**	72.7
Share premium		**1,223.6**	742.2
Translation reserve		**477.7**	707.6
Hedging reserve		**(385.4)**	(580.1)
Capital redemption reserve		**7.2**	7.2
Other reserves		**10.3**	11.5
Revaluation reserve		**78.6**	100.0
Retained earnings		**1,372.4**	1,775.6
Investment in own shares	25	**(4.6)**	(4.5)
Treasury shares	26	**(5.8)**	(11.6)
Equity shareholders' funds		**2,949.7**	2,820.6
Equity minority interests		**73.4**	89.3
Total equity		**3,023.1**	2,909.9
Diluted net asset value per share	10B	**£4.20**	£6.61
EPRA net asset value per share	10B	**£4.21**	£7.03

Comparative per share data has been restated following the rights issue in March 2009 (see note 10).

These financial statements were approved by the Board of Directors on 22 February 2010.

Signed on behalf of the Board

David Atkins Director

Simon Melliss Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Foreign exchange translation differences		**(209.0)**	644.5
Net gain/(loss) on hedge of net investment in foreign subsidiaries		**176.3**	(508.7)
Exchange gain previously recognised in the translation reserve, recycled on disposal of foreign operation		**(28.2)**	–
Exchange loss previously recognised in the hedging reserve, recycled on disposal of foreign operation		**18.4**	–
Revaluation losses on development properties		**–**	(24.8)
Revaluation losses on owner-occupied property		**(6.4)**	(5.9)
Revaluation gains on investments		**3.9**	29.9
Actuarial (losses)/gains on pension schemes		**(14.3)**	0.4
Deferred tax on items taken directly to equity	8C	**4.4**	(0.2)
Net (loss)/gain recognised directly in equity		**(54.9)**	135.2
Loss for the year		**(350.4)**	(1,573.8)
Total comprehensive loss for the year		**(405.3)**	(1,438.6)
Attributable to:			
Equity shareholders		**(392.1)**	(1,460.3)
Equity minority interests		**(13.2)**	21.7
Total comprehensive loss for the year		**(405.3)**	(1,438.6)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2009	72.7	742.2	707.6	(580.1)	7.2	11.5	100.0	1,775.6	(4.5)	(11.6)	2,820.6	89.3	2,909.9
Rights issue	101.5	507.2	–	–	–	–	–	–	–	–	608.7	–	608.7
Expenses of rights issue	–	(24.4)	–	–	–	–	–	–	–	–	(24.4)	–	(24.4)
Issue of other shares	–	0.1	–	–	–	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	–	5.1	–	–	–	–	5.1	–	5.1
Cost of shares awarded to employees	–	–	–	–	–	(5.7)	–	–	5.7	–	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	(0.6)	–	0.6	–	–	–	–	–
Transfer on sale of investments	–	–	–	–	–	–	(0.4)	0.4	–	–	–	–	–
Transfer on change in accounting policy relating to development properties (note 1)	–	–	–	–	–	–	(18.5)	18.5	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	–	0.1	–	0.1
Transfer from treasury shares	–	–	–	–	–	–	–	–	(5.8)	5.8	–	–	–
Dividends	–	–	–	–	–	–	–	(68.4)	–	–	(68.4)	(2.7)	(71.1)
Scrip dividends	1.5	(1.5)	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange translation differences	–	–	(201.7)	–	–	–	–	–	–	–	(201.7)	(7.3)	(209.0)
Net gain on hedge of net investment in foreign subsidiaries	–	–	–	176.3	–	–	–	–	–	–	176.3	–	176.3
Exchange gain previously recognised in the translation reserve recycled on disposal of foreign operation	–	–	(28.2)	–	–	–	–	–	–	–	(28.2)	–	(28.2)
Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operation	–	–	–	18.4	–	–	–	–	–	–	18.4	–	18.4
Revaluation losses on owner-occupied property	–	–	–	–	–	–	(6.4)	–	–	–	(6.4)	–	(6.4)
Revaluation gains on investments	–	–	–	–	–	–	3.9	–	–	–	3.9	–	3.9
Actuarial losses on pension schemes	–	–	–	–	–	–	–	(14.3)	–	–	(14.3)	–	(14.3)
Deferred tax on items taken directly to equity	–	–	–	–	–	–	–	4.4	–	–	4.4	–	4.4
Loss for the year attributable to equity shareholders	–	–	–	–	–	–	–	(344.5)	–	–	(344.5)	(5.9)	(350.4)
Total comprehensive (loss)/gain for the year	–	–	(229.9)	194.7	–	–	(2.5)	(354.4)	–	–	(392.1)	(13.2)	(405.3)
Balance at 31 December 2009	**175.7**	**1,223.6**	**477.7**	**(385.4)**	**7.2**	**10.3**	**78.6**	**1,372.4**	**(4.6)**	**(5.8)**	**2,949.7**	**73.4**	**3,023.1**
Notes	24								25	26			

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2008	72.6	740.0	86.0	(71.4)	7.2	10.6	238.7	3,291.5	(3.8)	(16.8)	4,354.6	70.4	4,425.0
Issue of shares	0.1	2.2	–	–	–	–	–	–	–	–	2.3	–	2.3
Share-based employee remuneration	–	–	–	–	–	4.6	–	–	–	–	4.6	–	4.6
Cost of shares awarded to employees	–	–	–	–	–	(4.5)	–	–	4.5	–	–	–	–
Transfer of treasury shares	–	–	–	–	–	–	–	–	(5.2)	5.2	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	0.8	–	(0.8)	–	–	–	–	–
Transfer of revaluation on completion of development properties	–	–	–	–	–	–	(141.8)	141.8	–	–	–	–	–
Transfer of deferred tax on completed properties	–	–	–	–	–	–	3.9	(3.9)	–	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	–	0.1	–	0.1
Dividends	–	–	–	–	–	–	–	(80.7)	–	–	(80.7)	(2.8)	(83.5)
Exchange adjustment	–	–	621.6	–	–	–	–	–	–	–	621.6	22.9	644.5
Net loss on hedge of net investment in foreign subsidiaries	–	–	–	(508.7)	–	–	–	–	–	–	(508.7)	–	(508.7)
Revaluation losses on development properties	–	–	–	–	–	–	(24.8)	–	–	–	(24.8)	–	(24.8)
Revaluation losses on owner-occupied property	–	–	–	–	–	–	(5.9)	–	–	–	(5.9)	–	(5.9)
Revaluation gains on investments	–	–	–	–	–	–	29.9	–	–	–	29.9	–	29.9
Actuarial gains on pension schemes	–	–	–	–	–	–	–	0.4	–	–	0.4	–	0.4
Deferred tax on items taken directly to equity	–	–	–	–	–	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Loss for the year attributable to equity shareholders	–	–	–	–	–	–	–	(1,572.6)	–	–	(1,572.6)	(1.2)	(1,573.8)
Total comprehensive (loss)/gain for the year	–	–	621.6	(508.7)	–	–	(0.8)	(1,572.4)	–	–	(1,460.3)	21.7	(1,438.6)
Balance at 31 December 2008	72.7	742.2	707.6	(580.1)	7.2	11.5	100.0	1,775.6	(4.5)	(11.6)	2,820.6	89.3	2,909.9
Notes	24								25	26			

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Operating activities			
Operating profit before other net losses and share of results of associate	2	**252.6**	257.5
Decrease in receivables		**31.7**	19.5
(Decrease)/Increase in payables		**(48.1)**	50.8
Adjustment for non-cash items	27	**2.3**	18.5
Cash generated from operations		**238.5**	346.3
Interest paid		**(149.0)**	(209.7)
Interest received		**3.9**	9.4
Distribution received from other investments		**13.1**	–
Tax paid	8D	**(1.2)**	(116.2)
Cash flows from operating activities		**105.3**	29.8
Investing activities			
Property and corporate acquisitions	30	**(39.5)**	(123.5)
Development and major refurbishments		**(164.1)**	(376.7)
Other capital expenditure		**(23.7)**	(13.9)
Sale of properties		**394.9**	245.3
Sale of subsidiary		**3.0**	–
Investment in associate		**(5.0)**	–
Sale of investments		**1.3**	–
Cash flows from investing activities		**166.9**	(268.8)
Financing activities			
Rights issue		**584.3**	–
Issue of other shares		**0.1**	2.3
Proceeds from award of own shares		**0.1**	0.1
(Decrease)/Increase in non-current borrowings		**(647.2)**	1,050.0
Decrease in current borrowings		**(74.3)**	(635.1)
Dividends paid to minorities		**(2.7)**	(2.8)
Equity dividends paid	9	**(64.5)**	(86.7)
Cash flows from financing activities		**(204.2)**	327.8
Net increase in cash and deposits		**68.0**	88.8
Opening cash and deposits		**119.9**	28.6
Exchange translation movement		**(5.0)**	2.5
Closing cash and deposits	18	**182.9**	119.9

ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2009

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps* £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2009	40.5	79.4	(32.5)	(3,420.1)	(3,332.7)
Acquisition (note 30)	–	3.4	(139.6)	–	(136.2)
Sale of subsidiary	–	(0.7)	–	388.0	387.3
Cash flow	73.1	(7.8)	74.3	647.2	786.8
Exchange	(1.7)	(3.3)	47.0	128.8	170.8
Balance at 31 December 2009	**111.9**	**71.0**	**(50.8)**	**(2,256.1)**	**(2,124.0)**

*At 31 December 2009, the fair value of currency swaps was an asset of £12.1 million which is included in current receivables (see note 17).

NOTES TO THE ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS and interpretations adopted by the European Union.

During 2009, the following accounting standards and guidance were adopted by the Group:

- IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included as a primary statement, showing changes in each component of equity for each period presented. In addition, the revised standard requires the presentation of a third balance sheet, where certain changes in accounting policies are applied retrospectively.
- Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than in equity. There is no impact on previously reported figures in respect of this change. The cumulative balance included within the revaluation reserve in respect of development properties at 1 January 2009 of £18.5 million has been transferred to retained earnings in the current year.
- The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for this additional disclosure in the current year, in accordance with the transitional reliefs included in the amendments.
- An amendment to IAS 39 permits an entity to reclassify non-derivative financial assets from 'fair value through profit or loss' (FVTPL) and 'available for sale' (AFS) categories in limited circumstances. This had no impact on the Group.

Additionally, the following pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation; effective for accounting periods commencing on or after 1 October 2008
- IAS 23 (revised) Borrowing Costs; effective for accounting periods beginning on or after 1 January 2009
- Amendments to IFRS 2 Share-based Payment; effective for accounting periods beginning on or after 1 January 2009
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements; effective for accounting periods commencing on or after 1 January 2009
- IFRIC 15 Agreements for the Construction of Real Estate; effective for accounting periods commencing on or after 1 January 2009

At the date of approval of these financial statements, the following standards and guidance relevant to the Group were in issue but not yet effective:

- IFRS 3 (revised) Business Combinations; effective for accounting periods beginning on or after 1 July 2009
- Amendments to IAS 27 Consolidated and Separate Financial Statements; effective for accounting periods beginning on or after 1 July 2009
- Amendments to IAS 28 Investments in Associates; effective for accounting periods beginning on or after 1 July 2009

These pronouncements, when applied, will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

The majority of amendments made as part of the IASB's 2009 Annual Improvements programme affect accounting periods beginning on or after 1 January 2010.

BASIS OF PREPARATION

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 53.

The financial statements are presented in sterling. They are prepared on the historical cost basis except that investment and development properties, owner-occupied properties, investments and derivative financial instruments are stated at fair value.

The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

SIGNIFICANT JUDGEMENTS AND KEY ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Property valuations

Our property portfolio, which is carried in the balance sheet at fair value, is valued six-monthly by professionally qualified external valuers and the Directors must ensure that they are satisfied that the valuation of the Group's properties is appropriate for the accounts. The independent valuations are based on a number of assumptions such as appropriate discount rates and estimates of future rental income and capital expenditure. Property valuations are one of the principal risks and uncertainties of the Group, as noted on page 21.

1 SIGNIFICANT ACCOUNTING POLICIES
continued

Accounting for acquisitions
Management must assess whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. As noted in the accounting policy below, where the acquired company contains significant assets or liabilities in addition to property, the transaction is accounted for as a business combination. Where there are no such items, the transaction is treated as an asset purchase.

Accounting for joint ventures
The accounting treatment for our joint ventures requires an assessment to determine the degree of control or influence which the Group may exercise over them and the form of any control. Hammerson's interest in its joint ventures is commonly driven by the terms of partnership agreements which ensure that control is shared between the partners. As a result, these are accounted for as jointly controlled entities and are included in the financial statements on a proportionate consolidation basis in accordance with IAS 31.

REIT and SIIC status
The Company has elected for UK REIT and French SIIC status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in notes 8F and 8G to the accounts. Management intends that the Group should continue as a UK REIT and French SIIC for the foreseeable future.

BASIS OF CONSOLIDATION
Subsidiaries
Subsidiaries are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity, or business, to benefit from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition, in other cases the acquisition method is used.

Joint ventures
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of assets, liabilities, results and cash flows of joint ventures.

Associates
Associates are those entities over which the Group is in a position to exercise significant influence, but not control or joint control. The results, assets and liabilities of associates are accounted for using the equity method. Investments in associates are carried in the balance sheet at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any impairment. Losses of an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Goodwill
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquired entity over the Group's interest in the fair value of the assets, liabilities and contingent liabilities acquired. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Where the fair value of the assets, liabilities and contingent liabilities acquired is greater than the cost, the excess, known as negative goodwill, is recognised immediately in the income statement.

FOREIGN CURRENCY
Foreign currency transactions
Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the income statement.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the exchange rates ruling at the balance sheet date. The operating income and expenses of foreign operations are translated into sterling at the average exchange rates for the period. Significant transactions, such as property sales, are translated at the foreign exchange rate ruling at the date of each transaction.

The principal exchange rate used to translate foreign currency-denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.126 (2008: £1 = €1.034). The principal exchange rate used for the income statement is the average rate, £1 = €1.123 (2008: £1 = €1.258).

1 SIGNIFICANT ACCOUNTING POLICIES
continued

Net investment in foreign operations
Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released to the income statement upon disposal of the foreign operation.

BORROWINGS, INTEREST AND DERIVATIVES
Borrowings
Borrowings are recognised initially at fair value, after taking account of any discount on issue and attributable transaction costs. Subsequently, borrowings are held at amortised cost, such that discounts and costs are charged to the income statement over the term of the borrowing at a constant return on the carrying amount of the liability.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign currency movements and interest rate risks.

Derivative financial instruments are recognised initially at fair value, which equates to cost and subsequently remeasured at fair value, with changes in fair value being included in the income statement, except that a gain or loss on the portion of an instrument that is an effective hedge for the net investment in a foreign operation is recognised in the hedging reserve.

Trade receivables and payables
Trade receivables and payables are initially measured at fair value, subsequently measured at amortised cost and, where material, discounted to reflect the time value of money.

Net finance costs
Net finance costs include interest payable on borrowings, net of interest capitalised, interest receivable on funds invested, and changes in the fair value of derivative financial instruments.

Capitalisation of interest
Interest is capitalised if it is directly attributable to the acquisition, construction or production of development properties or the redevelopment of investment properties. Capitalisation commences when the activities to develop the property start and continues until the property is substantially ready for its intended use. Capitalised interest is calculated with reference to the actual rate payable on borrowings for development purposes or, for that part of the development cost financed out of general funds, to the average rate.

PROPERTY PORTFOLIO
Investment properties
Investment properties are stated at fair value, being market value determined by professionally qualified external valuers, and changes in fair value are included in the income statement.

Development properties
Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value, being market value determined by professionally qualified external valuers. Changes in fair value are included in the income statement.

All costs directly associated with the purchase and construction of a development property are capitalised. When development properties are completed, they are reclassified as investment properties.

Leasehold properties
Leasehold properties that are leased out to tenants under operating leases are classified as investment properties or development properties, as appropriate, and included in the balance sheet at fair value.

The obligation to the freeholder or superior leaseholder for the buildings element of the leasehold is included in the balance sheet at the present value of the minimum lease payments at inception. Payments to the freeholder or superior leaseholder are apportioned between a finance charge and a reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents payable, such as rent reviews or those related to rental income, are charged as an expense in the periods in which they are incurred.

Depreciation
In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment and development properties, which are carried at fair value. Leasehold property occupied by the Group ('owner-occupied property') is depreciated where material over its expected useful life, giving due consideration to its estimated residual value.

1 SIGNIFICANT ACCOUNTING POLICIES
continued

Net rental income
Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the lease term.

Contingent rents, such as turnover rents, rent reviews and indexation, are recorded as income in the periods in which they are earned. Rent reviews are recognised when such reviews have been agreed with tenants.

Lease incentives and costs associated with entering into tenant leases are amortised over the period to the first break option or, if the probability that the break option will be exercised is considered low, over the lease term.

Property operating expenses are expensed as incurred and any property operating expenditure not recovered from tenants through service charges is charged to the income statement.

Profits on sale of properties
Profits on sale of properties are taken into account on the completion of contract, and are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

Tenant leases
Management has exercised judgement in considering the potential transfer of the risks and rewards of ownership in accordance with IAS 17 Leases for all properties leased to tenants and has determined that such leases are operating leases.

Plant, equipment and owner-occupied property
Owner-occupied property held under a finance lease is stated at fair value with changes in fair value recognised directly in equity.

Plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is generally between three and five years, or in the case of leasehold improvements, the lease term.

INVESTMENTS
Investments are classified as 'available for sale' and carried at fair value with changes in fair value recognised directly in equity.

Where a significant or prolonged decline in fair value is identified, the investment is considered impaired and any cumulative revaluation gain or deficit is recycled through the income statement.

EMPLOYEE BENEFITS
Defined contribution pension plans
Obligations for contributions to defined contribution pension plans are charged to the income statement as incurred.

Defined benefit pension plans
The Group's net obligation in respect of defined benefit pension plans comprises the amount of future benefit that employees have earned, discounted to determine a present value, less the fair value of the pension plan assets. The discount rate used is the yield on AA credit-rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified external actuary using the projected unit credit method.

Actuarial gains and losses are recognised in equity. Where the assets of a plan are greater than its obligation, the asset included in the balance sheet is limited to the present value of any future refunds from the plan or reduction in future contributions to the plan.

Share-based employee remuneration
Share-based employee remuneration is determined with reference to the fair value of the equity instruments at the date at which they are granted and charged to the income statement over the vesting period on a straight-line basis. The fair value of share-based employee remuneration is calculated using the binomial option pricing model and is dependent on factors including the exercise price, expected volatility, option life and risk-free interest rate. IFRS 2 Share-based Payment has been applied to share options granted from November 2002.

TAX
Tax is included in the income statement except to the extent that it relates to items recognised directly in equity, in which case the related tax is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2 RESULT FOR THE YEAR

	Notes	Adjusted £m	Capital and other £m	Total 2009 £m	Adjusted £m	Capital and other £m	Total 2008 £m
Gross rental income	3A	**351.5**	**–**	**351.5**	344.2	–	344.2
Ground and equity rents payable		**(5.4)**	**–**	**(5.4)**	(6.2)	–	(6.2)
Gross rental income, after rents payable		**346.1**	**–**	**346.1**	338.0	–	338.0
Service charge income		**57.6**	**–**	**57.6**	59.8	–	59.8
Service charge expenses		**(69.3)**	**–**	**(69.3)**	(65.8)	–	(65.8)
Net service charge expenses		**(11.7)**	**–**	**(11.7)**	(6.0)	–	(6.0)
Other property outgoings		**(40.8)**	**–**	**(40.8)**	(32.2)	–	(32.2)
Property outgoings		**(52.5)**	**–**	**(52.5)**	(38.2)	–	(38.2)
Net rental income	3A	**293.6**	**–**	**293.6**	299.8	–	299.8
Management fees receivable		**2.9**	**–**	**2.9**	4.5	–	4.5
Cost of property activities		**(28.2)**	**–**	**(28.2)**	(29.7)	–	(29.7)
Corporate expenses		**(15.7)**	**–**	**(15.7)**	(17.1)	–	(17.1)
Administration expenses		**(41.0)**	**–**	**(41.0)**	(42.3)	–	(42.3)
Operating profit before other net (losses)/gains		**252.6**	**–**	**252.6**	257.5	–	257.5
Loss on the sale of investment properties		**–**	**(138.0)**	**(138.0)**	–	(32.5)	(32.5)
Loss on the sale of subsidiary		**–**	**(25.4)**	**(25.4)**	–	–	–
Revaluation losses on investment properties		**–**	**(403.9)**	**(403.9)**	–	(1,473.4)	(1,473.4)
Revaluation losses on development properties		**–**	**(40.2)**	**(40.2)**	–	(176.5)	(176.5)
Goodwill impairment		**–**	**(1.4)**	**(1.4)**	–	–	–
Negative goodwill		**–**	**3.4**	**3.4**	–	–	–
Net exchange gain previously recognised in equity, recycled on disposal of foreign operation		**–**	**9.8**	**9.8**	–	–	–
		–	**(595.7)**	**(595.7)**	–	(1,682.4)	(1,682.4)
Release of provision relating to formerly owned property		**–**	**5.3**	**5.3**	–	–	–
Asset impairment		**–**	**–**	**–**	–	(15.9)	(15.9)
Other net losses		**–**	**(590.4)**	**(590.4)**	–	(1,698.3)	(1,698.3)
Share of results of associate	13	**0.9**	**(1.7)**	**(0.8)**	–	–	–
Operating profit/(loss)		**253.5**	**(592.1)**	**(338.6)**	257.5	(1,698.3)	(1,440.8)
Net finance (costs)/income	7	**(123.5)**	**9.0**	**(114.5)**	(143.8)	(26.9)	(170.7)
Profit/(loss) before tax		**130.0**	**(583.1)**	**(453.1)**	113.7	(1,725.2)	(1,611.5)
Current tax	8A	**(0.9)**	**–**	**(0.9)**	(0.6)	–	(0.6)
Deferred tax	8A	**–**	**103.6**	**103.6**	–	38.3	38.3
Profit/(loss) for the year		**129.1**	**(479.5)**	**(350.4)**	113.1	(1,686.9)	(1,573.8)
Equity minority interest		**(3.8)**	**9.7**	**5.9**	(2.8)	4.0	1.2
Profit/(loss) for the year attributable to equity shareholders	10A	**125.3**	**(469.8)**	**(344.5)**	110.3	(1,682.9)	(1,572.6)

Included in gross rental income is £3.5 million (2008: £3.0 million) calculated by reference to tenants' turnover.

The management fees receivable of £2.9 million (2008: £4.5 million) are fees paid to Hammerson in respect of joint ventures and an associate for investment and development management services. Loans to associate are disclosed in note 16. All other related party transactions, with the exception of Directors' remuneration, are eliminated on consolidation.

The net exchange gain previously recognised in equity, recycled on disposal of foreign operation includes a £28.2 million gain in respect of foreign currency translation.

Litigation in relation to the formerly owned property has been settled and the unutilised portion of the £6.0 million provision at 31 December 2008 has been released.

3 SEGMENTAL ANALYSIS

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

A REVENUE AND PROFIT BY SEGMENT

	2009				2008			
			Non-cash items				Non-cash items	
	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation gains/(losses) on properties £m	Gross rental income £m	Net rental income £m	Within net rental income £m	Revaluation losses on properties £m
United Kingdom								
Retail: Shopping centres	**121.3**	**92.4**	**2.8**	**(152.2)**	99.8	81.7	1.9	(538.6)
Retail parks	**56.4**	**50.1**	**0.5**	**18.7**	53.1	48.9	(0.4)	(360.3)
	177.7	**142.5**	**3.3**	**(133.5)**	152.9	130.6	1.5	(898.9)
Office: City	**40.3**	**33.4**	**2.7**	**(27.5)**	63.7	57.9	0.1	(188.7)
Other	**15.9**	**14.7**	**–**	**(34.7)**	15.2	14.4	(0.2)	(70.3)
	56.2	**48.1**	**2.7**	**(62.2)**	78.9	72.3	(0.1)	(259.0)
Total United Kingdom	**233.9**	**190.6**	**6.0**	**(195.7)**	231.8	202.9	1.4	(1,157.9)
Continental Europe								
France								
Retail	**101.0**	**91.2**	**1.0**	**(208.2)**	81.3	72.8	0.9	(148.1)
Office	**13.2**	**11.1**	**(1.2)**	**–**	19.7	18.3	(1.3)	(137.3)
Total France	**114.2**	**102.3**	**(0.2)**	**(208.2)**	101.0	91.1	(0.4)	(285.4)
Germany								
Retail	**2.7**	**1.1**	**(0.5)**	**–**	4.7	3.0	–	(30.1)
Total Continental Europe	**116.9**	**103.4**	**(0.7)**	**(208.2)**	105.7	94.1	(0.4)	(315.5)
Group								
Retail	**281.4**	**234.8**	**3.8**	**(341.7)**	238.9	206.4	2.4	(1,077.1)
Office	**69.4**	**59.2**	**1.5**	**(62.2)**	98.6	90.6	(1.4)	(396.3)
Total investment portfolio	**350.8**	**294.0**	**5.3**	**(403.9)**	337.5	297.0	1.0	(1,473.4)
Developments and other sources not analysed above	**0.7**	**(0.4)**	**–**	**(40.2)**	6.7	2.8	–	(201.3)
Total portfolio	**351.5**	**293.6**	**5.3**	**(444.1)**	344.2	299.8	1.0	(1,674.7)
As disclosed in note	2	2	27	11	2	2	27	11

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

3 SEGMENTAL ANALYSIS
continued

B PROPERTY ASSETS BY SEGMENT

	2009 Investment properties £m	2009 Development properties £m	2009 Total £m	2009 Capital expenditure £m	2008 Investment properties £m	2008 Development properties £m	2008 Total £m	2008 Capital expenditure £m
United Kingdom								
Retail: Shopping centres	**1,966**	**12**	**1,978**	**290**	1,683	155	1,838	234
Retail parks	**826**	**7**	**833**	**23**	845	46	891	50
	2,792	**19**	**2,811**	**313**	2,528	201	2,729	284
Office: City	**345**	**57**	**402**	**15**	753	174	927	73
Other	**189**	**5**	**194**	**–**	224	5	229	–
	534	**62**	**596**	**15**	977	179	1,156	73
Total United Kingdom	**3,326**	**81**	**3,407**	**328**	3,505	380	3,885	357
Continental Europe								
France								
Retail	**1,696**	**39**	**1,735**	**57**	2,051	48	2,099	64
Office	**–**	**–**	**–**	**(1)**	383	–	383	(1)
Total France	**1,696**	**39**	**1,735**	**56**	2,434	48	2,482	63
Germany								
Retail	**–**	**–**	**–**	**–**	90	–	90	3
Total Continental Europe	**1,696**	**39**	**1,735**	**56**	2,524	48	2,572	66
Group								
Retail	**4,488**	**58**	**4,546**	**370**	4,669	249	4,918	351
Office	**534**	**62**	**596**	**14**	1,360	179	1,539	72
Total	**5,022**	**120**	**5,142**	**384**	6,029	428	6,457	423

C ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

	Assets employed		Net debt		Equity shareholders' funds	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
United Kingdom	**3,415.8**	3,675.5	**(797.9)**	(1,250.0)	**2,617.9**	2,425.5
Continental Europe	**1,657.9**	2,477.8	**(1,326.1)**	(2,082.7)	**331.8**	395.1
	5,073.7	6,153.3	**(2,124.0)**	(3,332.7)	**2,949.7**	2,820.6

As part of the Group's foreign currency hedging programme, at 31 December 2009 the Group had currency swaps outstanding which are included in the analysis above. Previously reported figures for 2008 have been reanalysed to reflect the sterling and euro elements of the currency swaps outstanding at 31 December 2008. Further details are set out in note 21C.

4 ADMINISTRATION EXPENSES

Administration expenses include the following items:

STAFF COSTS, INCLUDING DIRECTORS

		Note	2009 £m	2008 £m
Salaries and wages			**18.9**	18.7
Performance-related bonuses	– payable in cash		**3.3**	3.1
	– payable in shares		**0.8**	1.1
			4.1	4.2
Other share-based employee remuneration			**4.3**	3.5
Social security			**4.5**	4.2
Net pension expense	– defined benefit plans	6	**1.2**	2.0
	– defined contribution plans	6	**1.3**	1.3
			2.5	3.3
			34.3	33.9

Of the above amount £7.0 million (2008: £5.8 million) was recharged to tenants. Further details of share-based payment arrangements, some of which have performance conditions, are provided in the Remuneration Report on pages 56 to 63. In addition to the figures above, redundancy costs of £0.3 million (2008: £1.1 million) were incurred during the year.

STAFF NUMBERS

	2009 Number	2008 Number
Average number of staff	**332**	277
Staff recharged to tenants, included above	**125**	61

The 2009 figures reflect staff transferred to Hammerson from a third party agent in respect of its UK shopping centre operations. The costs and associated recharges to tenants are included within staff costs.

OTHER INFORMATION

		2009 £m	2008 £m
Auditors' remuneration:	Audit of the Company's annual accounts	**0.2**	0.2
	Audit of subsidiaries, pursuant to legislation	**0.3**	0.2
	Other services, pursuant to legislation	**0.1**	0.1
	Other services*	**0.4**	0.1
Other auditors' remuneration:	Audit of subsidiaries, pursuant to legislation, and other services	**0.1**	0.2
Depreciation of plant, equipment and owner-occupied property		**1.5**	1.3

*Included in 'other services' are fees of £0.4 million paid to the Group's auditors in respect of the rights issue which have been deducted from the share premium account.

5 DIRECTORS' EMOLUMENTS

Full details of the Directors' emoluments, as required by the Companies Act 2006, are disclosed in the audited sections of the Remuneration Report on pages 56 to 63. The Executive Directors are considered to be 'Key Management' for the purposes of IAS 24 'Related party transactions'.

The Company has granted no credits, advances or guarantees of any kind to its Directors during the year.

6 PENSIONS

DEFINED BENEFIT PENSION SCHEMES

Hammerson Group Management Limited Pension & Life Assurance Scheme (the 'Scheme')

The Scheme is funded and the funds, which are administered by trustees, are independent of the Group's finances. The Scheme, which was closed to new entrants on 31 December 2002, provides a pension linked to final salary at retirement.

Unfunded Unapproved Retirement Scheme

The unfunded scheme provides pension benefits to two former Executive Directors; one in the UK and one in France. The amount of pension is linked to final salary at retirement. The accrued benefits in respect of the former Executive Directors remain within the Scheme and are now paid directly by the Group.

US Unfunded Unapproved Retirement Scheme

The US unfunded pension commitment relates to obligations to four former employees and their spouses.

DEFINED CONTRIBUTION PENSION SCHEMES

The Company operates the UK funded approved Group Personal Pension Plan and the UK funded unapproved retirement benefit scheme, both of which are defined contribution pension schemes. The Group's total cost for the year relating to defined contribution pension schemes was £1.3 million (2008: £1.3 million).

PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR DEFINED BENEFIT PENSION SCHEMES

	31 December 2009 %	31 December 2008 %	31 December 2007 %	31 December 2006 %	31 December 2005 %
Discount rate for scheme liabilities	**5.75**	6.50	5.90	5.20	4.75
Expected return on plan assets	**7.80**	6.80	8.20	6.10	5.70
Increase in pensionable salaries	**4.10**	3.30	3.70	3.50	3.00
Increase in retail price index	**3.60**	2.80	3.20	3.00	2.50
Increase in pensions in payment	**3.60**	2.80	3.20	3.00	2.50
Mortality table	**SAP5 MC**	PA92 C2020	PA92 C2020	PA90 less 6 years	PA90 less 6 years

The expected return on scheme assets has been calculated as the weighted rate of return on each asset class. The return on each asset class is taken as the market rate of return.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT IN RESPECT OF DEFINED BENEFIT PENSION SCHEMES

	Included in income statement within	**2009 £m**	2008 £m
Current service cost	Administration expenses	**1.2**	2.0
Expected return on assets	Other interest payable	**(2.8)**	(3.8)
Interest cost	Other interest payable	**3.1**	3.2
Total pension expense		**1.5**	1.4

The Group expects to make regular contributions totalling £1.2 million to the Scheme in the next financial year.

AMOUNTS RECOGNISED IN THE BALANCE SHEET IN RESPECT OF DEFINED BENEFIT PENSION SCHEMES

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of Scheme assets	**47.4**	42.4	47.0	43.0	33.6
Present value of Scheme obligations	**(58.4)**	(40.9)	(46.3)	(47.7)	(42.7)
	(11.0)	1.5	0.7	(4.7)	(9.1)
Present value of unfunded defined benefit obligations	**(4.5)**	(4.0)	(3.0)	(2.8)	(2.2)
Present value of US unfunded defined benefit obligations	**(5.6)**	(5.6)	(4.1)	(4.5)	(5.6)
Net pension liability	**(21.1)**	(8.1)	(6.4)	(12.0)	(16.9)

Analysed as:		**2009 £m**	2008 £m
Non-current assets	– Other receivables	**–**	1.5
Current liabilities		**(0.2)**	–
Non-current liabilities	– Other payables	**(20.9)**	(9.6)
		(21.1)	(8.1)

6 PENSIONS
continued

The actual return on the Scheme assets for the year ended 31 December 2009 was 0.1% (2008: -9.9%).

The present value of defined benefit obligations has been calculated by an external actuary. This was taken as the present value of accrued benefits and pensions in payment calculated using the projected unit credit method and allowing for projected compensation.

AMOUNTS FOR CURRENT AND PREVIOUS YEARS

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Experience losses on plan liabilities	(0.1)	(0.3)	(0.1)	(1.8)	(0.5)
Experience gains/(losses) on plan assets	3.9	(8.5)	1.1	1.5	2.6

ANALYSIS OF CLASSES OF DEFINED BENEFIT PENSION SCHEME ASSETS AS A PROPORTION OF THE TOTAL FAIR VALUE OF ASSETS

	2009 %	2008 %
Investments with target return linked to retail price index	100	100

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT PENSION SCHEME OBLIGATIONS

	2009 £m	2008 £m
At 1 January	50.5	53.4
Service cost	1.2	2.0
Interest cost	3.1	3.2
Actuarial losses/(gains)	18.2	(8.9)
Benefits	(3.5)	(1.6)
Exchange (gains)/losses	(1.0)	2.4
At 31 December	**68.5**	50.5

CHANGES IN THE FAIR VALUE OF DEFINED BENEFIT PENSION SCHEME ASSETS

	2009 £m	2008 £m
At 1 January	42.4	47.0
Expected return	2.8	3.9
Actuarial gains/(losses)	3.9	(8.5)
Contributions by employer	1.1	1.1
Benefits	(2.8)	(1.1)
At 31 December	**47.4**	42.4

The cumulative net actuarial losses recognised in the consolidated statement of comprehensive income at 31 December 2009 were £19.4 million (2008: £5.1 million).

7 NET FINANCE COSTS

	2009 £m	2008 £m
Interest on bank loans and overdrafts	**31.7**	73.6
Interest on other borrowings	**102.9**	110.7
Interest on obligations under finance leases	**2.3**	2.3
Other interest payable	**2.1**	3.1
Gross interest costs	**139.0**	189.7
Less: Interest capitalised	**(10.0)**	(35.9)
Finance costs	**129.0**	153.8
Change in fair value of interest rate swaps	**(3.1)**	33.3
Change in fair value of currency swaps outside hedge accounting designation	**7.2**	(6.4)
Change in fair value of derivatives	**4.1**	26.9
Distribution from other investments (note 15)	**(13.1)**	–
Other finance income	**(5.5)**	(10.0)
Finance income	**(18.6)**	(10.0)
Net finance costs	**114.5**	170.7

8 TAX

A TAX CREDIT

	2009 £m	2008 £m
UK current tax		
On net income before revaluations and disposals	**0.1**	0.1
Credit in respect of prior years	**–**	(0.4)
	0.1	(0.3)
Foreign current tax		
On net income before revaluations and disposals	**1.0**	0.3
(Credit)/Charge in respect of prior years	**(0.2)**	0.6
	0.8	0.9
Total current tax charge	**0.9**	0.6
Deferred tax credit		
Released on introduction of foreign profits tax exemption (note 8G)	**(105.4)**	–
On net income before revaluations and disposals	**2.7**	13.5
On revaluations and disposals	**(0.9)**	(41.1)
Credit in respect of prior years	**–**	(10.7)
	(103.6)	(38.3)
Tax credit	**(102.7)**	(37.7)

8 TAX
continued

B TAX CREDIT RECONCILIATION

	2009 £m	2008 £m
Loss before tax	**(453.1)**	(1,611.5)
Loss multiplied by the UK corporation tax rate of 28% (2008: 28.5%)	**(126.9)**	(459.3)
Deferred tax released on introduction of foreign profits tax exemption	**(105.4)**	–
UK REIT tax exemption on net income before revaluations and disposals	**(25.7)**	(30.5)
UK REIT tax exemption on revaluations and disposals	**72.6**	388.1
SIIC tax exemption (net of 2008 deferred tax provision for SIIC dividends)	**66.1**	36.3
UK current year losses not recognised	**7.6**	15.3
German revaluation and disposal	**5.4**	8.6
Non-deductible and other items	**3.8**	14.3
Prior year adjustments	**(0.2)**	(10.5)
Tax credit	**(102.7)**	(37.7)

C DEFERRED TAX ON ITEMS TAKEN DIRECTLY TO EQUITY

	2009 £m	2008 £m
Deferred tax credit on revaluations	**(3.9)**	–
Deferred tax charge on share-based employee remuneration	**–**	0.1
Deferred tax (credit)/charge on actuarial (losses)/gains on pension schemes	**(0.5)**	0.1
Deferred tax on items taken directly to equity	**(4.4)**	0.2

D CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2009 £m	Recognised in income £m	Recognised in equity £m	Tax paid £m	Corporate acquisition £m	31 December 2009 £m
Current tax						
UK tax	–	0.1	–	–	–	**0.1**
Overseas tax	1.5	0.8	–	(1.2)	1.4	**2.5**
	1.5	0.9	–	(1.2)	1.4	**2.6**
Deferred tax						
Dividends receivable from France (note 8G)	156.9	(153.0)	(3.9)	–	–	**–**
Revenue tax losses	(48.6)	47.6	–	–	–	**(1.0)**
Other timing differences	0.1	1.8	(0.5)	–	–	**1.4**
	108.4	(103.6)	(4.4)	–	–	**0.4**
	109.9	(102.7)	(4.4)	(1.2)	1.4	**3.0**
Analysed as:						
Current assets: Corporation tax	(2.7)					**(0.3)**
Current liabilities: Tax	3.8					**1.6**
Non-current liabilities: Deferred tax	108.4					**0.4**
Non-current liabilities: Tax	0.4					**1.3**
	109.9					**3.0**

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

The tax case relating to capital gains incurred by the Grantchester Group prior to its acquisition by Hammerson, for which the Group settled in full a total of £52.0 million of tax and interest in 2008, has been concluded in favour of HM Revenue and Customs.

8 TAX
continued

E UNRECOGNISED DEFERRED TAX

At 31 December 2009, the Group had unrecognised deferred tax assets (as calculated at a tax rate of 28%) of £78 million (2008: £25 million) for surplus UK revenue tax losses carried forward and £43 million (2008: £0.6 million) for UK capital losses. The increases in the year reflect the foreign dividends exemption explained in note 8(G) below and capital losses arising on disposals of UK subsidiaries.

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 2009 the total of such gains was £153 million and the potential tax effect before the offset of losses was £43 million (2008: £445 million, potential tax effect £125 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2009, the value of such completed properties was £746 million (2008: £495 million) and the potential tax charge that would arise if these properties were to be sold was £nil (2008: £nil).

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 sold in the three years after completion of development. The Group is otherwise subject to UK corporation tax.

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

G FRENCH SIIC STATUS

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

If all the properties were realised at their 31 December 2009 values, a total of £425 million of dividends would be payable (2008: £560 million). Until 1 July 2009, Hammerson plc would have been taxed on dividends received from France, subject to available UK tax losses, and accordingly the Group had recognised a deferred tax liability of £156.9 million at 31 December 2008. However, legislation has been enacted to exempt foreign dividends from UK tax provided certain conditions are met. As a result the deferred tax provision has been released and substantially all the deferred tax asset for UK losses has ceased to be recognised.

If Hammerson plc ceased to qualify as a French SIIC before 1 January 2014, tax of approximately £190 million (2008: £260 million) would be payable. To continue to qualify, at least 80% of assets must be employed in property investment and, with limited temporary exceptions, no shareholder may hold 60% or more of the shares.

9 DIVIDENDS

The Board approved a 2009 second interim dividend of 8.5 pence per share on 22 February 2010, payable on 1 April 2010 to shareholders on the register at the close of business on 5 March 2010. This will be paid entirely as a PID, net of withholding tax if applicable, except to the extent that shareholders elect to receive the scrip dividend alternative. The Company is paying a second interim dividend in lieu of a 2009 final dividend.

The first interim dividend of 6.95 pence per share, paid on 2 October 2009, was paid entirely as a PID, except to the extent that shareholders elected to receive the scrip dividend alternative.

The total dividend for the year ended 31 December 2009 will be 15.45 pence per share (2008: 27.9 pence per share; 18.9 pence per share as restated following the rights issue).

The aggregate amount of the 2009 second interim dividend is £59.7 million. This assumes no shareholders elect to receive the scrip dividend alternative and has been calculated using the total number of eligible shares outstanding at 31 December 2009.

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends 2009 £m	Equity dividends 2008 £m
Current year[1]					
2009 second interim dividend	8.5	–	8.5	**–**	–
2009 first interim dividend	6.95	–	6.95	**24.1**	–
	15.45	–	15.45		
Prior years[2]					
2008 final dividend	2.6	7.8	10.4	**44.3**	–
2008 interim dividend	8.5	–	8.5	**–**	36.5
	11.1	7.8	18.9		
2007 final dividend				**–**	44.2
Dividends as reported in the consolidated statement of changes in equity				**68.4**	80.7
2009 withholding tax (paid 14 January 2010)				**(3.9)**	–
2007 withholding tax (paid 14 January 2008)				**–**	6.0
Dividends paid as reported in the consolidated cash flow statement				**64.5**	86.7

[1]The Company offered shareholders a scrip dividend alternative for these dividends. Where a shareholder elects to receive the scrip, the dividend ceases to qualify as a PID.
[2]The comparative per share data has been restated following the rights issue in March 2009 (see note 10A).

10 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables.

A EARNINGS PER SHARE

The calculations for earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan (note 25) and treasury shares (note 26), which are treated as cancelled.

			2009			2008
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million[1]	Pence per share
Basic	**(344.5)**	**637.2**	**(54.1)**	(1,572.6)	426.3	(368.9)
Dilutive share options	**–**	**–**	**–**	–	0.6	0.5
Diluted	**(344.5)**	**637.2**	**(54.1)**	(1,572.6)	426.9	(368.4)
Adjustments:						
Other net losses (note 2)	**595.7**		**93.5**	1,682.4		394.1
Adjustment for associate (note 13A)	**1.7**		**0.3**	–		–
Change in fair value of derivatives	**4.1**		**0.6**	26.9		6.3
Distribution from other investments	**(13.1)**		**(2.0)**	–		–
Deferred tax credit	**(103.6)**		**(16.3)**	(38.3)		(9.0)
Equity minority interests in respect of the above	**(9.7)**		**(1.5)**	(4.0)		(0.9)
EPRA	**130.6**		**20.5**	94.4		22.1
Release of provision relating to formerly owned property	**(5.3)**		**(0.8)**	–		–
Asset impairment	**–**		**–**	15.9		3.7
Adjusted	**125.3**		**19.7**	110.3		25.8

[1]In March 2009 the Company issued 405,796,774 new shares through a rights issue. Further details are provided in note 24. To reflect the rights issue, the numbers of shares previously used to calculate the basic, diluted and adjusted per share data have been amended in the tables shown above and below. An adjustment factor of 1.47 has been applied, based on the ratio of the Company's share price of 334 pence per share on 19 February 2009, the day before the Record Date for the rights issue, and the theoretical ex-rights price at that date of 227 pence per share. The number of treasury shares is not affected as they were not eligible to subscribe for new shares under the terms of the rights issue.

The Directors consider that the restatement of earnings per share referred to above has no impact on the Group's reported balance sheet at 31 December 2008 and consequently no comparative balance sheet for the year ended 31 December 2007 is presented in these financial statements.

Further commentary on earnings and net asset value per share is provided in the Financial Review on pages 33 to 37.

B NET ASSET VALUE PER SHARE

			2009			2008
	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million[1]	Net asset value per share[2] £
Basic	**2,949.7**	**702.8**	**4.20**	2,820.6	427.9	6.58
Company's own shares held in Employee Share Ownership Plan	**–**	**(0.4)**	**n/a**	–	(0.4)	n/a
Treasury shares	**–**	**(0.5)**	**n/a**	–	(1.0)	n/a
Unexercised share options	**4.5**	**1.0**	**n/a**	4.8	0.6	n/a
Diluted	**2,954.2**	**702.9**	**4.20**	2,825.4	427.1	6.61
Fair value adjustment to borrowings (net of tax)	**3.5**		**0.01**	441.9		1.03
EPRA triple net	**2,957.7**		**4.21**	3,267.3		7.64
Fair value of derivatives	**(1.9)**		**–**	73.0		0.17
Fair value adjustment to borrowings (net of tax)	**(3.5)**		**(0.01)**	(441.9)		(1.03)
Deferred tax	**0.4**		**–**	108.4		0.25
Adjustment for associate (note 13B)	**7.6**		**0.01**	–		–
EPRA	**2,960.3**		**4.21**	3,006.8		7.03

[2]Taking account of the rights issue, the pro forma net asset value per share at 31 December 2008 was £5.16.

11 INVESTMENT AND DEVELOPMENT PROPERTIES

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

	Investment properties		Development properties		Total	
	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m
Balance at 1 January 2008	6,269.2	4,003.8	1,005.8	845.8	7,275.0	4,849.6
Exchange adjustment	639.5	329.3	41.1	39.1	680.6	368.4
Additions – Capital expenditure	71.4	71.4	332.3	332.3	403.7	403.7
– Asset acquisitions	–	–	19.5	19.5	19.5	19.5
	71.4	71.4	351.8	351.8	423.2	423.2
Disposals	(283.6)	(215.1)	–	–	(283.6)	(215.1)
Transfers	805.2	645.9	(805.2)	(645.9)	–	–
Capitalised interest	0.3	0.3	36.0	36.0	36.3	36.3
Revaluation adjustment	(1,473.4)	–	(201.3)	–	(1,674.7)	–
Balance at 31 December 2008	6,028.6	4,835.6	428.2	626.8	6,456.8	5,462.4

Properties are stated at market value as at 31 December 2009, valued by professionally qualified external valuers. In the United Kingdom, the Group's properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors. In France, the Group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the 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. Summaries of the valuers' reports are available on the Company's website: www.hammerson.com.

At 31 December 2009 the total amount of interest included in development properties was £nil (2008: £22.0 million). Capitalised interest is calculated using the Group's average cost of borrowings, as appropriate to the currency profile of the development programme, which for 2009 was 6.1% (2008: 6.7%).

	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2009	**3,438.8**	**1,702.7**	**5,141.5**
Balance at 31 December 2008	4,180.0	2,276.8	6,456.8

	2009 £m	2008 £m
Capital commitments	**60.2**	159.5

At 31 December 2009, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £25.5 million (2008: £43.2 million).

FINANCIAL STATEMENTS

12 PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	Plant and equipment £m	Total £m
Cost or valuation			
Balance at 1 January 2008	34.9	11.8	46.7
Exchange adjustment	–	1.6	1.6
Additions	–	2.0	2.0
Revaluation adjustment	(5.9)	–	(5.9)
Balance at 31 December 2008/1 January 2009	29.0	15.4	44.4
Exchange adjustment	–	(0.6)	(0.6)
Additions	–	0.3	0.3
Disposals	–	(0.2)	(0.2)
Revaluation adjustment	(6.4)	–	(6.4)
Balance at 31 December 2009	**22.6**	**14.9**	**37.5**
Depreciation			
Balance at 1 January 2008	–	(3.6)	(3.6)
Exchange adjustment	–	(1.0)	(1.0)
Depreciation charge for the year	–	(1.3)	(1.3)
Balance at 31 December 2008/1 January 2009	–	(5.9)	(5.9)
Exchange adjustment	–	0.2	0.2
Disposals	–	0.1	0.1
Depreciation charge for the year	–	(1.5)	(1.5)
Balance at 31 December 2009	**–**	**(7.1)**	**(7.1)**
Book value at 31 December 2009	**22.6**	**7.8**	**30.4**
Book value at 31 December 2008	29.0	9.5	38.5

The Group occupies part of 10 Grosvenor Street, London W1, in which it holds a 50% joint venture interest. This property was valued as part of the portfolio valuation referred to in note 11. The fair value of owner-occupied property represents a nominal apportionment of the fair value of the property as a whole. The cost of owner-occupied property at 31 December 2009 was £12.0 million (2008: £12.0 million).

13 INVESTMENT IN ASSOCIATE

On 4 June 2009, the Group sold its interest in Bishops Square Investments Limited, formerly Hammerson (Bishops Square) Limited, to Bishops Square Holdings Limited, a company in which the Group holds a 25% interest and which is accounted for as an associate. Further information on this transaction is included in the Business and Financial reviews.

A. SHARE OF RESULTS OF ASSOCIATE

	Year ended 31 December 2009 £m	Year ended 31 December 2008 £m
Gross rental income	**5.2**	–
Other operating profits and finance costs	**0.9**	–
Revaluation losses on investment properties	**(1.2)**	–
Change in fair value of derivatives	**(0.5)**	–
	(1.7)	–
Loss for the year	**(0.8)**	–

B. SHARE OF ASSETS AND LIABILITIES OF ASSOCIATE

	31 December 2009 £m	31 December 2008 £m
Investment properties	**120.2**	–
Other assets	**4.4**	–
Total assets	**124.6**	–
Borrowings	**(88.6)**	–
Fair value of derivatives	**(7.6)**	–
Other liabilities	**(18.0)**	–
Total liabilities	**(114.2)**	–
Net assets	**10.4**	–

14 JOINT VENTURES

As at 31 December 2009 certain property and corporate interests, being jointly controlled entities, have been proportionately consolidated, and the significant interests are set out in the following table:

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

The Group's interest in The Highcross Limited Partnership does not confer the majority of voting rights nor the right to exercise dominant influence over the partnership. Instead the partnership is under the joint control of Hammerson and its respective partner. Consequently, the Group's interest is accounted for by proportional consolidation and is not treated as a subsidiary.

The summarised income statements and balance sheets on pages 90 and 91, show the proportion of the Group's results, assets and liabilities which are derived from its joint ventures:

NOTES TO THE ACCOUNTS
continued

14 JOINT VENTURES
continued

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

BALANCE SHEETS AS AT 31 DECEMBER 2009

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

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

[1]Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2]Reflects the Group's acquisition in December 2009 of a 50% interest in Retail Property Holdings Limited, which owns SIlverburn shopping centre, Glasgow (see note 30).

14 JOINT VENTURES
continued

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Parntership[2] £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Other £m	Total 2008 £m
Net rental income	18.1	5.1	13.2	6.9	12.0	8.7	9.2	12.5	4.8	90.5
Administration expenses	–	(0.1)	(0.1)	(0.1)	–	(0.2)	–	–	(0.2)	(0.7)
Operating profit before other net losses	18.1	5.0	13.1	6.8	12.0	8.5	9.2	12.5	4.6	89.8
Other net losses	(115.6)	(61.7)	(82.5)	(34.4)	(55.3)	(45.6)	(106.7)	(69.4)	(52.5)	(623.7)
Net finance costs	0.1	–	0.1	(0.1)	0.1	0.2	0.1	(0.1)	(3.7)	(3.3)
Loss before tax	(97.4)	(56.7)	(69.3)	(27.7)	(43.2)	(36.9)	(97.4)	(57.0)	(51.6)	(537.2)

BALANCE SHEETS AS AT 31 DECEMBER 2008

	Brent Cross[1] £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership £m	Other £m	Total 2008 £m
Non-current assets									
Investment and development properties at valuation	321.5	284.4	230.0	219.5	124.5	279.2	211.6	194.0	1,864.7
Interests in leasehold properties	–	7.3	–	–	–	–	2.1	0.5	9.9
	321.5	291.7	230.0	219.5	124.5	279.2	213.7	194.5	1,874.6
Current assets									
Other current assets	6.6	2.5	1.3	1.0	3.3	2.1	1.4	3.5	21.7
Cash and deposits	1.6	3.8	3.8	2.8	2.9	2.4	3.4	10.5	31.2
	8.2	6.3	5.1	3.8	6.2	4.5	4.8	14.0	52.9
Current liabilities									
Other liabilities	(12.5)	(7.9)	(4.0)	(3.4)	(2.7)	(4.1)	(3.9)	(6.3)	(44.8)
	(12.5)	(7.9)	(4.0)	(3.4)	(2.7)	(4.1)	(3.9)	(6.3)	(44.8)
Non-current liabilities									
Borrowings	–	–	–	–	–	–	–	(57.2)	(57.2)
Other liabilities	–	(7.3)	–	–	–	–	(2.2)	(3.3)	(12.8)
	–	(7.3)	–	–	–	–	(2.2)	(60.5)	(70.0)
Net assets	317.2	282.8	231.1	219.9	128.0	279.6	212.4	141.7	1,812.7

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

[1]Includes Brent Cross Shopping Centre and Brent South Shopping Park.
[2]Reflects the Group's disposal of its 66.67% interest in Moorhouse in September 2008.

15 OTHER INVESTMENTS

Available for sale investments	2009 £m	2008 £m
Value Retail Investors Limited Partnerships	56.4	52.5
Investments in Value Retail plc and related companies	57.5	58.3
	113.9	110.8
Other investments	0.1	1.3
	114.0	112.1

The Group has an effective 35.6% interest in Value Retail Investors Limited Partnership I and an effective 26.6% 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 investments was £7.8 million (2008: £7.8 million). These investments are included at fair value, based on the market value of the underlying property, at 31 December 2009 of £56.4 million (2008: £52.5 million), the property elements of which have been reviewed by DTZ Debenham Tie Leung, Chartered Surveyors. These investments have neither been consolidated, nor equity accounted, 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 £37.6 million (2008: £38.2 million).

During the year the Company received a special distribution of £13.1 million (2008: £nil) from the Value Retail Investors Limited Partnerships, which is included in finance income (see note 7).

At 31 December 2008, other investments included the Group's 15% stake in Stonemartin plc which was disposed of during 2009.

16 RECEIVABLES: NON-CURRENT ASSETS

	2009 £m	2008 £m
Loans receivable	27.6	15.5
Loans to associate	30.1	–
Other receivables	3.8	2.4
Fair value of interest rate swaps	–	1.8
	61.5	19.7

Loans receivable includes £26.6 million (2008: £nil) representing a loan of €30 million to SCI Quantum, the purchaser of a property in France. The loan is secured by way of a second charge on the property, bears interest at 6.1% and is for a term of two years from June 2009, extendable at the option of the purchaser for a further two years.

The loans to associate of £30.1 million (2008: £nil) comprise £9.1 million loaned to Bishops Square Holdings Limited which is non-interest bearing and repayable at the earlier of the termination of the shareholder agreement; the sale of the property at Bishops Square, London EC1; or as agreed between Hammerson and the company, and a mezzanine loan of £21.0 million to Bishops Square Investments Limited, formerly Hammerson (Bishops Square) Limited, which bears interest at 6.27%, matures in April 2013 and is secured by way of a second charge on the property.

17 RECEIVABLES: CURRENT ASSETS

	2009 £m	2008 £m
Trade receivables	35.1	48.1
Loans receivable	14.2	–
Other receivables	37.3	69.4
Corporation tax	0.3	2.7
Prepayments	3.7	3.4
Fair value of currency swaps	12.1	–
	102.7	123.6

Trade receivables are shown after deducting a provision for bad and doubtful debts of £11.1 million (2008: £5.9 million) as set out in the table below. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 21F.

Loans receivable comprised a loan of €16 million (£14.2 million) to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2010. At 31 December 2008, this loan, translated at £15.5 million, was included within non-current receivables (see note 16).

17 RECEIVABLES: CURRENT ASSETS continued

	2009 Gross receivable £m	2009 Provision £m	2009 Net receivable £m	2008 Gross receivable £m	2008 Provision £m	2008 Net receivable £m
Not yet due	**19.1**	**–**	**19.1**	31.3	–	31.3
1-30 days overdue	**10.2**	**1.0**	**9.2**	10.6	–	10.6
31-60 days overdue	**0.3**	**0.1**	**0.2**	1.2	–	1.2
61-90 days overdue	**0.9**	**0.3**	**0.6**	1.3	0.1	1.2
91-120 days overdue	**2.5**	**1.8**	**0.7**	2.7	1.0	1.7
More than 120 days overdue	**13.2**	**7.9**	**5.3**	6.9	4.8	2.1
	46.2	**11.1**	**35.1**	54.0	5.9	48.1

18 CASH AND DEPOSITS

	2009 £m	2008 £m
Cash at bank	**71.0**	79.4
Short-term deposits	**111.9**	40.5
	182.9	119.9
Currency profile		
Sterling	**87.9**	58.3
Euro	**95.0**	61.6
	182.9	119.9

Short-term deposits principally comprise deposits placed on money markets with rates linked to LIBOR for maturities of not more than one month, at an average rate of 0.2% (2008: 2.2%). Such deposits are considered to be cash equivalents. Included in the cash balance is £3.6 million (2008: £14.9 million) which may be used only in relation to certain development projects or in respect of secured borrowings.

19 PAYABLES: CURRENT LIABILITIES

	2009 £m	2008 £m
Trade payables	**59.4**	92.3
Other payables	**138.0**	178.2
Accruals	**29.1**	26.0
Fair value of interest rate swaps	**1.9**	–
	228.4	296.5

20 BORROWINGS

A MATURITY

	Bank loans and overdrafts £m	Other borrowings £m	2009 Total £m	2008 Total £m
After five years	**–**	**1,659.3**	**1,659.3**	1,714.0
From two to five years	**596.8**	**–**	**596.8**	1,634.3
From one to two years	**–**	**–**	**–**	71.8
Due after more than one year	**596.8**	**1,659.3**	**2,256.1**	3,420.1
Due within one year	**62.9**	**–**	**62.9**	32.5
	659.7	**1,659.3**	**2,319.0**	3,452.6

At 31 December 2008 and 2009 no borrowings due after five years were repayable by instalments.

At 31 December 2009, the fair value of currency swaps was an asset of £12.1 million which is excluded from the table above, and included in current receivables (see note 17). At 31 December 2008, the fair value of currency swaps was a liability of £33.3 million which is included in the table above.

20 BORROWINGS
continued

B ANALYSIS

	2009 £m	2008 £m
Unsecured		
£200 million 7.25% Sterling bonds due 2028	**197.7**	197.6
£300 million 6% Sterling bonds due 2026	**296.7**	296.7
£250 million 6.875% Sterling bonds due 2020	**247.3**	247.3
£300 million 5.25% Sterling bonds due 2016	**297.6**	297.5
€700 million 4.875% Euro bonds due 2015	**620.0**	674.9
Bank loans and overdrafts	**596.8**	1,255.5
	2,256.1	2,969.5
Fair value of currency swaps	**(12.1)**	33.3
	2,244.0	3,002.8
Secured		
Sterling variable rate mortgage due 2013	**–**	392.6
Sterling variable rate mortgage due 2010	**62.9**	57.2
	62.9	449.8
	2,306.9	3,452.6

Security for secured borrowings as at 31 December 2009 is provided by a first legal charge on a property with a carrying value of £106.5 million.

C UNDRAWN COMMITTED FACILITIES

	2009 £m	2008 £m
Expiring within one year	**27.0**	200.0
Expiring between one and two years	**70.0**	117.5
Expiring after more than two years	**487.3**	50.0
	584.3	367.5

D INTEREST RATE AND CURRENCY PROFILE

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

	Fixed rate borrowings			Fair value of currency swaps	Other variable rate borrowings	2008 Total
	%	Years	£m	£m	£m	£m
Sterling	5.8	10	1,583.3	(533.8)	258.8	1,308.3
Euro	4.9	6	674.9	567.1	902.3	2,144.3
	5.6	9	2,258.2	33.3	1,161.1	3,452.6

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2008 and 2009, further details of which are set out in note 21. Previously reported figures for 2008 have been reanalysed in the table above, to reflect the sterling and euro elements of currency swaps.

Variable rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. Further discussion of these issues is set out in 'Principal risks and uncertainties' on page 21.

The Group's risk management policies and practices with regard to financial instruments are as follows:

A DEBT MANAGEMENT

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer-term when market conditions are appropriate. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with whom Hammerson maintains strong working relationships. Long-term debt mainly comprises the Group's fixed rate unsecured bonds.

B INTEREST RATE MANAGEMENT

Interest rate swaps are used to alter the interest rate basis of the Group's debt, allowing changes from fixed to variable rates or vice versa. Clear guidelines exist for the Group's ratio of fixed to variable rate debt and management regularly reviews the interest rate profile against these guidelines.

The Group has interest rate swaps of £47.9 million (2008: £44.2 million) and £100.0 million (2008: £100.0 million) maturing in 2010 and 2013 respectively. Under these swaps the Group pays interest at fixed rates of 6.275% and 4.725% respectively and receives interest linked to LIBOR.

In addition, at 31 December 2008 the Group had interest rate swaps of £400 million relating to the secured mortgage on Bishops Square. These swaps were disposed of as part of the sale of Bishops Square in 2009. Under these swaps the Group paid interest at a fixed rate of 5.075% and received interest at variable rates linked to LIBOR.

At 31 December 2009, the fair value of interest rate swaps was a liability of £10.2 million (2008: £39.7 million).

The Group also has £300 million of interest rate swap options whereby the counterparties can require the Group to pay LIBOR and receive 5.25% over the period 15 December 2010 to 15 December 2016. If unexercised, these options mature on 15 December 2010.

The Group does not hedge account for its interest rate swaps and states them at fair value with changes in fair value included in the income statement.

C FOREIGN CURRENCY MANAGEMENT

The impact of foreign exchange movements is managed by financing the cost of acquiring euro denominated assets with euro borrowings. The Group borrows in euros and uses currency swaps to match foreign currency assets with foreign currency liabilities.

To manage the foreign currency exposure on its net investments in subsidiaries in Continental Europe, the Group has designated all euro borrowings, including euro denominated bonds and currency swaps, as hedges. The carrying amount of the bonds at 31 December 2009 was £620.0 million (2008: £674.9 million) and their fair value was £608.8 million (2008: £464.8 million).

At 31 December 2009, the Group had currency swaps of £485.6 million, being €532.9 million sold forward against sterling: €266.7 million for value in March 2010 at a rate of £1 = €1.090 and €266.2 million for value in June 2010, at a rate of £1 = €1.105. At 31 December 2008, the Group had swaps of £533.8 million, being €594.2 million sold forward against sterling: €304.2 million for value in March 2009, at a rate of £1 = €1.106 and €290.0 million for value in June 2009, at a rate of £1 = €1.120. The fair value of currency swaps is shown in note 21I.

The exchange differences on hedging instruments and on net investments in foreign subsidiaries are recognised in equity.

D PROFIT AND LOSS ACCOUNT AND BALANCE SHEET MANAGEMENT

The Group maintains internal guidelines for interest cover, gearing and other ratios. Management monitors the Group's current and projected financial position against these guidelines. Further details of these ratios are provided in the Financial Review on page 37.

E CASH MANAGEMENT AND LIQUIDITY

Cash levels are monitored to ensure sufficient resources are available to meet the Group's operational requirements. Short-term money market deposits are used to manage liquidity whilst maximising the rate of return on cash resources, giving due consideration to risk.

Longer-term liquidity requirements are met with an appropriate mix of short and longer-term debt as explained in note 21A above.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

F CREDIT RISK

The Group's principal financial assets are bank and cash balances, short-term deposits, trade and other receivables and investments.

The Group's credit risk is attributable to its trade and other receivables, cash and short-term deposits and derivative financial instruments.

Trade receivables consist principally of rents due from tenants. The balance is low relative to the scale of the balance sheet and the Group's tenant base is diversified geographically, with tenants generally of good financial standing. The majority of tenant leases are long-term contracts with rents payable quarterly in advance and the average unexpired lease term at 31 December 2009 was 8.6 years (2008: 9.5 years). Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The Group's most significant tenants are set out in the Business Review on page 29.

Loans receivable and other receivables include balances due from joint venture partners, available for sale investments and VAT receivables. These items do not give rise to significant credit risk.

The receivables in notes 16 and 17 are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. An analysis of trade receivables and the related provisions is shown in note 17.

The credit risk on short-term deposits and derivative financial instruments is limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

At 31 December 2009, the Group's maximum exposure to credit risk was £347.1 million (2008: £263.2 million).

G FINANCIAL MATURITY ANALYSIS

The following table provides a maturity analysis for income-earning financial assets and interest-bearing financial liabilities.

2009 Maturity	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	**(182.9)**	**(182.9)**	**–**	**–**	**–**
Secured bank loans					
Sterling variable rate loan	**62.9**	**62.9**	**–**	**–**	**–**
Unsecured bond issues					
Sterling fixed rate loans	**1,039.3**	**–**	**–**	**–**	**1,039.3**
Euro fixed rate loans	**620.0**	**–**	**–**	**–**	**620.0**
Interest rate swaps (variable)	**(147.9)**	**(47.9)**	**–**	**(100.0)**	**–**
Interest rate swaps (fixed)	**147.9**	**47.9**	**–**	**100.0**	**–**
Unsecured bank loans and overdrafts	**596.8**	**–**	**–**	**596.8**	**–**
Fair value of currency swaps	**(12.1)**	**(12.1)**	**–**	**–**	**–**
Net debt	**2,124.0**	**(132.1)**	**–**	**596.8**	**1,659.3**
Loans receivable	**(41.8)**	**(14.2)**	**(27.6)**	**–**	**–**
Loans to associate – interest bearing	**(21.0)**	**–**	**–**	**(21.0)**	**–**
	2,061.2	**(146.3)**	**(27.6)**	**575.8**	**1,659.3**

2008 Maturity	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	(119.9)	(119.9)	–	–	–
Secured bank loans					
Sterling variable rate loan	449.8	–	57.2	392.6	–
Unsecured bond issues					
Sterling fixed rate loans	1,039.1	–	–	–	1,039.1
Euro fixed rate loans	674.9	–	–	–	674.9
Interest rate swaps (variable)	(544.2)	–	(44.2)	(500.0)	–
Interest rate swaps (fixed)	544.2	–	44.2	500.0	–
Unsecured bank loans and overdrafts	1,255.5	(0.8)	14.6	1,241.7	–
Fair value of currency swaps	33.3	33.3	–	–	–
Net debt	3,332.7	(87.4)	71.8	1,634.3	1,714.0
Loans receivable	(15.5)	–	(15.5)	–	–
	3,317.2	(87.4)	56.3	1,634.3	1,714.0

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
continued

H SENSITIVITY ANALYSIS

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates may have an impact on consolidated earnings.

At 31 December 2009, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual profit before tax by £0.1 million (2008: increase of £6.5 million) and a decrease of one percentage point in interest rates would have decreased the Group's annual profit before tax by £0.6 million (2008: decrease of £4.0 million). There would have been no effect on amounts recognised directly in equity. The sensitivity has been calculated by applying the interest rate change to the variable rate borrowings and loans receivable, net of interest rate swaps, at the year end. The decrease in the Group's annual profit before tax with a reduction in interest rates is due to the change in fair value of interest rate swaps having a greater charge than the saving on floating rate borrowings.

It is estimated that, in relation to financial instruments alone, a 10% strengthening of sterling against the euro, would have increased the net gain taken directly to equity for the year ended 31 December 2009 by £122.3 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity for the year ended 31 December 2009 by £149.5 million. For the year ended 31 December 2008, a 10% strengthening of sterling against the euro would have reduced the net loss taken directly to equity by £192.0 million. A 10% weakening of sterling against the euro would have increased the net loss taken directly to equity by £234.7 million. However, these effects would be more than offset by the effect of exchange rate changes on the euro denominated net assets included in the Group's financial statements.

In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro denominated financial instruments at a year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate.

I FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	2009		2008	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,319.0**	**2,314.2**	3,419.3	2,805.5
Currency swaps	**(12.1)**	**(12.1)**	33.3	33.3
Total	**2,306.9**	**2,302.1**	3,452.6	2,838.8
Interest rate swaps	**10.2**	**10.2**	39.7	39.7

At 31 December 2009, the book value of financial liabilities exceeded their fair value by £4.8 million (2008: £613.8 million), equivalent to 1 pence per share (2008: 144 pence per share) on an adjusted net asset value per share basis. On a post-tax basis, the difference was equivalent to 1 pence per share (2008: 103 pence per share). Comparative per share data has been restated following the rights issue.

The fair values of the Group's borrowings have been estimated on the basis of quoted market prices, representing Level 1 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. The fair values of the Group's outstanding interest rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates, representing Level 2 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures. The fair value of the Group's currency swaps have been estimated on the basis of the prevailing forward rates at the year end, this equates to Level 2 fair value measurements as defined by IFRS 7 Financial Instruments: Disclosures.

Details of the Group's cash and short-term deposits are set out in note 18. Their fair values and those of other financial assets and liabilities equate to their book values. Details of the Group's receivables are set out in notes 16 and 17. The amounts are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. Details of the Group's investments, stated at fair value, are set out in notes 13 and 15. The table below reconciles the opening and closing balances for Level 3 fair value measurements of available for sale investments:

	Available for sale investments £m
Balance at 1 January 2009	**110.8**
Total gains/(losses)	
– in profit and loss	**(0.8)**
– in other comprehensive income	**3.9**
Balance at 31 December 2009	**113.9**

FINANCIAL STATEMENTS

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
continued

J CARRYING AMOUNTS, GAINS AND LOSSES OF FINANCIAL INSTRUMENTS

The carrying amounts, and net gains or net losses, of financial instruments are as follows:

	Notes	2009 Carrying amount £m	2009 Gain/(Loss) to income £m	2009 Gain/(Loss) to equity £m	2008 Carrying amount £m	2008 Gain/(Loss) to income £m	2008 Gain/(Loss) to equity £m
Interest rate swaps*	16	–	–	–	1.8	3.6	–
Assets at fair value (held for trading)		–	–	–	1.8	3.6	–
Trade receivables	17	35.1	(5.2)	–	48.1	(1.9)	–
Cash and deposits	18	182.9	2.4	–	119.9	3.0	–
Loans and receivables		218.0	(2.8)	–	168.0	1.1	–
Investments	15	114.0	(0.8)	3.9	112.1	–	29.9
Loans receivable	16,17	41.8	2.2	–	15.5	0.9	–
Loans to associate – interest bearing	16	21.0	0.8	–	–	–	–
Available for sale		176.8	2.2	3.9	127.6	0.9	29.9
Interest rate swaps*	19,23	(10.2)	(7.8)	–	(41.5)	(37.3)	–
Liabilities at fair value (held for trading)		(10.2)	(7.8)	–	(41.5)	(37.3)	–
Currency swaps	20	12.1	(1.8)	54.7	(33.3)	4.8	(142.2)
Derivatives in effective hedging relationships		12.1	(1.8)	54.7	(33.3)	4.8	(142.2)
Trade payables	19	(59.4)	–	–	(92.3)	–	–
Borrowings, excluding currency swaps	20	(2,319.0)	(112.0)	121.6	(3,419.3)	(187.0)	(366.5)
Finance leases	22	(22.8)	(2.3)	–	(25.5)	(2.3)	–
Liabilities at amortised cost		(2,401.2)	(114.3)	121.6	(3,537.1)	(189.3)	(366.5)
Total for financial instruments		(2,004.5)	(124.5)	180.2	(3,314.5)	(216.2)	(478.8)

*The total loss to income for the year ended 31 December 2009 in respect of interest rate swaps includes the gain arising from the change in fair value of £3.1 million (2008 loss: £33.3 million), included within net finance costs in note 7.

The table below reconciles the net gain or loss taken through income to net finance costs:

	Notes	2009 £m	2008 £m
Total loss on financial instruments to income		(124.5)	(216.2)
Add back: Trade receivables loss		5.2	1.9
Other interest income		2.0	1.3
(Gain)/Loss to income on currency swaps outside hedge accounting designation	7	(7.2)	6.4
Interest capitalised	7	10.0	35.9
Net finance costs	7	(114.5)	(170.7)

No financial instruments were designated as at fair value through profit and loss on initial recognition. No financial instruments are classified as held-to-maturity. Financial instruments classified as held for trading are hedging instruments that are not designated for hedge accounting.

The total of the net equity gains in relation to currency swaps of £54.7 million (2008: loss of £142.2 million) and borrowings of £121.6 million (2008: loss of £366.5 million) is £176.3 million, as shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT
continued

K MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The remaining contractual maturities are as follows:

	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2009 Total £m
Notes				21L	22	
After 25 years	–	–	–	–	318.2	318.2
From five to 25 years	8.3	–	–	2,200.5	43.6	2,252.4
From two to five years	10.6	5.5	–	894.3	8.7	919.1
From one to two years	18.7	4.7	–	104.6	–	128.0
Due after more than one year	37.6	10.2	–	3,199.4	370.5	3,617.7
Due within one year	176.4	6.1	473.5	164.5	2.2	822.7
	214.0	16.3	473.5	3,363.9	372.7	4,440.4

	Payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2008 Total £m
Notes				21L	22	
After 25 years	–	–	–	–	349.7	349.7
From five to 25 years	11.7	–	–	2,412.1	46.3	2,470.1
From two to five years	15.7	22.1	–	2,040.5	9.3	2,087.6
From one to two years	3.0	10.2	–	232.7	–	245.9
Due after more than one year	30.4	32.3	–	4,685.3	405.3	5,153.3
Due within one year	220.5	10.7	567.1	162.0	2.3	962.6
	250.9	43.0	567.1	4,847.3	407.6	6,115.9

At 31 December 2009, the currency swap liability is offset by an asset of £485.6 million (2008: £533.8 million), so that the fair value of the currency swaps is an asset of £12.1 million (2008: liability of £33.3 million) as reported in note 21I.

Based on market conditions existing at the balance sheet dates, the potential cash flows arising from the counterparties exercising their option to reinstate the £300 million interest rate swap from December 2010 to December 2016, as referred to in note 21B, has been excluded from the maturity analysis above for 2009 and 2008.

L RECONCILIATION OF MATURITY ANALYSES IN NOTES 20 AND 21K

The maturity analysis in note 21K shows contractual non-discounted cash flows for all financial liabilities, including interest payments, but excluding the fair value of the currency swaps, which is not a cash flow item. The following table reconciles the borrowings column in note 20 with the financial maturity analysis in note 21K.

2009	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A			21K
From five to 25 years	1,659.3	528.8	12.4	2,200.5
From two to five years	596.8	296.6	0.9	894.3
From one to two years	–	104.6	–	104.6
Due after more than one year	2,256.1	930.0	13.3	3,199.4
Due within one year	62.9	101.5	0.1	164.5
	2,319.0	1,031.5	13.4	3,363.9

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT continued

L RECONCILIATION OF MATURITY ANALYSES IN NOTES 20 AND 21K continued

2008	Borrowings £m	Fair value of currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	20A	20D			21K
From five to 25 years	1,714.0	–	685.0	13.1	2,412.1
From two to five years	1,634.3	–	401.7	4.5	2,040.5
From one to two years	71.8	–	160.2	0.7	232.7
Due after more than one year	3,420.1	–	1,246.9	18.3	4,685.3
Due within one year	32.5	(33.3)	161.8	1.0	162.0
	3,452.6	(33.3)	1,408.7	19.3	4,847.3

M CAPITAL STRUCTURE

Information on the Group's capital structure is provided in the Financial Review on page 37.

22 OBLIGATIONS UNDER FINANCE LEASES

Finance lease obligations in respect of rents payable on leasehold properties are payable as follows:

	2009			2008		
	Minimum lease payments £m	**Interest £m**	**Present value of minimum lease payments £m**	Minimum lease payments £m	Interest £m	Present value of minimum lease payments £m
After 25 years	**318.2**	**(295.6)**	**22.6**	349.7	(324.4)	25.3
From five to 25 years	**43.6**	**(43.4)**	**0.2**	46.3	(46.1)	0.2
From two to five years	**8.7**	**(8.7)**	**–**	9.3	(9.3)	–
Within one year	**2.2**	**(2.2)**	**–**	2.3	(2.3)	–
	372.7	**(349.9)**	**22.8**	407.6	(382.1)	25.5

23 PAYABLES: NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Net pension liability	**20.9**	9.6
Other payables	**40.6**	42.0
Fair value of interest rate swaps	**8.3**	41.5
	69.8	93.1

24 SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Ordinary shares of 25p each	**214.8**	94.8	**175.7**	72.7

	Number
Movements in issued share capital	
Number of shares in issue at 1 January 2009	290,854,839
Issued in respect of rights issue	405,796,774
Issued in respect of scrip dividend	6,107,123
Share options exercised – Share option schemes	50,615
– Save As You Earn	575
Number of shares in issue at 31 December 2009	**702,809,926**

On 23 March 2009 the Company issued 405,796,774 new ordinary shares at an issue price of 150 pence per new ordinary share through a rights issue, on the basis of 7 new shares for every 5 existing shares held. Proceeds of £584.3 million, net of expenses, were used to reduce the Company's indebtedness.

The number of shares in issue at the balance sheet date included 500,000 shares held in treasury (2008: 1,000,000), see note 26.

Share options

At 31 December 2009 the following options granted to staff remained outstanding under the Company's executive share option schemes:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2010	286	55,258
2011	350-440	153,102
2012	381-583	226,191
2013	286	15,454
2014	440	41,330
2015	583	45,882
2016	839	136,009
		673,226

At 31 December 2009 the following options granted to Executive Directors and staff remained outstanding under the Company's savings-related share option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2010	474.4-822.2	5,874
2011	372.1-598.1	5,312
2012	217.2	234,439
2014	217.2	58,504
2016	217.2	4,530
		308,659

The exercise prices and the number of shares under option have been adjusted following the rights issue in March 2009.

24 SHARE CAPITAL
continued

The number and weighted average exercise prices of share options under the Company's executive share option schemes are as follows:

	Number of options 2009	2009 Weighted average exercise price £	Number of options 2008	2008 Weighted average exercise price £
Outstanding at 1 January	**535,023**	**8.05**	733,148	7.92
Adjustment for rights issue	**252,268**	**(2.60)**	–	–
Forfeited during the year	**(63,450)**	**5.62**	(62,303)	9.87
Exercised during the year	**(50,615)**	**2.87**	(135,822)	6.52
Outstanding at 31 December	**673,226**	**5.61**	535,023	8.05
Exercisable at 31 December	**673,226**	**5.61**	435,967	6.49

The weighted average share price at the date of exercise for share options exercised during the year was £3.44 (2008: £10.50). The options outstanding at 31 December 2009 had a weighted average remaining contractual life of 3.0 years (31 December 2008: 3.7 years).

The number and weighted average exercise price of share options under the Company's savings-related share option scheme is as follows:

	Number of options 2009	2009 Weighted average exercise price £	Number of options 2008	2008 Weighted average exercise price £
Outstanding at 1 January	**60,873**	**8.88**	64,852	8.58
Adjustment for rights issue	**15,041**	**(2.84)**	–	–
Granted during the year	**304,044**	**2.17**	36,892	8.84
Forfeited during the year	**(70,724)**	**5.77**	(21,036)	10.16
Exercised during the year	**(575)**	**2.17**	(19,835)	6.46
Outstanding at 31 December	**308,659**	**2.38**	60,873	8.88

The weighted average share price at the date of exercise for share options exercised during the year was £4.02 (2008: £9.57). No options outstanding under the Company's savings-related share option scheme were exercisable at 31 December 2009 or 2008.

25 INVESTMENT IN OWN SHARES

At cost	**2009 £m**	2008 £m
Balance at 1 January	**4.5**	3.8
Transfer from treasury shares	**5.8**	5.2
Cost of shares awarded to employees	**(5.7)**	(4.5)
Balance at 31 December	**4.6**	4.5

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan. The expense related to share-based employee remuneration is calculated in accordance with IFRS 2 and the terms of the Plan, and recognised in the income statement within administration expenses. The corresponding credit is included in other reserves. When the Company's shares are awarded to employees as part of their remuneration, the cost of the shares is transferred to other reserves. Should this not equal the credit previously recorded against other reserves, the balance is adjusted against retained earnings.

The number of shares held as at 31 December 2009 was 392,359 (2008: 391,102) following the issue of 198,318 shares under the rights issue, awards to participants during the year of 697,061 shares (2008: 351,971) and a transfer of 500,000 treasury shares (2008: 450,000).

26 TREASURY SHARES

At cost	2009 £m	2008 £m
Balance at 1 January	**11.6**	16.8
Transfer to investment in own shares	**(5.8)**	(5.2)
Balance at 31 December	**5.8**	11.6

The number of treasury shares held at 31 December 2009 was 500,000 (2008: 1,000,000) following the transfer at cost of 500,000 shares (2008: 450,000 shares) to the Hammerson Employee Share Ownership Plan during the year.

27 ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

	Note	2009 £m	2008 £m
Amortisation of lease incentives and other costs		**5.3**	3.1
Increase in accrued rents receivable		**(10.6)**	(4.1)
Non-cash items included within net rental income	3A	**(5.3)**	(1.0)
Depreciation		**1.5**	1.3
Share-based employee remuneration		**5.1**	4.6
Exchange and other items		**1.0**	13.6
		2.3	18.5

28 THE GROUP AS LESSOR – OPERATING LEASE RECEIPTS

At the balance sheet date, the Group had contracted with tenants for the future minimum lease receipts as shown in the table below. The data is for the period to the first tenant break option. An overview of the Group's leasing arrangements is included in Business Framework on page 18 and in the Business Review on pages 28 to 31.

	2009 £m	2008 £m
Within one year	**50.8**	60.1
From two to five years	**95.6**	102.1
After five years	**163.0**	193.4
	309.4	355.6

29 CONTINGENT LIABILITIES

There are contingent liabilities of £19.0 million (2008: £4.1 million) relating to guarantees given by the Group and a further £40.3 million (2008: £27.8 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 £10.9 million (2008: £16.9 million).

30 ACQUISITIONS

	Foruminvest France Marseille SAS		Retail Property Holdings Limited			
Name of business acquired	Foruminvest France Marseille SAS		Retail Property Holdings Limited			
Date of acquisition	21 December 2009		18 December 2009			
Proportion of shares acquired	100%		50%			
	Book value £m	Fair value £m	Book value £m	Fair value £m	**Total Book value £m**	**Total Fair value £m**
Development/Investment properties	24.2	33.5	149.1	151.5	**173.3**	**185.0**
Current receivables	1.3	1.3	1.3	1.8	**2.6**	**3.1**
Cash and deposits	–	–	3.4	3.4	**3.4**	**3.4**
Current payables	–	–	(6.3)	(4.3)	**(6.3)**	**(4.3)**
Current borrowings	–	–	(139.6)	(139.6)	**(139.6)**	**(139.6)**
Current tax payable	–	(1.5)	–	–	**–**	**(1.5)**
Net assets acquired	25.5	33.3	7.9	12.8	**33.4**	**46.1**
Positive/(Negative) goodwill on acquisition		1.4		(3.4)		**(2.0)**
Cost of acquisition		34.7		9.4		**44.1**
Satisfied by:						
Cash paid		33.7		146.5		**180.2**
Debt assumed[1]		–		(139.6)		**(139.6)**
Additional consideration accrued		–		1.2		**1.2**
Costs paid		1.0		1.3		**2.3**
		34.7		9.4		**44.1**
Less:						
Cash and deposits acquired						**(3.4)**
Additional consideration accrued						**(1.2)**
Property and corporate acquisitions as reported in consolidated cash flow statement						**39.5**
Profit[2] since date of acquisition		–		0.2		
Consolidated revenue[3] if entity had been acquired on 1 January 2009		351.5		354.5		
Consolidated loss[2] if entity had been acquired on 1 January 2009		(9.0)		(8.3)		

[1]The debt assumed of £139.6 million was repaid in full by the Company on the date of acquisition.
[2]Profit/(loss) before tax excluding losses on investment and development properties.
[3]Gross rental income.

The entities acquired are involved in property investment and development. The fair values of investment properties, intangible assets and tax liabilities were determined by the Directors. The goodwill arising on the acquisition of Foruminvest France Marseille SAS is principally attributable to provisions made for current tax. 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 2).

The negative goodwill arising on the acquisition of Retail Property Holdings Limited, which owns Silverburn shopping centre in Glasgow, resulted from the reversal of provisions in the acquiree's accounts which were not required and a difference in the property valuation. In accordance with IFRS 3, the negative goodwill has been credited to the income statement (see note 2).

INDEPENDENT AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

We have audited the parent company financial statements of Hammerson plc for the year ended 31 December 2009 which comprise the Parent Company Balance Sheet and the related notes A to L. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

OTHER MATTER

We have reported separately on the Group financial statements of Hammerson plc for the year ended 31 December 2009.

Georgina Robb (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
22 February 2010

COMPANY BALANCE SHEET

As at 31 December 2009

	Notes	2009 £m	2008* £m
Non-current assets			
Investments in subsidiary companies	C	**2,104.8**	3,121.6
Receivables	D	**4,531.7**	5,285.6
		6,636.5	8,407.2
Current assets			
Receivables	E	**29.9**	3.0
Cash and short-term deposits		**122.1**	12.5
		152.0	15.5
Total assets		**6,788.5**	8,422.7
Current liabilities			
Payables	F	**1,574.4**	2,478.8
Borrowings	G	**–**	32.3
		1,574.4	2,511.1
Non-current liabilities			
Borrowings	G	**2,256.1**	2,970.2
Payables	H	**8.3**	6.5
		2,264.4	2,976.7
Total liabilities		**3,838.8**	5,487.8
Net assets		**2,949.7**	2,934.9
Equity			
Called up share capital	24	**175.7**	72.7
Share premium	I	**1,223.6**	742.2
Capital redemption reserve	I	**7.2**	7.2
Other reserves	I	**126.9**	0.1
Revaluation reserve	I	**461.7**	1,497.3
Retained earnings	I	**965.0**	631.5
Investment in own shares	J	**(4.6)**	(4.5)
Treasury shares	26	**(5.8)**	(11.6)
Equity shareholders' funds		**2,949.7**	2,934.9

*Restated following charge in accounting policy (see note A).

These financial statements were approved by the Board of Directors on 22 February 2010.

Signed on behalf of the Board

David Atkins
Director

Simon Melliss
Director

Registered in England No. 360632

NOTES TO THE COMPANY ACCOUNTS

A ACCOUNTING POLICIES

Although the consolidated Group accounts are prepared under IFRS, the Hammerson plc company accounts presented in this section are prepared under UK GAAP. The accounting policies relevant to the Company are the same as those set out in the accounting policies for the Group in note 1, except as set out below.

Investments in subsidiary companies are included at valuation. The Directors determine the valuations with reference to the underlying net assets of the subsidiaries. In 2009, the Company changed its accounting policy in order to recognise all revaluation movements on investments in subsidiaries through the revaluation reserve unless they relate to a permanent diminution in value which are taken to the income statement. This change was introduced so that the Company's retained earnings would better reflect the Company's distributable reserves. Previously, surpluses arising on valuation were included in the revaluation reserve, whilst provisions for impairment below cost were taken to the income statement. In accordance with UK GAAP, in calculating the underlying net asset values of the subsidiaries, no deduction is made for deferred tax relating to revaluation surpluses on investment properties.

The Company has taken advantage of the exemption in FRS 29.2D not to present the disclosures required by FRS 29 Financial Instruments – Disclosure in respect of the Hammerson plc company accounts as the Company is included in the consolidated Group accounts. The consolidated accounts of Hammerson plc comply with IFRS 7 Financial Instruments – Disclosure which is materially consistent with FRS 29.

The Company does not utilise net investment hedging under FRS 26 Financial Instruments – Recognition and Measurement.

B PROFIT FOR THE YEAR AND DIVIDEND

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £401.9 million (2008: loss £84.4 million).

Dividend information is provided in note 9 to the consolidated accounts.

C INVESTMENTS IN SUBSIDIARY COMPANIES

	Cost less provision for permanent diminution in value £m	Valuation £m
Balance at 1 January 2009	1,477.7	3,121.6
Adjustment for change in accounting policy (note A)	146.6	–
Adjusted balance at 1 January 2009	1,624.3	3,121.6
Additions	18.8	18.8
Revaluation adjustment	–	(1,035.6)
Balance at 31 December 2009	**1,643.1**	**2,104.8**

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2009 is included in note L.

D RECEIVABLES: NON-CURRENT ASSETS

	2009 £m	2008 £m
Amounts owed by subsidiaries	**4,531.7**	5,268.3
Loans receivable	**–**	15.5
Fair value of interest rate swaps	**–**	1.8
	4,531.7	5,285.6

Amounts owed by subsidiaries are unsecured and interest-bearing at variable rates based on LIBOR. These amounts are repayable on demand, however it is the Company's current intention not to seek repayment before 31 December 2010.

E RECEIVABLES: CURRENT ASSETS

	2009 £m	2008 £m
Loans receivable (see note 17)	**14.2**	–
Other receivables	**3.6**	3.0
Fair value of currency swaps	**12.1**	–
	29.9	3.0

NOTES TO THE COMPANY ACCOUNTS
continued

F PAYABLES

	2009 £m	2008 £m
Amounts owed to subsidiaries	**1,512.7**	2,411.1
Other payables and accruals	**61.7**	67.7
	1,574.4	2,478.8

The amounts owed to subsidiaries are unsecured, repayable on demand and interest bearing at variable rates based on LIBOR.

G BORROWINGS

	Bank loans and overdrafts £m	**Other borrowings £m**	**2009 Total £m**	2008 Total £m
After five years	–	1,659.3	**1,659.3**	1,714.0
From two to five years	596.8	–	**596.8**	1,241.6
From one to two years	–	–	**–**	14.6
Due after more than one year	596.8	1,659.3	**2,256.1**	2,970.2
Due within one year	–	–	**–**	32.3
	596.8	1,659.3	**2,256.1**	3,002.5

Details of the Group's borrowings and financial instruments are given in notes 20 and 21 to the consolidated accounts. The Company's borrowings are all unsecured and comprise sterling and euro denominated bonds, bank loans and overdrafts.

H PAYABLES: NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Fair value of interest rate swaps	**8.3**	6.5

I EQUITY

	Share premium £m	**Capital redemption reserve £m**	**Other reserves £m**	**Revaluation reserve £m**	**Retained earnings £m**
Balance at 1 January	742.2	7.2	0.1	1,643.9	484.9
Adjustment for change in accounting policy (note A)	–	–	–	(146.6)	146.6
Adjusted balance at 1 January	742.2	7.2	0.1	1,497.3	631.5
Rights issue	507.2	–	–	–	–
Expenses of rights issue	(24.4)	–	–	–	–
Premium on Issue of other shares	0.1	–	–	–	–
Scrip dividends	(1.5)	–	–	–	–
Dividends	–	–	–	–	(68.4)
Group dividends received but not yet realised as not funded in cash	–	–	126.8	–	–
Revaluation losses on investments in subsidiary companies	–	–	–	(1,035.6)	–
Profit for the year	–	–	–	–	401.9
Balance at 31 December	**1,223.6**	**7.2**	**126.9**	**461.7**	**965.0**

J INVESTMENT IN OWN SHARES

	2009 £m	2008 £m
Balance at 1 January	**4.5**	3.8
Transfer from treasury shares	**5.8**	5.2
Transfer to employing subsidiaries – cost of shares awarded to employees	**(5.7)**	(4.5)
Balance at 31 December	**4.6**	4.5

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan.

The Company has no employees. When the Company's own shares are awarded to Group employees as part of their remuneration, the cost of the shares is transferred by the Company through intercompany accounts to the employing subsidiaries, where the related credit is recognised in equity.

Further details of share options and the number of own shares held by the Company are set out in notes 24, 25 and 26 respectively to the accounts.

K FAIR VALUE OF FINANCIAL INSTRUMENTS

	2009		2008	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Borrowings, excluding currency swaps	**2,256.1**	**2,251.2**	2,969.2	2,355.4
Currency swaps	**(12.1)**	**(12.1)**	33.3	33.3
Total	**2,244.0**	**2,239.1**	3,002.5	2,388.7
Interest rate swaps	**8.3**	**8.3**	4.7	4.7

L PRINCIPAL SUBSIDIARY COMPANIES

All principal subsidiary companies are engaged in property investment, development, trading or investment holding. Unless otherwise stated, the companies are 100% owned subsidiaries through investment in ordinary share capital. As permitted by section 409 of the Companies Act 2006, a complete listing of all the Group's undertakings has not been provided. A complete list of the Group's undertakings will be filed with the Annual Return.

Subsidiaries are incorporated/registered and operating in the following countries:

England
Hammerson International Holdings Ltd
Hammerson UK Properties plc
Grantchester Holdings Ltd
Hammerson (99 Bishopsgate) Ltd
Hammerson (Brent Cross) Ltd
Hammerson (Bristol Investments) Ltd
Hammerson Bull Ring Ltd
Hammerson (Cramlington 1) Ltd
Hammerson Group Management Ltd
Hammerson Harbour Exchange Ltd
Hammerson Operations Ltd
Hammerson (Leicester) Ltd
Hammerson Oracle Investments Ltd
West Quay Shopping Centre Ltd

France
Hammerson SAS
Hammerson Bercy SAS
Hammerson Holding France SAS
Hammerson Centre Commercial Italie SAS
Hammerson Villebon 1 SARL
L'Occidentale de Centres Commerciaux SAS
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)

The Netherlands
Hammerson Europe BV

Germany
Hammerson GmbH

TEN-YEAR FINANCIAL SUMMARY

						IFRS				UK GAAP
	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m
Income statement										
Net rental income	**293.6**	299.8	275.7	237.4	210.3	189.5	189.5	175.9	159.9	141.1
Operating profit before other net (losses)/gains	**252.6**	257.5	234.5	201.3	178.9	162.9	164.6	151.6	141.6	125.4
Other net (losses)/gains	**(590.4)**	(1,698.3)	25.2	748.0	607.6	330.2	(18.8)	5.3	(8.2)	17.2
Cost of finance (net)	**(114.5)**	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)	(78.7)	(66.0)	(64.3)	(53.4)
(Loss)/Profit before tax	**(453.1)**	(1,611.5)	110.4	792.4	698.6	413.4	67.1	90.9	69.1	89.2
Current tax	**(0.9)**	(0.6)	(16.4)	(99.4)	1.0	(80.9)	(1.7)	(2.5)	(7.9)	(8.2)
Deferred tax	**103.6**	38.3	17.6	333.8	(133.9)	104.2	(13.1)	(11.1)	15.9	32.5
Equity minority interests	**5.9**	1.2	(10.6)	(9.9)	(11.3)	(5.3)	(2.0)	(1.7)	(0.9)	(1.3)
(Loss)/Profit for the year attributable to equity shareholders	**(344.5)**	(1,572.6)	101.0	1,016.9	554.4	431.4	50.3	75.6	76.2	112.2
Balance sheet										
Investment and development properties	**5,141.5**	6,456.8	7,275.0	6,716.0	5,731.7	4,603.0	3,997.5	3,948.2	3,517.4	3,352.4
Cash and short-term deposits	**182.9**	119.9	28.6	39.4	45.5	53.7	187.0	242.2	218.4	150.4
Borrowings	**(2,319.0)**	(3,452.6)	(2,524.2)	(2,282.6)	(2,094.8)	(1,799.5)	(1,772.2)	(1,883.6)	(1,552.9)	(1,439.9)
Other assets	**342.0**	319.5	318.7	301.1	278.1	194.0	138.6	162.5	95.8	71.0
Other liabilities	**(323.9)**	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)	(289.8)	(356.2)	(195.3)	(165.0)
Net deferred tax provision	**(0.4)**	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)	(54.8)	(34.8)	(7.6)	(12.0)
Equity minority interests	**(73.4)**	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)	(38.1)	(40.1)	(37.1)	(33.0)
Equity shareholders' funds	**2,949.7**	2,820.6	4,354.6	4,165.1	3,125.8	2,410.2	2,168.2	2,038.2	2,038.7	1,923.9
Cash flow										
Operating cash flow after tax	**105.3**	29.8	(29.2)	5.5	44.9	60.5	68.4	57.6	54.1	90.7
Dividends	**(64.5)**	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)	(44.4)	(42.0)	(39.7)	(38.8)
Property and corporate acquisitions	**(39.5)**	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)	(183.7)	(461.8)	(196.8)	(353.5)
Developments and major refurbishments	**(164.1)**	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)	(188.8)	(161.8)	(138.2)	(137.0)
Other capital expenditure	**(23.7)**	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)	(68.5)	(43.9)	(50.9)	(20.7)
Disposals	**394.2**	245.3	537.2	628.0	224.4	398.7	556.2	519.6	313.0	74.6
Other cash flows	**–**	–	(10.9)	(10.2)	17.7	5.6	–	–	–	–
Net cash flow before financing	**207.7**	(325.7)	(119.4)	66.0	(295.3)	(126.9)	139.2	(132.3)	(58.5)	(384.7)
Per share data*										
Basic (loss)/earnings per share	**(54.1)p**	(368.9)p	23.7p	242.6p	134.4p	106.0p	12.4p	18.4p	18.4p	26.5p
Adjusted earnings per share	**19.7p**	25.8p	27.3p	22.3p	21.2p	19.5p	20.2p	19.8p	16.5p	14.9p
Dividend per share	**15.45p**	18.9p	18.5p	14.7p	13.4p	12.2p	11.4p	10.7p	10.1p	9.5p
Diluted net asset value per share	**£4.20**	£6.61	£10.22	£9.91	£7.44	£5.90	£5.32	£5.01	£4.93	£4.50
Adjusted net asset value per share, EPRA basis	**£4.21**	£7.03	£10.49	£10.18	£8.39	£6.41	£5.45	£5.10	£4.95	£4.53
Financial ratios										
Return on shareholders' equity	**-16.9%**	-32.5%	4.5%	25.3%	34.0%	21.7%	9.3%	4.3%	8.3%	16.3%
Gearing	**72%**	118%	57%	54%	66%	72%	73%	81%	65%	67%
Interest cover	**2.2x**	1.7x	1.9x	1.8x	1.9x	1.9x	1.8x	1.9x	1.9x	1.9x
Dividend cover	**1.3x**	1.4x	1.5x	1.5x	1.6x	1.6x	1.8x	1.9x	1.6x	1.6x

The financial information shown above for the years 2004 to 2009 was prepared under IFRS. The information for prior years was prepared under UK GAAP. Consequently, certain data may not be directly comparable from one year to another.

*Comparative per share data has been restated following the rights issue in March 2009 (see note 10A).

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Full-year results announced		22 February 2010
Second interim dividend	– Ex-dividend date	3 March 2010
	– Record date	5 March 2010
	– Scrip reference share price announced	10 March 2010
	– Election date for scrip (or revocation)	19 March 2010
	– Payable on	1 April 2010
Annual General Meeting		29 April 2010
Anticipated 2010 interim dividend		October 2010

ANNUAL GENERAL MEETING
The Annual General Meeting for 2010 will be held at 11.00am on 29 April 2010 at 10 Grosvenor Street, London W1K 4BJ. Details of the Meeting and the resolutions to be voted upon can be found in the Notice of Meeting sent to all shareholders.

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

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

REGISTRAR
If you have any queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments please contact the Registrar:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Tel: 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am to 5.30pm Monday to Friday),
or +44 (0)20 8639 3399 (from overseas); email: ssd@capitaregistrars.com
Website: www.capitashareportal.com

Registering on the Registrar's website enables you to view your shareholding in Hammerson plc including an indicative share price and valuation, a transaction audit trail and dividend payment history. You can also amend certain standing data relating to your account.

PAYMENT OF DIVIDENDS TO MANDATED ACCOUNTS
Shareholders who do not currently have their dividends paid direct to a bank or building society account and who wish to do so should complete a mandate instruction available from the Registrar on request or at www.capitaregistrars.com/shareholders/information. Under this arrangement, tax vouchers are sent to the shareholder's registered address unless the shareholder requests otherwise.

MULTIPLE ACCOUNTS
Shareholders who receive more than one copy of communications from the Company may have more than one account in their name on the Company's register of members. Any shareholder wishing to amalgamate such holdings should write to the Registrar giving details of the accounts concerned and instructions on how they should be amalgamated.

SCRIP DIVIDEND ALTERNATIVE
The Company is offering shareholders a scrip dividend alternative for the 2009 second interim dividend. Further details can be found in the Chairman's letter to shareholders dated 22 February 2010, and on the website: www.hammerson.com on the "Investors" page.

DIVIDEND REINVESTMENT PLAN (DRIP)
Following the introduction of the Hammerson Scrip Dividend Scheme, the Directors have decided to suspend the Company's Dividend Reinvestment Plan for any dividend in respect of which a scrip dividend alternative is offered. Accordingly the DRIP has been suspended for the 2009 interim dividends. The DRIP will, however, be automatically reinstated for any dividend, whether interim or final, in respect of which the Directors decide not to offer a scrip dividend alternative.

SHAREHOLDER INFORMATION
continued

INTERNATIONAL PAYMENT SERVICE

In conjunction with Travelex, Capita Registrars provide a service to convert sterling dividends into certain local currencies.
For further information, please contact Capita Registrars (address above). Tel: 0871 664 0385 (calls cost 10p per minute plus network extras, lines are open 9.00am to 5.30pm Monday to Friday) or +44 (0)20 8639 3405 (from overseas); email: ips@capitaregistrars.com
Website: http://international.capitaregistrars.com/

CAPITA SHARE DEALING SERVICES

An online and telephone dealing facility is available providing Hammerson shareholders with an easy to access and simple to use service. There is no need to pre-register and there are no complicated forms to fill in. The online and telephone dealing service allows you to trade 'real time' at a known price which will be given to you at the time you give your instruction. This is subject to a credit check for shareholders dealing in a value worth more than the sterling equivalent of €15,000.

For further information on this service, or to buy and sell shares Tel: 0871 664 0454 (calls cost 10p per minute plus network extras, lines are open 8.00am to 4.30pm Monday to Friday) or +44 (0)20 3367 2686 (from overseas); email: ssd@capitaregistrars.com
Website: www.capitadeal.com

SHAREGIFT

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by the Orr Mackintosh Foundation. Further information about ShareGift is available at www.sharegift.org or by writing to ShareGift, The Orr Mackintosh Foundation, 17 Carlton House Terrace, London SW1Y 5AH.

UNSOLICITED MAIL

Hammerson is obliged by law to make its share register available on request to other organisations that may then use it as a mailing list. This may result in you receiving unsolicited mail. If you wish to limit the receipt of unsolicited mail you may do so by writing to the Mailing Preference Service, an independent organisation whose services are free to you. Once your name and address have been added to its records, it will advise the companies and other bodies that support the service that you no longer wish to receive unsolicited mail. If you would like more details you should write to:

The Mailing Preference Service
FREEPOST 29
LON 20771
London
W1E 0ZT

Or telephone their helpline on 0845 703 4599 (calls charged at local rate) or register on their website www.mpsonline.org.uk.

WEBSITE

The 2009 Annual Report and other information is available on the Company's website at www.hammerson.com on the "Investors" page. The Company operates a service whereby all registered users can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

REGISTERED OFFICE

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

ADVISERS

Valuers	Cushman & Wakefield, DTZ Debenham Tie Leung
Auditors	Deloitte LLP
Solicitors	Herbert Smith LLP
Stockbrokers	Citi, Deutsche Bank AG

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PROPERTY PORTFOLIO

Hammerson owns a portfolio of prime property assets in the UK and France. The portfolio, which is valued at £5.1bn, includes 16 major shopping centres, 16 retail parks and six office properties.

PROPERTY PORTFOLIO
continued

UK Shopping Centres

Our UK shopping centres attract around 150 million visitors each year. The portfolio includes internationally recognised city-centre schemes such as Bullring, Birmingham, Brent Cross in North London and The Oracle, Reading. The most recent additions to our portfolio are Union Square in Aberdeen, which we completed in October 2009, and Silverburn, Glasgow, acquired in December 2009.

The Group has investments in nine shopping centres in the UK, most of which rank amongst the top 30 retail destinations in the UK. These shopping centres have a combined total net internal area of 780,000m². Where properties are held in joint venture, the figures given for rents passing represent Hammerson's proportionate share of the income from the schemes.

Ownership
41%

Property net internal area
82,800m²

Brent Cross, London NW4

Brent Cross, situated in affluent North West London, enjoys a loyal customer base with visits totalling 15 million each year. The centre has always been fashion-focused and is regularly the site of choice for international retailers launching in the UK, such as Abercrombie & Fitch's brand Hollister, which opened its first UK store at Brent Cross in Summer 2008 and Banana Republic, which opened its second UK store and first UK mall store in December 2009. The centre benefits from strong transport links: it is served by three main arterial routes – the M1, A406 and A41 – three train stations, and a major bus station. Hammerson and Standard Life have secured planning consent for a major extension to the centre.

JV partner **Standard Life (59%)**
Key dates **1976 developed, 1995 refurbished**
Tenure **Leasehold**
Principal occupiers **Fenwick, John Lewis, Marks & Spencer, Waitrose**
Number of tenants **116**
Unexpired lease term to expiry **8 years**
Occupancy rate **100%**
Rent passing **£17.2 million p.a.**
Average rent passing **£1,085 per m²**
Environmental rating **None**

Ownership
60%

Property net internal area
105,000m²

Highcross, Leicester

Highcross opened to the public in September 2008 following a three-year development and refurbishment programme by partners Hammerson and Hermes. This major project comprised an extensive refurbishment of the former Shires shopping centre, together with a 61,000m² mixed-use extension on an adjacent 10 hectare site. The project, which created two new iconic anchor buildings and two public squares, has more than doubled the size of the existing centre with 40 additional retail units, and revitalised Leicester's shopping, dining and city centre living. Key openings in 2009 include Mango, Also and Jack Jones/Vero Moda.

JV partner **Hermes (40%)**
Key dates **2002 acquired, opened September 2008 (redevelopment and refurbishment)**
Tenure **Freehold**
Principal occupiers **Cinema de Lux, Debenhams, House of Fraser, John Lewis, Next, River Island, Zara**
Number of tenants **135**
Unexpired lease term to expiry **11 years**
Occupancy rate **94.1%**
Rent passing **£15.8 million p.a.**
Average rent passing **£440 per m²**
Environmental rating **BREEAM Very Good**

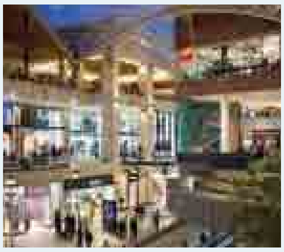
Ownership
33%

Property net internal area
124,700m²

Bullring, Birmingham

Developed in 2003 and now owned in a three-way joint venture between Hammerson, Henderson Global Investors and Future Fund. Bullring has transformed Birmingham's city centre. With a footfall of almost 40 million a year, it is one of the UK's most successful retail destinations and regeneration projects. Anchored by Selfridges and Debenhams, Bullring continues to attract high quality aspirational UK and international brands, demonstrated by recent lettings to Cos, Duck and Cover and Pandora. The catering offer continues to flourish with 14 restaurants including Pizza Express and Wagamama.

JV partners **Future Fund (33%), Henderson Global Investors (33%)**
Key dates **2003 developed**
Tenure **Leasehold**
Principal occupiers **Debenhams, Selfridges**
Number of tenants **163**
Unexpired lease term to expiry **9 years**
Occupancy rate **97.9%**
Rent passing **£15.4 million p.a.**
Average rent passing **£470 per m²**
Environmental rating **None**



Ownership
50%

Property net internal area
$96,200m^2$

Cabot Circus,
Bristol

Cabot Circus opened to the public in September 2008 following a three-year construction programme. The retail element is anchored by House of Fraser and Harvey Nichols department stores and provides 150 retail units, including 15 flagship stores, cafes, bars and restaurants. The scheme also includes 250 residential units, a $6,800m^2$ cinema, two new public squares, three pedestrianised shopping streets and 2,600 parking spaces. Since opening, the centre has continued to attract a range of aspirational retailers, including Hollister. Sainsbury's Local opened in 2009 and The Sanctuary and Billabong will open in early 2010.

JV partner **Land Securities (50%)**
Key dates **Opened September 2008**
Tenure **Leasehold**
Principal occupiers **Harvey Nichols, House of Fraser**
Number of tenants **131**
Unexpired lease term to expiry **12 years**
Occupancy rate **94.7%**
Rent passing **£14.3 million p.a.**
Average rent passing **£400 per m^2**
Environmental rating **BREEAM Excellent**

Ownership
50%

Property net internal area
$75,600m^2$

WestQuay,
Southampton

Developed by Hammerson and opened in 2000, WestQuay has established Southampton as the region's premier shopping destination. Many of WestQuay's retailers are unique to the region, including flagship fashion and lifestyle stores. Recent openings include River Island, Nandos, All Saints and Crew Clothing. Hollister opened its fourth UK store at the centre in May 2009 and Yo Sushi will open in the Food Terrace in April 2010. Hammerson has been appointed development manager for the next phase of Southampton's regeneration, Watermark WestQuay, on a 2.4 hectare site adjacent to the shopping centre. Planning consent was granted in April 2009.

JV partner **GIC (50%)**
Key dates **2000 developed**
Tenure **Leasehold**
Principal occupiers **John Lewis, Marks & Spencer**
Number of tenants **95**
Unexpired lease term to expiry **7 years**
Occupancy rate **99.6%**
Rent passing **£13.4 million p.a.**
Average rent passing **£610 per m^2**
Environmental rating **ISO 14001**

Ownership
50%

Property net internal area
$70,700m^2$

The Oracle,
Reading

Since opening in 1999, The Oracle has become the foremost shopping and leisure destination in the Thames Valley region. Developed in a joint venture between Hammerson and the Abu Dhabi Investment Authority (ADIA), The Oracle continues to attract UK and international retailers including Reiss, L'Occitane, Crew Clothing, Pandora and Lakeland.

The Riverside, the restaurant and leisure venue designed to regenerate Reading's riverside area, is home to 18 cafes and restaurants including, most recently, Jamie's Kitchen and Café Rouge, and a 10-screen Vue cinema.

JV partner **ADIA (50%)**
Key dates **1999 developed**
Tenure **Leasehold**
Principal occupiers **Debenhams, House of Fraser**
Number of tenants **115**
Unexpired lease term to expiry **8 years**
Occupancy rate **98.5%**
Rent passing **£13.1 million p.a.**
Average rent passing **£490 per m^2**
Environmental rating **None**

Ownership
50%

Property net internal area
$91,100m^2$

Silverburn,
Glasgow

Hammerson and Canada Pension Plan Investment Board (CPPIB) entered into a 50:50 joint venture to purchase Silverburn in December 2009. Opened in 2007, Silverburn is a single-level covered centre with 98 tenants and 4,500 parking spaces. The site includes a 20,000 m^2 Tesco Extra which is let at a peppercorn rent. The centre attracts approximately 14 million customers per year and is anchored by Debenhams and Marks & Spencer.

JV partner **Canada Pension Plan Investment Board (50%)**
Key dates **2007 opened, 2009 acquired**
Tenure **Freehold**
Principal occupiers **Debenhams, Marks & Spencer, New Look, Next, Tesco Extra**
Number of tenants **98**
Unexpired lease term to expiry **12 years**
Occupancy rate **97.3%**
Rent passing **£9.3 million p.a.**
Average rent passing **£355 per m^2**
Environmental rating **None**

PROPERTY PORTFOLIO
continued

Ownership
50%

Property net internal area
81,000m^2

Queensgate Shopping Centre, Peterborough

The Queensgate centre is a fully enclosed two level shopping centre with 114 tenants and 2,300 car parking spaces. Adjacent to the city centre railway station, it represents the principal retail offer in Peterborough with an annual footfall of 15 million. The scheme is anchored by John Lewis, Marks & Spencer and Waitrose and recent openings include Miss Selfridge, Oasis and Muffin Break. Hammerson acquired its 50% interest in the centre in 2005 from Norwich Union. The partners have signed a development agreement with Peterborough City Council for a mixed use scheme on land adjoining the centre.

JV partner **Aviva Investors (50%)**
Key dates **Acquired 2005**
Tenure **Freehold**
Principal occupiers **Argos, Bhs, Boots, John Lewis, Marks & Spencer, Next, Waitrose**
Number of tenants **114**
Weighted average unexpired lease term **16 years**
Occupancy rate **93.7%**
Rents passing **£7.9 million p.a.**
Average rents passing **£335 per m^2**
Environmental rating **None**

Ownership
100%

Property net internal area
49,600m^2

Union Square, Aberdeen

Union Square, Aberdeen opened to the public in October 2009 and provides a combination of traditional mall shopping and retail terrace. Adjacent to Aberdeen's central railway station, the scheme is the largest development of its type in Scotland, providing 18,000m^2 of retail units, a 15,000m^2 shopping park, 10 screen cinema, 5,700m^2 of restaurants and catering space, a 200 bed hotel 1,700 parking spaces and a new civic square. Hollister is due to open its first store in Scotland in March 2010.

Key dates **Opened October 2009**
Tenure **Freehold**
Principal occupiers **Apple, Cine UK, H&M, Marks & Spencer, Next, Zara**
Number of tenants **52**
Unexpired lease term to expiry **17 years**
Occupancy rate **73.2%**
Rent passing **£8.9 million p.a.**
Average rent passing **£275 per m^2**
Environmental rating **BREEAM Very Good**

Ownership
50%

Property net internal area
33,800m^2

Bristol Investment Properties

These properties are adjacent to the Cabot Circus scheme and have recently been refurbished.

JV partner **Land Securities (50%)**
Key dates **Acquired 2000-2006**
Tenure **Leasehold**
Principal occupiers **Bhs, Currys, Sports World, Superdrug**
Number of tenants **60**
Weighted average unexpired lease term **12 years**
Occupancy rate **93.5%**
Rents passing **£3.7 million p.a.**
Average rents passing **£305 per m^2**
Environmental rating **None**

UK Retail Parks

Hammerson owns 15 retail parks in the UK which together provide 360,000 m^2 of floorspace. These parks, let to both comparison goods and bulky goods retailers, offer large-format modern stores with parking and are located on the edge of town centres.

Ownership
100%

Property net internal area
52,400m^2

Manor Walks,
Cramlington

Manor Walks Shopping Centre and the adjoining Westmorland Retail Park form the core retail area of Cramlington which is situated nine miles north of Newcastle. In line with Northumberland Unitary Authority's core retail strategy a retail-led mixed use regeneration of the town centre is being considered.

Key dates	**2006 acquired**
Tenure	**Freehold**
Principal occupiers	**Argos, Asda, Boots, Next, Sainsbury's**
Number of tenants	**101**
Unexpired lease term to expiry	**6 years**
Occupancy rate	**87.8%**
Planning	**Open A1**
Rent passing	**£5.9 million p.a.**
Average rent passing	**£140 per m^2**
Environmental rating	**None**

Ownership
100%

Property net internal area
28,200m^2

Fife Central Retail Park,
Kirkcaldy

Hammerson acquired Fife Central Retail Park in Kirkcaldy in April 2005. The park was developed in 1997 and following completion of the recent 11,000m^2 extension, the park now comprises 16 retail and 3 restaurant units. The extension is anchored by B&Q, with other tenants including Argos, PC World, Toys 'Я' Us and Mothercare.

Key dates	**2005 acquired, 2009 extension**
Tenure	**Freehold**
Principal occupiers	**Argos, B&Q, Boots, Homebase, Mothercare, Next, Sainsbury's**
Number of tenants	**19**
Unexpired lease term to expiry	**13 years**
Occupancy rate	**100%**
Planning	**Part open A1, part bulky goods**
Rent passing	**£5.6 million p.a.**
Average rent passing	**£200 per m^2**
Environmental rating	**BREEAM Pass**

Ownership
100%

Property net internal area
27,500m^2

Ravenhead Retail Park,
St Helens

Ravenhead Retail Park is an edge-of-centre high specification modern retail park which was developed in several phases from 2000 to 2006. Recent lettings have been concluded with Smyths Toys and Argos.

Key dates	**2007 acquired**
Tenure	**Freehold**
Principal occupiers	**Argos, B&Q, Boots, Currys, Next, Outfit, Smyths Toys**
Number of tenants	**17**
Unexpired lease term to expiry	**14 years**
Occupancy rate	**100%**
Planning	**Part open A1, part bulky goods**
Rent passing	**£4.8 million p.a.**
Average rent passing	**£165 per m^2**
Environmental rating	**BREEAM Pass**

Ownership
100%

Property net internal area
24,700m²

Westwood & Westwood Gateway Retail Parks,
Thanet

Hammerson owns two adjacent schemes, Westwood Retail Park (formerly East Kent and Westwood Retail Parks) and Westwood Gateway Retail Park. The former Westwood Retail Park was redeveloped by Hammerson in 2009 to create a new 5,300m² terrace let to Bhs, Brantano and Dunelm. Other occupiers include Argos, Matalan and Sports Direct.

Key dates **2002 acquired, 2006 extended, 2008 extension start on site**

Tenure **Freehold**

Principal occupiers **Argos, Bhs, Comet, Homebase, Matalan, Sportsworld**

Number of tenants **16**

Unexpired lease term to expiry **15 years**

Occupancy rate **96.1%**

Planning **Part open A1**

Passing Rent **£4.7million p.a.**

Average rent passing **£195 per m²**

Environmental rating **None**

Ownership
100%

Property net internal area
20,500m²

St Oswald's Retail Park,
Gloucester

In September 2005, Hammerson completed construction of the first phase of this 35,000m² mixed-use development to the north of Gloucester city centre. This phase provides 19,400m² of bulky goods retail and leisure space in two terraces, 1,100m² of restaurants, and 990 parking spaces. Land next to the park has been sold for the development of 450 residential units and a 150 unit urban care village.

Key dates **2005 developed**

Tenure **Leasehold**

Principal occupiers **B&Q, Comet, JJB Sports, Mothercare, ScS**

Number of tenants **12**

Unexpired lease term to expiry **18 years**

Occupancy rate **99%**

Planning **Mixed (open A1, bulky goods, restaurant)**

Rent passing **£4.4 million p.a.**

Average rent passing **£215 per m²**

Environmental rating **None**

Ownership
100%

Property net internal area
23,600m²

Cyfarthfa Retail Park,
Merthyr Tydfil

Hammerson completed construction of Cyfarthfa Retail Park in January 2005. The scheme is fully let and comprises 13 retail units and three fast food outlets. The retail park, which is one of the most successful in South Wales, also includes a DW Sports health club, and parking for over 1,000 cars.

Key dates **2005 developed**

Tenure **Freehold**

Principal occupiers **Argos, B&Q, Boots, Currys, Debenhams, DW Sports, New Look, Next, TK Maxx**

Number of tenants **16**

Unexpired lease term to expiry **14 years**

Occupancy rate **100%**

Planning **Mixed (Open A1, bulky goods, restaurant)**

Rent passing **£4.3 million p.a.**

Average rent passing **£180 per m²**

Environmental rating **None**

Ownership
100%

Property net internal area
27,300m²

Cleveland Retail Park,
Middlesbrough

The scheme was initially extended in 2006 and again in 2009. B&Q is the main anchor occupying a 9,500m² unit and following the recent extension the scheme now includes, Outfit, Boots, Next and Argos.

Key dates **2002 acquired, 2006 extended, 2009 reconfiguration**

Tenure **Freehold**

Principal occupiers **Argos, B&Q, Boots, Currys, Matalan, Next, Outfit**

Number of tenants **16**

Unexpired lease term to expiry **16 years**

Occupancy rate **95.6%**

Planning **Part open A1, part bulky goods**

Rent passing **£4.1 million p.a.**

Average rent passing **£160 per m²**

Environmental rating **BREEAM Good**

Ownership

100%

Property net internal area

20,500m²

Drakehouse Retail Park,
Sheffield

Hammerson acquired Drakehouse Retail Park in 2003. The scheme is located seven miles from Sheffield city centre and adjoins Crystal Peaks Shopping Centre. Tenants include Homebase, Currys and Comet and following lettings in 2009, Smyths Toys and Dreams. In addition there is an 830 space car park.

Key dates **2003 acquired**
Tenure **Freehold**
Principal occupiers **Carpetright, Comet, Currys, Dreams, Focus, Homebase, JD Sports, JJB Sports, Smyths Toys**
Number of tenants **16**
Unexpired lease term to expiry **13 years**
Occupancy rate **94.5%**
Planning **Restricted open A1**
Rent passing **£3.8 million p.a.**
Average rent passing **£195 per m²**
Environmental rating **None**

Ownership

100%

Property net internal area

22,800m²

Abbey Retail Park,
Newtownabbey, Belfast

The scheme is located approximately three miles north of Belfast city centre in an established retail destination adjacent to the Abbey centre and a new flagship Marks & Spencer store. A planning application has been submitted for an extension of the scheme to provide new retail warehouse units.

Key dates **2006 acquired**
Tenure **Freehold**
Principal occupiers **B&Q, Tesco**
Number of tenants **6**
Unexpired lease term to expiry **19 years**
Occupancy rate **100%**
Planning **Part open A1, part bulky goods**
Rent passing **£3.2 million p.a.**
Average rent passing **£125 per m²**
Environmental rating **None**

Ownership

100%

Property net internal area

17,300m²

The Orchard Centre,
Didcot

The Orchard Centre provides the main retail offer for Didcot, 14 miles south of Oxford. Part open mall, part retail park, it is anchored by a Sainsbury's food store. The adjacent site is allocated for retail-led mixed-use redevelopment and Hammerson has been selected by South Oxfordshire District Council as preferred developer for the scheme. The masterplanning exercise is complete and scheme designs are underway.

Key dates **2006 acquired**
Tenure **Leasehold**
Principal occupiers **Argos, Next, Sainsbury's**
Number of tenants **46**
Unexpired lease term to expiry **15 years**
Occupancy rate **97.8%**
Planning **Open A1**
Rent passing **£3.1 million p.a.**
Average rent passing **£220 per m²**
Environmental rating **None**

Ownership

100%

Property net internal area

22,600m²

Parc Tawe Retail Park,
Swansea

Parc Tawe Retail Park is an edge-of-city-centre scheme in Swansea. The scheme incorporates 5,500m² of leisure uses, including a cinema. A major mixed-use development incorporating a food store, retail units and leisure is proposed in accordance with Swansea City Council's Strategic Development framework.

Key dates **2006 acquired**
Tenure **Leasehold**
Principal occupiers **Mothercare, Odeon, Toys 'Я' Us**
Number of tenants **12**
Unexpired lease term to expiry **3 years**
Occupancy rate **95.8%**
Planning **Open A1**
Rent passing **£2.1 million p.a.**
Average rent passing **£105 per m²**
Environmental rating **None**

PROPERTY PORTFOLIO
continued

Ownership
100%

Property net internal area
10,100m²

Dallow Road,
Luton

Hammerson completed the construction of a 9,000m² B&Q Warehouse in February 2006. The scheme also consists of a 1,100m² Aldi store and 670 car parking spaces.

Key dates **2002 acquired, 2006 redeveloped**
Tenure **Freehold**
Principal occupiers **Aldi, B&Q**
Number of tenants **2**
Unexpired lease term to expiry **10 years**
Occupancy rate **100%**
Planning **Food and bulky goods**
Rent passing **£2.0 million p.a.**
Average rent passing **£195 per m²**
Environmental rating **None**

Ownership
41%

Property net internal area
8,500m²

Brent South Shopping Park,
London NW2

Owned by Hammerson and Standard Life Investments, Brent South Shopping Park was completed in November 2004. Located directly opposite Brent Cross Shopping Centre, the shopping park also provides 350 parking spaces.

JV partner **Standard Life Investments (59%)**
Key dates **2004 developed**
Tenure **Freehold**
Principal occupiers **Arcadia, Next, TK Maxx**
Number of tenants **8**
Unexpired lease term to expiry **12 years**
Occupancy rate **87.9%**
Planning **Mainly open A1**
Rent passing **£1.5 million p.a.**
Average rent passing **£510 per m²**
Environmental rating **None**

Ownership
25%

Property net internal area
37,100m²

Central Retail Park,
Falkirk

Anchored by a Tesco Superstore, retail tenants include Boots, Next, Argos and Mothercare which opened for trade in February 2010. The scheme also includes a 3,900m² Cineworld cinema and a 2,300m² Ballantyne's Health Club, as well as food outlets Pizza Hut, McDonalds and Frankie & Benny's. Acquired by Hammerson in 2002, and extended in 2003, Central Retail Park also includes 1,350 parking spaces.

JV partner **TIAA-CREF (75%)**
Key dates **2002 acquired, 2003 extended**
Tenure **Leasehold**
Principal occupiers **Boots, Comet, Homebase, Mothercare, Next, Tesco**
Number of tenants **26**
Weighted average unexpired lease term **13 years**
Occupancy rate **90%**
Planning **Mixed**
Rent passing **£1.3 million p.a.**
Average rent passing **£205 per m²**
Environmental rating **None**

Ownership
25%

Property net internal area
13,000m²

Battery Retail Park,
Birmingham

Built in 1990, Battery Retail Park is located four miles to the southwest of Birmingham city centre. The park consists of eight units including a 900m² unit which was developed and let to Next in 2009. The asset offers further redevelopment potential.

JV partner **TIAA-CREF (75%)**
Key dates **Built 1990**
Tenure **Leasehold**
Principal occupiers **B&Q, Currys, Halfords, Homebase, Next, PC World**
Number of tenants **8**
Unexpired lease term to expiry **6 years**
Occupancy rate **100%**
Planning **Open A1 and restaurants**
Rent passing **£1.0 million p.a.**
Average rent passing **£305 per m²**
Environmental rating **BREEAM Pass**

France Retail

In France, we own and manage some of the top shopping centres in the Ile-de-France region, including Italie 2, and O'Parinor, together with high quality centres in Strasbourg and Angers. Our French shopping centres attract around 70 million visitors each year.

Ownership
57,000m²

Property net internal area
90,400m²

O'Parinor,
Aulnay-sous-Bois

in September 2008, Hammerson completed a 24,000m² redevelopment and extension of the existing Parinor shopping centre. The centre, rebranded "O'Parinor", is now the largest to the north of Paris totalling over 90,000m² and providing an enhanced retail offer and improved customer facilities. It comprises 220 stores and is anchored by one of the top 10 Carrefour hypermarkets in France. Other principal occupiers include Saturn, Toys 'Я' Us, Darty, Fnac, Sephora, Zara and H&M. New Look chose Parinor to open its first store in France in June 2006. Retailers to open at the scheme following the extension include fashion retailers Mango, Stradivarius, Esprit, Benetton and Adidas Original. The scheme includes 5,200 parking spaces.

Co-ownership **Carrefour and Redevco**

Key dates **2002 acquired, September 2008 completion of major extension and redevelopment**

Tenure **Freehold**

Principal occupiers **C&A, Carrefour, Darty, Fnac, Go Sport, H&M, New Look, Saturn, Toys 'Я' Us, Zara**

Number of tenants **195**

Unexpired lease term to expiry **6 years**

Occupancy rate **98.5%**

Rent passing **£21.6 million p.a.**

Average rent passing **£380 per m²**

Environmental rating **None**

Ownership
56,900m²

Property net internal area
56,900m²

Italie 2, Avenue d'Italie,
Paris 13ème

Hammerson's 1998 acquisition of this three-level shopping complex was followed by a major refurbishment, completed in 2001. The scheme is the second largest shopping centre in central Paris and is a key location for fashion and leisure brands. Italie 2 forms part of a large mixed-use scheme incorporating residential towers, offices and a hotel. A 4,600m² restructuring of the Gaumont cinema and an 8,500m² extension along Avenue d'Italie are planned.

Key dates **1998 acquired, 2001 refurbished**

Tenure **Freehold**

Principal occupiers **Bricorama , Carrefour Market, Darty, Fnac, Go Sport, La Grande Récré, Printemps, Zara**

Number of tenants **132**

Unexpired lease term to expiry **4 years**

Occupancy rate **99.3%**

Rent passing **£19.5 million p.a.**

Average rent passing **£415 per m²**

Environmental rating **HQE for proposed extension**

Ownership
40,200m²

Property net internal area
41,500m²

Place des Halles,
Strasbourg

Part of a mixed-use development including four office buildings, two residential buildings and two hotels, Place des Halles is the main shopping destination in Strasbourg, located in the city centre. Hammerson extensively refurbished the two-level shopping centre in 2002. UK retailer New Look recently opened one of its first regional stores in France at Place des Halles, following a reconfiguration of the former BHV department store unit. The centre provides parking for 2,600 cars.

Co-ownership **Assurbail**

Key dates: **1998 acquired, 2002 refurbished**

Tenure **Freehold**

Principal occupiers **C&A, Darty, Galeries, Go Sport, Gourmandes, H&M, Mango, New Look, Sephora, Surcouf**

Number of tenants **118**

Unexpired lease term to expiry **5 years**

Occupancy rate **97.5%**

Rent passing **£13.0 million p.a.**

Average rent passing **£330 per m²**

Environmental rating **None**

PROPERTY PORTFOLIO
continued

Ownership
27,900m²

Property net internal area
58,700m²

Espace Saint Quentin,
Saint Quentin-en-Yvelines

Acquired by Hammerson in 1994, Espace Saint Quentin is part of a larger mixed-use development including residential, office and hotel accommodation and a food court. Anchored by Carrefour, the centre was refurbished in 1999 and an extension added. The single level retail element has direct access to two levels of car parking providing 2,600 spaces. A 5,800m² restructuring programme was completed in 2007.

Co-ownership **Carrefour, McDonalds, Darty, Go Sport**

Key dates **1994 acquired, 2007 reconfiguration**

Tenure **Freehold**

Principal occupiers **C&A, Carrefour, Go Sport, H&M, Sephora**

Number of tenants **118**

Unexpired lease term to expiry **3 years**

Occupancy rate **96.5%**

Rent passing **£12.7 million p.a.**

Average rent passing **£520 per m²**

Environmental rating **None**

Ownership
22,900m²

Property net internal area
58,900m²

Les 3 Fontaines,
Cergy Pontoise

Opened in 1972, and refurbished in 1996, following Hammerson's acquisition in 1995, Les 3 Fontaines is a three-level enclosed shopping centre. Anchored by Auchan, principal tenants include H&M and Mango. The centre also benefits from 3,300 car parking spaces.

Co-ownership **Auchan**

Key dates **1995 acquired, 1996 refurbished**

Tenure **Freehold**

Principal occupiers **Auchan, C&A, Darty, H&M, Mango, New Look**

Number of tenants **83**

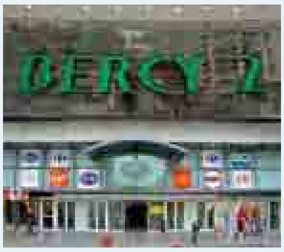
Unexpired lease term to expiry **3 years**

Occupancy rate **99.8%**

Rent passing **£11.9 million p.a.**

Average rent passing **£515 per m²**

Environmental rating **None**



Ownership
20,200m²

Property net internal area
35,200m²

Bercy 2,
Charenton-le-Pont

In 2000, Hammerson acquired 20,200m² of the mall units in Bercy 2, representing a 57% interest in the co-ownership. Built in 1990 and refurbished in 1997, the three-level scheme designed by Renzo Piano is anchored by Carrefour. The landmark scheme occupies a high profile site on one of the key exits from Paris on the boulevard Périphérique, has 2,300 parking spaces, and is one of the most important shopping destinations in the eastern suburbs of the capital.

Co-ownership **Carrefour and Darty**

Key dates **2000 acquired**

Tenure **Freehold**

Principal occupiers **Carrefour, Etam, Go Sport, H&M, La Grande Recré, Virgin**

Number of tenants **69**

Unexpired lease term to expiry **4 years**

Occupancy rate **99.2%**

Rent passing **£6.4 million p.a.**

Average rent passing **£365 per m²**

Environmental rating **None**

Ownership
9,100m²

Property net internal area
22,000m²

Grand Maine,
Angers

Located in the Lac du Maine area at the edge of Angers City Centre, Grand Maine is a 22,000m² shopping centre. Carrefour anchors the scheme and is also the largest co-owner.

Co-ownership **Carrefour**

Key dates **2007 acquired**

Tenure **Freehold**

Principal occupiers **Camaieu, Carrefour, Celio, Courir, Etam, Etam Lingerie, Go Sport, H&M, Intersport, Le Grand Recré, Naf Naf, Nocibé, Virgin, Yves Rocher**

Number of tenants **59**

Unexpired lease term to expiry **5 years**

Occupancy rate **99.9%**

Rent passing **£2.8 million p.a.**

Average rent passing **£310 per m²**

Environmental rating **None**

Ownership

48,200m^2

Property net internal area

48,200m^2

Villebon 2,
Villebon-Sur-Yvette

Acquired in July 2005, Villebon 2 is one of the largest retail parks in the Paris region and accommodates 46 retailers, including Darty and Fnac verte. It has 1,200 car parking spaces and forms part of a larger retail destination including an Auchan hypermarket. A 5,600m^2 extension has recently been completed and let to fashion retailers including C&A and Kiabi.

Key dates **2005 acquired, 2007 extension**

Tenure **Freehold**

Principal occupiers **Animalis, Autobacs, C&A, Darty, Fnac, Gemo, Kiabi, Sport 2000, Toys 'Я' Us**

Number of tenants **46**

Unexpired lease term to expiry **5 years**

Occupancy rate **98.3%**

Rent passing **£7.9 million p.a.**

Average rent passing **£165 per m^2**

Environmental rating **None**

Ownership

7,400m^2

Property net internal area

7,400m^2

54-60 rue du Faubourg Saint-Honoré,
Paris 8éme

Hammerson acquired the buildings at 54-60 rue du Faubourg Saint-Honoré, in Paris' prestigious luxury goods quarter, in 2005. Located between rue d'Aguesseau and rue d'Anjou, the buildings comprise six blocks of multi-let properties. We started work in 2010 on a refurbishment programme to the retail element of the scheme. When complete, the 7,400m^2 mixed-use property will include 4,100m^2 of retail space and 3,300m^2 of residential accommodation.

Key dates **2005 acquired**

Tenure **Freehold**

Principal occupier **Comme des Garçons**

Number of tenants **43**

Unexpired lease term to expiry **1 year**

Occupancy rate **100%**

Rent passing **£2.2 million p.a.**

Average rent passing **£440 per m^2**

Environmental rating **None**

Financial information relates to the property prior to the refurbishment programme.

PROPERTY PORTFOLIO
continued

Offices

Hammerson is an active developer and manager of London offices, providing high quality accommodation to a range of occupiers in the City and West End. Our 170,000 m² portfolio includes landmark buildings such as 99 Bishopsgate, 125 Old Broad Street and 60 Threadneedle Street.

Ownership
100%

Property net internal area
31,500m²

99 Bishopsgate,
London EC2

Acquired by Hammerson in 1993, and extensively reconstructed in 1995, 99 Bishopsgate provides 26 floors of high specification office accommodation totalling 31,500m². Principal tenants include Deutsche Bank and Latham & Watkins. Hammerson carried out a refurbishment of the top five floors, totalling 5,000m², in 2006, and re-let the space to Charles River Associates and existing tenant Latham & Watkins.

Key dates	**1995 developed**
Tenure	**Leasehold**
Principal occupiers	**Charles River Associates, Deutsche Bank, Latham & Watkins**
Number of tenants	**6**
Unexpired lease term to expiry	**4 years**
Occupancy rate	**99.9%**
Rent passing	**£14.2 million p.a.**
Average rent passing	**£585 per m²**
Environmental rating	**ISO 14001**

Ownership
100%

Property net internal area
45,000m²

Exchange Tower,
London E14

Acquired by Hammerson in 1999, the scheme consists of twin 16-storey towers totalling 45,000m² with parking for 500 cars. Located in Docklands, the property provides a solution for occupiers in search of high quality space for back-office operations near Canary Wharf and the City but with lower overall occupational costs. Tenants are largely within the financial, government, and software development sectors.

Key dates	**1999 acquired**
Tenure	**Freehold**
Principal occupiers	**Barclays, JP Morgan, Secretary of State**
Number of tenants	**35**
Unexpired lease term to expiry	**6 years**
Occupancy rate	**92.1%**
Rent passing	**£10.7 million p.a.**
Average rent passing	**£250 per m²**
Environmental rating	**BREEAM Very Good**

Ownership
50%

Property net internal area
30,700m²

125 Old Broad Street,
London EC2

Hammerson and its joint venture partners completed the redevelopment of the 26-storey tower building at 125 Old Broad Street, the former London Stock Exchange, in July 2008. The development provides 29,700m² of Grade A office accommodation and 1,200m² of retail and storage space. Principal tenants include international real estate advisor DTZ, international law firms Gide Loyrette Nouel, King and Spalding, Lloyds Underwriters, Renaissance RE and service office providers Landmark Business Centres. Retailers include tailor Turnbull & Asser and French bistro Brasserie Le Relais de Venise l'Entrecôte.

JV partners	**GE Real Estate (25%), Bank of Ireland (25%)**
Key dates	**2002 site acquisition; July 2008 completion**
Tenure	**Freehold**
Principal occupiers	**DTZ, Gide Loyrette Nouel, King and Spalding, Renaissance RE and Landmark**
Number of tenants	**22**
Unexpired lease term to expiry	**13 years**
Occupancy rate	**90.9%**
Rent passing	**£6.9 million p.a.**
Average rent passing	**£500 per m²**
Environmental rating	**BREEAM Very Good**

Ownership
100%

Property net internal area
20,200m²

60 Threadneedle Street,
London EC2

Construction of 60 Threadneedle Street was completed in January 2009. The building provides nine storeys of office accommodation totalling 20,200m² with flexible floor plates organised around two atria. Principal tenants include Talbot Underwriting, Universities Superannuation Scheme, Berenberg Bank, Close Brothers Corporate Finance and The Toronto Dominion Bank. The building forms part of the site previously occupied by the London Stock Exchange and is opposite 125 Old Broad Street. It is centrally located with the Royal Exchange and Bank of England immediately adjacent.

Key dates **2002 site acquisition; 2006 start on site; January 2009 completion**
Tenure **Freehold**
Principal occupiers **Talbot Underwriting**
Number of tenants **6**
Unexpired lease term to expiry **16 years**
Occupancy rate **73.0%**
Rent passing **£5.6 million p.a.**
Average rent passing **£385 per m²**
Environmental rating **BREEAM Excellent**

Ownership
100%

Property net internal area
6,500m²

Stockley House,
Victoria, London SW1

Acquired by Hammerson in 2007, this building offers an opportunity for redevelopment either as a standalone scheme or as part of the wider Victoria Station regeneration. Principal occupiers include Balfour Beatty and the Secretary of State for Communities.

Key dates **2007 acquired**
Tenure **Freehold**
Principal occupiers **Balfour Beatty, Secretary of State for Communities**
Number of tenants **4**
Unexpired lease term to expiry **3 years**
Occupancy rate **100%**
Rent passing **£2.6 million p.a.**
Average rent passing **£405 per m²**
Environmental rating **None**

Ownership
50%

Property net internal area
6,000m²

10 Grosvenor Street
London W1

Developed in joint venture between Hammerson and Grosvenor, this six-storey Mayfair office building was completed in December 2003. It houses Hammerson's headquarters with Associated British Foods occupying the top two floors of the building and hedge fund manager LDFM, the third floor. The scheme includes 570m² of retail space on the ground floor.

JV partner **Grosvenor (50%)**
Key dates **2003 developed**
Tenure **Leasehold**
Principal occupiers **Associated British Foods, Hammerson, LDFM**
Number of tenants **6**
Unexpired lease term to expiry **12 years**
Occupancy rate **100%**
Rent passing **£2.1 million p.a.**
Average rent passing **£690 per m²**
Environmental rating **BREEAM Excellent**

GLOSSARY OF TERMS

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 10 to the accounts.
Anchor store	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's valuers.
Gross rental income	Income from rents, car parks and commercial income.
IAS	International Accounting Standard.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest, the change in fair value of derivatives and bond redemption costs.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like/underlying net rental income	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
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 (NAV)	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.

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

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