

Independent auditor's report on the Group financial statements

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAMMERSON PLC

We have audited the Group financial statements (the 'financial statements') of Hammerson plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, 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 29. 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 auditor's 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 AUDITOR

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 and express an opinion on 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 2010 and of its profit 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;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

OTHER MATTER

We have reported separately on the parent company financial statements of Hammerson plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ian Krieger (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
21 February 2011

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Gross rental income	2	332.0	344.3*
Operating profit before other net gains/(losses) and share of results of associate	2	248.8	252.6
Other net gains/(losses)	2	469.9	(590.4)
Share of results of associate	2	1.5	(0.8)
Operating profit/(loss)	2	720.2	(338.6)
Finance costs		(111.5)	(129.0)
Change in fair value of derivatives		1.7	(4.1)
Finance income		9.8	18.6
Net finance costs	7	(100.0)	(114.5)
Profit/(Loss) before tax		620.2	(453.1)
Current tax charge	8A	(0.6)	(0.9)
Deferred tax (charge)/credit	8A	(0.1)	103.6
Tax (charge)/credit		(0.7)	102.7
Profit/(Loss) for the year		619.5	(350.4)
Attributable to:			
Equity shareholders		615.4	(344.5)
Equity minority interests		4.1	(5.9)
Profit/(Loss) for the year		619.5	(350.4)
Basic earnings/(loss) per share	10A	87.2p	(54.1)p
Diluted earnings/(loss) per share	10A	87.2p	(54.1)p

* The comparative figure for gross rental income has been amended to reflect the reclassification of lease incentives (see note 1 on page 63).

Adjusted earnings per share are shown in note 10A. All results derive from continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Foreign exchange translation differences		(65.1)	(209.0)
Net gain on hedge of net investment in foreign subsidiaries		50.8	176.3
Exchange gain previously recognised in the translation reserve, recycled on disposal of foreign operation		-	(28.2)
Exchange loss previously recognised in the hedging reserve, recycled on disposal of foreign operation		-	18.4
Revaluation gains/(losses) on owner-occupied property		4.5	(6.4)
Revaluation gains on other investments		18.4	3.9
Actuarial losses on pension schemes		(4.8)	(14.3)
Deferred tax on items taken directly to equity	8A	-	4.4
Net gain/(loss) recognised directly in equity		3.8	(54.9)
Profit/(Loss) for the year		619.5	(350.4)
Total comprehensive income/(loss) for the year		623.3	(405.3)
Attributable to:			
Equity shareholders		621.8	(392.1)
Equity minority interests		1.5	(13.2)
Total comprehensive income/(loss) for the year		623.3	(405.3)

Consolidated balance sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investment and development properties	11	5,331.1	5,141.5
Interests in leasehold properties		30.5	23.0
Plant, equipment and owner-occupied property	12	33.4	30.4
Investment in associate	13B	–	10.4
Other investments	15	133.2	114.0
Receivables	16	45.2	61.5
		5,573.4	5,380.8
Current assets			
Receivables	17	80.7	102.7
Cash and deposits	18	126.2	182.9
		206.9	285.6
Total assets		5,780.3	5,666.4
Current liabilities			
Payables	19	220.1	228.4
Tax	8C	1.0	1.6
Borrowings	20A	4.4	62.9
		225.5	292.9
Non-current liabilities			
Borrowings	20A	1,916.2	2,256.1
Deferred tax	8C	0.5	0.4
Tax	8C	0.5	1.3
Obligations under finance leases	22	30.3	22.8
Payables	23	55.6	69.8
		2,003.1	2,350.4
Total liabilities		2,228.6	2,643.3
Net assets		3,551.7	3,023.1
Equity			
Share capital	24	176.9	175.7
Share premium		1,222.5	1,223.6
Translation reserve		415.2	477.7
Hedging reserve		(334.6)	(385.4)
Capital redemption reserve		7.2	7.2
Other reserves		8.6	10.3
Revaluation reserve		101.5	78.6
Retained earnings		1,890.1	1,372.4
Investment in own shares	25	(4.0)	(4.6)
Treasury shares	26	(3.4)	(5.8)
Equity shareholders' funds		3,480.0	2,949.7
Equity minority interests		71.7	73.4
Total equity		3,551.7	3,023.1
Diluted net asset value per share	10B	£4.93	£4.20
EPRA net asset value per share	10B	£4.95	£4.21

These financial statements were approved by the Board of Directors on 21 February 2011.

Signed on behalf of the Board

David Atkins **Simon Melliss**
Director Director

Registered in England No. 360632

Consolidated statement of changes in equity

For the year ended 31 December 2010

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

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

Consolidated statement of changes in equity

For the year ended 31 December 2009

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

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

Consolidated cash flow statement

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Operating activities			
Operating profit before other net gains/(losses) and share of results of associate	2	248.8	252.6
(Increase)/Decrease in receivables		(3.6)	31.7
Increase/(Decrease) in payables		0.2	(48.1)
Adjustment for non-cash items	27	(8.4)	2.3
Cash generated from operations		237.0	238.5
Interest paid		(111.1)	(149.0)
Interest received		3.4	3.9
Distribution received from other investments		4.6	13.1
Tax paid	8C	(1.2)	(1.2)
Cash flows from operating activities		132.7	105.3
Investing activities			
Property and corporate acquisitions		(218.6)	(39.5)
Development and major refurbishments		(60.8)	(164.1)
Other capital expenditure		(25.5)	(23.7)
Sale of properties		474.6	394.9
Sale of subsidiary		-	3.0
Disposal of/(Investment in) associate		80.0	(5.0)
(Purchase)/Sale of other investments		(1.1)	1.3
Decrease in non-current receivables		0.3	-
Cash flows from investing activities		248.9	166.9
Financing activities			
Rights issue		-	584.3
Issue of other shares		0.1	0.1
Proceeds from award of own shares		0.1	0.1
Purchase of treasury shares		(3.4)	-
Decrease in non-current borrowings		(306.6)	(647.2)
Decrease in current borrowings		(29.2)	(74.3)
Dividends paid to minorities		(3.2)	(2.7)
Equity dividends paid	9	(95.4)	(64.5)
Cash flows used in financing activities		(437.6)	(204.2)
Net (decrease)/increase in cash and deposits		(56.0)	68.0
Opening cash and deposits		182.9	119.9
Exchange translation movement		(0.7)	(5.0)
Closing cash and deposits	18	126.2	182.9

Analysis of movement in net debt

For the year ended 31 December 2010

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

Notes to the accounts

1 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 2010, the following pronouncements either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- Amendments to IFRIC 9 and IAS 39 Embedded Derivatives; effective for accounting periods beginning on or after 30 June 2009
- 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
- IFRIC 17 Distribution of non-cash assets to Owners; effective for periods beginning on or after 1 July 2009
- IFRIC 18 Transfer of Assets from Customers; effective for periods beginning on or after 1 July 2009, relating to transfers after that date
- Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions; effective for accounting periods beginning on or after 1 January 2010

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:

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets; effective for accounting periods beginning on or after 1 July 2011
- Amendments to IAS 32 Classification of Rights Issues; effective for accounting periods beginning on or after 1 February 2010
- IFRS 9 Financial Instruments; effective for accounting periods beginning on or after 1 January 2013
- IAS 24 Related Party Disclosures; effective for periods commencing on or after 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; effective for accounting periods beginning on or after 1 July 2010

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.

BASIS OF PREPARATION

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 43.

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

The 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 uncertainties of the Group, as noted on page 15.

Other investments

The Company holds other investments which are classified as available for sale and held at fair value on the balance sheet. The fair value of these investments is based on the Directors' valuation, having regard to external valuations of the underlying properties and the Group's interest in these properties.

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 8E and 8F 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, particularly where there is an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, 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.

Notes to the accounts (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 = €1.167 (2009: £1 = €1.126). The principal exchange rate used for the income statement is the average rate, £1 = €1.166 (2009: £1 = €1.123).

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 the effect is 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

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 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 options 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. The fair value of the market-based element of the Long-Term Incentive Plans is calculated using the Monte Carlo Model and is dependent on factors including the expected volatility, vesting period and risk-free interest rate. IFRS 2 Share-based Payment has been applied to share options granted.

Notes to the accounts (continued)

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2010 £m	Adjusted £m	Capital and other £m	Total 2009 £m
Gross rental income	3A	332.0	–	332.0	344.3	–	344.3
Ground and equity rents payable		(5.1)	–	(5.1)	(5.4)	–	(5.4)
Gross rental income, after rents payable		326.9	–	326.9	338.9	–	338.9
Service charge income		59.9	–	59.9	57.6	–	57.6
Service charge expenses		(67.7)	–	(67.7)	(69.3)	–	(69.3)
Net service charge expenses		(7.8)	–	(7.8)	(11.7)	–	(11.7)
Other property outgoings		(34.4)	–	(34.4)	(33.6)	–	(33.6)
Property outgoings		(42.2)	–	(42.2)	(45.3)	–	(45.3)
Net rental income	3A	284.7	–	284.7	293.6	–	293.6
Management fees receivable		9.6	–	9.6	2.9	–	2.9
Cost of property activities		(30.1)	–	(30.1)	(28.2)	–	(28.2)
Corporate expenses		(15.4)	–	(15.4)	(15.7)	–	(15.7)
Administration expenses		(35.9)	–	(35.9)	(41.0)	–	(41.0)
Operating profit before other net gains/(losses) and share of results of associate		248.8	–	248.8	252.6	–	252.6
Loss on the sale of investment properties		–	(15.7)	(15.7)	–	(138.0)	(138.0)
Loss on the sale of subsidiary		–	–	–	–	(25.4)	(25.4)
Gain on sale of associate		–	38.5	38.5	–	–	–
Revaluation gains/(losses) on investment properties		–	447.0	447.0	–	(403.9)	(403.9)
Revaluation gains/(losses) on development properties		–	0.1	0.1	–	(40.2)	(40.2)
Goodwill impairment		–	–	–	–	(1.4)	(1.4)
Negative goodwill		–	–	–	–	3.4	3.4
Net exchange gain previously recognised in equity, recycled on disposal of foreign operation		–	–	–	–	9.8	9.8
		–	469.9	469.9	–	(595.7)	(595.7)
Release of provision relating to formerly owned property		–	–	–	–	5.3	5.3
Other net gains/(losses)		–	469.9	469.9	–	(590.4)	(590.4)
Share of results of associate	13A	2.0	(0.5)	1.5	0.9	(1.7)	(0.8)
Operating profit/(loss)		250.8	469.4	720.2	253.5	(592.1)	(338.6)
Net finance (costs)/income	7	(106.3)	6.3	(100.0)	(123.5)	9.0	(114.5)
Profit/(Loss) before tax		144.5	475.7	620.2	130.0	(583.1)	(453.1)
Current tax charge	8A	(0.6)	–	(0.6)	(0.9)	–	(0.9)
Deferred tax (charge)/credit	8A	–	(0.1)	(0.1)	–	103.6	103.6
Profit/(Loss) for the year		143.9	475.6	619.5	129.1	(479.5)	(350.4)
Equity minority interests		(3.7)	(0.4)	(4.1)	(3.8)	9.7	5.9
Profit/(Loss) for the year attributable to equity shareholders	10A	140.2	475.2	615.4	125.3	(469.8)	(344.5)

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

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

Notes to the accounts (continued)

3 SEGMENTAL ANALYSIS

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

A: REVENUE AND PROFIT BY SEGMENT

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

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

C: ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

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

As part of the Group's foreign currency hedging programme, at 31 December 2010 the Group had currency swaps outstanding which are included in the analysis above. Further details are set out in note 21C.

Notes to the accounts (continued)

4 ADMINISTRATION EXPENSES

Administration expenses include the following items:

STAFF COSTS, INCLUDING DIRECTORS

	Note	2010 £m	2009 £m
Salaries and wages		21.6	18.9
Performance-related bonuses – payable in cash		5.1	3.3
– payable in shares		0.8	0.8
		5.9	4.1
Other share-based employee remuneration		2.4	4.3
Social security		4.7	4.5
Net pension expense – defined benefit plans	6	1.3	1.2
– defined contribution plans	6	1.5	1.3
		2.8	2.5
		37.4	34.3

Of the above amount, £7.6 million (2009: £7.0 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 46 to 51. In addition to the figures above, redundancy costs of £0.6 million (2009: £0.3 million) were incurred during the year.

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme, part payable in cash and part payable in shares. The Company also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Details of these schemes are set out in the Remuneration Report on pages 47 and 48. In addition, the Company operates the following share plans in which Directors do not participate:

Restricted Share Plan

Certain UK employees 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 referred to on page 48 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.

STAFF NUMBERS

	2010 Number	2009 Number
Average number of staff	344	313
Staff recharged to tenants, included above	112	99

OTHER INFORMATION

	2010 £m	2009 £m
Auditors' remuneration: Audit of the Company's annual accounts	0.2	0.2
Audit of subsidiaries, pursuant to legislation	0.3	0.3
Other services, pursuant to legislation	0.1	0.1
Other services	0.1	0.4
Other auditors' remuneration: Audit of subsidiaries, pursuant to legislation, and other services	0.1	0.1
Depreciation of plant, equipment and owner-occupied property	1.4	1.5

Included in 'other services' in 2009 were fees of £0.4 million paid to the Group's auditors in respect of the rights issue which were 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 46 to 51. 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 £1.5 million (2009: £1.3 million).

PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR DEFINED BENEFIT PENSION SCHEMES

	31 December 2010 %	31 December 2009 %	31 December 2008 %	31 December 2007 %	31 December 2006 %
Discount rate for scheme liabilities	5.40	5.75	6.50	5.90	5.20
Expected return on plan assets	7.60	7.80	6.80	8.20	6.10
Increase in pensionable salaries	4.00	4.10	3.30	3.70	3.50
Increase in retail price index	3.50	3.60	2.80	3.20	3.00
Increase in pensions in payment	3.50	3.60	2.80	3.20	3.00
Mortality table	SAPS Light CM1 0.5%	SAPS MC	PA92 C2020	PA92 C2020	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	2010 £m	2009 £m
Current service cost	Administration expenses	1.3	1.2
Expected return on assets	Other interest payable	(3.7)	(2.8)
Interest cost	Other interest payable	3.8	3.1
Total pension expense		1.4	1.5

The Group expects to make regular contributions totalling £1.7 million to the Scheme in the next financial year.

Notes to the accounts (continued)

6 PENSIONS (CONTINUED)**AMOUNTS RECOGNISED IN THE BALANCE SHEET IN RESPECT OF DEFINED BENEFIT PENSION SCHEMES**

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of Scheme assets	51.0	47.4	42.4	47.0	43.0
Present value of Scheme obligations	(66.0)	(58.4)	(40.9)	(46.3)	(47.7)
	(15.0)	(11.0)	1.5	0.7	(4.7)
Present value of unfunded defined benefit obligations	(4.6)	(4.5)	(4.0)	(3.0)	(2.8)
Present value of US unfunded defined benefit obligations	(6.3)	(5.6)	(5.6)	(4.1)	(4.5)
Net pension liability	(25.9)	(21.1)	(8.1)	(6.4)	(12.0)

Analysed as:

Current liabilities	(0.7)	(0.2)
Non-current liabilities – Other payables	(25.2)	(20.9)
	(25.9)	(21.1)

The actual return on the Scheme assets for the year ended 31 December 2010 was 0.1% (2009: 0.1%).

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.

EXPERIENCE GAINS AND LOSSES FOR CURRENT AND PRIOR YEARS

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Experience gains/(losses) on plan liabilities	0.3	(0.1)	(0.3)	(0.1)	(1.8)
Experience (losses)/gains on plan assets	(0.8)	3.9	(8.5)	1.1	1.5

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

	2010 %	2009 %
Investments with target return linked to retail price index	100	100

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT PENSION SCHEME OBLIGATIONS

	2010 £m	2009 £m
At 1 January	68.5	50.5
Service cost	1.3	1.2
Interest cost	3.8	3.1
Actuarial losses	5.7	18.2
Benefits	(2.3)	(3.5)
Exchange gains	–	(1.0)
At 31 December	77.0	68.5

6 PENSIONS (CONTINUED)

CHANGES IN THE FAIR VALUE OF DEFINED BENEFIT PENSION SCHEME ASSETS

	2010 £m	2009 £m
At 1 January	47.4	42.4
Expected return	3.6	2.8
Actuarial gains	0.9	3.9
Contributions by employer	0.8	1.1
Benefits	(1.6)	(2.8)
At 31 December	51.1	47.4

The cumulative net actuarial losses recognised in the consolidated statement of comprehensive income at 31 December 2010 were £24.2 million (2009: £19.4 million).

7 NET FINANCE COSTS

	2010 £m	2009 £m
Interest on bank loans and overdrafts	9.9	31.7
Interest on other borrowings	98.5	102.9
Interest on obligations under finance leases	2.4	2.3
Other interest payable	2.4	2.1
Gross interest costs	113.2	139.0
Less: Interest capitalised	(1.7)	(10.0)
Finance costs	111.5	129.0
Change in fair value of interest rate swaps	(1.1)	(3.1)
Change in fair value of currency swaps outside hedge accounting designation	(0.6)	7.2
Change in fair value of derivatives	(1.7)	4.1
Distribution from other investments (note 15)	(4.6)	(13.1)
Other finance income	(5.2)	(5.5)
Finance income	(9.8)	(18.6)
Net finance costs	100.0	114.5

Notes to the accounts (continued)

8 TAX**A: TAX CHARGE/(CREDIT)**

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

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

B: TAX CHARGE/(CREDIT) RECONCILIATION

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

C: CURRENT AND DEFERRED TAX MOVEMENTS

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

8 TAX (CONTINUED)

D: UNRECOGNISED DEFERRED TAX

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

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

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

E: UK REIT STATUS

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

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

F: FRENCH SIIC STATUS

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

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

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

Notes to the accounts (continued)

9 DIVIDENDS

The proposed final dividend of 8.8 pence per share was recommended by the Board on 21 February 2011 and, subject to approval by shareholders, is payable on 13 May 2011 to shareholders on the register at the close of business on 11 March 2011. This will be paid entirely as a PID, net of withholding tax if applicable, except to the extent that shareholders elect to receive the scrip dividend alternative. The aggregate amount of the 2010 final dividend is £62.3 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 2010. In 2009, the Company paid a second interim dividend of 8.5 pence per share in lieu of a final dividend.

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

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

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

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

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.

	2010			2009		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	615.4	705.8	87.2	(344.5)	637.2	(54.1)
Dilutive share options	–	0.2	–	–	–	–
Diluted	615.4	706.0	87.2	(344.5)	637.2	(54.1)
Adjustments:						
Other net (gains)/losses (note 2)	(469.9)		(66.6)	595.7		93.5
Adjustment for associate (note 13A)	0.5		0.1	1.7		0.3
Change in fair value of derivatives (note 7)	(1.7)		(0.2)	4.1		0.6
Distribution from other investments (note 7)	(4.6)		(0.6)	(13.1)		(2.0)
Deferred tax charge/(credit) (note 8)	0.1		–	(103.6)		(16.3)
Equity minority interests in respect of the above	0.4		–	(9.7)		(1.5)
EPRA	140.2		19.9	130.6		20.5
Release of provision relating to formerly owned property (note 2)	–		–	(5.3)		(0.8)
Adjusted	140.2		19.9	125.3		19.7

Further commentary on earnings and net asset value per share is provided in the Financial Review on pages 27 to 30.

B: NET ASSET VALUE PER SHARE

	2010			2009		
	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
Basic	3,480.0	707.6	4.92	2,949.7	702.8	4.20
Company's own shares held in Employee Share Ownership Plan	–	(0.4)	n/a	–	(0.4)	n/a
Treasury shares	–	(0.8)	n/a	–	(0.5)	n/a
Unexercised share options	4.2	0.9	n/a	4.5	1.0	n/a
Diluted	3,484.2	707.3	4.93	2,954.2	702.9	4.20
Fair value adjustment to borrowings	(77.5)		(0.11)	3.5		0.01
EPRA triple net	3,406.7		4.82	2,957.7		4.21
Fair value of derivatives	12.9		0.02	(1.9)		–
Fair value adjustment to borrowings	77.5		0.11	(3.5)		(0.01)
Deferred tax	0.5		–	0.4		–
Adjustment for associate (note 13B)	–		–	7.6		0.01
EPRA	3,497.6		4.95	2,960.3		4.21

Notes to the accounts (continued)

11 INVESTMENT AND DEVELOPMENT PROPERTIES

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

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

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

Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: www.hammerson.com

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

	Freehold £m	Long leasehold £m	Total £m
Balance at 31 December 2010	3,176.2	2,154.9	5,331.1
Balance at 31 December 2009	3,438.8	1,702.7	5,141.5
Capital commitments		54.8	60.2

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

12 PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	Plant and equipment £m	Total £m
Cost or valuation			
Balance at 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 2009/1 January 2010	22.6	14.9	37.5
Exchange adjustment	–	(0.2)	(0.2)
Additions	–	0.3	0.3
Disposals	–	(1.3)	(1.3)
Revaluation adjustment	4.5	–	4.5
Balance at 31 December 2010	27.1	13.7	40.8
Depreciation			
Balance at 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 2009/1 January 2010	–	(7.1)	(7.1)
Exchange adjustment	–	0.1	0.1
Disposals	–	1.0	1.0
Depreciation charge for the year	–	(1.4)	(1.4)
Balance at 31 December 2010	–	(7.4)	(7.4)
Book value at 31 December 2010	27.1	6.3	33.4
Book value at 31 December 2009	22.6	7.8	30.4

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 2010 was £12.0 million (2009: £12.0 million).

Notes to the accounts (continued)

13 INVESTMENT IN ASSOCIATE

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

A: SHARE OF RESULTS OF ASSOCIATE

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

B: SHARE OF ASSETS AND LIABILITIES OF ASSOCIATE

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

14 JOINT VENTURES

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

	Group share %
Investments	
Brent Cross Shopping Centre	41.2
Brent South Shopping Park	40.6
Bristol Alliance Limited Partnership	50
Queensgate Limited Partnership	50
Retail Property Holdings Limited	50
SCI ESQ (Espace Saint Quentin)	25
SCI RC Aulnay 1 and SCI RC Aulnay 2 (O'Parinor)	49
The Bull Ring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Oracle Limited Partnership	50
The Highcross Limited Partnership	60
The West Quay Limited Partnership	50
125 OBS Limited Partnership	50
10 Gresham Street LLP	30
Developments	
Bishopsgate Goodsynd Regeneration Limited	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 not treated as a subsidiary, but is accounted for by proportional consolidation.

The summarised income statements and balance sheets on pages 80 and 81, 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 2010

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

BALANCE SHEETS AS AT 31 DECEMBER 2010

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

¹ Includes Brent Cross Shopping Centre and Brent South Shopping Park.

² Reflects the Group's disposal in October 2010 of a 51% interest in O'Parinor shopping centre.

³ Reflects the Group's disposal in October 2010 of a 75% interest in Espace Saint Quentin shopping centre.

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

14 JOINT VENTURES (CONTINUED)

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

	Brent Cross' £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 ² Property Holdings Limited £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)/gains	16.7	13.4	13.8	11.2	7.0	11.3	12.1	0.2	5.8	91.5
Other net (losses)/gains	(28.6)	(24.4)	4.1	(10.9)	(24.5)	(29.7)	(14.9)	-	(28.4)	(157.3)
Net finance costs	-	(0.4)	-	0.1	-	-	(0.2)	-	(2.4)	(2.9)
(Loss)/Profit before tax	(11.9)	(11.4)	17.9	0.4	(17.5)	(18.4)	(3.0)	0.2	(25.0)	(68.7)

BALANCE SHEETS AS AT 31 DECEMBER 2009

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

¹ Includes Brent Cross Shopping Centre and Brent South Shopping Park.

² Reflects the Group's acquisition in December 2009 of a 50% interest in Retail Property Holdings Limited, which owns Silverburn Shopping Centre, Glasgow.

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

Notes to the accounts (continued)

15 OTHER INVESTMENTS

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

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 (2009: £7.8 million). These investments are included at fair value, based on the market value of the underlying property, at 31 December 2010 of £74.8 million (2009: £56.4 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 related companies are included at fair value. The cost of these investments was £37.4 million (2009: £37.6 million).

During the year, the Company received a special distribution of £4.6 million (2009: £13.1 million) from the Value Retail Investors Limited Partnerships, which is included in finance income (see note 7).

16 RECEIVABLES: NON-CURRENT ASSETS

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

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

Loans receivable also includes a loan of €16 million (£13.7 million) to Value Retail plc bearing interest at 10% and maturing on 22 August 2012. At 31 December 2009, this loan, translated at £14.2 million, was included within current receivables (see note 17).

17 RECEIVABLES: CURRENT ASSETS

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

Trade receivables are shown after deducting a provision for bad and doubtful debts of £11.9 million (2009: £11.1 million) as set out in the table opposite. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 21F.

17 RECEIVABLES: CURRENT ASSETS (CONTINUED)

	Gross receivable £m	Provision £m	2010 Net receivable £m	Gross receivable £m	Provision £m	2009 Net receivable £m
Not yet due	22.8	–	22.8	19.1	–	19.1
1-30 days overdue	7.5	0.6	6.9	10.2	1.0	9.2
31-60 days overdue	2.3	0.1	2.2	0.3	0.1	0.2
61-90 days overdue	0.7	0.2	0.5	0.9	0.3	0.6
91-120 days overdue	2.9	1.6	1.3	2.5	1.8	0.7
More than 120 days overdue	14.6	9.4	5.2	13.2	7.9	5.3
	50.8	11.9	38.9	46.2	11.1	35.1

18 CASH AND DEPOSITS

	2010 £m	2009 £m
Cash at bank	71.8	71.0
Short-term deposits	54.4	111.9
	126.2	182.9

Currency profile

Sterling	109.5	87.9
Euro	16.7	95.0
	126.2	182.9

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 0.5% (2009: 0.2%). Such deposits are considered to be cash equivalents. Included in the cash balance is £1.6 million (2009: £3.6 million) which may be used only in relation to certain development projects or in respect of secured borrowings.

19 PAYABLES: CURRENT LIABILITIES

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

20 BORROWINGS**A: MATURITY**

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

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

At 31 December 2010, the fair value of currency swaps was a liability of £4.4 million which is included in the table above. At 31 December 2009, the fair value of currency swaps was an asset of £12.1 million which was included in current receivables (see note 17).

Notes to the accounts (continued)

20 BORROWINGS (CONTINUED)**B: ANALYSIS**

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

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

C: UNDRAWN COMMITTED FACILITIES

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

D: INTEREST RATE AND CURRENCY PROFILE

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

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

The analysis above reflects the effect of currency and interest rate swaps in place at 31 December 2009 and 2010, further details of which are set out in note 21.

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 uncertainties' on page 15.

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.

At 31 December 2010, the Group had interest rate swaps of £100.0 million (2009: £100.0 million) and £60.7 million (2009: £nil) maturing in 2013 and 2015 respectively. Under these swaps the Group pays interest at fixed rates of 4.725% and 2.455% respectively and receives interest linked to LIBOR. At 31 December 2009, the Group had interest rate swaps of £47.9 million maturing in 2010. Under these swaps, the Group paid interest at a fixed rate of 6.275% and received interest at variable rates linked to LIBOR.

At 31 December 2010, the fair value of interest rate swaps was a liability of £8.5 million (2009: £10.2 million).

At 31 December 2009, the Group also had £300 million of interest rate swap options whereby the counterparties could require the Group to pay LIBOR and receive a fixed rate of 5.25% over the period 15 December 2010 to 15 December 2016. These options were unexercised and matured 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 2010 was £598.5 million (2009: £620.0 million) and their fair value was £622.7 million (2009: £608.8 million).

At 31 December 2010, the Group had currency swaps of £501.3 million, being €590.1 million sold forward against sterling: €187.5 million for value in January 2011 at a rate of £1 = €1.182 and €402.6 million for value in February 2011, at a rate of £1 = €1.175. At 31 December 2009, the Group had 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. The fair value of currency swaps is shown in note 211.

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 31.

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.

Notes to the accounts (continued)

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 2010 was 8.8 years (2009: 8.6 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 23.

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 2010, the Group's maximum exposure to credit risk was £252.1 million (2009: £347.1 million).

G: FINANCIAL MATURITY ANALYSIS

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

	2010 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	(126.2)	(126.2)	–	–	–
Sterling variable rate secured bank loan	65.3	–	0.7	64.6	–
Unsecured bonds					
Sterling fixed rate bonds	1,040.0	–	–	–	1,040.0
Euro fixed rate bonds	598.5	–	–	598.5	–
Interest rate swaps (variable)	(160.7)	–	–	(160.7)	–
Interest rate swaps (fixed)	160.7	–	–	160.7	–
Unsecured bank loans and overdrafts	212.4	–	37.7	174.7	–
Fair value of currency swaps	4.4	4.4	–	–	–
Net debt	1,794.4	(121.8)	38.4	837.8	1,040.0
Loans receivable	(41.9)	–	(13.7)	(28.2)	–
	1,752.5	(121.8)	24.7	809.6	1,040.0

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Total £m	2009 Maturity			
		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)	–	–	–
Sterling variable rate secured bank loan	62.9	62.9	–	–	–
Unsecured bonds					
Sterling fixed rate bonds	1,039.3	–	–	–	1,039.3
Euro fixed rate bonds	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

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 2010, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual profit before tax by £3.3 million (2009: increase of £0.1 million) and a decrease of one percentage point in interest rates would have decreased the Group's annual profit before tax by £3.5 million (2009: decrease of £0.6 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 2010 by £101.5 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 2010 by £124.1 million. For the year ended 31 December 2009, a 10% strengthening of sterling against the euro would have increased the net gain taken directly to equity by £122.3 million. A 10% weakening of sterling against the euro would have decreased the net gain taken directly to equity by £149.5 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 the 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, currency and interest rate swaps, together with their carrying amounts included in the balance sheet, are as follows:

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

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

Notes to the accounts (continued)

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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. The fair value of the Group's currency swaps have been estimated on the basis of the prevailing forward rates at the year end, representing Level 2 fair value measurements as defined by IFRS 7.

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 2010	113.9
Total gains/(losses)	
– in profit and loss	(0.2)
– in other comprehensive income	18.4
Balance at 31 December 2010	132.1

J: CARRYING AMOUNTS, GAINS AND LOSSES OF FINANCIAL INSTRUMENTS

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

		2010			2009		
	Notes	Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m	Carrying amount £m	Gain/ (Loss) to income £m	Gain/ (Loss) to equity £m
Trade receivables	17	38.9	(0.8)	–	35.1	(5.2)	–
Cash and deposits	18	126.2	0.5	–	182.9	2.4	–
Loans and receivables		165.1	(0.3)	–	218.0	(2.8)	–
Other investments	15	133.2	(0.2)	18.4	114.0	(0.8)	3.9
Loans receivable	16,17	41.9	2.3	–	41.8	2.2	–
Loans to associate – interest bearing	16	–	1.4	–	21.0	0.8	–
Available for sale		175.1	3.5	18.4	176.8	2.2	3.9
Interest rate swaps	19,23	(8.5)	(4.5)	–	(10.2)	(7.8)	–
Liabilities at fair value (held for trading)		(8.5)	(4.5)	–	(10.2)	(7.8)	–
Currency swaps	20	(4.4)	0.3	13.2	12.1	(1.8)	54.7
Derivatives in effective hedging relationships		(4.4)	0.3	13.2	12.1	(1.8)	54.7
Trade payables	19	(187.0)	–	–	(214.0)	–	–
Borrowings, excluding currency swaps	20	(1,916.2)	(102.3)	37.6	(2,319.0)	(112.0)	121.6
Finance leases	22	(30.3)	(2.4)	–	(22.8)	(2.3)	–
Liabilities at amortised cost		(2,133.5)	(104.7)	37.6	(2,555.8)	(114.3)	121.6
Total for financial instruments		(1,806.2)	(105.7)	69.2	(2,159.1)	(124.5)	180.2

The total loss to income for the year ended 31 December 2010 in respect of interest rate swaps shown above includes the gain arising from the change in fair value of £1.1 million (2009: £3.1 million), included within net finance costs in note 7.

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

	Notes	2010 £m	2009 £m
Total loss on financial instruments to income		(105.7)	(124.5)
Add back: Trade receivables loss		0.8	5.2
Other interest income		2.6	2.0
Loss/(Gain) to income on currency swaps outside hedge accounting designation	7	0.6	(7.2)
Interest capitalised	7	1.7	10.0
Net finance costs	7	(100.0)	(114.5)

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 £13.2 million (2009: £54.7 million) and borrowings of £37.6 million (2009: £121.6 million) is £50.8 million, as shown in the movement in the hedging reserve in the consolidated statement of changes in equity.

K: MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The remaining contractual maturities are as follows:

2010	Payables £m	Interest rate swaps £m	Currency swaps £m		Finance leases £m	2010 Total £m
			20D	21L		
Notes			20D	21L	22	
After 25 years	–	–	–	–	359.7	359.7
From five to 25 years	8.4	–	–	1,499.3	51.9	1,559.6
From two to five years	3.3	0.3	–	1,119.2	10.4	1,133.2
From one to two years	6.1	3.5	–	139.7	2.6	151.9
Due after more than one year	17.8	3.8	–	2,758.2	424.6	3,204.4
Due within one year	169.2	4.5	505.7	100.1	2.6	782.1
	187.0	8.3	505.7	2,858.3	427.2	3,986.5

2009	Payables £m	Interest rate swaps £m	Currency swaps £m		Finance leases £m	2009 Total £m
			20D	21L		
Notes			20D	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	2.2	130.2
Due after more than one year	37.6	10.2	–	3,199.4	372.7	3,619.9
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	374.9	4,442.6

At 31 December 2010, the currency swap liability is offset by an asset of £501.3 million (2009: £485.6 million), so that the fair value of the currency swaps is a liability of £4.4 million (2009: asset of £12.1 million) as reported in note 21I.

Based on market conditions existing at 31 December 2009, the potential cash flows arising from the counterparties exercising their options to reinstate the £300 million interest rate swaps from December 2010 to December 2016, as referred to in note 21B, has been excluded from the maturity analysis above for 2009. These options matured on 15 December 2010.

Notes to the accounts (continued)

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**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.

	Borrowings £m	Fair value of currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
2010	20A	20B			21K
Notes					
From five to 25 years	1,040.0	–	449.3	10.0	1,499.3
From two to five years	837.8	–	278.9	2.5	1,119.2
From one to two years	38.4	–	101.1	0.2	139.7
Due after more than one year	1,916.2	–	829.3	12.7	2,758.2
Due within one year	4.4	(4.4)	100.1	–	100.1
	1,920.6	(4.4)	929.4	12.7	2,858.3

	Borrowings £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
2009	20A			21K
Notes				
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

M: CAPITAL STRUCTURE

Information on the Group's capital structure is provided in the Financial Review on page 31.

22 OBLIGATIONS UNDER FINANCE LEASES

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

	2010			2009		
	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	359.7	(329.6)	30.1	318.2	(295.6)	22.6
From five to 25 years	51.9	(51.7)	0.2	43.6	(43.4)	0.2
From two to five years	10.4	(10.4)	–	8.7	(8.7)	–
From one to two years	2.6	(2.6)	–	2.2	(2.2)	–
Within one year	2.6	(2.6)	–	2.2	(2.2)	–
	427.2	(396.9)	30.3	374.9	(352.1)	22.8

23 PAYABLES: NON-CURRENT LIABILITIES

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

24 SHARE CAPITAL

	Called up, allotted and fully paid	
	2010 £m	2009 £m
Ordinary shares of 25p each	176.9	175.7
		Number
Movements in issued share capital		
Number of shares in issue at 1 January 2010		702,809,926
Issued in respect of scrip dividend		4,709,275
Share options exercised – Share option scheme		58,389
Share options exercised – Save As You Earn		1,266
Number of shares in issue at 31 December 2010		707,578,856

The number of shares in issue at the balance sheet date included 800,000 (2009: 500,000) shares held in treasury, see note 26.

Share options

At 31 December 2010 the following options granted to staff remained outstanding under the Company's executive share option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2011	440	148,012
2012	381-583	203,749
2013	286	15,454
2014	440	41,330
2015	583	43,310
2016	839	136,009
		587,864

At 31 December 2010 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
2011	372.1-598.1	5,312
2012	217.2	218,855
2013	312.24	27,600
2014	217.2	55,622
2015	312.24	11,055
2016	217.2	3,020
2017	312.24	2,505
		323,969

The number and weighted average exercise prices of share options under the Company's executive share option scheme are as follows:

	Number of options	2010 Weighted average exercise price £	Number of options	2009 Weighted average exercise price £
Outstanding at 1 January	673,226	5.61	535,023	8.05
Adjustment for rights issue	–	–	252,268	(2.60)
Forfeited during the year	(26,973)	5.73	(63,450)	5.62
Exercised during the year	(58,389)	2.89	(50,615)	2.87
Outstanding at 31 December	587,864	5.88	673,226	5.61
Exercisable at 31 December	587,864	5.88	673,226	5.61

The weighted average share price at the date of exercise for share options exercised during the year was £3.87 (2009: £3.44). The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 2 years (31 December 2009: 3 years).

Notes to the accounts (continued)

24 SHARE CAPITAL (CONTINUED)

The number and weighted average exercise price of share options under the Company's savings-related share option scheme are as follows:

	Number of options	2010 Weighted average exercise price £	Number of options	2009 Weighted average exercise price £
Outstanding at 1 January	308,659	2.38	60,873	8.88
Adjustment for rights issue	–	–	15,041	(2.84)
Granted during the year	42,322	3.12	304,044	2.17
Forfeited during the year	(25,746)	2.89	(70,724)	5.77
Exercised during the year	(1,266)	2.17	(575)	2.17
Outstanding at 31 December	323,969	2.38	308,659	2.38

The weighted average share price at the date of exercise for share options exercised during the year was £3.95 (2009: £4.02). No options outstanding under the Company's savings-related share option scheme were exercisable at 31 December 2010 or 31 December 2009.

At 31 December 2010, the following shares remained outstanding under the Company's Restricted Share Plan and Long-Term Incentive Plan.

	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
	2010	2009	2010	2009
Outstanding at 1 January	445,995	96,665	1,988,253	512,057
Adjustment for rights issue	–	47,888	–	254,884
Awarded during the year	388,679	305,911	913,114	1,360,938
Dividends awarded during the year	22,083	10,499	83,647	52,438
Vested during the year	(48,714)	–	–	–
Forfeited during the year	(30,852)	(14,968)	(328,519)	(192,064)
Outstanding at 31 December	777,191	445,995	2,656,495	1,988,253

Year of grant	Number of ordinary shares of 25p each			
	Restricted Share Plan		Long-Term Incentive Plan	
	2010	2009	2010	2009
2007	–	48,714	–	322,983
2008	90,485	92,157	454,153	437,898
2009	297,536	305,124	1,272,936	1,227,372
2010	389,170	–	929,406	–
	777,191	445,995	2,656,495	1,988,253

25 INVESTMENT IN OWN SHARES

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

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 is 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 2010 was 345,481 (2009: 392,359) following awards to participants during the year of 546,878 shares (2009: 697,061) and a transfer of 500,000 treasury shares (2009: 500,000).

26 TREASURY SHARES

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

The number of treasury shares held at 31 December 2010 was 800,000 (2009: 500,000) following the transfer at cost of 500,000 shares (2009: 500,000 shares) to the Hammerson Employee Share Ownership Plan during the year. On 29 October 2010, 1 November and 2 November, the Company purchased 400,000, 325,000 and 75,000 respectively of its own shares for a total of £3.4 million.

27 ADJUSTMENT FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

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

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 12 and in the Business Review on pages 22 to 25.

	2010 £m	2009 £m
Within one year	253.2	258.6
From one to two years	226.5	233.4
From two to five years	516.7	550.1
After five years	1,193.7	1,125.0
	2,190.1	2,167.1

29 CONTINGENT LIABILITIES

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

Independent auditor's report on the parent company financial statements

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAMMERSON PLC

We have audited the parent company financial statements of Hammerson plc for the year ended 31 December 2010 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 auditor's 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 and express an opinion on 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 2010;
- 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 2010.

Ian Krieger (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
21 February 2011

Company balance sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Investments in subsidiary companies	C	2,448.9	2,104.8
Receivables	D	3,703.9	4,531.7
		6,152.8	6,636.5
Current assets			
Receivables	E	2.8	29.9
Cash and short-term deposits		66.8	122.1
		69.6	152.0
Total assets		6,222.4	6,788.5
Current liabilities			
Payables	F	879.2	1,574.4
Borrowings	G	4.4	–
		883.6	1,574.4
Non-current liabilities			
Borrowings	G	1,850.9	2,256.1
Payables	H	7.9	8.3
		1,858.8	2,264.4
Total liabilities		2,742.4	3,838.8
Net assets		3,480.0	2,949.7
Equity			
Called up share capital	24	176.9	175.7
Share premium	I	1,222.5	1,223.6
Capital redemption reserve	I	7.2	7.2
Other reserves	I	0.1	126.9
Revaluation reserve	I	805.8	461.7
Retained earnings	I	1,274.9	965.0
Investment in own shares	J	(4.0)	(4.6)
Treasury shares	26	(3.4)	(5.8)
Equity shareholders' funds		3,480.0	2,949.7

These financial statements were approved by the Board of Directors on 21 February 2011.

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 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 Financial Instruments – Disclosure section 2D not to present the disclosures required 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 £274.6 million (2009: profit £401.9 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 2010	1,643.1	2,104.8
Revaluation adjustment	–	344.1
Balance at 31 December 2010	1,643.1	2,448.9

Investments are stated at Directors' valuation. A list of the principal subsidiary companies at 31 December 2010 is included in note L.

D: RECEIVABLES: NON-CURRENT ASSETS

	2010 £m	2009 £m
Amounts owed by subsidiaries	3,690.2	4,531.7
Loans receivable (see note 16)	13.7	–
	3,703.9	4,531.7

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 2011.

E: RECEIVABLES: CURRENT ASSETS

	2010 £m	2009 £m
Loans receivable (see note 16)	–	14.2
Other receivables	2.8	3.6
Fair value of currency swaps	–	12.1
	2.8	29.9

F: PAYABLES

	2010 £m	2009 £m
Amounts owed to subsidiaries	822.8	1,512.7
Other payables and accruals	56.4	61.7
	879.2	1,574.4

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	2010 Total £m	2009 Total £m
After five years	–	1,040.0	1,040.0	1,659.3
From two to five years	174.7	598.5	773.2	596.8
From one to two years	37.7	–	37.7	–
Due after more than one year	212.4	1,638.5	1,850.9	2,256.1
Due within one year	–	4.4	4.4	–
	212.4	1,642.9	1,855.3	2,256.1

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 unsecured and comprise sterling and euro denominated bonds, bank loans and overdrafts.

H: PAYABLES: NON-CURRENT LIABILITIES

	2010 £m	2009 £m
Fair value of interest rate swaps	7.9	8.3

I: EQUITY

	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2010	1,223.6	7.2	126.9	461.7	965.0
Issue of shares	0.1	–	–	–	–
Scrip dividends	(1.2)	–	–	–	–
Dividends	–	–	–	–	(91.5)
Group dividends received in 2009, realised in 2010	–	–	(126.8)	–	126.8
Revaluation gains on investments in subsidiary companies	–	–	–	344.1	–
Profit for the year	–	–	–	–	274.6
Balance at 31 December 2010	1,222.5	7.2	0.1	805.8	1,274.9

J: INVESTMENT IN OWN SHARES

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

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 consolidated accounts.

Notes to the Company accounts (continued)

K: FAIR VALUE OF FINANCIAL INSTRUMENTS

	2010		2009	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Borrowings, excluding currency swaps	1,850.9	1,928.4	2,256.1	2,251.2
Currency swaps	4.4	4.4	(12.1)	(12.1)
Total	1,855.3	1,932.8	2,244.0	2,239.1
Interest rate swaps	7.9	7.9	8.3	8.3

L: PRINCIPAL SUBSIDIARY COMPANIES

All principal subsidiary companies are engaged in property investment and development, investment holding or management. 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 operate in the following countries:

UK

Hammerson International Holdings Ltd
Hammerson UK Properties plc
Grantchester Holdings Ltd
Hammerson (125 OBS LP) Ltd¹
Hammerson (60 Threadneedle Street) 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 Operations Ltd
Hammerson (Leicester) Ltd
Hammerson Oracle Investments Ltd
Hammerson (Silverburn) Ltd²
Union Square Developments Ltd
West Quay Shopping Centre Ltd

France

Hammerson SAS
Hammerson Holding France SAS
Hammerson Centre Commercial Italie SAS
Hammerson Faubourg Saint-Honoré SAS
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)

The Netherlands

Hammerson Europe BV

Germany

Hammerson GmbH

¹ Incorporated/registered in Jersey.

² Incorporated/registered and resident in the Isle of Man.

Ten-year financial summary

	IFRS						UK GAAP			
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m	2001 £m
Income statement										
Net rental income	284.7	293.6	299.8	275.7	237.4	210.3	189.5	189.5	175.9	159.9
Operating profit before other net gains/ (losses)	248.8	252.6	257.5	234.5	201.3	178.9	162.9	164.6	151.6	141.6
Other net gains/(losses)	469.9	(590.4)	(1,698.3)	25.2	748.0	607.6	330.2	(18.8)	5.3	(8.2)
Cost of finance (net)	(100.0)	(114.5)	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)	(78.7)	(66.0)	(64.3)
Profit/(Loss) before tax	620.2	(453.1)	(1,611.5)	110.4	792.4	698.6	413.4	67.1	90.9	69.1
Current tax	(0.6)	(0.9)	(0.6)	(16.4)	(99.4)	1.0	(80.9)	(1.7)	(2.5)	(7.9)
Deferred tax	(0.1)	103.6	38.3	17.6	333.8	(133.9)	104.2	(13.1)	(11.1)	15.9
Equity minority interests	(4.1)	5.9	1.2	(10.6)	(9.9)	(11.3)	(5.3)	(2.0)	(1.7)	(0.9)
Profit/(Loss) for the year attributable to equity shareholders	615.4	(344.5)	(1,572.6)	101.0	1,016.9	554.4	431.4	50.3	75.6	76.2
Balance sheet										
Investment and development properties	5,331.1	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
Cash and short-term deposits	126.2	182.9	119.9	28.6	39.4	45.5	53.7	187.0	242.2	218.4
Borrowings	(1,920.6)	(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)
Other assets	323.1	342.0	319.5	318.7	301.1	278.1	194.0	138.6	162.5	95.8
Other liabilities	(307.6)	(323.9)	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)	(289.8)	(356.2)	(195.3)
Net deferred tax provision	(0.5)	(0.4)	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)	(54.8)	(34.8)	(7.6)
Equity minority interests	(71.7)	(73.4)	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)	(38.1)	(40.1)	(37.1)
Equity shareholders' funds	3,480.0	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
Cash flow										
Operating cash flow after tax	132.7	105.3	29.8	(29.2)	5.5	44.9	60.5	68.4	57.6	54.1
Dividends	(95.4)	(64.5)	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)	(44.4)	(42.0)	(39.7)
Property and corporate acquisitions	(218.6)	(39.5)	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)	(183.7)	(461.8)	(196.8)
Developments and major refurbishments	(60.8)	(164.1)	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)	(188.8)	(161.8)	(138.2)
Other capital expenditure	(25.5)	(23.7)	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)	(68.5)	(43.9)	(50.9)
Disposals	554.6	394.2	245.3	537.2	628.0	224.4	398.7	556.2	519.6	313.0
Other cash flows	(0.8)	-	-	(10.9)	(10.2)	17.7	5.6	-	-	-
Net cash flow before financing	286.2	207.7	(325.7)	(119.4)	66.0	(295.3)	(126.9)	139.2	(132.3)	(58.5)
Per share data*										
Basic earnings/(loss) per share	87.2p	(54.1)p	(368.9)p	23.7p	242.6p	134.4p	106.0p	12.4p	18.4p	18.4p
Adjusted earnings per share	19.9p	19.7p	25.8p	27.3p	22.3p	21.2p	19.5p	20.2p	19.8p	16.5p
Dividend per share	15.95p	15.45p	18.9p	18.5p	14.7p	13.4p	12.2p	11.4p	10.7p	10.1p
Diluted net asset value per share	£4.93	£4.20	£6.61	£10.22	£9.91	£7.44	£5.90	£5.32	£5.01	£4.93
Adjusted net asset value per share, EPRA basis	£4.95	£4.21	£7.03	£10.49	£10.18	£8.39	£6.41	£5.45	£5.10	£4.95
Financial ratios										
Return on shareholders' equity	21.1%	-16.9%	-32.5%	4.5%	25.3%	34.0%	21.7%	9.3%	4.3%	8.3%
Gearing	52%	72%	118%	57%	54%	66%	72%	73%	81%	65%
Interest cover	2.6x	2.2x	1.7x	1.9x	1.8x	1.9x	1.9x	1.8x	1.9x	1.9x
Dividend cover	1.2x	1.3x	1.4x	1.5x	1.5x	1.6x	1.6x	1.8x	1.9x	1.6x

The financial information shown above for the years 2004 to 2010 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 was restated following the rights issue in March 2009.

Shareholder information

FINANCIAL CALENDAR

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

ANNUAL GENERAL MEETING

The Annual General Meeting for 2011 will be held at 11.00am on 28 April 2011 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
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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 2010 final dividend. Further details can be found in the Chairman's letter to shareholders dated 21 March 2011, and on the website: www.hammerson.com on the 'Investors' page.

DIVIDEND REINVESTMENT PLAN (DRIP)

Following the re-introduction of the Hammerson Scrip Dividend Scheme, the Directors have decided to suspend the Company's Dividend Reinvestment Plan (DRIP), for any dividend in respect of which a scrip dividend alternative is offered. Accordingly the DRIP has been suspended for the 2010 final dividend. 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.

INTERNATIONAL PAYMENT SERVICE

In conjunction with Travelex, Capita Registrars provides 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 shares valued at more than the sterling equivalent of €15,000.

For further information on this service, or to buy and sell shares Tel: 0871 664 0364 (calls cost 10p per minute plus network extras, lines are open 8.00am to 4.30pm Monday to Friday), +44 (0)20 3367 2686 (from overseas) or 1 890 946 375 (from Ireland); email: info@capitadeal.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 2010 Annual Report and other information is available on the Company's website: www.hammerson.com on the 'Investors' page. The Company operates a service whereby all registered users can choose to receive, via email, 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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