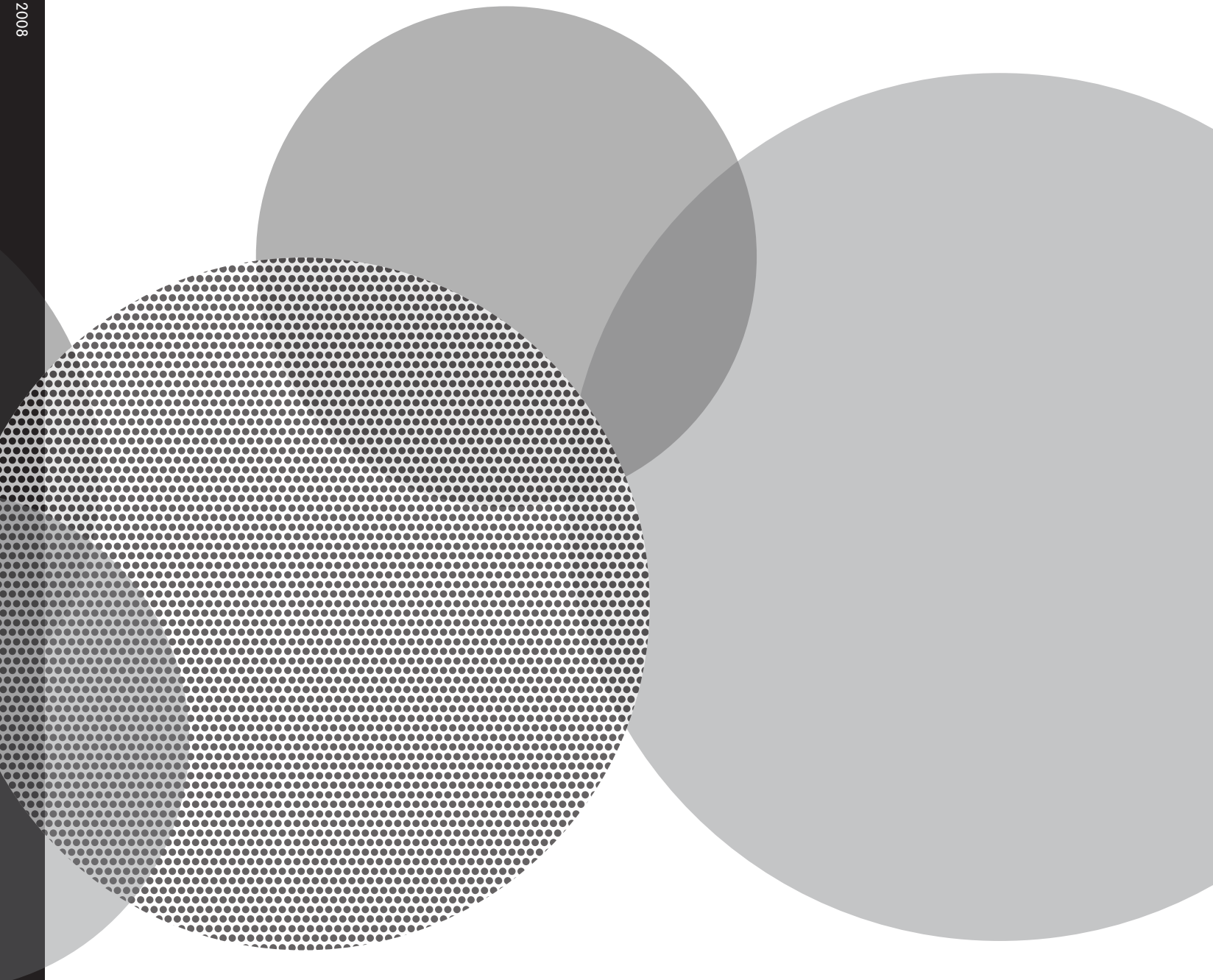




# ANNUAL REPORT 2008



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## ABOUT HAMMERSON

A company with a real estate portfolio in the UK and France of £6.5 billion, Hammerson has investments in 15 major shopping centres and 19 retail parks providing a total of 1.4 million m<sup>2</sup> of retail space. We own nine office buildings, in central London and Paris, which provide over 255,000m<sup>2</sup> of prime accommodation. Our high quality portfolio provides a secure and growing income stream that will be enhanced through development.

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

Benefiting from tax-efficient REIT status in the UK and SIIC status in France, Hammerson is listed on both the London Stock Exchange and Euronext Paris.

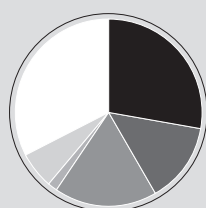
# AT A GLANCE

## OUR PORTFOLIO

As at 31 December 2008

### TOTAL PORTFOLIO

**£6.5bn**



UK Shopping Centres **28%**  
 UK Retail Parks **14%**  
 UK Offices **18%**  
 Germany Retail **1%**  
 France Offices **6%**  
 France Retail **33%**

### GEOGRAPHIC LOCATION

**60%**

UK

**39%**

FRANCE

### SECTOR SPLIT

**76%**

RETAIL

**24%**

OFFICE

## OUR 10 MAJOR INVESTMENTS

HIGHCROSS LEICESTER
Valuation 31 Dec 08: <b>£279m<sup>(1)</sup></b>
Passing rent: <b>£15.5m<sup>(1)</sup></b>
Let by income: <b>86%<sup>(2)</sup></b>

BULLRING BIRMINGHAM
Valuation 31 Dec 08: <b>£230m<sup>(1)</sup></b>
Passing rent: <b>£15.4m<sup>(1)</sup></b>
Let by income: <b>97%</b>

CABOT CIRCUS BRISTOL
Valuation 31 Dec 08: <b>£230m<sup>(1)</sup></b>
Passing rent: <b>£14.5m<sup>(1)</sup></b>
Let by income: <b>91%<sup>(2)</sup></b>

O'PARINOR PARIS (INCLUDING EXTENSION)
Valuation 31 Dec 08: <b>£486m</b>
Passing rent: <b>£22.0m</b>
Let by income: <b>96%<sup>(2)</sup></b>

ITALIE 2 PARIS 13ÈME
Valuation 31 Dec 08: <b>£432m</b>
Passing rent: <b>£22.2m</b>
Let by income: <b>99%</b>

LES 3 QUARTIERS PARIS 1ER
Valuation 31 Dec 08: <b>£266m</b>
Passing rent: <b>£19.1m</b>
Let by income: <b>94%</b>

BRENT CROSS LONDON NW4
Valuation 31 Dec 08: <b>£282m<sup>(1)</sup></b>
Passing rent: <b>£17.5m<sup>(1)</sup></b>
Let by income: <b>99%</b>

BISHOPS SQUARE LONDON E1
Valuation 31 Dec 08: <b>£489m</b>
Passing rent: <b>£34.7m</b>
Let by income: <b>100%</b>

ESPACE ST QUENTIN ST QUENTIN-EN-YVELINES
Valuation 31 Dec 08: <b>£264m</b>
Passing rent: <b>£13.9m</b>
Let by income: <b>97%</b>

LES 3 FONTAINES CERGY-PONTOISE
Valuation 31 Dec 08: <b>£248m</b>
Passing rent: <b>£12.9m</b>
Let by income: <b>100%</b>

### Notes

(1) Hammerson's share of valuation and passing rent shown in respect of joint ventures.

(2) Completed in September 2008.

Passing rents are post rent-free periods and after deducting head and equity rents. Let by income represents percentage let or under offer at 31 December 2008.

## FINANCIAL HIGHLIGHTS

### PERFORMANCE DATA

#### NET RENTAL INCOME

**£300m**

(2007: £276m)

#### EQUITY SHAREHOLDERS' FUNDS

**£2,821m**

(2007: £4,355m)

#### ADJUSTED PROFIT BEFORE TAX<sup>(1)</sup>

**£114m**

(2007: £117m)

#### PROPERTY ASSETS

**£6,457m**

(2007: £7,275m)

### PER SHARE DATA

#### ADJUSTED EARNINGS PER SHARE<sup>(1)</sup>

**38.1p**

(2007: 40.3p)

#### TOTAL DIVIDEND PER SHARE

**27.9p**

(2007: 27.3p)

#### ADJUSTED NET ASSET VALUE

PER SHARE, EPRA BASIS<sup>(1)</sup>

**£10.36**

(2007: £15.45)

### RATIOS

#### GEARING

**118%**

(2007: 57%)

#### INTEREST COVER

**1.7x**

(2007: 1.9x)

#### Note

(1) The calculations for adjusted figures are shown on pages 32 and 34 and in note 10 to the accounts.

## BUSINESS HIGHLIGHTS

### Developments

Excellent progress was made on the development programme, with four of the six major developments underway at the start of 2008 completed during the year and a fifth completed in January 2009. The Group's exposure to developments is limited to just one major development, Union Square in Aberdeen, and some smaller retail parks schemes.

### Leasing

Leases for 59,000m<sup>2</sup> of space were signed or renewed in 2008.

### Income security

Hammerson's investment portfolio continues to generate a robust income stream from a broad spread of tenants, both in the UK and France, from leases with an average unexpired term of nearly ten years. In 2008, net rental income showed a like-for-like increase of 3.7%.

### Capital expenditure

During 2008, Hammerson invested a total of £514 million, of which £377 million was in respect of developments. Property disposals raised proceeds of £245 million.

### Financing

During the year, the Group arranged new committed facilities totalling £850 million.

On 9 February 2009, the Company announced a fully underwritten rights issue to raise proceeds of £584.2 million net of costs. Details are set out in a separate circular sent to shareholders.

# CHAIRMAN'S STATEMENT

"The fundamentals of Hammerson's business remain sound and, following the rights issue, the Company's financial condition will be substantially strengthened. Our high quality portfolio is focused on prime retail and office assets in the UK and France and generates a robust and growing income stream."



## INTRODUCTION

Since I reported to shareholders at the beginning of August on the Company's results for the first six months of 2008, property markets have shown a marked deterioration. The unprecedented conditions in financial markets worldwide and restricted availability of capital led to a sharp decline in real estate investment activity and values during 2008, particularly in the last few months of the year.

Over the last eighteen months, the Board of Hammerson has taken measures to manage the Company's gearing, including selling assets and reducing development expenditure. It has also cut overheads. Since 30 June 2007, the Company has sold assets and used the net proceeds of £783 million to repay debt. The Company continues to pursue asset sales as a means of reducing gearing. However, given the lack of debt finance available to potential purchasers to fund acquisitions, negotiations regarding sales are proving protracted and the outcomes uncertain.

Against this background, the Directors have concluded that it is in shareholders' best interests for Hammerson's capital base to be increased substantially through the fully underwritten rights issue to raise net proceeds of £584.2 million announced today. The net proceeds of the rights issue will be used to reduce drawn borrowings under the Company's existing credit facilities. The rights issue is subject to approval by shareholders at a General Meeting to be held on 25 February 2009.

## RESULTS AND DIVIDEND

Reflecting the very difficult market conditions, there was a reduction in the value of Hammerson's portfolio which resulted in a negative capital return of 20.9% and led to a decline in the Company's adjusted NAV to £10.36 at the year end.

By contrast, the Group's net rental income showed resilience with a like-for-like increase of 3.7%. Adjusted pre-tax profits and adjusted earnings per share declined by 3.1% and 5.5% respectively, principally reflecting financing costs associated with the development programme and funding the REIT conversion charge.

The Board is recommending an unchanged final dividend of 15.3 pence per share for 2008, giving a total dividend for the year of 27.9 pence per share (compared with 27.3 pence for the year ended 31 December 2007). The final dividend is subject to shareholder approval at the AGM to be held on 30 April 2009 and will be paid to shareholders on the register as at 20 February 2009.

The total dividend for 2008 represents a dividend cover of 1.36 times. Applying the same dividend cover to pro forma 2008 adjusted earnings, restated for the effects of the rights issue, would result in a pro forma dividend for 2008 of 15.0 pence per share. This takes into account the new number of shares following the rights issue and the interest saving on the debt which will be repaid from the proceeds of the rights issue. The Board intends to maintain its policy of progressive dividend growth in the future from this base of 15.0 pence per share in respect of 2008.

## PROPERTY MARKET BACKGROUND

Since the onset of the major problems in the international financial markets some 18 months ago, there has been a substantial reduction in capital available for property investment leading to widespread falls in values in the Group's principal markets.

The collapse of Lehman Brothers in the Autumn of 2008, closely followed by the need for emergency action by governments to provide equity capital and other support to several banks, increased the uncertainties. The consequence was a very significant downturn in investment activity in property markets in the last quarter of 2008 and further falls in values, with the effect more pronounced in the UK than in France.

This is now accompanied by a slowdown in economic activity in the UK and France leading to a reduction in confidence both in the business sector and amongst consumers. As a consequence, rental levels for new leases for offices have reduced. Rental levels for retail space are also under pressure, except at the best locations or where rents are relatively low.

It seems likely that market activity will remain subdued until there is evidence of a return to liquidity in the capital markets and an improvement in business and consumer confidence. Nevertheless, in the context of the current very low interest rate environment, the yield on prime property now appears attractive against the returns on some other investment classes.

## PORTFOLIO AND OPERATIONS

Hammerson's investment portfolio continues to generate a robust income stream from a broad spread of tenants, both in the UK and France, from leases with an average unexpired term of approximately ten years.



During the year leases in respect of some 59,000m<sup>2</sup> of accommodation in the investment portfolio were signed or renewed. Expiring leases with rents of £9.1 million per annum were re-let at rents £1.6 million higher than previously. The transfer to the investment portfolio of the four developments completed during 2008 resulted in a decrease in the occupancy rate to 95.4% at 31 December 2008 from 98.2% at the end of 2007.

The Group's rent collection rates remain excellent. In the UK, 95.2% of rents were collected within 14 days of the last quarter day on 25 December 2008. This compares with 97.3% for the previous quarter and 97.8% for the equivalent period in 2007. In France, 94.7% of rents were collected within 14 days of the due date, compared with 93.9% in the previous quarter. Currently, 56 retail units are let to tenants in administration in the UK and 16 in France, of which 47 are still trading with rents being paid. The total rent receivable from tenants in administration amounts to £6.7 million, representing just 1.8% of the Group's total rent roll, of which £4.4 million relates to units which are still trading.

During 2008, Hammerson invested a total of £514 million, of which £377 million was in respect of developments. Some £245 million was raised from property sales, principally the Group's interests in two office buildings in the City of London – One London Wall for £67 million in March and Moorhouse for £152 million in September.

Reflecting the more difficult conditions in real estate investment markets, Hammerson's portfolio showed a negative capital return of 20.9% for the year as a whole. However, there were contrasting performances between the UK and France. In the UK, the negative return was 25.8%, whilst in France the portfolio showed a negative return of 11.0%.

During 2008, a staff reorganisation and cost reduction programme was carried out, which will result in savings in the Group's administration expenses of approximately £3 million in 2009. The one-off costs of implementing the programme were just over £1 million, which are reflected in the Group's accounts for the year ended 31 December 2008.

## DEVELOPMENTS

Excellent progress was made on the development programme. Four of the six major developments underway at the beginning of 2008 were completed during the year. At 31 December 2008, developments represented just 7% of the portfolio with £195 million of expenditure remaining to be incurred. The Group's exposure to developments has reduced further since the year end with the completion in January 2009 of a fifth scheme, 60 Threadneedle Street, in the City of London, leaving just one major development underway, Union Square in Aberdeen, and some smaller retail parks schemes. Hammerson estimates that, when these schemes are fully let and following rent-free periods, they will generate rents of £75 million of which £49 million is contracted. Of the latter figure, £12 million was reflected in net rental income in 2008.

In August 2008, Hammerson and its partner, the City of London Corporation, were advised by JPMorgan Chase that the latter was terminating discussions regarding the development of a new headquarters building for the bank. Accordingly costs of £15.9 million have been written off in the 2008 accounts.

Over a period of several years, Hammerson has secured a substantial pipeline of potential future development opportunities. These include land ownerships, site purchase options, development agreements with local authorities and agreements with anchor stores. The book value of these interests is £239 million and they currently generate income of £6 million per annum.

In the current economic climate, Hammerson does not intend to start construction of any major development projects, although it is continuing to progress the planning and design stages so that the schemes could be advanced in the future.

## BALANCE SHEET AND FINANCING

At 31 December 2008, Hammerson's property portfolio was valued at £6.5 billion. The Group's borrowings were £3,453 million and cash balances were £120 million to give net debt of £3,333 million.

Cash and undrawn committed facilities amounted to £487 million at 31 December 2008. The undrawn committed facilities totalled £367 million, of which £200 million expires at the end of 2009, £17 million in June 2010 and £100 million at the end of 2010. The weighted average term to expiry of drawn committed facilities was 7.3 years at 31 December 2008.

At 31 December 2008, approximately £1,611 million or 47% of the Group's gross borrowings were denominated in euros. As a result of the appreciation of the euro relative to sterling in 2008, the sterling value of the Group's euro-denominated net liabilities increased by £496 million. This accounted for ten percentage points of the rise in the Group's gearing from 57% at the start of the year to 118% at the year end.

## RIGHTS ISSUE

The proposed rights issue will substantially strengthen the Company's overall financial position. Specifically it should enable the Company to remain within the most restrictive financial covenants contained in its existing borrowing agreements – minimum interest cover of 1.25 times and maximum gearing of 150%, thus allowing the Company to continue to benefit from the low cost of the existing facilities.

Following the rights issue, on a pro forma basis, interest cover would increase to 2.02 times and gearing would show a reduction to 81%, based on Hammerson's financial statements at 31 December 2008.

I believe that, following the rights issue, the Company's long-term strategy should enable it to generate attractive returns in the future for three principal reasons.

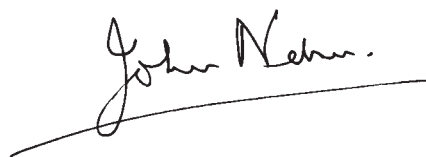
First, its investment portfolio is of high quality with assets of a type that should prove attractive to occupiers and generate rental growth over time. The appeal of such assets to property investors should increase as markets recover and funding becomes more readily available.

Second, the current difficulties being experienced by certain property investors are expected to give rise to attractive acquisition opportunities for Hammerson.

Third, Hammerson has a substantial pipeline of development opportunities which can be progressed in the longer term.

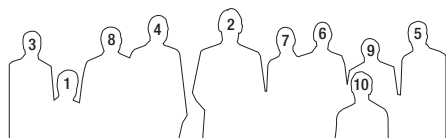
## CONCLUSION

The fundamentals of Hammerson's business remain sound and, following the rights issue announced today, the Company's financial condition will be substantially strengthened. Our high quality portfolio is focused on prime retail and office assets in the UK and France and generates a robust and growing income stream.



**John Nelson, Chairman**  
9 February 2009

# BOARD OF DIRECTORS



## 1 John Nelson *FCA* Chairman

John Nelson, a Chartered Accountant, was appointed Chairman in 2005 and is a member of the Remuneration Committee and Chairman of the Nomination Committee. He is the senior independent non-executive director of Kingfisher plc, a director of Cazenove Group Limited and J P Morgan Cazenove Holdings and senior advisor to Charterhouse Capital Partners LLP.

## 2 John Richards *BSc, FRICS* Chief Executive

John Richards, a Chartered Surveyor, joined the Company in 1981 as a development surveyor and was appointed a Director of the Company in 1990. He was responsible for the Company's UK operations from 1993 to 1998 and was appointed Chief Executive of Hammerson in 1999. He is a director and junior vice president of the British Property Federation.

## 3 David Atkins *BSc, MRICS*

David Atkins, a Chartered Surveyor, joined the Company in 1998 and was appointed to the Board of the Company's UK business in 2003. He was appointed an Executive Director of Hammerson in 2007 and is Managing Director of the Group's UK business. In addition, he is responsible for insurance and health and safety throughout the Group.

## 4 John Clare *CBE, BSc*

John Clare was appointed a Non-Executive Director of Hammerson in 1999. He is the Senior Independent Director, Chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. He is a non-executive director of Dyson James Limited and non-executive chairman of Cheapflights Limited and Dreams plc.

## 5 Peter Cole *BSc, MRICS*

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

## 6 David Edmonds *CBE, BA, D.Litt*

David Edmonds was appointed a Non-Executive Director of Hammerson in 2003 and is a member of the Audit Committee. He acts as Chairman to the Hammerson Pension Scheme Trustees. He is chairman of Wincanton plc, the Legal Services Board and NHS Shared Business Services Limited and a non-executive director of William Hill plc and Keele University Science and Business Park Limited and a trustee of the Social Market Foundation.





**7 John Hirst BA, FCA, ACT, CCMl**

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

**8 Jacques Espinasse BBA, MBA**

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

**9 Anthony Watson CBE, BSc (Econ),  
Barrister at Law, ASIP, FSI (Hon)**

Tony Watson was appointed a Non-Executive Director in 2006 and is a member of the Remuneration and Nomination Committees. He is chairman of the Strategic Investment Board (Northern Ireland), a member of the Shareholder Executive Advisory Board, a non-executive director of Witan Investment Trust PLC, Vodafone Group plc and Asian Infrastructure Fund Limited and chairman of Marks & Spencer Pension Trust Limited.

**10 Simon Melliss BA, FCA**

Simon Melliss, a Chartered Accountant, joined the Company in 1991 as group financial controller, having worked in various financial positions for other companies, and was appointed Group Finance Director in 1995. He is a member of the Committee of Management of Hermes Property Unit Trust and a non-executive director of Whitbread PLC.

# SENIOR MANAGEMENT UK



**JAMES AITCHISON**

**Role:** Director of Taxation

**Profile:** James has been Hammerson's Director of Taxation for 11 years, having previously worked for another property company. He is Chairman of the British Property Federation Tax Committee and played a leading role in the introduction of UK REITs.



**WARREN AUSTIN**

**Role:** Group Financial Controller

**Profile:** A Chartered Accountant, Warren spent five years with Coopers & Lybrand in London before joining Hammerson in 1995. At Hammerson he is responsible for financial reporting and internal control. Warren is a member of the EPRA reporting and accounting committee.



**DUNCAN BEARDSLEY**

**Role:** Group Treasurer

**Profile:** Duncan joined Hammerson in 1996 as Group Treasurer and is responsible for raising finance and treasury risk management. He also oversees the Group's investments in Value Retail.



**ANDREW BERGER-NORTH**

**Role:** Director, Retail Parks

**Profile:** Andrew joined Hammerson in 2003 and was appointed Director, Retail Parks in 2005. A Chartered Surveyor, Andrew is responsible for all aspects of the retail parks portfolio, including acquisitions, disposals, development and asset management. He was appointed to the UK Management Board in 2008.



**STEPHEN COURT**

**Role:** UK Head of Retail Marketing and Commercialisation

**Profile:** Stephen joined Hammerson in 2006. He is responsible for increasing the scale and profitability of commercial revenues derived from consumer brands and for improving commercial effectiveness of business and consumer marketing across Hammerson's UK portfolio.



**KEVIN CROWLEY**

**Role:** Director, Business Development

**Profile:** Kevin joined Hammerson in 2005 from Drivers Jonas. He was appointed Business Development Director in October 2008. Kevin is responsible for identifying new investment opportunities across the Group.



**ROBIN DOBSON**

**Role:** Director, Retail Development

**Profile:** Robin, a Chartered Surveyor, joined Hammerson in 1997 and has been involved in the project management and development of several of the Group's developments, including: Cabot Circus, Bristol; The Oracle, Reading; and Bullring, Birmingham. He is also Chair of the CR Development Group.



**PAUL EDWARDS**

**Role:** Head of Sustainability

**Profile:** Paul joined Hammerson in 2007 and is responsible for Hammerson's sustainability strategy and activities throughout the Group. Paul previously worked overseas implementing sustainability programmes for Lend Lease and Arup. He sits on the boards of the Better Building Partnership, National Skills Academies and London Sustainability Exchange.



**NICK HARDIE**

**Role:** UK Finance Director

**Profile:** Nick is a Chartered Accountant and joined Hammerson in 1995 and is on the UK Management Board. He previously spent eight years at Marks & Spencer in a number of roles, including Treasury and Financial Planning.



**STUART HAYDON**

**Role:** Company Secretary

**Profile:** Stuart joined Hammerson in 1992 and was appointed Company Secretary in 1996. He is responsible for the Group's statutory obligations and corporate governance. Prior to joining Hammerson he held company secretarial positions at companies in the financial sector.



**LAWRENCE HUTCHINGS**

**Role:** Director, Shopping Centre Investment Management

**Profile:** Lawrence joined Hammerson in 2008 to manage the Group's UK shopping centre investments. He has over 20 years of real estate experience, having previously worked for Henderson Global Investors in Europe and for Westfield, AMP Shopping Centres, Schroders and Merlin in Australia. He is a member of the UK Management Board.



**BRUCE ISLES**

**Role:** Director, Retail Development

**Profile:** Bruce joined Hammerson in 2001 having previously been a partner of Donaldsons, Chartered Surveyors. He is responsible for the UK city centre retail development pipeline.



**MARTIN JEPSON**

**Role:** Managing Director, London Group

**Profile:** Martin joined Hammerson in 2008. A Chartered Surveyor, he is a member of the UK Management Board, responsible for the overall performance of the development and investment portfolio in London. Previously he held positions with Howard Holdings, Taylor Woodrow Property Company and Delancey.



**SHEILA KING**

**Role:** Group Retail Leasing Director

**Profile:** A Chartered Surveyor, Sheila joined Hammerson in 1994 from Capital Shopping Centres. She is responsible for leasing across the UK portfolio. She is also responsible for co-ordinating retail leasing and liaising with international retailers across the Group.



**SALLY LEAROYD**

**Role:** Group Human Resources Director

**Profile:** Sally joined Hammerson in 2008 with over ten years' experience as a HR director. Sally's career spans the fields of travel, marketing services and pharmaceuticals. She worked in client account management and a marketing services agency before turning to the field of Human Resources.



**JOHN MULQUEEN**

**Role:** Director, Investment Management, London Group

**Profile:** A Chartered Surveyor, John joined Hammerson in 2003 from Liverpool Victoria Asset Management. He was appointed Director of Investment Management within the London Group in February 2007.

# SENIOR MANAGEMENT

## UK & FRANCE



**RYAN PERRYMAN**

**Role:** Director, Information Systems

**Profile:** Ryan joined Hammerson in 2007 as Business Systems Manager and was promoted to Director, Information Systems in October 2008. Ryan is responsible for the day-to-day management of the UK IT Team and for the development and use of IT in the Group's business.



**VINOD THAKRAR**

**Role:** Director, Project Management

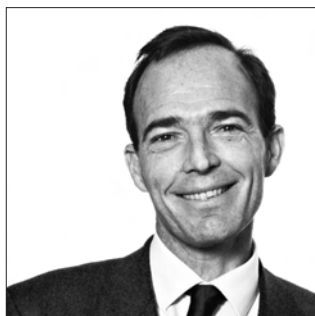
**Profile:** Vinod joined Hammerson in 1994 as Senior Project Manager on the refurbishment and extension of Brent Cross Shopping Centre. More recently, Vinod has been responsible for delivering major retail and office developments including: Highcross, Leicester; Cabot Circus, Bristol; 125 Old Broad Street and 60 Threadneedle Street in London.



**ANDREW THOMSON**

**Role:** Director, UK Operations

**Profile:** Andrew joined Hammerson in 1994 and was appointed to the UK Management Board in June 2006. He assumed his current role in September 2007 and is responsible for the operations of the UK retail business.



**CHRISTOPHE CLAMAGERAN**

**Role:** Managing Director, France

**Profile:** Christophe joined Hammerson France in March 2008 and assumed the role of Managing Director, France in October 2008. He previously held senior property roles at BNP Paribas Real Estate, running office and residential development, and was head of the asset management division.



**JEAN-PHILIPPE MOUTON**

**Role:** Director of Operations, France

**Profile:** Jean-Philippe joined Hammerson in 2003 as Managing Director of Marketing & Valorisation. In February 2006 he was appointed Director of Operations with responsibility for the management of the French portfolio.



**CHRISTOPHE DELAPORTE**

**Role:** Director, Finance

**Profile:** Christophe joined the Group in 2006 and was appointed as Director, Finance of the French office. He previously worked in several US companies in the communications industry.

**MARIE-FRANÇOISE CHOLIN****Role:** Director, Retail Leasing

**Profile:** Marie-Françoise joined Hammerson in 1998 as Retail Leasing Manager. She was appointed Director, Retail Leasing in 2004. Prior to joining Hammerson, she worked at LSGI/SCC, where she worked on letting new shopping centres.

**JEAN-LOUIS COQUAND****Role:** Director, Shopping Centres

**Profile:** Jean-Louis joined Hammerson in 2004 as Development Director. In June 2008, he was appointed Director, Shopping Centres and is responsible for shopping centre development and leasing. Prior to joining Hammerson, he was Deputy Director at Ségécé (Klépierre) and project manager at Meunier (BNP Paribas).

**GÉRALD FEREZOU****Role:** Director, Acquisitions

**Profile:** Gérald joined Hammerson in 2006 and was appointed Director, Acquisitions in April 2008. Previously he held roles with Arthur Anderson Corporate Finance and Nexity.

**MICHAEL KRIEF****Role:** Director, IT

**Profile:** Michael joined Hammerson in 2002 as MIS manager and was appointed Director of IT for France in 2004. He is responsible for the maintenance and development of IT in the Paris office.

**VALÉRIE PETITBON****Role:** Director, Marketing and Communication

**Profile:** Valérie joined Hammerson in 2007 as Marketing & Communication Director, responsible for the marketing of shopping centres and projects, communications and non-rental income business development. Previously, she spent several years at Concorde Hotel Group and Grand Optical.

**CHRISTOPHE RIGO****Role:** Director, Human Resources

**Profile:** Christophe joined Hammerson as Director, Human Resources in 2007. Prior to this, he spent four years as Director of Human Resources at the real estate group Altarea-Cogedim.



# BUSINESS FRAMEWORK

## LEGAL AND REGULATORY FRAMEWORK

Hammerson's operations are focused in the UK and France where planning regimes impose restrictions on new developments. These restrictions are particularly onerous in the case of retail schemes, and limit the supply of new accommodation thereby benefiting owners of existing retail properties. By contrast, permission to create new office buildings is generally easier to obtain, leading on occasion to more marked imbalances between supply and demand and resulting in greater fluctuations in rents and values. From a developer's perspective, the planning process can sometimes be uncertain and protracted.

In the UK, contracts for the lease of property are governed principally by the Landlord and Tenant Act 1954. A typical lease is for a duration of 10-15 years, with rent payable quarterly in advance and with rent reviews at the end of each five year period. Rent reviews are generally 'upward only' whereby the rent will be increased to the market rent, unless the market rent is lower than the passing rent, in which case it will not change. Tenants bear the responsibility for repairing and insuring the property. The trend in the UK is for a more flexible approach by property owners, which may include shorter leases, rent which is related to a tenant's turnover and monthly rents.

The 'Code du Commerce' governs leases in France, where a typical lease is shorter than in the UK at around ten years and with the tenant often having the right to break the lease every three years. Rent for the majority of leases is revised annually according to one of three official indices which are related to retail prices, retail sales, construction costs or composites of the three. Rents may go up or down depending on the index. Tenants have the right to renew their leases for a further term at the end of the lease.

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

- energy efficiency objectives;
- carbon emission reduction commitments; and
- landfill regulations.

## STRATEGY AND RISK MANAGEMENT

The Group's strategy is established by the Board and set out in the Group's annual business plan which covers the following three years. The strategy and associated action plans take into account the current and anticipated conditions in property markets. A review of the property markets in 2008 and the future outlook is set out on page 13.

The Group's real estate strategy is supported by operational and financial strategies implemented within a risk management framework designed to identify and manage risk. More details of these strategies are provided in the Business and Financial Reviews on pages 23 and 32 respectively. A summary of the principal risks faced by Hammerson and how these are managed is set out on pages 14 and 15.

## KEY PERFORMANCE INDICATORS

Our management reporting systems provide financial and operational performance measures. The Key Performance Indicators (KPIs) which we believe are most important to the Group's performance are shown on page 16 and details of our financial and property returns are on page 17.

## CORPORATE RESPONSIBILITY

The impact of our business on the environment and our stakeholders, including employees and the communities in which we operate, is discussed on pages 18 to 22.

## CONTRACTUAL RELATIONSHIPS

Our principal contractual relationships are with occupiers, joint venture partners, managing agents and building contractors. However, due to the number and diversity of the businesses with whom we deal, there are no individual contractual arrangements which are essential to the Group's business. As part of our discussion of the security of Hammerson's income stream, details of our largest occupiers by rental income are provided in the Business Review on page 28. Allen & Overy, the law firm, is our largest occupier by rental income, and accounted for 9.4% of passing rent at 31 December 2008. The income from this lease is included within net rental income for the UK City office segment in note 3A to the accounts.



## INVESTMENT MARKET

The problems within the international financial system which began 18 months ago are continuing to have a major impact on real estate markets. There has been a substantial reduction in capital available for property investment, leading to much reduced transactional activity and falls in property values in the Group's principal markets, particularly following the collapse of Lehman Brothers and further instability in banking markets in the last quarter of 2008.

In the UK, the volume of transactions fell in 2008 by nearly 60%, compared with 2007. The quarterly IPD all-property equivalent yield moved out 60 basis points over the first half of 2008 and a further 150 basis points in the second half to 8.2%. Overall, market values both of retail and offices have now fallen by around 35% over the last 18 months.

In France, where the Group has nearly 40% of its portfolio, the volume of office investment transactions fell by around 15%. There were very few transactions in respect of major retail assets. Overall, yields for CBD Paris offices increased by around 85 basis points in the first six months of the year and by 90 basis points in the second six months to around 5.75%. French retail yields increased by around 125 basis points over the year to 5.25%. Offices in central Paris fell in value during 2008 by around 30%, whilst shopping centre values declined by around 8%.

Looking ahead, it appears likely that a recovery in property values will be dependent on capital being more widely available to investors. With prime property yields now well in excess of nominal interest rates both in the UK and France, property now looks attractive compared with some other investment classes.

## RETAIL OCCUPATIONAL MARKETS

In the UK, consumer confidence showed a further fall in the year due to the worsening economic environment, rising unemployment and falling house prices. This was reflected in lower consumer spending towards the end of the year with the more difficult trading environment putting pressure on retailers' margins. Whilst retail spending over Christmas was better than many had predicted, recent weeks have shown weaker trends and it is anticipated that this will continue in 2009.

In Hammerson's own experience, a number of retailers are continuing to open new stores, particularly in large dominant centres where turnover levels remain robust. Within Hammerson's portfolio, rental values in our shopping centres remained stable and, in some cases, increased during 2008. Incentives at mature centres have increased marginally with rent-free periods at an average of around six to nine months for new leases. On the schemes completed more recently and developments, rent-free periods have increased to around 24 months.

In France, consumer spending is also falling. However, with a higher savings ratio than in the UK, French retailers may be better placed than those in the UK. So far there has been no evidence of the slowdown in consumption resulting in an increase in the number of retailers going into administration.

Reflecting more challenging economic conditions, French retailers have generally cut back on their expansion programmes, concentrating their store openings on prime locations. Rental values have therefore remained stable or showed modest increases in the strongest shopping centres, including those in Hammerson's portfolio.

For existing leases, the former basis of indexation (a cost of construction index) has been replaced by a new index based on CPI and retail sales. The new rate of indexation from 1 January 2009 is 3.85%.

## OFFICE OCCUPATIONAL MARKETS

Reflecting the economic downturn and the problems in the banking and financial services sectors, take-up in central London fell by nearly 20% in 2008 to 1.1 million m<sup>2</sup>. This coincided with an increase in supply, principally in the City, with the completion of new developments taking availability to approximately 1.6 million m<sup>2</sup>. The central London vacancy rate increased from 3% at the start of 2008 to 5.3% at the year end, with a City vacancy rate of 7.1%. Rents in the City fell by around 20% to £54/ft<sup>2</sup> in 2008. Incentives also increased sharply with occupiers now seeking rent-free periods of around 24 months for a ten year lease.

With less exposure to the financial sector, demand for space in central Paris has been less affected than in London. Prime rents actually increased in the first half of 2008 to around €770/m<sup>2</sup>, but fell in the second half to around €720/m<sup>2</sup>. For existing office leases the applicable rate of indexation from 1 January 2009 is 8.85%. The relatively short duration of French office leases encourages turnover as occupiers seek to move to better quality or cheaper space and there is evidence now of some occupiers relocating to the suburbs. Nevertheless, the vacancy rate in the CBD was still low at the end of 2008 at around 4% and little new space is coming onto the market from developments.

# RISK MANAGEMENT

## HOW WE MANAGE RISK

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

	RISK	MITIGATION	COMMENTARY
<b>BUSINESS STRATEGY</b>	Implementation of a strategy inconsistent with the market environment.	We commission and evaluate research into the economy and investment and occupational markets and use this to prepare an annual Business Plan and regular financial forecasts.	Property markets and outlook, page <b>13</b>
	Over-concentration of activities and investment exposure in particular markets.	Hammerson's portfolio is diversified by country and sector and its allocation is regularly reviewed.	Property portfolio and allocation, page <b>23</b> Principal risks and uncertainties, page <b>15</b>
<b>TREASURY</b>	Breach of borrowing covenants, triggering default and/or repayment.	Financial ratios are monitored and regularly reported to the Board.	Chairman's Statement, pages <b>4</b> and <b>5</b> Financial Review, pages <b>32</b> to <b>35</b>
	Insufficient liquidity to progress the development programme.	Future investment requirements are reviewed and sufficient facilities put in place in advance.	Notes <b>19</b> and <b>20</b> to the accounts on pages <b>77</b> to <b>84</b> Financial Review, page <b>35</b>
	Adverse currency or interest rate movements.	Fixed rate borrowings are used where appropriate and foreign currency denominated assets financed by borrowings in the same currency.	Principal risks and uncertainties, page <b>15</b> Financial Review, page <b>35</b>
<b>TENANT DEFAULT</b>	Financial loss arises through tenant default.	Our occupier base is large and diverse by sector and country. The majority of our tenants are of sound financial standing. We regularly analyse our retailers' performance and the credit rating of all our key occupiers to identify tenants at risk in order to take appropriate action.  We have clear policies and procedures for rent collection and how we deal with occupiers in difficulty.	Chairman's Statement, pages <b>4</b> and <b>5</b> Principal risks and uncertainties, page <b>15</b> Income security and quality, page <b>28</b>
<b>PROPERTY DEVELOPMENT</b>	Poor control of the development programme and failure to address investment and occupational market risks.	Detailed analysis, including market research, is undertaken prior to the approval of each development project.  The Group's overall exposure to development is monitored and projects phased.  A programme of post completion reviews ensures potential improvements to processes are identified.	Current and future developments, pages <b>30</b> and <b>31</b>  Principal risks and uncertainties, page <b>15</b>
<b>PROPERTY INVESTMENT</b>	Properties fail to meet performance expectations.	Acquisitions are thoroughly evaluated, including due diligence reviews.  The performance of individual properties is benchmarked against target returns.	
<b>BUSINESS ORGANISATION AND HUMAN RESOURCES</b>	Failure to recruit and retain key staff with appropriate skills and calibre.	Recruitment procedures and the remuneration structure are regularly reviewed and benchmarked.  Succession plans are developed for senior positions.	Remuneration Report, pages <b>44</b> to <b>51</b>  Corporate Governance, page <b>38</b>

# PRINCIPAL RISKS AND UNCERTAINTIES

## LIQUIDITY RISK

Due to falling property values, and the strengthening euro, the Group's gearing has increased significantly from 57% at the end of 2007 to 118% at 31 December 2008. Over the last 18 months, we have taken measures to manage gearing, including selling assets, reducing development expenditure and cutting overheads. Since 30 June 2007, we have used the net proceeds from asset sales of £783 million to repay debt and we continue to pursue asset sales as a means of reducing gearing. However, given the lack of debt finance available to potential purchasers to fund acquisitions, negotiations regarding sales are proving protracted and the outcomes uncertain. In the event that Hammerson is unable to sell properties and that the market value of the property portfolio continues to decline, there is a risk that the Group could breach its borrowing covenant in the future. The most stringent borrowing covenant is that gearing should not exceed 150%. We have therefore considered the option of seeking to renegotiate the financial covenants both in our bank facilities and bonds. However, in current debt market conditions, any renegotiation would be difficult to achieve, particularly in relation to the Company's bonds, and would also result in significantly increased financing costs.

Against this background, we have concluded that it is in shareholders' best interests for Hammerson's capital base to be increased substantially through the underwritten rights issue.

## EXCHANGE RISK

As at 31 December 2008, 40% of the Group's assets employed and 47% of its net debt was denominated in euros. A 1% strengthening of the euro relative to sterling has the effect of increasing shareholders' funds by around £9 million whilst gearing would be marginally higher.

## PROPERTY VALUATIONS

The value of Hammerson's property portfolio is affected by the conditions prevailing in the property investment market and the general economic environment.

Accordingly, the Group's net asset value can rise and fall due to external factors beyond management's control. The disruption in global financial markets is continuing to restrict the availability of finance to real estate companies generally, causing values to weaken and making investors cautious about property investment.

Our property portfolio is valued in compliance with international standards by external professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic environment means that there have been few transactions for the types of property owned by Hammerson. Consequently, there is a greater degree of uncertainty in respect of the figures reported by our valuers. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

Nevertheless, Hammerson has a high quality portfolio which is diversified by country and sector, which should help to mitigate the impact of the current state of the financial and property markets on the Group. The 'Property markets and outlook' section of this report on page 13 provides further discussion of these issues.

## TENANT DEFAULT

Some tenants, particularly in the UK retail sector, are facing difficult operating conditions resulting in an increased risk that they may be unable to pay their rents. However, the large number of tenants and the diversity of their businesses and geographical spread mean the risk of individual tenant default to Hammerson is low. Furthermore, our occupational leases are long-term contracts, thus making the income relatively secure. Additional information on the quality of income is provided on pages 28 to 30.

## INTEREST RATES

Interest is a significant cost for Hammerson and we set guidelines for our exposure to fixed and floating interest rates and use interest rate and currency swaps to manage this risk. At 31 December 2008, 65% of the Group's gross debt was at fixed rates of interest. The short-term outlook for interest rates is that they will remain low and this should benefit Hammerson. However, with the disruption to financial markets and the restricted availability of bank credit which is resulting in lenders seeking higher borrowing margins, there continues to be uncertainty over the future level of interest rates.

## DEVELOPMENT AND LETTING

The present general economic weakness has made potential occupiers more cautious about entering into commitments to lease space. Therefore it is taking longer to agree new leases at our current and recently completed developments. The table on page 31 shows the progress made to date on letting the current schemes. For the majority of our current construction contracts, the prices are fixed and the potential impact of cost inflation is limited. We will not commit to any major new development schemes until market conditions improve.

# KEY PERFORMANCE INDICATORS

## HOW WE MEASURE OUR PERFORMANCE

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

	RETURN ON SHAREHOLDERS' EQUITY (ROE)	PORTFOLIO TOTAL RETURNS	OCCUPANCY
DESCRIPTION	ROE represents the income and capital returns in a year expressed as a percentage of shareholders' equity at the start of the year <sup>(1)</sup> .	The Group compares the total returns it achieves from its portfolio against the relevant IPD index.	The ERV of the space in the portfolio which is currently let, as a percentage of the total ERV of the portfolio <sup>(1)</sup> .
WHY IT IS IMPORTANT	It is a measure of how effective Hammerson is in generating a return on the equity invested by shareholders in the business.	It enables the Group to monitor the returns it achieves from its portfolio against a recognised benchmark.	The Group aims to maximise the occupancy of its properties as income lost through vacancy has a direct impact on profitability.
BENCHMARK	Achieve a return greater than the estimated medium-term cost of equity <sup>(2)</sup> .	<b>IPD Universe +1.0%</b>	<b>97.0%</b>
2007 ACTUAL	<b>4.5%</b>	<b>0.6%</b> (IPD Universe -2.7%)	<b>98.2%</b>
2008 ACTUAL	<b>-32.5%</b>	<b>-22.4%</b> <sup>(3)</sup> (IPD Universe -22.3% <sup>(3)</sup> )	<b>95.4%</b>
SOURCE OF DATA	Annual Report	Annual Report	Annual Report
COMMENTARY	Financial and property returns, page 17	Financial and property returns, page 17	Business Review, page 28

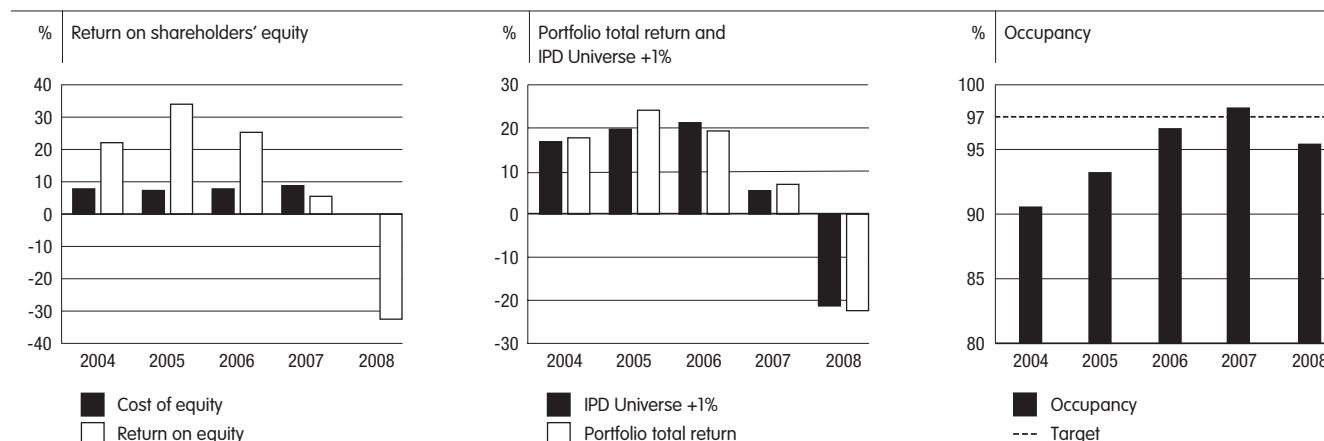
### Notes

(1) Please refer to the glossary of terms on pages 111 to 112 for a full definition.

(2) In the current market conditions, it is not possible to calculate a reliable estimate of the cost of equity. We estimate that over the longer term, our cost of equity will be around 8.0%.

(3) 2008 data refers to UK data only, based on the IPD quarterly index, as the UK annual index was unavailable at the time of publication. There is no French quarterly index and the French annual IPD index was unavailable at the time of publication. The figures will be updated when the annual indices are available.

## FIVE-YEAR RECORD FOR KEY PERFORMANCE INDICATORS



In the current market conditions, it is not possible to calculate a reliable estimate of the cost of equity. We estimate that over the longer term, our cost of equity will be around 8.0%.

The chart above shows returns and indices for 2004 to 2007 for the UK and French portfolios weighted 70:30 respectively. The data for 2008 is for the UK only as IPD has not yet published an index for France.

## RETURNS

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

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

The table below provides information on the financial returns achieved in 2008 and compares them with appropriate benchmark indices. The returns include those from joint ventures.

There is no benchmark for total portfolio returns which is comparable with Hammerson's geographical portfolio allocation. IPD data relating to the returns of the French property sector in 2008 will be available only after this Annual Report has been published.

### RETURNS DATA FOR 2008

RETURN	%	BENCHMARK	%
UK portfolio capital return	-25.8	UK IPD Universe – capital	-26.4
UK portfolio income return	4.4	UK IPD Universe – income	5.4
UK portfolio total return	-22.4	UK IPD Universe – total	-22.3
Total portfolio capital return	-20.9	n/a	
Total portfolio income return	4.1	n/a	
Total portfolio total return	-17.6	n/a	
Return on shareholders' equity	-32.5	Estimated cost of equity	See note 1
Total shareholder return over one year	-46.3	FTSE 350 real estate index over one year	-43.6
Total shareholder return over three years p.a.	-17.7	FTSE 350 real estate index over three years p.a.	-18.9
Total shareholder return over five years p.a.	-1.6	FTSE 350 real estate index over five years p.a.	-1.5

#### Note

(1) In the current market conditions, it is not possible to calculate a reliable estimate of the cost of equity. We estimate that over the longer term, our cost of equity will be around 8.0%.

More detailed analyses of capital and total returns by business segment are provided on pages 24 and 25 of the Business Review.

Hammerson's UK portfolio produced a total return close to that of the IPD Universe in 2008. The IPD Universe includes retail, office and industrial returns for all grades of property in the UK, although Hammerson does not invest in the industrial sector. Hammerson's capital return, although negative, was slightly better than the IPD Universe mainly because Hammerson's London offices showed a smaller valuation decline. Offsetting this, Hammerson's income return was less than the IPD Universe reflecting the low yields of the prime properties in which Hammerson principally invests.

For the year ended 31 December 2008, Hammerson's return on shareholders' equity was -32.5%. The income element of the return on shareholders' equity will tend to be relatively low given the high quality of the property portfolio, as described above, and the fact that a number of developments had only just been completed. In 2008 the capital return was negative due to the decline in value of the portfolio, reflecting the severe market conditions.

Total shareholder return for 2008 underperformed the FTSE 350 real estate index by nearly three percentage points. Over the last five years, Hammerson's average annual total shareholder return has been -1.6% compared with -1.5% for the real estate index.

# CORPORATE RESPONSIBILITY

## FIVE ISSUES OF FOCUS

Hammerson focuses its sustainability initiatives on five key issues identified as a result of a materiality study carried out in 2007.



We believe that the value of the business is best enhanced by respecting the interests of all our stakeholders, and that the creation of long-term financial returns is dependent upon our effective management of environmental and social performance.

The principle of our approach is to adopt business practices across the Group that are economically, socially and environmentally sustainable, and to promote these to our partners and customers in order to strengthen relationships, share knowledge and encourage best practice.

## DEVELOPMENT PORTFOLIO IMPACTS

In our development activities, we have a responsibility to design buildings which will meet, and preferably exceed, future legislative requirements on environmental and social issues.

Highlights of Corporate Responsibility activity relating to the development programme and pipeline in 2008 are as follows:

- Cabot Circus, Bristol, which opened to the public in September 2008, achieved BREEAM (Building Research Establishment Energy Assessment Methodology) Excellent, making it the first shopping centre ever to achieve this rating.
- 60 Threadneedle Street, London EC2, completed in January 2009, achieved BREEAM Excellent.



## HOW CORPORATE RESPONSIBILITY ('CR') IS MANAGED AT HAMMERSON

The CR Group agrees overall CR strategy and targets and monitors progress against targets. CR targets are grouped around our five identified material issues and are delivered by working groups representing the three principal areas of Hammerson's business activity: Operations; Development; and Corporate. We adopt a common approach in the UK and France. Members of the CR Group, and the leaders of working groups in the UK and France, are set out below.

		CR GROUP		
		<b>JOHN RICHARDS</b> Chief Executive <b>PAUL EDWARDS</b> Head of Sustainability <b>DAVID ATKINS</b> UK Managing Director <b>PHILIPPE BOUVERET</b> Sustainability Director, France <b>ANDREA COCKRAM</b> Corporate Communications Manager <b>ROBIN DOBSON</b> Director, UK Retail Development <b>JEAN-PHILIPPE MOUTON</b> Director of Operations, France <b>ANDREW THOMSON</b> Director, UK Operations		
		OPERATIONS	DEVELOPMENT	CORPORATE
		<b>ANDREW THOMPSON</b> Director, UK Operations  <b>MARC VALENTE</b> Retail Property Deputy Director  Since the beginning of 2008, the focus of our sustainability investment has shifted to improving the environmental and social performance of our investment portfolio.	<b>ROBIN DOBSON</b> Director, UK Retail Development  <b>JEAN-LOUIS COQUAND</b> Director, Shopping Centres  2008 was a landmark year for Hammerson, with the Group completing four major development projects. Each of these demonstrated leadership in sustainability.	<b>PAUL EDWARDS</b> Head of Sustainability  <b>VALÉRIE PETITBON</b> Director, Marketing and Communication  Our increasing emphasis on monitoring and reporting was recognised in 2008 as we were nominated UK sector leader by the Carbon Disclosure Project, ranking third-highest in the FTSE350.
1	CLIMATE CHANGE AND ENERGY	OPERATIONS	DEVELOPMENT	CORPORATE
2	RESOURCE USE			
3	COMMUNITY REGENERATION			
4	SUPPLY CHAIN			
5	CUSTOMERS			

- 125 Old Broad Street, London EC2, completed in July 2008, and Highcross, Leicester, completed in September 2008, both achieved BREEAM Very Good. Both were extensions or refurbishments of existing buildings.
- Waste produced during construction which was reused or recycled ranged from 54% (Highcross) to 70-88% (Cabot Circus).
- Skills training and recruitment programmes (Cabot Circus Jobs and Work Highcross) were held in respect of 6,000 retail and leisure jobs created at the Group's developments in Bristol and Leicester.
- In partnership with Waste Resource Action Programme ('WRAP') we have developed targets for recycled content for all future developments.
- A social sustainability workshop, facilitated by Future Focus, was held in June 2008, and outcomes were incorporated into Hammerson's guidance notes for best practice community engagement.
- Sustainability implementation plans, covering the period from pre-acquisition to construction, were initiated for each pipeline development.

## OUR 2008 PERFORMANCE

### DIRECT COMPANY IMPACTS

#### FINANCIAL INDICATOR

#### NON-FINANCIAL INDICATOR

## 1 CLIMATE CHANGE AND ENERGY

### ENERGY

7%

reduction in normalised carbon emissions since 2006 in the French offices

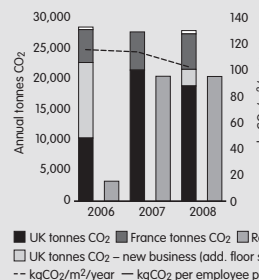
### ENERGY COST 2008

£7.6m

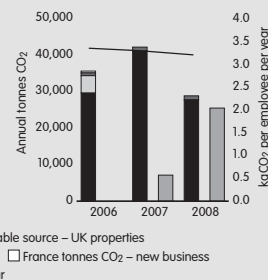
### SUSTAINABILITY INVESTMENT 2008

£1.4m

### RETAIL



### OFFICES



## 2 RESOURCE USE

### WASTE

73%

of UK waste averted from landfill direct from site

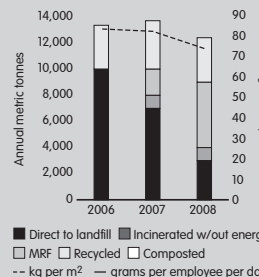
### WASTE COST 2008

£1.7m

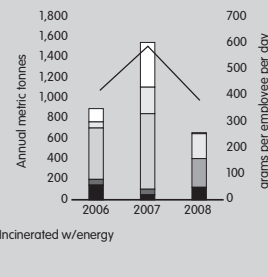
### WASTE SAVINGS 2008

£0.6m

### UK RETAIL



### UK OFFICES



## 3 COMMUNITY REGENERATION

75,000

people engaged in recruitment campaigns

### CASH AND TIME INVESTED 2008

£1.0m

### CHARITY DONATIONS 2008

£0.2m

### DEVELOPMENT

### DEVELOPMENT COSTS

### JOBS CREATED

### PREVIOUSLY UNEMPLOYED

2003

Bullring

£500m

5,500

76%

2008

Highcross

£350m

2,000

72%

2008

Cabot Circus

£500m

4,000

50%

## 4 SUPPLY CHAIN

47%

of supply chain engaged with on sustainability issues

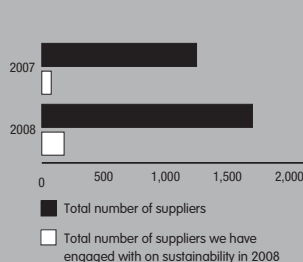
### TOTAL COST OF ALL GOODS AND MATERIALS 2008

£502m

### UK SUPPLIERS WE HAVE ENGAGED WITH ON SUSTAINABILITY IN 2008 (value of contracts)

£235m

### UK



## 5 CUSTOMERS

370

green leases signed since introduction in 2007

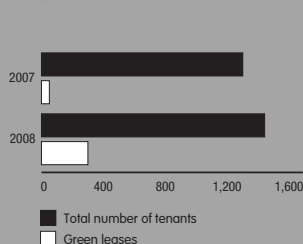
### NET RENTAL INCOME 2008

£299.8m

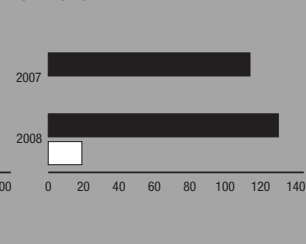
### GREEN LEASE VALUE 2008

£33.6m

### RETAIL



### OFFICES



INDIRECT COMPANY IMPACTS		
COMMENTARY ON PERFORMANCE	COMMENTARY	BENCHMARKS
<ul style="list-style-type: none"> <li>Our key initial action against the threat of climate change is to reduce our emissions. Since our baseline year of 2006, we have reduced our carbon emissions at our UK shopping centres by 15.6%, UK offices by 4.8%, our French offices by 6.7% and our French shopping centres by 17.8% when normalised by m<sup>2</sup>.</li> <li>The 2007 CR Report figures for Bullring did not include the car park energy, which has resulted in an adjustment of 19% in reported energy consumption, requiring a restatement of our data for that year. In order to expand our reporting to France, all data for France has been back-dated to 2006 where available and data for our smaller UK and French retail park portfolio is included in the online CR Report.</li> </ul>	<ul style="list-style-type: none"> <li>The cost for energy in 2008 dramatically increased, with the cost of electricity rising 53% in October and gas, 113%. Despite our reductions in energy consumption, our costs continued to increase.</li> <li>At Bullring we delivered our first energy performance contract, with an external company funding changes to car park lighting and recouping them over time through cost savings achieved. This initiative will result in an annual saving of 592 tonnes of CO<sub>2</sub>.</li> </ul>	<ul style="list-style-type: none"> <li>CDP6 – Top in sector, 3rd in FTSE350</li> <li>FTSE4Good</li> <li>DJSI</li> <li>BREEAM</li> <li>Energy Performance Buildings Directive</li> </ul>
<ul style="list-style-type: none"> <li>We have not historically measured waste in France. In 2008 we initiated a measuring and monitoring programme by conducting a waste audit. This will form a basis for measuring and monitoring going forward.</li> <li>The Material Recycling Facility (MRF) serving The Oracle shopping centre had been reporting a recycling rate of 40%. Following an audit, this figure has been adjusted to 2.5%. As a result of this, and other reporting discrepancies, our waste recycling figures had to be adjusted for 2007 by 981 tonnes. This demonstrates how our accuracy in measurement remains dependent on the reliability of reporting in our indirect supply chain.</li> <li>We managed and monitored the waste recycling of all fit-out contracts at Cabot Circus. This not only reduced our costs by £600,000 but increased the waste recycling on retail fit-out to 85-95%.</li> </ul>	<ul style="list-style-type: none"> <li>In the UK, the cost of landfill tax continues to increase by £8 per tonne per annum. The current charge is £32 per tonne. In France, the 2009 landfill tax is €15 per tonne.</li> <li>We engaged WRAP to develop a recycled content target for Sheffield. This identified the difference between materials used according to asset class (retail, residential and car park) and the impossibility in setting a single overarching target. As such, all Sustainability Implementation Plans now include a reference to the Sheffield research project by WRAP and we are in a position to specify targets for different building uses.</li> </ul>	<ul style="list-style-type: none"> <li>WRAP</li> <li>BREEAM</li> <li>FSC</li> </ul>
<ul style="list-style-type: none"> <li>We created 6,000 retail and leisure jobs as a result of our development of Cabot Circus, Bristol and Highcross, Leicester.</li> <li>Through our employment charter we were able to leverage match funding and other funding streams with our partners. This, combined with a cash injection of £320,000, allowed us to provide education and training for jobs in Bristol and Leicester.</li> <li>When the UK Government decided to decrease VAT by 2.5% Hammerson introduced a policy to donate the VAT reduction in car park tariffs to local charities. This has resulted in £64,000 being donated to charity. All car park users can claim their money back if they do not wish the money to be used for donations.</li> </ul>	<ul style="list-style-type: none"> <li>Hammerson measures the impact of its developments on the surrounding city economy. For example, the opening of Highcross is expected to boost net spending in the city by around £58 million per year. This is forecast to give a direct boost of about £31 million per year to the city's GVA and an annual £19 million boost to the wages of those employed in Leicester. The direct net impact of the scheme is expected to boost employment by around 710 jobs in addition to the 2,000 created at the scheme itself.</li> <li>Through our partnership work with the public sector we have been able to promote jobs to people in disadvantaged communities, assisting in achievement of local government targets on employment, inclusion and social mobility.</li> </ul>	<ul style="list-style-type: none"> <li>London Benchmarking Group</li> <li>Business in the Community</li> </ul>
<ul style="list-style-type: none"> <li>In 2008 we developed Sustainability Implementation Plans for nine developments and pipeline projects. This includes Union Square, Aberdeen, our current major development project.</li> <li>We published our first Responsible Procurement Policy.</li> <li>We issued environmental sustainability questionnaires to over 50 different suppliers as part of the materials selection process for Sevenstone, Sheffield, a potential future development. Information received was used to inform the specification.</li> </ul>	<ul style="list-style-type: none"> <li>We recognise the importance of influencing our supply chain. As such, we have commenced a programme of engagement with key suppliers ranging from Sir Robert McAlpine to MITIE.</li> <li>We have engaged with many of our professional suppliers directly through our sustainability workshops on future developments. Their ideas are incorporated in the Sustainability Implementation Plans for each project.</li> </ul>	<ul style="list-style-type: none"> <li>Green Property Alliance Responsible Procurement Principles</li> <li>ISO14001</li> <li>BRE Green Guide</li> <li>BSI Responsible Procurement</li> </ul>
<ul style="list-style-type: none"> <li>We have encouraged our tenants to measure, monitor and manage their impacts through our Green Lease and Tenants' Sustainability Guidelines for both office and retail, with over 370 leases being signed since inception.</li> <li>We have introduced environmental and social awareness days for our staff in the UK and France. We also issue a quarterly newsletter to staff and continue to provide training. New employees are provided with a one hour induction by the Head of Sustainability.</li> <li>We completed comprehensive staff commuter surveys in both France and the UK. This information has been used to improve our reporting on the carbon footprint at both offices.</li> </ul>	<ul style="list-style-type: none"> <li>We are a founding and board member of the Better Building Partnership and chair the owner-occupier working group. One of the BBP working groups has produced a memorandum of understanding which Hammerson intends to trial with tenants in the coming months.</li> <li>We held 'Green Weeks' in the UK and 'Eco Days' in France at all of our shopping centres, raising awareness of sustainability issues among the public and employees.</li> <li>We began our roll-out of Energy Performance Certificates in April 2008. All new, let or sold properties will include an EPC in line with 2006 legislation.</li> </ul>	<ul style="list-style-type: none"> <li>BCSC</li> <li>British Councils for Offices</li> <li>Better Building Partnership</li> </ul>



# CORPORATE RESPONSIBILITY

## CONTINUED

### 2008 REVIEW

In 2008 we built on the progress we achieved in 2007, extending the reach of our initiatives to encompass the whole of our UK managed portfolio, and our operations in France. Activity focused on: improving the accuracy of our monitoring, measuring and reporting systems; assessing the potential return on investment of specific sustainability initiatives; reducing consumption of energy and water; increasing waste recycling in the managed portfolio; sharing our CR objectives with our staff, our suppliers and our occupiers; working with occupiers to achieve improved environmental performance through implementation of the Green Lease and Tenant's Sustainability Guide; and participating in industry bodies in order to understand and shape legislation and best practice in the UK and France.

The four major development projects completed by Hammerson in 2008 each demonstrated leadership in sustainability: at 125 Old Broad Street, London EC2, we retained the existing building, expanding and recladding it, and improving environmental performance; at Cabot Circus, Bristol and Highcross, Leicester, design features including natural ventilation limit future energy consumption and we ran skills and training programmes for the 6,000 jobs we created. At O'Parinor, to the north of Paris, we recycled 85.4% of waste produced during construction and introduced rainwater harvesting for use within the scheme. These achievements were recognised in environmental ratings of Excellent (Cabot Circus) and Very Good (125 Old Broad Street and Highcross) awarded by BREEAM.

Initiatives in our managed portfolio were principally aimed at improving the environmental performance of our assets, thereby reducing costs associated with energy consumption and waste. At the end of 2007, we created the Sustainability Programme for Innovation, an in-house forum where new solutions can be put forward and reviewed by the CR Operations group against economic, environmental and social criteria. Collectively these initiatives resulted in a saving of over 3,000 tonnes of carbon per annum across the UK portfolio.

We continued to focus on engagement with retailers and office occupiers. Following the introduction of a Green Lease in 2007, we have signed over 360 of these leases with occupiers in the UK. The success of this lease lies in its nature: rather than being prescriptive, it seeks to build partnerships with retailers and share solutions. We are now rolling out this initiative in France, both on new deals and on lease renewals, signing eight leases since its introduction in October 2008. Similarly, we have been heavily involved in the Better Building Partnership's design of a memorandum of understanding, which provides a structure within which to work with existing occupiers to improve environmental performance.

Our service charge, meanwhile, has remained highly competitive, thanks to reductions in energy consumption since 2006. Against this baseline year we have reduced our carbon emissions at our UK shopping centres by 15.6%, offices by 4.8%, our French offices by 6.7% and French shopping centres by 17.8% when normalised by m<sup>2</sup>. We are on track to deliver a 19% reduction in energy consumption in the UK and 11% in France against our 2006 baseline, thereby containing increases in service charges as a result of higher energy prices.

### PEOPLE

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

In 2008, Hammerson organised an all staff conference for its employees in Bristol, the aim of which was to acquaint staff with one of the Company's most recent developments and important assets; convey key messages and ideas relating to the Company's business objectives, challenges and opportunities it faces in the current climate; and encourage staff to share knowledge in a more informal setting.

Hammerson also sponsored professional qualifications for 12 of its staff in 2008, equating to an investment of £26,000.

Key Performance Indicators relating to Hammerson's employees will be found in the full CR Report, which will be available online at [www.hammerson.com](http://www.hammerson.com).

### VERIFICATION PROCEDURES

An assessment of Hammerson's progress was carried out by Upstream Sustainability Services, Hammerson's strategic sustainability advisor, in order to establish the extent to which targets were completed. This assessment does not constitute a fully independent verification, but intends to provide a review of progress achieved during the year. Hammerson also engaged Bureau Veritas as a 'critical friend' of its CR data collection and analysis process, in anticipation of a move to a formal, fully independent audit in the future.

### ENVIRONMENTAL POLICY

The full texts of Hammerson's Environmental Policy, Responsible Procurement Policy and Equal Opportunities Policy is available on the Company's website, [www.hammerson.com](http://www.hammerson.com).

Hammerson recognises the importance of taking a proactive, strategic approach to environmental management and strives to be at the forefront of this area within the property industry.

Our Environmental Policy sets out two overarching commitments to our stakeholders:

- to use best practice in the design and planning of our developments to ensure they respect their locations and enhance the built environment; and
- to design and build properties using sustainable materials and practices and manage these properties efficiently, leading to lower consumption of natural resources and to reductions in waste and emissions generated during our properties' lifecycles.

We comply with all relevant legislation and strive to exceed legal requirements where possible. By conducting regular and independent reviews of our progress, as well as through engagement with stakeholders, we aim to achieve continuous improvement.

This pursuit of excellence is facilitated by an Environmental Management System which enables the targeting and public reporting of our environmental performance. Rigorous annual target-setting and monitoring at each of our properties is focused on the following key objectives:

- to substantially reduce our carbon footprint;
- to maximise the efficiency of our use of natural resources;
- to reduce our waste and increase recycling;
- to minimise the risk of pollution and contamination; and
- to place emphasis on good design to enhance the built environment.

Responsibility for overall governance and implementation of this policy lies with Hammerson's CR Group, which is also tasked with periodically reviewing the policy to ensure applicability and adherence to best practice.

Responsibility for overseeing this policy and ensuring it is implemented lies with the Chief Executive and Chairman of Hammerson's CR Group, John Richards.

## REAL ESTATE STRATEGY

There are three strands to our real estate strategy, which is aimed at maximising the total returns from the portfolio:

- the allocation of the portfolio between the markets and sectors in which we operate by appropriate investment and disposal decisions;
- the management of our investment properties so that they continue to be attractive to occupiers, enabling us to increase the Group's rental income and other revenues over time; and
- the generation of attractive income and capital returns through development.

More detail on our performance in these areas during 2008 is provided in this Business Review, together with information on the potential future growth in income and value in the portfolio.

## PROPERTY PORTFOLIO AND ALLOCATION

We analyse in detail the markets in which we operate using both external and internal research. We then base our decisions on overall portfolio allocation using this analysis. As part of our annual business planning process, we review the current and projected performance of each of our properties and identify assets for disposal. This active approach to managing the portfolio has seen £2 billion raised from disposals in the last five years, whilst £2.5 billion has been invested in acquisitions and new developments.

Hammerson's retail portfolio provides 1.4 million m<sup>2</sup> of space comprising 15 major shopping centres and 19 retail parks, principally in the UK and France. Our office portfolio includes nine prime buildings, most of which are located in and around the City of London and in central Paris, providing 255,000m<sup>2</sup> of accommodation.

At the end of 2008, our property portfolio was valued at £6.5 billion with our investment and development portfolios valued at £6.1 billion and £0.4 billion respectively. Joint ventures, including seven major shopping centres in the UK, accounted for 29% by value of the total portfolio.

Following the completion of the shopping centre developments at O'Parinor, Highcross, Cabot Circus and the sales of two London office buildings, the retail weighting of the portfolio increased from 72% at the end of 2007 to 76% at 31 December 2008. The weighting of the UK portfolio decreased from 71% to 60% over the same period. Both the sector and geographic weightings reflected the greater rate of decline in UK property values compared with those in France and the impact of exchange rate movements. At constant exchange rates, the UK portfolio would have constituted around 66% of the total.

Hammerson's strategy is to allocate the majority of the portfolio to regionally dominant shopping centres and retail parks. Over the last ten years, IPD data for the UK shows that shopping centres and offices have produced similar average total returns of 7.0% and 6.8% respectively. However, the volatility of office returns has been greater.

The movement in the value of the portfolio during 2008 is analysed in the table below.

### MOVEMENT IN PORTFOLIO VALUE IN 2008

	£m
Portfolio value at 1 January	7,275
Valuation decrease	(1,675)
Capital expenditure	
Acquisitions	20
Development programme	385
Expenditure on existing portfolio	19
Capitalised interest	36
Disposals	(284)
Exchange	681
<b>Portfolio value at 31 December</b>	<b>6,457</b>

# BUSINESS REVIEW

CONTINUED

The capital return for the whole portfolio for the year ended 31 December 2008 was -20.9%, reflecting the reduction in value of £1.7 billion in the year. The table below analyses capital returns by segment.

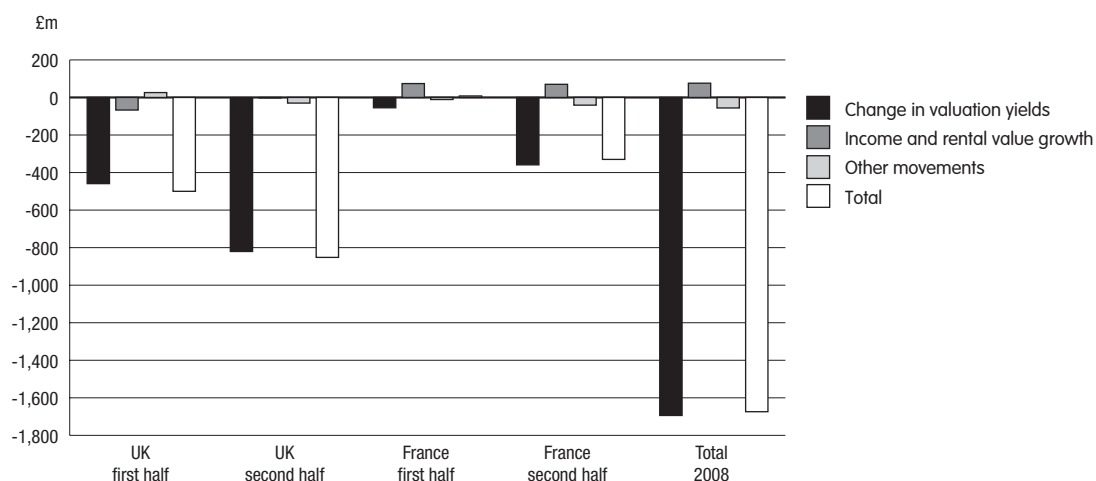
## CAPITAL RETURNS – TOTAL PORTFOLIO

For the year ended 31 December 2008

	Shopping centres		Retail parks		Offices		Total	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	1,838	(26.7)	891	(30.5)	1,156	(20.4)	3,885	(25.8)
France	1,928	(6.2)	171	(19.3)	383	(26.4)	2,482	(11.0)
Germany	90	(25.7)	–	–	–	–	90	(25.7)
<b>Total</b>	<b>3,856</b>	<b>(17.8)</b>	<b>1,062</b>	<b>(28.9)</b>	<b>1,539</b>	<b>(22.0)</b>	<b>6,457</b>	<b>(20.9)</b>

In 2008, the decline in the portfolio value was almost exclusively the result of an increase in investment yields in both the UK and France, although the impact was offset slightly by increased rental values, predominantly in France. Almost 70% of the fall in values occurred during the second half of the year. The City office portfolio showed falling rental values throughout 2008, although the reduction in the second six months was just over half that of the first. The chart below shows the components of the valuation change in 2008.

## COMPONENTS OF VALUATION CHANGE IN 2008





## INVESTMENT PORTFOLIO

### VALUATION DATA FOR INVESTMENT PROPERTY

For the year ended 31 December 2008

	Properties at valuation £m	Revaluation in the year £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes					1	2
<b>United Kingdom</b>						
Retail: Shopping centres	1,683	(539)	(23.9)	(20.7)	5.3	7.0
Retail parks	845	(360)	(30.1)	(26.6)	6.2	7.5
	2,528	(899)	(26.1)	(22.8)	5.6	7.1
Office: City	753	(189)	(20.5)	(15.7)	6.6	6.7
Other	224	(70)	(23.2)	(18.9)	6.8	7.5
	977	(259)	(21.1)	(16.5)	6.6	6.9
<b>Total United Kingdom</b>	3,505	(1,158)	(24.8)	(21.1)	5.9	7.1
<b>Continental Europe</b>						
<b>France</b>						
Retail	2,051	(148)	(7.0)	(3.0)	4.5	5.2
Office	383	(138)	(26.4)	(23.1)	6.1	5.5
<b>Total France</b>	2,434	(286)	(10.9)	(7.0)	4.8	5.2
<b>Germany</b>						
Retail	90	(30)	(25.7)	(22.9)	5.5	7.3
<b>Total Continental Europe</b>	2,524	(316)	(11.5)	(7.7)	4.8	5.3
<b>Group</b>						
Retail	4,669	(1,077)	(18.9)	(15.6)	5.1	6.3
Office	1,360	(397)	(22.7)	(18.6)	6.5	6.5
<b>Total investment portfolio</b>	<b>6,029</b>	<b>(1,474)</b>	<b>(19.9)</b>	<b>(16.4)</b>	<b>5.5</b>	<b>6.3</b>
Developments <sup>(3)</sup>	428	(201)	(34.5)	(33.8)		
<b>Total Group</b>	<b>6,457</b>	<b>(1,675)</b>	<b>(20.9)</b>	<b>(17.6)</b>		

#### Notes

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

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

(3) Further analysis of development properties by segment is provided in note 3B to the accounts on page 64.

In the table above, the initial yield calculation is based on passing rents and excludes rent of £18.7 million per annum which will be received after the expiry of rent-free periods.

Four major developments, three retail schemes and one office building in the City of London, were completed during 2008 and transferred to the investment portfolio.

On 4 September 2008, Highcross shopping centre in Leicester, a 60:40 joint venture with Hermes, opened to the public and was visited by over one million people in the first fortnight. The project has more than doubled the size of the former Shires shopping centre to over 100,000m<sup>2</sup>. The occupancy rate for the combined scheme at Highcross at 31 December 2008 was 86%. The anchors of the scheme, John Lewis and a 7,000m<sup>2</sup> Showcase Cinema de Lux, are housed in iconic buildings. The centre won a BCSC (the UK retail property body) gold award in December in recognition of the contribution made by the scheme to the quality of the built environment.

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Cabot Circus in Bristol is a 95,800m<sup>2</sup> retail-led mixed use scheme which opened on 25 September 2008. The project was developed in a 50:50 joint venture with Land Securities and at the end of 2008 was 91% let with anchor stores occupied by Harvey Nichols and House of Fraser. Within the first two weeks of opening, Cabot Circus also attracted over one million visitors and has re-established Bristol as a top-ten UK retail destination. The scheme was awarded the BREEAM 'Excellent' environmental rating in October 2008 and, in December, was awarded the supreme gold award by BCSC.

The second and final phase of the extension to O'Parinor was opened on 11 September. The project increased the number of stores at the centre to 220 and, at over 90,000m<sup>2</sup>, made it the largest shopping centre serving the north of Paris. Anchored by Saturn and Toys 'R' Us, the extension was 94% let at the end of 2008 whilst the centre as a whole was 96% let.

In the City of London, the redevelopment of the former London Stock Exchange at 125 Old Broad Street was completed in July. The project is a joint venture with two co-investors, Bank of Ireland and GE Real Estate, each of which has a 25% interest. The 26-storey, 30,900m<sup>2</sup> tower building was 46% let at 31 December 2008 and we are continuing to progress discussions with prospective tenants for the remaining space.

In our UK retail parks portfolio, a number of smaller extensions and reconfigurations were completed in 2008 or are underway. In Scotland, we are extending the existing Fife Central Retail Park in Kirkcaldy by 11,000m<sup>2</sup>, which will increase the size of the scheme to 28,000m<sup>2</sup>. The extension will be fully integrated with the existing centre, and will be anchored by B&Q. Five of the six units, representing 88% of the target income, have been pre-let and completion is expected in June 2009.

In July 2008, an extension was started at Victoria Retail Park, Nottingham which completed in December. A Tesco Homeplus store opened in November and negotiations are underway with prospective occupiers of two units, each of 700m<sup>2</sup> with a 330m<sup>2</sup> mezzanine level.

At Cleveland Retail Park, Middlesbrough, a 6,600m<sup>2</sup> restructuring project will create seven units, five of which have been pre-let. Work started on site in September 2008 and the units will open in Autumn 2009.

We sold two properties during 2008, in line with our strategy of recycling the proceeds from mature assets. In March we completed the sale of One London Wall, a 18,500m<sup>2</sup> office building in the City of London, in which Hammerson and Kajima each held a 50% interest. The development of the building was completed in 2003 at a cost to Hammerson of £50 million and the net proceeds were £67 million. Our 67% interest in Moorhouse, the 30,100m<sup>2</sup> office building in the City of London, jointly owned with Pearl, was sold in September. The Group's share of the net disposal proceeds was £152 million compared with its total development cost of £142 million.

In April, we exchanged our properties in Paris Street and Sidwell Street, Exeter with Land Securities for their 50% interest in Parc Tawe, Swansea. We now own the whole of the latter scheme which is integral to our proposed regeneration of Swansea city centre.

Also in April, we made a payment of £137 million, contracted and provided for in 2007, to acquire the City of London's 25% long leasehold interest in Bishops Square, London EC1. The City retains the freehold interest in the scheme.

## RENTAL INCOME

### RENTAL DATA FOR INVESTMENT PORTFOLIO

For the year ended 31 December 2008

	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rent passing £/m <sup>2</sup>	Rents passing £m	Estimated rental value £m	Reversion/ (over-rented) %
Notes			1	2	3	4	5
<b>United Kingdom</b>							
Retail: Shopping centres	99.8	81.7	5.4	480	105.0	120.7	8.9
Retail parks	53.1	48.9	5.1	190	51.0	60.6	12.0
	152.9	130.6	5.3	355	156.0	181.3	9.9
Office: City	63.7	57.9	8.1	480	53.6	52.1	(12.0)
Other	15.2	14.4	1.9	280	18.3	20.9	12.0
	78.9	72.3	6.4	410	71.9	73.0	(5.5)
<b>Total United Kingdom</b>	<b>231.8</b>	<b>202.9</b>	<b>5.7</b>	<b>365</b>	<b>227.9</b>	<b>254.3</b>	<b>5.1</b>
<b>Continental Europe</b>							
<b>France</b>							
Retail	81.3	72.8	2.2	400	114.1	122.7	5.1
Office	19.7	18.3	5.3	745	19.9	16.7	(24.1)
<b>Total France</b>	<b>101.0</b>	<b>91.1</b>	<b>2.6</b>	<b>435</b>	<b>134.0</b>	<b>139.4</b>	<b>1.4</b>
<b>Germany</b>							
Retail	4.7	3.0	8.8	240	6.2	7.1	4.5
<b>Total Continental Europe</b>	<b>105.7</b>	<b>94.1</b>	<b>2.9</b>	<b>420</b>	<b>140.2</b>	<b>146.5</b>	<b>1.5</b>
<b>Group</b>							
Retail	238.9	206.4	4.1	365	276.3	311.1	7.8
Office	98.6	90.6	6.2	445	91.8	89.7	(8.9)
<b>Total investment portfolio</b>	<b>337.5</b>	<b>297.0</b>	<b>4.6</b>	<b>380</b>	<b>368.1</b>	<b>400.8</b>	<b>3.8</b>
Income from developments and other sources not analysed above	6.7	2.8					
<b>As disclosed in note 2 to the accounts</b>	<b>344.2</b>	<b>299.8</b>					

Selected data for the year ended 31 December 2007

<b>Group</b>							
Retail	217.9	193.9	1.9	315	214.2	237.2	8.6
Office	85.9	75.4	1.6	410	94.1	97.8	2.1
Total investment portfolio	303.8	269.3	1.8	340	308.3	335.0	6.6

#### Notes

- (1) The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the total ERV of the property or portfolio.
- (2) Average rent passing at 31 December 2008 before deducting head and equity rents and excluding rents passing from anchor units and car parks.
- (3) The annual rental income receivable from an investment property at 31 December 2008, after any rent-free periods and after deducting head and equity rents.
- (4) The estimated market rental value of the total lettable space in a property at 31 December 2008, after deducting head and equity rents, calculated by the Group's valuers.
- (5) The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 31 December 2008.

Net rental income for the year ended 31 December 2008 was £300 million, whilst passing rents from the investment portfolio totalled £368 million at that date.

In 2008, we agreed 65 rent reviews in the UK, for which the passing rents were £9.6 million, and secured additional annual income of £2.2 million.

In France, shopping centre rents have historically been indexed annually according to a construction cost index. A new composite index, partly based on retail prices, has been agreed with tenants with the result that, from 1 January 2009, the indexation to be applied to the majority of retail tenants in Hammerson's French portfolio is 3.85%. The applicable index for 2008 was 5.05%. The majority of rents at our French office properties are indexed annually based on a construction cost index. From 1 January 2009, the index to be applied to the majority of our office tenants is 8.85%, compared with 5.05% for 2008.

# BUSINESS REVIEW

## CONTINUED

### OCCUPANCY

In the investment portfolio, the occupancy rate at 31 December 2008 was 95.4%, compared with 98.2% at the end of 2007.

The reduction was principally the result of the transfer of the recently completed developments to the investment portfolio.

Excluding these recent developments, the occupancy rate was 97.2%.

### INCOME SECURITY AND QUALITY

Hammerson's investment portfolio benefits from leases with long terms and provides a secure income stream with growth potential. The weighted average unexpired lease term was ten years at the end of 2008.

Currently, 56 retail units in the UK are let to tenants in administration, and of these, 38 are still trading. In France, there are 16 units in administration of which nine are still occupied. For the Group as a whole, income from tenants in administration represents less than 2% of passing rent at 31 December 2008.

The table below provides information on Hammerson's largest tenants by passing rent. The ten largest retail tenants account for £56 million or 15.3% of total passing rents at 31 December 2008. In the office portfolio, the five largest tenants represent £59 million or 16.0% of passing rents.

RETAIL		OFFICE	
	% of total passing rent		% of total passing rent
Tenant		Tenant	
B&Q	2.6	Allen & Overy	9.4
H&M Hennes Limited	2.3	Deutsche Bank	2.8
Printemps	2.2	Barclays Bank	1.5
Home Retail Group	1.4	Latham & Watkins LLP	1.3
Arcadia	1.4	HM Government	1.0
Mulliez	1.3		
DSG Retail Limited	1.1		
Inditex	1.1		
Vivarte	1.0		
Next Group	0.9		
Total	<b>15.3</b>	Total	<b>16.0</b>

Covenant strength is assessed for all new leases and our credit control team monitors the credit ratings of all key tenants, using a credit rating agency. At 31 December 2008, seven of our top ten retail tenants were rated as low risk, whilst the remainder were rated as lower than average risk. Tenants with a low or lower than average risk rating comprised 81.3% by passing rent of the UK retail portfolio.

Our office tenants are generally of lower risk than retailers, although we also monitor their risk ratings. At 31 December 2008, three of the top five office tenants were rated as low risk, one was unrated due to insufficient information being available and another's rent is guaranteed.

## LEASE EXPIRIES AND BREAKS

As at 31 December 2008

	Rents passing that expire/break in			ERV of leases that expire/break in			Weighted average unexpired lease term	
	2009 £m	2010 £m	2011 £m	2009 £m	2010 £m	2011 £m	to break years	to expiry years
Notes	1	1	1	2	2	2		
<b>United Kingdom</b>								
Retail: Shopping centres	7.7	3.2	4.7	9.5	3.8	4.8	9.7	10.8
Retail parks	1.1	0.7	0.6	1.5	0.8	0.7	13.3	13.7
	8.8	3.9	5.3	11.0	4.6	5.5	11.0	11.8
Office: City	—	0.2	11.5	—	0.2	9.9	14.1	15.9
Other	1.6	2.0	4.4	2.1	2.1	5.2	5.2	6.9
	1.6	2.2	15.9	2.1	2.3	15.1	12.0	13.8
<b>Total United Kingdom</b>	<b>10.4</b>	<b>6.1</b>	<b>21.2</b>	<b>13.1</b>	<b>6.9</b>	<b>20.6</b>	<b>11.3</b>	<b>12.5</b>
<b>Continental Europe</b>								
<b>France</b>								
Retail	17.8	14.8	12.8	19.8	16.1	13.7	1.8	4.3
Office	5.2	—	1.7	4.3	—	1.5	1.6	4.3
<b>Total France</b>	<b>23.0</b>	<b>14.8</b>	<b>14.5</b>	<b>24.1</b>	<b>16.1</b>	<b>15.2</b>	<b>1.8</b>	<b>4.3</b>
<b>Germany</b>								
Retail	0.8	0.3	1.1	0.8	0.3	1.1	6.1	7.6
<b>Total Continental Europe</b>	<b>23.8</b>	<b>15.1</b>	<b>15.6</b>	<b>24.9</b>	<b>16.4</b>	<b>16.3</b>	<b>2.0</b>	<b>4.5</b>
<b>Group</b>								
Retail	27.4	19.0	19.2	31.6	21.0	20.3	7.0	8.6
Office	6.8	2.2	17.6	6.4	2.3	16.6	9.9	11.9
<b>Total Group</b>	<b>34.2</b>	<b>21.2</b>	<b>36.8</b>	<b>38.0</b>	<b>23.3</b>	<b>36.9</b>	<b>7.8</b>	<b>9.5</b>

### Notes

- (1) The amount by which rental income, based on rents passing at 31 December 2008, could fall in the event that occupational leases due to expire are not renewed or replaced by new leases. For the UK it includes tenants' break options. For France and Germany, it is based on the earliest date of lease expiry.
- (2) The ERV at 31 December 2008 for leases that expire or break in each year and ignoring the impact of rental growth and any rent-free periods.

Leases with current rents passing of £92 million will expire, or are subject to tenants' break clauses, during the period from 2009 to 2011, as shown in the table above. We estimate that, assuming renewals were to take place at current rental values, additional rents of around £6 million per annum would be secured. The rental uplifts relate principally to the shopping centres at Brent Cross, Italie 2 and O'Parinor, and the London office, Exchange Tower. This is not a forecast and takes no account of void periods, lease incentives or possible changes in rental values.

## RENT REVIEWS

As at 31 December 2008

	Rents passing subject to review in				Projected rent at current ERV of leases subject to review in			
	Outstanding £m	2009 £m	2010 £m	2011 £m	Outstanding £m	2009 £m	2010 £m	2011 £m
Notes	1	1	1	1	2	2	2	2
<b>United Kingdom</b>								
Retail: Shopping centres	12.7	12.1	13.9	10.2	14.3	13.4	14.6	10.5
Retail parks	11.4	3.8	14.8	9.0	13.7	4.6	16.7	10.1
	24.1	15.9	28.7	19.2	28.0	18.0	31.3	20.6
Office: City	—	2.0	37.6	5.6	—	2.0	37.6	5.6
Other	2.2	2.4	5.1	2.8	2.3	3.2	5.9	3.5
	2.2	4.4	42.7	8.4	2.3	5.2	43.5	9.1
<b>Total United Kingdom</b>	<b>26.3</b>	<b>20.3</b>	<b>71.4</b>	<b>27.6</b>	<b>30.3</b>	<b>23.2</b>	<b>74.8</b>	<b>29.7</b>

### Notes

- (1) Rents passing at 31 December 2008, after deducting head and equity rents, which is subject to review in each year.
- (2) Projected rents for space that is subject to review in each year, based on the higher of the current rental income and the ERV as at 31 December 2008 and ignoring the impact of changes in rental values before the review date.

At the end of 2008, the investment portfolio was 3.8% reversionary overall, compared with 6.6% at 31 December 2007. The reduction in reversion was largely due to a decline in rental values, particularly in the office portfolio, which is now over-rented.

Leases with passing rents of £119 million in the UK are subject to review over the next three years, as shown in the table on page 29. We estimate that, on review, rents receivable in respect of these leases would increase by £9 million per annum by 2011, if reviewed at current rental values. An additional £4 million per annum would be secured if outstanding rent review negotiations are concluded at current rental values. This is not a forecast and takes no account of potential changes in rental values before the relevant review dates.

The majority of leases in France are subject to indexation.

## CONTRACTED INCOME

In 2009 and 2010, our cash flow will increase substantially due to leases and contracts that have been signed at current and recently completed developments. The table below shows contracted income on both cash flow and accounting bases.

Contracted rents passing at 31 December 2008	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m
Offices – UK	0.5	2.1	3.2	4.3	4.3
Shopping centres – UK	1.5	15.0	23.5	25.9	26.2
Retail parks – UK	–	1.0	4.4	4.9	4.9
Shopping centres – France	4.5	8.5	9.2	10.5	10.7
Retail parks – France	–	2.5	3.0	3.1	3.2
<b>Total – cash flow</b>	<b>6.5</b>	<b>29.1</b>	<b>43.3</b>	<b>48.7</b>	<b>49.3</b>
<b>– accounting basis</b>	<b>12.2</b>	<b>39.0</b>	<b>45.8</b>	<b>47.3</b>	<b>47.5</b>

### Note

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

## CURRENT DEVELOPMENTS

Our objectives from development are:

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

Hammerson has built a reputation as one of the leading developers in the UK and France, managing complex urban regeneration schemes and forging strong links with local authorities and key occupiers. The delivery of these schemes requires us to take a view of future market conditions, anticipate occupiers' needs, exercise strong project management skills and carefully manage risk.

Six major developments were underway at the beginning of 2008 and of those, four were completed during the year and transferred to the investment portfolio. At 31 December 2008, future committed expenditure in respect of these four schemes was £35 million. The two remaining major schemes, which are shown in the table opposite, have an estimated total development cost of £385 million, of which £254 million had been spent by 31 December 2008. We also have a number of smaller schemes within the investment portfolio for which the remaining expenditure is estimated at £29 million. Reflecting current market conditions, the value of our development portfolio at the end of 2008 was £199 million below its cost. Most of the deficit related to Union Square, Aberdeen and the future development pipeline. Following a review in early 2008, only limited capital is being invested in the future pipeline until market conditions improve.



Current developments	Lettable area m <sup>2</sup>	Forecast completion	Cost to 31 December 2008 £m	Value at 31 December 2008 £m	Cost to complete £m	Estimated future interest capitalised £m	Forecast total cost to complete £m	Forecast total cost £m	Let %	Estimated annual income when fully let £m
Notes			1		2		1	1	3	4
<b>Retail</b>										
Union Square, Aberdeen	49,000	Oct 2009	149	55	101	10	111	260	34	15
<b>Office</b>										
60 Threadneedle Street, London EC2	20,600	Jan 2009	105	92	20	—	20	125	—	10
<b>Total</b>			<b>254</b>	<b>147</b>	<b>121</b>	<b>10</b>	<b>131</b>	<b>385</b>	<b>20</b>	<b>25</b>
Other developments			373	281						
<b>Total development properties</b> (note 11 to the accounts)			<b>627</b>	<b>428</b>						

#### Notes

- (1) Capital cost including capitalised interest.  
(2) Capital cost to complete excluding estimated future capitalised interest.  
(3) Amount let or in solicitors' hands by income at 6 February 2009.  
(4) Includes estimates of non-rental income.

The current developments shown in the table above are 100% owned by Hammerson.

Practical completion was achieved in January 2009 at 60 Threadneedle Street, London EC2. The 20,600m<sup>2</sup> nine-storey office building provides prime accommodation in one of the best locations in the City of London. The building is currently unlet. There is interest from potential occupiers to take space in the building, however the current economic background means that they are taking time to determine their requirements. The estimated total cost of the building is £125 million, of which £20 million remains to be spent, and it is expected to generate £10 million of income per annum when fully let.

Work is continuing at Union Square, Aberdeen where a nine-hectare site next to the railway station is being developed to create 49,000m<sup>2</sup> of mixed-use space including retail units, leisure and catering, a 200 bedroom hotel and 1,700 car parking spaces. The estimated cost of the scheme is £260 million, of which £111 million remains to be spent, and its projected income is £15 million, of which 34% has been secured. The current economic climate means that letting has been more difficult than originally envisaged. The scheme is planned to open towards the end of 2009.

The first of our two retail park developments in France, Les Rives de l'Aa, St Omer, was recently completed and 96% of the target income of around £2 million has been secured. The cost of the scheme at 31 December 2008 was £30 million.

Cap Malo Boutiques, which is anticipated to be completed in April 2009, has an estimated total cost of £20 million and the target income for the scheme is approximately £2 million. Of the latter, 98% has been secured.

#### FUTURE DEVELOPMENTS

Over a number of years, Hammerson has secured a substantial pipeline of potential future development opportunities. We do not intend to start construction of any major new projects, although we are continuing to progress the planning and design stages so that the schemes could be advanced in the longer term.

During 2008, we have made progress in the early stages of these schemes:

- Site assembly for the Sevenstone scheme in Sheffield has progressed with a number of private treaty acquisitions and confirmation of the Compulsory Purchase Order in the summer.
- At Eastgate Quarter, Leeds, agreements for lease have been signed with John Lewis and Marks & Spencer for anchor stores of 26,000m<sup>2</sup> and 18,250m<sup>2</sup> respectively. In addition, the CPO inquiry was confirmed by the Secretary of State in July and the initial phase of enabling works is complete.
- A planning application for the masterplan for the regeneration of Brent Cross and Cricklewood, in north-west London, was submitted in March.
- In Southampton we are progressing outline proposals for a 42,000m<sup>2</sup> mixed-use, leisure-led extension to WestQuay Shopping Centre called Watermark WestQuay. A public consultation was held earlier in 2008 and an outline planning application has been submitted.

# FINANCIAL REVIEW

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

## RESULT BEFORE TAX

For the year ended 31 December 2008, there was a loss before tax of £1,611.5 million, compared with a profit of £110.4 million for 2007. The significant change in the result before tax principally reflected the inclusion of unrealised property revaluation gains and losses in the income statement. Revaluation losses of £1,649.9 million in 2008 compared with net losses of £5.0 million in 2007. Adjusted profit before tax, which is analysed in the table below, was £113.7 million for 2008, reduced from £117.3 million in 2007.

Analysis of (loss)/profit before tax	2008 £m	2007 £m
<b>Adjusted profit before tax</b>	<b>113.7</b>	117.3
Adjustments:		
(Loss)/Profit on the sale of investment properties	<b>(32.5)</b>	39.8
Revaluation (losses)/gains on investment properties	<b>(1,473.4)</b>	20.7
Revaluation losses on development properties	<b>(176.5)</b>	(25.7)
Provision relating to formerly owned property	–	(6.0)
Asset impairment	<b>(15.9)</b>	(3.6)
Bond redemption costs	–	(28.3)
Change in fair value of derivatives	<b>(26.9)</b>	(3.8)
<b>(Loss)/Profit before tax</b>	<b>(1,611.5)</b>	110.4

Compared with 2007, adjusted earnings per share fell by 2.2 pence, or 5.5% to 38.1 pence. The main reasons for the reductions in adjusted profit and earnings per share were the financing costs associated with the development programme and the REIT conversion charge, which more than offset increased net rental income. Note 10A to the accounts on page 71 provides detailed calculations for earnings per share.

## NET RENTAL INCOME

In 2008, net rental income was £299.8 million compared with £275.7 million for the preceding year. Additional net rental income from acquisitions and completed developments was largely offset by that lost as a result of disposals. The increase therefore principally arose from properties owned throughout both years and the £11.6 million impact of exchange rate movements. The tables opposite compare net rental income for 2008 and 2007, analysing the portfolio between investment properties owned throughout both years and those properties which have been acquired, sold or been under development at any time during the two year period.

On a like-for-like basis, our investment portfolio generated an increase of 3.7%, principally reflecting new lettings at the UK offices and indexation in France. The slight fall in like-for-like net rental income for the UK retail portfolio resulted principally from higher property outgoings, which included marketing expenses associated with the launch of the recently completed shopping centre developments and bad debt expense.

Included in net rental income for 2008 is rent receivable of £4.1 million which has been accrued and allocated to rent-free periods and £3.0 million which is related to occupiers' turnover. Shopping centre car parks generated net income of £8.4 million in 2008, compared with £7.8 million in 2007.

### LIKE-FOR-LIKE NET RENTAL INCOME

For the year ended 31 December 2008

	Properties owned throughout 2007/8 £m	Increase/ (Decrease) for properties owned throughout 2007/8	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
<b>United Kingdom</b>						
Retail	122.5	(0.7)%	6.1	0.1	6.4	135.1
Office	53.0	7.1%	10.7	7.6	1.4	72.7
<b>Total United Kingdom</b>	<b>175.5</b>	<b>1.5%</b>	<b>16.8</b>	<b>7.7</b>	<b>7.8</b>	<b>207.8</b>
<b>Continental Europe</b>						
France	84.9	6.5%	0.7	–	3.4	89.0
Germany	3.0	114.3%	–	–	–	3.0
<b>Total Continental Europe</b>	<b>87.9</b>	<b>8.4%</b>	<b>0.7</b>	<b>–</b>	<b>3.4</b>	<b>92.0</b>
<b>Group</b>						
Retail	192.1	2.2%	6.8	0.1	9.8	208.8
Office	71.3	7.9%	10.7	7.6	1.4	91.0
<b>Total portfolio</b>	<b>263.4</b>	<b>3.7%</b>	<b>17.5</b>	<b>7.7</b>	<b>11.2</b>	<b>299.8</b>

### LIKE-FOR-LIKE NET RENTAL INCOME

For the year ended 31 December 2007

	Properties owned throughout 2007/8 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments £m	Total net rental income £m
<b>United Kingdom</b>						
Retail	123.4	–	5.0	8.4	2.6	139.4
Office	49.5	–	1.9	12.5	0.1	64.0
<b>Total United Kingdom</b>	<b>172.9</b>	<b>–</b>	<b>6.9</b>	<b>20.9</b>	<b>2.7</b>	<b>203.4</b>
<b>Continental Europe</b>						
France	79.7	(11.4)	–	2.7	0.1	71.1
Germany	1.4	(0.2)	–	–	–	1.2
<b>Total Continental Europe</b>	<b>81.1</b>	<b>(11.6)</b>	<b>–</b>	<b>2.7</b>	<b>0.1</b>	<b>72.3</b>
<b>Group</b>						
Retail	187.9	(9.0)	5.0	8.1	2.7	194.7
Office	66.1	(2.6)	1.9	15.5	0.1	81.0
<b>Total portfolio</b>	<b>254.0</b>	<b>(11.6)</b>	<b>6.9</b>	<b>23.6</b>	<b>2.8</b>	<b>275.7</b>

### ADMINISTRATION EXPENSES

For the year ended 31 December 2008, administration expenses were £42.3 million compared with £41.2 million for the prior year, although at constant exchange rates they were unchanged. In 2008 increased staffing costs, including £1.1 million in respect of the one-off redundancy payments arising from the staff reorganisation announced in November 2008, were offset by a reduction in professional fees. The reorganisation and a cost reduction programme are expected to result in savings of around £3 million in 2009.

### NET FINANCE COSTS

Excluding the change in fair value of derivatives, bond redemption costs and capitalised interest, net finance costs were £179.7 million in 2008, £34.9 million or 24.1% higher than the equivalent 2007 figure of £144.8 million. The increase reflected higher levels of borrowing, the cost of commitment fees for new borrowing facilities, the cost of funding the REIT conversion charge and £13.2 million arising from the movement in exchange rates over the year.

Interest of £35.9 million relating to the development programme was capitalised during 2008. This was principally in respect of the developments at 125 Old Broad Street, Highcross, Cabot Circus and O'Parinor, which completed during the year.

For 2008, the average cost of borrowing was 5.4%, around 50 basis points lower than the equivalent figure for 2007.

## ASSET IMPAIRMENT

Following the termination in August by JPMorgan Chase of discussions relating to the development of their new European headquarters building, we have written off £15.9 million in respect of the costs incurred on the project.

## TAX

The Group now bears minimal current tax due to its status as a UK REIT and French SIIC.

For deferred tax, a provision is made for the UK tax that could arise on dividends to be received, under the SIIC rules, by Hammerson plc from French subsidiaries. However, the UK government is proposing to introduce a corporation tax exemption for foreign dividends during 2009. If this is enacted as proposed, virtually all the Group's net deferred tax provision of £108 million at 31 December 2008 should be written back. The 2008 deferred tax credit of £38.3 million arose principally in respect of the decline in values of the French portfolio.

## DIVIDEND

The Board is proposing a final dividend of 15.3 pence per share, which together with the interim dividend of 12.6 pence makes a total dividend of 27.9 pence per share for 2008, representing an increase of 2.2% on 2007.

It is intended that 3.8 pence of the 2008 final dividend will be paid as a PID, net of withholding tax where appropriate, with the remaining 11.5 pence per share being paid as a normal dividend. The record date for the final dividend is 20 February 2009. New shares issued in conjunction with the proposed rights issue will not be eligible for this dividend.

## CASH FLOW

Cash generated from operations for the year ended 31 December 2008 was £346 million compared with £208 million for 2007. The effects of exchange, increased rental income, the expiry of rent-free periods, and an increase in the rents received from tenants by the end of 2008 compared with the previous year, all contributed to the increase.

There was a cash inflow from operating activities for the year ended 31 December 2008 of £30 million. The comparative figure for 2007 was an outflow of £29 million. The increase in cash generated from operations described above was partially offset by higher interest outflows and £37 million paid in respect of prior year UK tax liabilities.

Disposals raised £245 million whilst acquisitions, principally reflecting payment for the City of London's 25% long leasehold interest in Bishops Square and capital expenditure, amounted to £514 million. After taking account of the net cash inflow from financing activities of £328 million, there was a net increase in cash and deposits of £89 million in 2008.

## BALANCE SHEET

The decline in property values was the main reason for the fall in equity shareholders' funds from £4.4 billion to £2.8 billion and the corresponding reduction in adjusted net asset value per share from £15.45 at the end of 2007 to £10.36 as shown below.

Analysis of net asset value	£m	2008 £ per share	£m	2007 £ per share
<b>Basic</b>	<b>2,820.6</b>	<b>9.70</b>	4,354.6	14.98
Dilution on exercise of share options	<b>4.8</b>	<b>n/a</b>	6.4	n/a
<b>Diluted</b>	<b>2,825.4</b>	<b>9.74</b>	4,361.0	15.06
Adjustments:				
Fair value of derivatives	<b>73.0</b>	<b>0.25</b>	13.2	0.05
Deferred tax	<b>108.4</b>	<b>0.37</b>	99.6	0.34
<b>EPRA</b>	<b>3,006.8</b>	<b>10.36</b>	4,473.8	15.45
Basic shares in issue (million)	<b>290.9</b>		290.6	
Diluted shares in issue (million)	<b>290.1</b>		289.6	

A reconciliation of the movement in net asset value over the year is shown in the table below.

Movement in net asset value	Equity shareholders' funds* £m	EPRA NAV* £ per share
31 December 2007	4,474	15.45
Revaluation: – equity changes	(1)	–
– income changes	(1,650)	(5.69)
Profit for the year (excluding revaluation changes)	66	0.23
Dividends	(81)	(0.30)
Exchange and other movements	199	0.67
<b>31 December 2008</b>	<b>3,007</b>	<b>10.36</b>

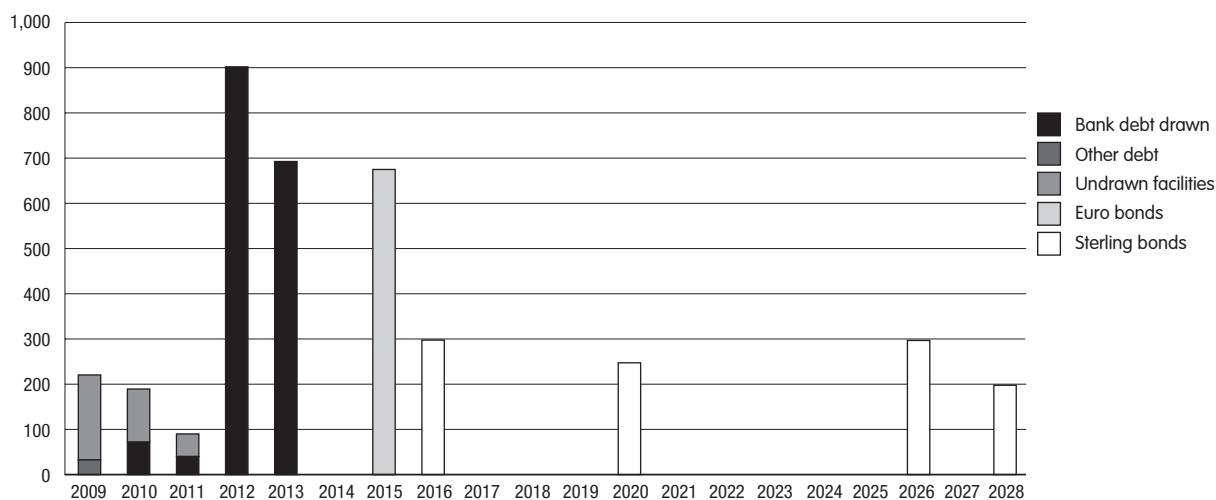
\*Excludes deferred tax and the fair value of derivatives.

**FINANCING**

We monitor the Group's financial structure against guidelines approved by the Board which currently include minimum interest cover of 1.8 times and gearing of no more than 85% for an extended period. In 2008, interest cover was below the guideline as a number of major developments were nearing completion. The ratio is anticipated to improve over the next two years as rental income flows from completed developments.

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

Net debt at 31 December 2008 was £3,333 million comprising borrowings of £3,453 million and cash and deposits of £120 million. At the year end, approximately 65% of gross debt was at fixed rates of interest and the average maturity of the Group's borrowings was just over seven years. The chart below shows the maturity profile of our debt portfolio.

**Maturity analysis of gross debt and undrawn facilities at 31 December 2008**

During 2008, we arranged a total of £850 million of additional committed financing comprising unsecured bank facilities of £450 million and a £400 million loan secured on the office building at Bishops Square. The loan has a five-year term and carries a fixed rate of interest of 6.3% per annum. The €500 million 6.25% bonds which matured in June 2008 were redeemed and the £31 million loan financing the retail park at Parc Tawe was repaid.

In December we extended the maturity of £100 million of undrawn committed facilities from December 2009 to December 2010. Undrawn committed facilities of £200 million mature in December 2009, borrowings of £33 million mature in 2009, £72 million in 2010 and £40 million in 2011.

At the end of 2008, undrawn committed facilities were £367 million which, together with cash and short-term deposits, provided liquidity of £487 million.

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

Gearing at the end of 2008 was 118% compared with 57% at the end of 2007, the increase principally resulting from the reduction in the portfolio value, particularly in the second half of 2008, and the increase in net debt arising from the strengthening of the euro and the funding of the development programme.

Interest cover was 1.67 times compared with 1.90 times for 2007. It is anticipated that interest cover will rise over the next few years as development activity slows and income is received from completed developments.

The market value of the Group's debt at 31 December 2008 was £614 million lower than its book value. This was equivalent, after tax relief, to an increase of £1.52 in net asset value per share.

# CORPORATE GOVERNANCE

## THE COMBINED CODE

The Board is committed to maintaining high standards of corporate governance and the Company has complied with section 1 of the 2006 Combined Code on Corporate Governance throughout the year ended 31 December 2008. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

## BOARD OF DIRECTORS

The Board currently consists of the Chairman, four Executive Directors and five Non-Executive Directors. The Board meets not less than ten times during the year. Non-Executive Directors are encouraged to communicate directly with Executive Directors between formal Board meetings and, in addition to these regular Board meetings, the Board holds an annual strategy meeting at which it considers the future direction of the Company as part of the business planning process. All Directors are expected to attend all meetings of the Board, and of those Committees on which they serve, and to devote sufficient time to the Company's affairs to enable them to properly fulfil their duties as Directors. All Directors were present at all meetings of the Board held during the year with the exception of John Hirst, who was unable to attend one meeting because of a commitment entered into during the previous year, and Peter Cole, who was unable to attend one meeting because of illness. When Directors are unable to attend meetings, their comments on briefing papers to be considered at the meeting are provided in advance to the Chairman.

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

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

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

Specific responsibilities are delegated to the Audit, Remuneration and Nomination Committees and documented in their terms of reference. The procedures and accountability for these matters are set out in the Company's operations and control manuals. A schedule of routine matters to be addressed by the Board and its Committees is agreed on an annual basis and information is supplied to them in a manner that enables them to fulfil their responsibilities. This includes the circulation of comprehensive briefing papers one week prior to Board and Committee meetings. Presentations on business and operational issues are made regularly to the Board by senior management. Each year, the programme of Board meetings is tailored to enable some meetings to be held at the Company's properties. During 2008, the Board made visits to several of the Company's properties in Paris.

## RESOURCES

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

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

## TRAINING AND DEVELOPMENT

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditors where appropriate. The professional development requirements of Executive Directors are identified and progressed as part of each individual's annual appraisal. Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development and a record of this is maintained.

## BOARD EFFECTIVENESS

The effectiveness of the Board and its Committees is vital to the success of the Company and they therefore monitor and evaluate their own performance and the contribution made by individuals. In particular, the contribution of John Clare, who retires having been a Director for more than ten years and who seeks re-election at the Annual General Meeting has been fully considered by the Board. The Board has concluded that he remains independent and makes an effective contribution to the Board as Senior Independent Director and to the Committees on which he serves and that he continues to demonstrate commitment to these roles. His commercial experience has been particularly valued.

An external evaluation of the Board's effectiveness and procedures, and those of its Committees, was undertaken in 2007. During 2008, a further evaluation was undertaken by the Company Secretary. This evaluation concluded that the Board and its Committees were operating effectively.

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



**NON-EXECUTIVE DIRECTORS**

The Board is satisfied that the Non-Executive Directors, each of whom is independent from management and has no material, commercial or other connection with the Company, are able to exercise independent judgement. Their experience, gained from varied commercial backgrounds, enables them to make a valuable contribution to the Company. The Chairman holds other positions which are set out on page 6. The Board is satisfied that these appointments do not adversely affect his commitment as the Company's Chairman.

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

**RELATIONS WITH SHAREHOLDERS**

The Company has an active dialogue with its shareholders through a programme of investor meetings which includes formal presentations of the full and half-year results. Non-Executive Directors are available to attend meetings if requested to do so by shareholders and may attend meetings between shareholders and management if desired. The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers' circulars. This enables the Directors to obtain the required understanding of the views of shareholders. John Clare is the Senior Independent Director as defined in the Code and is available to shareholders if the normal channels of contact are inappropriate for whatever reason. In this role he would deputise for the Chairman in his absence and is available to advise and counsel particularly Non-Executive, but also Executive, colleagues. He is a member of the Audit, Remuneration and Nomination Committees. Shareholders are invited to ask questions at the Company's Annual General Meeting and meet the Directors informally after the meeting. The number of proxy votes cast in resolutions is announced at the Annual General Meeting and published on the Company's website.

**EXTERNAL APPOINTMENTS**

Executive Directors are encouraged to take non-executive positions in other companies, subject to the approval of the Board, to broaden their experience.

Simon Melliss is a member of the Committee of Management of Hermes Property Unit Trust, for which he received a fee of £20,000 in 2008 and a non-executive director and chairman of the Audit Committee of Whitbread PLC, for which he received a fee of £65,000 in 2008. The fees paid are retained in recognition of the personal commitment and expertise required for such positions.

**STANDING COMMITTEES OF THE BOARD**

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

The Company Secretary is secretary to each Committee.

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

**THE AUDIT COMMITTEE**

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

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

**COMMITTEE MEMBERSHIP**

The Committee comprises:

Name	Date of appointment
John Hirst (Chairman)	19 August 2004
John Clare	14 January 1999
David Edmonds	8 May 2003
Jacques Espinasse	1 May 2007

John Hirst, the Chairman of the Committee, is a Chartered Accountant and the Board is satisfied that he has the required recent and relevant experience. All Audit Committee members are expected to be financially literate.

John Clare has been a Non-Executive Director and a member of the Committee for over ten years. As explained, his contribution to the Board and to the Committees on which he serves, continues to be valued and it is intended that he should remain a member of the Committee until he retires as a Non-Executive Director.

**MEETINGS**

The Committee meets at least four times each year with agendas organised around the Company's reporting cycle. During 2008 it met on four occasions and all members of the Committee attended all meetings.

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

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

## REVIEW OF THE YEAR

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

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

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

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

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit in which is set out the categories of non-audit services which the external auditors will, and will not, be allowed to provide to the Group. To fulfil its responsibilities regarding the external auditors, the Committee reviewed:

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

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

## REMUNERATION COMMITTEE

The Remuneration Committee comprises:

Name	Date of appointment
John Clare (Chairman)	8 May 2003
John Nelson	21 July 2006
Tony Watson	1 February 2006

The Committee met four times during 2008 and all members of the Committee attended all meetings which they were eligible to attend. Full details of the responsibilities of the Remuneration Committee and a review of its activities during the year are included in the report of the Remuneration Committee on pages 44 to 51. The Chief Executive (other than in respect of his own remuneration) is invited to attend the meetings.

## NOMINATION COMMITTEE

The Nomination Committee comprises:

Name	Date of appointment
John Nelson (Chairman)	7 April 2005
John Clare	1 January 2006
Tony Watson	3 May 2007

All members of the Committee were present on the two occasions on which the Committee met in 2008. The Committee undertakes an annual review of succession planning and ensures that the membership and composition of the Board, including the balance of Executive Directors and Non-Executive Directors, continues to be appropriate. In addition to identifying potential successors for executive board level positions, the review considers senior functional positions within the Company. The Committee considers the independence of Non-Executive Directors and of the balance of skills and knowledge required of both Executive Directors and Non-Executive Directors.

## OTHER COMMITTEES

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

## EXTERNAL AUDITORS

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

Where non-audit services are provided, the fees are based on the work undertaken and are not success related. Consideration is given to the nature of and remuneration received for other services provided by Deloitte LLP to the Company and confirmation is sought from them that the fee payable for the annual audit is adequate to enable them to perform their obligations in accordance with the scope of the audit. The auditors' remuneration in respect of the year ended 31 December 2008, comprised £555,000 for year end audit and half-year review work and £44,000 for other work. The Audit Committee has reviewed the briefing paper on effective communication between audit committees and external auditors issued by the Auditing Practices Board. Having considered the recommendations of the briefing paper with the external auditors, the Audit Committee has concluded that the relationship with Deloitte LLP meets the recommendations.

#### **TRUSTEES OF THE PENSION SCHEME**

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

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

#### **INTERNAL CONTROL**

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

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

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

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

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

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

The Company has 'whistleblowing procedures' under which staff may report any suspicion of fraud, financial irregularity or other malpractice. The Company subscribes to the independent charity, Public Concern at Work, so that staff may have free access to its helpline.

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

By Order of the Board

**Stuart Haydon**

Secretary

9 February 2009

# DIRECTORS' RESPONSIBILITIES

## RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

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

Signed on behalf of the Board on 9 February 2009

**John Richards**  
Director

**Simon Melliss**  
Director

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

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the IAS regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS regulation.

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

However, Directors are also required to:

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors submit their Report and the audited financial statements for the year ended 31 December 2008.

## **1. RESULTS FOR THE YEAR**

The results for the year are set out in the consolidated income statement on page 54.

## **2. DIVIDENDS**

The Directors recommend a final dividend of 15.3 pence per share which, together with the interim dividend paid on 30 September 2008, will make a total dividend for the year of 27.9 pence (2007: 27.3 pence). It is intended that warrants in respect of the final dividend will be posted on 21 May 2009 for payment on 22 May 2009 to shareholders on the register at the close of business on 20 February 2009.

It is intended that 3.8 pence per share will be paid as a property income distribution, net of withholding tax where appropriate, and the remainder of 11.5 pence paid as a normal dividend.

## **3. PRINCIPAL ACTIVITIES AND FUTURE PROSPECTS**

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

## **4. BUSINESS REVIEW**

A detailed review of the business of the Group and a description of the principal risks and uncertainties facing it, including an analysis of the development and performance of the Group during the year and the position of the Group at the year end, including analysis using key performance indicators and any other information required to fulfil the requirements of the Business Review, can be found on pages 4 and 5 and 12 to 35 which are incorporated into this Directors' Report by reference.

## **5. FIXED ASSETS**

Changes in tangible fixed assets during the year are set out in notes 11 and 12 to the accounts on pages 72 and 73, whilst details of Hammerson's property portfolio are provided on pages 97 to 110.

## **6. SHARE CAPITAL**

Changes in the Company's share capital are set out in note 23 to the accounts on pages 85 and 86. On 31 December 2008 there were 290,854,839 ordinary shares of 25 pence each in issue each with one vote, of which 1,000,000 shares are held in treasury referred to in paragraph 7.

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

## **7. PURCHASE OF OWN SHARES**

The Company was granted authority at the Annual General Meeting in 2008 to purchase its own shares up to a total aggregate value of 14.9% of the issued nominal capital. That authority expires on the date of the 2009 Annual General Meeting at which a resolution will be proposed for its renewal. The Company transferred 450,000 shares held in treasury to its Employee Benefit Trust on 2 May 2008. There are 1,000,000 shares remaining in treasury.

## **8. GOING CONCERN**

The current economic conditions have created a number of uncertainties as set out on page 15. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out on pages 23 to 31 of the Annual Report. The financial position of the Group, its liquidity position and borrowing facilities are described on pages 32 to 35 and in notes 17, 19 and 20 of the accounts.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

## 9. SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 6 February 2009 the following interests in voting rights over the issued share capital of the Company had been notified:

	Ordinary shares of 25p each	Percentage of total voting rights
Ontario Teachers' Pension Plan Board*	13,413,963	4.63
Stichting Pensionenfonds ABP	11,880,120	4.10
Legal & General Group PLC	11,854,703	4.09

\*Ontario Teachers' Pension Plan Board has notified the Company that in addition to the above shareholding it has an economic interest through cash settled contracts for differences (with no voting rights) in a total of 20,250,000 shares, representing 6.99% of the ordinary shares in the Company.

In addition, Morgan Stanley has notified the Company that it is interested through total return swaps and call options in voting rights over 14,380,774 ordinary shares, representing 4.96% of the ordinary shares of the Company.

## 10. DIRECTORS

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

Gerard Devaux retired as a Director on 8 September 2008.

John Clare, who retires in accordance with section A7.2 of the Combined Code, and John Nelson, Peter Cole and Tony Watson who retire in accordance with the Articles of Association, offer themselves for re-election at the forthcoming Annual General Meeting. John Clare, who is a Non-Executive Director, is the Senior Independent Director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. John Nelson, is the Chairman of the Company, Chairman of the Nomination Committee and a member of the Remuneration Committee. Peter Cole is an Executive Director. Tony Watson, who is a Non-Executive Director, is a member of the Remuneration and Nomination Committees.

John Richards, David Atkins, Peter Cole and Simon Melliss have service agreements with the Company. The appointments of the Non-Executive Directors, including the Chairman, are governed by letters of appointment. Details of the service agreements and the letters of appointment are set out in the Remuneration Report on page 48. Details of the Directors' interests in the share capital of the Company are set out in paragraph 11 below.

## 11. DIRECTORS' INTERESTS

The beneficial interests of the Directors in the ordinary shares of the Company are set out below:

	31 December 2008	1 January 2008
John Nelson	10,000	10,000
John Richards	138,231	109,080
David Atkins	20,372	10,207
John Clare	17,000	17,000
Peter Cole	61,038	40,736
David Edmonds	8,000	4,000
Jacques Espinasse	5,000	2,500
John Hirst	5,563	2,455
Simon Melliss	64,789	51,477
Tony Watson	5,000	5,000

At 31 December 2008, Tony Watson had an interest in £60,000 nominal 6.875% Sterling bonds due 2020 and Simon Melliss had an interest in £56,000 nominal 7.25% Sterling bonds due 2028. These interests were acquired on 1 May and 8 August 2008 respectively.

In addition, as beneficiaries under the discretionary trust which holds shares to satisfy awards under the Company's various share incentive schemes (details of which are given in the Remuneration Report, each of John Richards, David Atkins, Peter Cole and Simon Melliss had an interest on 31 December 2008 in the 391,102 shares held by that trust (1 January 2008: 293,073).

Between 1 January and 6 February 2009, the Directors' interests above have remained unchanged.

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



**12. DIRECTORS' REMUNERATION**

Details of the remuneration of each of the Directors are set out in the Remuneration Report on pages 44 to 51.

**13. DIRECTORS' OFFICERS LIABILITY INSURANCE**

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

**14. DONATIONS**

During the year Hammerson made charitable donations in the United Kingdom of £139,562 (2007: £94,100). Under the Company's charitable donations policy, donations are made to a variety of children's, medical, music and arts charities and to charities connected to localities in which the Company is represented. In addition to these charitable donations, the Company provides financial assistance to other projects of benefit to the community. Political donations are not made.

**15. CREDITOR PAYMENT POLICY**

It is the Group's policy and practice that the terms of payment to suppliers are agreed in advance of the supply of any goods and services and that payments are made in accordance with those terms and conditions provided that the supplier has also complied with them. At 31 December 2008, the Group had 28 days (2007: 22 days) purchases outstanding.

**16. FINANCIAL INSTRUMENTS**

Details of the financial instruments used by the Group and the Company are set out in note 20 to the accounts on pages 79 to 84.

**17. AUDITORS**

On 1 December 2008, the name of Deloitte & Touche LLP was changed to Deloitte LLP.

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

**18. DISCLOSURE OF INFORMATION TO AUDITORS**

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

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

This confirmation has been given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

**19. ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on Thursday 30 April 2009 at 10 Grosvenor Street, London W1K 4BJ at 11.00am.

The Notice of Meeting and the explanatory notes will be included in a separate notice to be sent to all shareholders.

By Order of the Board

**Stuart Haydon**

Secretary

9 February 2009

# REMUNERATION REPORT

The Directors submit their report on remuneration for the year ended 31 December 2008.

This report has been approved and adopted by the Board and has been prepared in accordance with the requirements s234B of the Companies Act 1985 (as amended by The Directors' Remuneration Report Regulations 2002 ('the Regulations')) and the Listing, Prospectus and Disclosure Rules. The information, the headings of which have been noted with an asterisk (\*), is subject to audit in accordance with the Regulations.

## THE REMUNERATION COMMITTEE

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

## COMMITTEE MEMBERSHIP

The Committee comprises John Clare (Chairman), John Nelson and Tony Watson. John Nelson was considered independent on his appointment as Chairman in 2005 and the Board considers each of the other members of the Committee to be independent. The Committee met on four occasions during 2008.

## REMUNERATION POLICY

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

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

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

## ADVISERS

Hewitt Associates have provided general advice to the Committee during the year. They have provided no other services to the Company during 2008.

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

## REMUNERATION COMMITTEE – REVIEW OF THE YEAR

There were no significant changes to the remuneration policy as set out in the Remuneration Report for 2007.

Having regard to the changing economic conditions the Committee deferred the independent review of executive pay arrangements planned to have been carried out in 2008. It is intended that the Committee will consider the benefit of commissioning such a review later in 2009 to assist in determining the remuneration policies which should apply from the year commencing 1 January 2010 and thereafter.

## REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration packages for senior staff, including Executive Directors, consist of the following elements and are structured to reward corporate and individual performance. Details of all payments to Executive Directors, which are disclosed in the table on page 49, show the relative values of basic and performance-related elements of remuneration.

## BASIC SALARY AND BENEFITS

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

#### ANNUAL PERFORMANCE-RELATED BONUS SCHEME\*

Staff throughout the Company, including Executive Directors, participate in a performance-related bonus scheme. Payments under the scheme, which are not pensionable, are currently based on the achievement of earnings per share, net asset value, operational targets and personal objectives. The targets are reviewed and set annually by the Committee and are designed so that payment of the maximum would only be achieved for exceptional performance. The maximum amount payable to Executive Directors in 2008 was up to 200% of their basic salary, with 60% of the payment receivable in shares in the Company of which half vest immediately and half vest two years after the date of grant, subject to remaining with the Company.

As reported in the 2007 Remuneration Report, the Committee adopted more challenging targets for 2008.

The earnings per share for 2008 did not meet this minimum target and therefore no bonus was awarded under this part of the bonus scheme. The net asset value target, which is calculated with reference to the UK IPD All Property Index after taking account of gearing, was however achieved to the level of 83.6%. This, together with individual achievement against operational targets and personal objectives, resulted in an average payment to Executive Directors representing 32.3% of the maximum potentially payable. This compares with a payment of 56.3% of the maximum potential in respect of 2007.

Under the terms of the scheme, 40% of the bonus payment is paid in cash (Part A) and the balance of 60% is paid in shares in two equal parts (Part B and C). Shares under Part B of the scheme are awarded on the date the bonus is paid and the value thereof is included in the table of remuneration on page 49. Shares under Part C of the scheme are receivable in the form of options, the shares in respect of which vest two years after the date of grant. The entitlement to Part C shares is shown on page 49.

#### DEFERRED SHARE PLAN

Following the introduction of the Hammerson plc 2007 Long-Term Incentive Plan, which is described below, no further options have been granted under the Deferred Share Plan. Under the terms of the Plan, the actual number of shares received by participants is based on the comparative total shareholder return performance of the Company against a peer group of the eight largest quoted UK property companies, including Hammerson, over a three year period. There will be no vesting of shares unless the Company's performance is in the top half of the comparator group and there will be a progressive vesting schedule according to the Company's ranking within the top half of the comparator group as follows:

Ranking	% of shares vesting
1st	100.00
2nd	83.34
3rd	66.67
4th	50.00

The Plan is administered by a Trustee which has acquired shares, financed partly by drawing down interest-free loan facilities from the Company and partly by transfer from treasury, to satisfy the issue of shares to participants under the Plan and other share incentive schemes. At 31 December 2008 the Trustees held 391,102 shares, 351,971 shares having been used during the year for payments under the Plan and other share incentive schemes. Under the terms of the Trust, the Trustee is obliged to waive dividends on this holding of shares, except for a nominal amount.

At 31 December 2008 the maximum number of shares that could be awarded to Executive Directors under all grants made under the Deferred Share Plan was as follows:

Date of grant	Maximum number of shares 1 March 2006
John Richards	38,700
David Atkins	10,934
Peter Cole	27,701
Simon Melliss	27,701

# REMUNERATION REPORT

## CONTINUED

### LONG-TERM INCENTIVE PLAN\*

The Long-Term Incentive Plan, which was introduced in 2007 and which replaces the Deferred Share Plan, provides for conditional awards of Performance Shares worth up to 200% of salary (with a 300% limit in exceptional circumstances) although the Committee has no current intention to make awards worth more than 150% of salary.

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

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

Vesting under the TPR performance condition is as follows:

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

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

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

TSR performance is measured over a single three year period from the date of grant, in comparison with a comparator group currently comprising 16 entities, including some European real estate companies.

Vesting under the TSR performance condition is as follows:

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

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

The level of threshold vesting will apply only for awards with a face value of up to 150% of salary (i.e. with a maximum threshold vesting of 37.5% of salary) and for larger awards (other than when used on recruitment) the vesting at threshold will not exceed 37.5% of salary. At 31 December 2008 the following conditional share awards made to Executive Directors under the Long-Term Incentive Plan remained outstanding:

Date of grant	Maximum number of shares	
	11 June 2007	1 April 2008
John Richards	47,798	70,524
David Atkins	22,667	40,687
Peter Cole	34,494	50,858
Simon Melliss	34,494	50,858

#### SAVINGS RELATED SHARE OPTION SCHEME\*

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

	1 January 2008	Granted	Exercised	Lapsed	31 December 2008	Exercise price	Expiry year
John Richards	995	–	–	–	995	939.20p	2009
David Atkins	1,351	–	(1,351)	–	–	701.20p	2008
	–	1,085	–	–	1,085	884.00p	2011
Peter Cole	2,356	–	–	–	2,356	701.20p	2010
Simon Melliss	995	–	–	–	995	939.20p	2009

#### SHARE INCENTIVE PLAN\*

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

The Directors' interests in shares of the Company under the Share Incentive Plan at 31 December 2008 are as follows:

	Total SIP shares 1 January 2008	Partnership shares purchased in 2008	Matching shares awarded in 2008	Free shares awarded in 2008	Dividend shares purchased in 2008	Total SIP shares held 31 December 2008	Cost to Company of shares awarded in 2008
John Richards	1,489	–	–	267	45	1,801	£3,417
David Atkins	1,489	149	298	267	49	2,252	£7,948
Peter Cole	1,489	–	–	267	45	1,801	£3,417
Simon Melliss	1,477	149	298	267	49	2,240	£7,948

The middle market price of the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was £5.35 on 31 December 2008 and the range during the year was £4.62 to £11.45.

#### RESTRICTED SHARE PLAN

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

#### FRENCH SHARE PLAN

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

# REMUNERATION REPORT

## CONTINUED

### SHARE OWNERSHIP GUIDELINES

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

### SERVICE AGREEMENTS

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

The basic annual salaries payable to Executive Directors are reviewed annually on 1 April. Since 1 April 2008 the salaries payable have been:

John Richards	£520,000
David Atkins	£300,000
Peter Cole	£375,000
Simon Melliss	£375,000

The Remuneration Committee has undertaken its regular review of salaries for the year commencing 1 April 2009 and has determined that, given current market conditions, these salaries will remain unchanged.

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

David Edmonds	7 May 2009
John Hirst	28 February 2010
Jacques Espinasse	30 April 2010
John Clare	30 April 2010
Tony Watson	31 January 2012

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

John Clare, who retires in accordance with section A7.2 of the Combined Code, and John Nelson, Peter Cole and Tony Watson, who retire in accordance with the Articles of Association, offer themselves for re-election at the forthcoming Annual General Meeting.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

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

The Chairman receives a fee which is currently at the rate of £225,000 per annum. The Non-Executive Directors currently receive a basic annual fee of £40,000 and the Senior Independent Director is paid an additional fee of £10,000 per annum. The level of fees is set to reflect the responsibilities of the role and, in order to recognise the additional responsibility of membership and chairmanship of the Audit and Remuneration Committees, further fees are payable in respect of these positions as listed below:

Audit Committee chairmanship	£6,000
Audit Committee membership	£4,000
Remuneration Committee chairmanship	£6,000
Remuneration Committee membership	£4,000

The Chairman's fee is reviewed annually on 1 September and, on review at 1 September 2008, was increased to £240,000. The fees of the Non-Executive Directors are reviewed every two years in October. On 1 October 2008 the basic annual fee payable to Non-Executive Directors was increased to £45,000 per annum and the fee payable for acting as Chairman of the Audit and Remuneration Committees was increased to £10,000 per annum and £5,000 per annum for other members of these Committees.

The implementation of these increases in respect of the Chairman and the Non-Executive Directors has been deferred for the time being in view of current market conditions.

Although no decision has been taken as to the date on which these increases in fees will be implemented, the revised fee levels, whether paid or not, will be taken as the basis for any further increase when they are next due for review.

# **REMUNERATION OF DIRECTORS\***

The following table shows a breakdown of the remuneration of the Directors for the year ended 31 December 2008:

	Salary and fees £000	Performance related bonus £000	Benefits in kind £000	Total emoluments excluding pension contributions		Deferred Share Plan gain on shares	
				2008 £000	2007 £000	2008 £000	2007 £000
<b>Executive Directors</b>							
John Richards	511	133	33	<b>677</b>	789	<b>340</b>	681
David Atkins	283	93	16	<b>392</b>	375	<b>96</b>	174
Peter Cole	369	87	16	<b>472</b>	561	<b>195</b>	768
Gerard Devaux (retired 8 September 2008)	244	–	1	<b>245</b>	474	<b>184</b>	817
Simon Melliss	369	93	26	<b>488</b>	571	<b>232</b>	511
<b>Non-Executive Directors</b>							
John Nelson	225	–	–	<b>225</b>	206	–	–
John Clare	64	–	–	<b>64</b>	59	–	–
David Edmonds	52	–	–	<b>52</b>	52	–	–
Jacques Espinasse	44	–	–	<b>44</b>	29	–	–
John Hirst	50	–	–	<b>50</b>	50	–	–
Tony Watson	44	–	–	<b>44</b>	44	–	–
	2,255	406	92	<b>2,753</b>	3,210	<b>1,047</b>	2,951

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

During the year ended 31 December 2008 no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment or appointment.

The performance related bonus included in the table above is payable in cash (Part A). A further element of the bonus is payable in shares (Parts B and C).

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

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

	Part B Entitlements			Part C Entitlements			Part C Shares vested	
	2008 Bonus value £000	2008 Bonus value £000	Shares vesting in 2010	2007 Bonus Market value at date of grant £000	Shares vesting in 2009	2006 Bonus Market value at date of grant £000	Shares vested on 1 March 2008	2005 Bonus Market value at date of grant £000
John Richards	100	100	7,186	82	7,943	122	7,914	90
David Atkins	70	70	3,408	39	1,338	21	1,177	13
Peter Cole	65	65	5,186	59	5,553	85	4,975	57
Simon Melliss	70	70	5,186	59	5,553	85	5,245	60



# REMUNERATION REPORT

## CONTINUED

### PENSIONS\*

The UK resident Executive Directors all participate in the Company's defined benefit pension scheme, more fully described in note 6 to the accounts on pages 66 and 67 which provides pension and other benefits.

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

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

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

	Age at 31 December 2008	Years' service at 31 December 2008	Total accrued benefit at 31 December 2008 £000	Increase in accrued benefit during the year £000	Increase in accrued benefit during the year excluding inflation £000
John Richards	52	27	277	28	16
David Atkins	42	10	30	8	7
Peter Cole	49	19	165	19	12
Simon Melliss	56	17	88	16	12

For each Director, the total accrued benefit at 31 December 2008 represents the annual pension that is expected to be payable on eventual retirement, given the length of service and salary of each Director at 31 December 2008. The increase in accrued benefit earned during the year represents the increase in this expected pension, including the effect of inflation, when compared with the position at 31 December 2007.

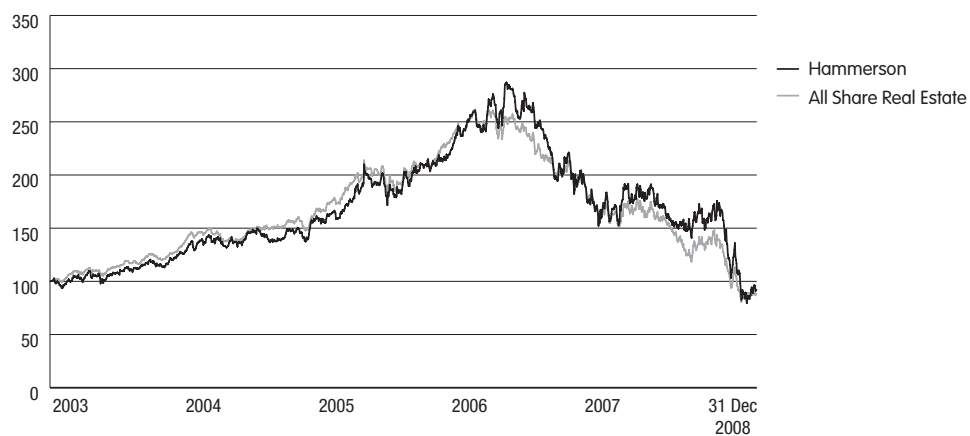
The increase in accrued pension excluding the effect of inflation over the year is also shown.

Requirements under:	Schedule 7A of the Companies Act 1985		The Listing Rules	
	Transfer value at 31 December 2007 of total accrued benefit £000	Transfer value at 31 December 2008 of total accrued benefit £000	Value of increase in accrued benefit during the year £000	Transfer value at 31 December 2008 of increase in accrued benefit £000
John Richards	3,138	3,698	559	207
David Atkins	188	269	81	60
Peter Cole	1,640	1,962	321	137
Simon Melliss	1,040	1,339	299	182

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

**SHAREHOLDER RETURN**

The graph below shows the total shareholder return in respect of the Company's ordinary shares of 25 pence each for the five years ended 31 December 2008 relative to the total return of the FTSE All Share Real Estate Index, which comprises shares of the Company's peers. The total shareholder return is rebased to 100 at 31 December 2003.



By Order of the Board

**Stuart Haydon**

Secretary

9 February 2009

# INDEPENDENT AUDITORS' REPORT ON THE GROUP FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

We have audited the Group financial statements (the 'financial statements') of Hammerson plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the reconciliation of equity, the consolidated cash flow statement, the analysis of movement in net debt and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Hammerson plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**Deloitte LLP**

Chartered Accountants and Registered Auditors  
London, UK  
9 February 2009

The information contained in pages 20 and 21 of this document has been added after the date of the independent auditors' report and is outside the Annual Report for the purposes of their responsibilities as auditors with regard to the reading of other information contained in the Annual Report.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
<b>Gross rental income</b>	2	<b>344.2</b>	311.5
<b>Operating profit before other net (losses)/gains</b>	2	<b>257.5</b>	234.5
Other net (losses)/gains	2	<b>(1,698.3)</b>	25.2
<b>Operating (loss)/profit</b>	2	<b>(1,440.8)</b>	259.7
Finance costs		<b>(153.8)</b>	(129.8)
Bond redemption costs		<b>–</b>	(28.3)
Change in fair value of derivatives		<b>(26.9)</b>	(3.8)
Finance income		<b>10.0</b>	12.6
Net finance costs	7	<b>(170.7)</b>	(149.3)
<b>(Loss)/Profit before tax</b>		<b>(1,611.5)</b>	110.4
Current tax	8A	<b>(0.6)</b>	(16.4)
Deferred tax	8A	<b>38.3</b>	17.6
Tax credit		<b>37.7</b>	1.2
<b>(Loss)/Profit for the year</b>		<b>(1,573.8)</b>	111.6
<b>Attributable to:</b>			
Equity shareholders	24	<b>(1,572.6)</b>	101.0
Minority interests	24	<b>(1.2)</b>	10.6
<b>(Loss)/Profit for the year</b>		<b>(1,573.8)</b>	111.6
<b>Basic (loss)/earnings per share</b>	10A	<b>(543.6)p</b>	34.9p
<b>Diluted (loss)/earnings per share</b>	10A	<b>(542.8)p</b>	34.9p

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2008

Section  
**04**

	Notes	2008 £m	2007 £m
<b>Non-current assets</b>			
Investment and development properties	11	6,456.8	7,275.0
Interests in leasehold properties		25.6	30.3
Plant, equipment and owner-occupied property	12	38.5	43.1
Investments	14	112.1	80.1
Receivables	15	19.7	12.9
		<b>6,652.7</b>	7,441.4
<b>Current assets</b>			
Receivables	16	123.6	152.3
Cash and deposits	17	119.9	28.6
		<b>243.5</b>	180.9
<b>Total assets</b>		<b>6,896.2</b>	7,622.3
<b>Current liabilities</b>			
Payables	18	296.5	387.0
Tax	8D	3.8	113.2
Provision	2	6.0	–
Borrowings	19A	32.5	406.5
		<b>338.8</b>	906.7
<b>Non-current liabilities</b>			
Borrowings	19A	3,420.1	2,117.7
Deferred tax	8D	108.4	99.6
Tax	8D	0.4	3.1
Obligations under finance leases	21	25.5	30.1
Payables	22	93.1	34.1
Provision	2	–	6.0
		<b>3,647.5</b>	2,290.6
<b>Total liabilities</b>		<b>3,986.3</b>	3,197.3
<b>Net assets</b>		<b>2,909.9</b>	4,425.0
<b>Equity</b>			
Share capital	23	72.7	72.6
Share premium	24	742.2	740.0
Translation reserve	24	707.6	86.0
Hedging reserve	24	(580.1)	(71.4)
Capital redemption reserve	24	7.2	7.2
Other reserves	24	11.5	10.6
Revaluation reserve	24	100.0	238.7*
Retained earnings	24	1,775.6	3,291.5*
Investment in own shares	25	(4.5)	(3.8)
Treasury shares	26	(11.6)	(16.8)
<b>Equity shareholders' funds</b>		<b>2,820.6</b>	4,354.6
Equity minority interests	24	89.3	70.4
<b>Total equity</b>		<b>2,909.9</b>	4,425.0
<b>Diluted net asset value per share</b>	10B	<b>£9.74</b>	£15.06
<b>EPRA net asset value per share</b>	10B	<b>£10.36</b>	£15.45

\*See note 24.

These financial statements were approved by the Board of Directors on 9 February 2009.

Signed on behalf of the Board

John Richards  
Director

Simon Melliss  
Director

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Foreign exchange translation differences		<b>644.5</b>	154.0
Net loss on hedge of net investment in foreign subsidiaries	24	<b>(508.7)</b>	(131.3)
Revaluation (losses)/gains on development properties	24	<b>(24.8)</b>	75.0
Revaluation losses on owner-occupied property	24	<b>(5.9)</b>	–
Revaluation gains on investments	24	<b>29.9</b>	1.9
Transfer to income statement on impairment of asset		–	3.1
Actuarial gains on pension schemes	24	<b>0.4</b>	5.9
Deferred tax on items taken directly to equity	8C	<b>(0.2)</b>	(5.3)
Net gain recognised directly in equity		<b>135.2</b>	103.3
(Loss)/Profit for the year		<b>(1,573.8)</b>	111.6
<b>Total recognised income and expense</b>		<b>(1,438.6)</b>	214.9
<b>Attributable to:</b>			
Equity shareholders		<b>(1,460.3)</b>	199.2
Minority interests		<b>21.7</b>	15.7
<b>Total recognised income and expense</b>		<b>(1,438.6)</b>	214.9

## RECONCILIATION OF EQUITY

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Opening equity shareholders' funds		<b>4,354.6</b>	4,165.1
Issue of shares		<b>2.3</b>	80.8
Share-based employee remuneration	24	<b>4.6</b>	5.2
Proceeds on award of own shares to employees	24	<b>0.1</b>	0.2
Purchase of treasury shares	26	–	(16.8)
		<b>4,361.6</b>	4,234.5
Total recognised income and expense		<b>(1,460.3)</b>	199.2
		<b>2,901.3</b>	4,433.7
Dividends	24	<b>(80.7)</b>	(79.1)
<b>Closing equity shareholders' funds</b>		<b>2,820.6</b>	4,354.6



# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

Section

04

	Notes	2008 £m	2007 £m
<b>Operating activities</b>			
Operating profit before other net (losses)/gains	2	257.5	234.5
Decrease/(Increase) in receivables		19.5	(10.4)
Increase in payables		50.8	13.4
Adjustment for non-cash items	27	18.5	(29.3)
<b>Cash generated from operations</b>		<b>346.3</b>	208.2
Interest and bond redemption costs paid		(209.7)	(177.7)
Interest received		9.4	11.9
Tax paid	8D	(116.2)	(71.6)
<b>Cash flows from operating activities</b>		<b>29.8</b>	(29.2)
<b>Investing activities</b>			
Property and corporate acquisitions		(123.5)	(163.3)
Development and major refurbishments		(376.7)	(335.5)
Other capital expenditure		(13.9)	(44.6)
Sale of properties		245.3	537.2
Purchase of investments		–	(11.0)
Decrease in non-current receivables		–	0.1
<b>Cash flows from investing activities</b>		<b>(268.8)</b>	(17.1)
<b>Financing activities</b>			
Issue of shares		2.3	1.7
Purchase of treasury shares	26	–	(16.8)
Proceeds from award of own shares		0.1	0.2
Increase/(Decrease) in non-current borrowings		1,050.0	(28.9)
(Decrease)/Increase in current borrowings		(635.1)	153.3
Dividends paid to minorities	24	(2.8)	(1.9)
Equity dividends paid	9	(86.7)	(73.1)
<b>Cash flows from financing activities</b>		<b>327.8</b>	34.5
<b>Net increase/(decrease) in cash and deposits</b>		<b>88.8</b>	(11.8)
Opening cash and deposits		28.6	39.4
Exchange translation movement		2.5	1.0
<b>Closing cash and deposits</b>	17	<b>119.9</b>	28.6

## ANALYSIS OF MOVEMENT IN NET DEBT

For the year ended 31 December 2008

	Short-term deposits £m	Cash at bank £m	Current borrowings £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2008	10.9	17.7	(406.5)	(2,117.7)	(2,495.6)
Property acquisition	–	12.6	–	(15.5)	(2.9)
Cash flow	28.4	47.8	635.1	(1,050.0)	(338.7)
Exchange	1.2	1.3	(261.1)	(236.9)	(495.5)
<b>Balance at 31 December 2008</b>	<b>40.5</b>	<b>79.4</b>	<b>(32.5)</b>	<b>(3,420.1)</b>	<b>(3,332.7)</b>

# 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 2008, the following accounting standards and guidance were adopted by the Group:

- IFRS 8 Operating segments; effective for accounting periods beginning on or after 1 January 2009, but adopted early
- IFRIC 11: IFRS 2 Group and treasury share transactions
- IFRIC 14: IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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. In some cases these standards and guidance had not been endorsed by the European Union:

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Instruments; and Reclassification of Financial Instruments; effective for accounting periods beginning on or after 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation; effective for accounting periods commencing on or after 1 October 2008
- IAS 23 (Revised) Borrowing Costs; effective for accounting periods beginning on or after 1 January 2009
- Amendments to IAS 1 Presentation of financial statements – A revised presentation; effective for accounting periods beginning on or after 1 January 2009
- Amendments to IFRS 2 Share-based payment; effective for accounting periods beginning on or after 1 January 2009
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements; effective for accounting periods commencing on or after 1 January 2009
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items; effective for accounting periods commencing on or after 1 January 2009
- IFRIC 15 Agreements for the Construction of Real Estate; effective for accounting periods commencing on or after 1 January 2009
- 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

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

The majority of amendments made as part of the IASB's Annual Improvements programme affect accounting periods beginning on or after 1 January 2009. Included within the amendments is a change in the accounting treatment for development properties. Currently, such properties are accounted for under IAS 16, but they will in future be accounted for under IAS 40. This change will mean that revaluation surpluses and deficits on development properties will in future be recognised in the income statement rather than equity.

#### BASIS OF PREPARATION

The financial statements are prepared on a going concern basis as explained in the Directors' Report on page 41.

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.

The preparation of 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. However, the nature of Hammerson's business means that there is a limited requirement for management to make such judgements or estimates which would have a significant impact on the financial statements. For example, the single most significant line item in the financial statements, 'Investment and development properties', is supported by external valuations. The principal risks and uncertainties related to the Group, including property valuations, are discussed on page 15.

Adjustments are made to basic earnings and earnings per share for items which management judges are exceptional by virtue of their size or nature.

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

**1****SIGNIFICANT ACCOUNTING POLICIES**  
CONTINUED**BASIS OF CONSOLIDATION****SUBSIDIARIES**

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

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

**JOINT VENTURES**

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

**GOODWILL**

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

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

**FOREIGN CURRENCY****FOREIGN CURRENCY TRANSACTIONS**

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

**FINANCIAL STATEMENTS OF FOREIGN OPERATIONS**

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

The principal exchange rate used to translate foreign currency-denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.034 (2007: £1 = €1.362). The principal exchange rate used for the income statement is the average rate, £1 = €1.258 (2007: £1 = €1.461).

**NET INVESTMENT IN FOREIGN OPERATIONS**

Exchange differences arising from the translation of the net investment in foreign operations, including the effective portions of related foreign currency hedges, are taken to the translation reserve. They are released to the income statement upon disposal of the foreign operation.

**BORROWINGS, INTEREST AND DERIVATIVES****BORROWINGS**

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

**DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

**TRADE RECEIVABLES AND PAYABLES**

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

**NET FINANCE COSTS**

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

# NOTES TO THE ACCOUNTS

CONTINUED

1

## SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### 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

#### TENANT LEASES

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

#### DEVELOPMENT PROPERTIES

Properties acquired with the intention of redevelopment are classified as development properties and stated at fair value. Changes in fair value above cost are recognised in equity, and changes in fair value below cost are recognised 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 and any accumulated revaluation surplus or deficit is transferred to retained earnings.

#### 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.

#### DEPRECIATION

In accordance with IAS 40 Investment Property and IAS 16 Property, Plant and Equipment, no depreciation is provided in respect of investment, development or owner-occupied 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.

#### NET RENTAL INCOME

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

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

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

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

#### PROFITS ON SALE OF PROPERTIES

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

**1**
**SIGNIFICANT ACCOUNTING POLICIES**  
 CONTINUED

**PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY**

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

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

**INVESTMENTS**

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

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

**EMPLOYEE BENEFITS**
**DEFINED CONTRIBUTION PENSION PLANS**

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

**DEFINED BENEFIT PENSION PLANS**

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

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

**SHARE-BASED EMPLOYEE REMUNERATION**

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

**TAX**

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

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

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

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

# NOTES TO THE ACCOUNTS

CONTINUED

## 2 OPERATING PROFIT

	Notes	2008 £m	2007 £m
<b>Gross rental income</b>	3	<b>344.2</b>	311.5
Ground and equity rents payable		<b>(6.2)</b>	(5.4)
Gross rental income, after rents payable		<b>338.0</b>	306.1
Service charge income		<b>59.8</b>	53.0
Service charge expenses		<b>(65.8)</b>	(59.2)
Net service charge expenses		<b>(6.0)</b>	(6.2)
Other property outgoings		<b>(32.2)</b>	(24.2)
Property outgoings		<b>(38.2)</b>	(30.4)
<b>Net rental income</b>	3	<b>299.8</b>	275.7
Management fees receivable		<b>4.5</b>	4.3
Cost of property activities		<b>(29.7)</b>	(27.2)
Corporate expenses		<b>(17.1)</b>	(18.3)
Administration expenses		<b>(42.3)</b>	(41.2)
<b>Operating profit before other net (losses)/gains</b>		<b>257.5</b>	234.5
(Loss)/Profit on the sale of investment properties		<b>(32.5)</b>	39.8
Revaluation (losses)/gains on investment properties		<b>(1,473.4)</b>	20.7
Revaluation losses on development properties		<b>(176.5)</b>	(25.7)
Provision relating to formerly owned property		<b>–</b>	(6.0)
Asset impairment		<b>(15.9)</b>	(3.6)
<b>Other net (losses)/gains</b>		<b>(1,698.3)</b>	25.2
<b>Operating (loss)/profit</b>		<b>(1,440.8)</b>	259.7

Included in gross rental income is £3.0 million (2007: £2.9 million) calculated by reference to tenants' turnover.

The £6.0 million provision relating to a formerly owned property is expected to crystallise in 2009.

The £15.9 million asset impairment in 2008 relates to the write-off of costs incurred in respect of the termination in August 2008 by JPMorgan Chase of discussions relating to the development of a new European headquarters building. The costs were previously included within current receivables.

**3** SEGMENTAL ANALYSIS**PRIMARY AND SECONDARY SEGMENTS**

The Group's reportable segments are the geographic locations and sectors in which it operates, which are generally managed by separate teams. 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. Resource allocation is based on the distribution of property assets between segments.

**A REVENUE AND PROFIT BY SEGMENT**

	<b>Gross rental income £m</b>	<b>Net rental income £m</b>	<b>2008 Non-cash items £m</b>	Gross rental income £m	Net rental income £m	2007 Non-cash items £m
<b>United Kingdom</b>						
Retail: Shopping centres	99.8	81.7	1.9	102.3	90.0	(1.4)
Retail parks	53.1	48.9	(0.4)	50.7	48.3	0.2
	152.9	130.6	1.5	153.0	138.3	(1.2)
Office: City	63.7	57.9	0.1	57.1	49.7	17.3
Other	15.2	14.4	(0.2)	13.1	11.6	–
	78.9	72.3	(0.1)	70.2	61.3	17.3
<b>Total United Kingdom</b>	<b>231.8</b>	<b>202.9</b>	<b>1.4</b>	<b>223.2</b>	<b>199.6</b>	<b>16.1</b>
<b>Continental Europe</b>						
<b>France</b>						
Retail	81.3	72.8	0.9	61.4	54.4	–
Office	19.7	18.3	(1.3)	15.7	14.1	0.8
<b>Total France</b>	<b>101.0</b>	<b>91.1</b>	<b>(0.4)</b>	<b>77.1</b>	<b>68.5</b>	<b>0.8</b>
<b>Germany</b>						
Retail	4.7	3.0	–	3.5	1.2	–
<b>Total Continental Europe</b>	<b>105.7</b>	<b>94.1</b>	<b>(0.4)</b>	<b>80.6</b>	<b>69.7</b>	<b>0.8</b>
<b>Group</b>						
Retail	238.9	206.4	2.4	217.9	193.9	(1.2)
Office	98.6	90.6	(1.4)	85.9	75.4	18.1
<b>Total investment portfolio</b>	<b>337.5</b>	<b>297.0</b>	<b>1.0</b>	<b>303.8</b>	<b>269.3</b>	<b>16.9</b>
Developments and other sources not analysed above	6.7	2.8	–	7.7	6.4	–
<b>Total portfolio</b>	<b>344.2</b>	<b>299.8</b>	<b>1.0</b>	<b>311.5</b>	<b>275.7</b>	<b>16.9</b>
As disclosed in note	2	2	27	2	2	27

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

The income from a significant individual contract is noted in 'Contractual relationships' on page 12.



# NOTES TO THE ACCOUNTS

CONTINUED

## 3 SEGMENTAL ANALYSIS

CONTINUED

### B PROPERTY ASSETS BY SEGMENT

	Investment properties £m	Development properties £m	Total £m	2008 Capital expenditure £m	Investment properties £m	Development properties £m	Total £m	2007 Capital expenditure £m
<b>United Kingdom</b>								
Retail: Shopping centres	1,683	155	1,838	234	1,731	549	2,280	245
Retail parks	845	46	891	50	1,178	47	1,225	135
	2,528	201	2,729	284	2,909	596	3,505	380
Office: City	753	174	927	73	1,050	275	1,325	223
Other	224	5	229	–	294	5	299	73
	977	179	1,156	73	1,344	280	1,624	296
<b>Total United Kingdom</b>	3,505	380	3,885	357	4,253	876	5,129	676
<b>Continental Europe</b>								
<b>France</b>								
Retail	2,051	48	2,099	64	1,532	130	1,662	112
Office	383	–	383	(1)	395	–	395	5
<b>Total France</b>	2,434	48	2,482	63	1,927	130	2,057	117
<b>Germany</b>								
Retail	90	–	90	3	89	–	89	3
<b>Total Continental Europe</b>	2,524	48	2,572	66	2,016	130	2,146	120
<b>Group</b>								
Retail	4,669	249	4,918	351	4,530	726	5,256	495
Office	1,360	179	1,539	72	1,739	280	2,019	301
<b>Total</b>	6,029	428	6,457	423	6,269	1,006	7,275	796

### C ANALYSIS OF EQUITY SHAREHOLDERS' FUNDS

	Assets employed		Net debt		Equity shareholders' funds	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
United Kingdom	3,675.5	4,806.1	(1,783.8)	(1,383.2)	1,891.7	3,422.9
Continental Europe	2,477.8	2,044.1	(1,548.9)	(1,112.4)	928.9	931.7
	6,153.3	6,850.2	(3,332.7)	(2,495.6)	2,820.6	4,354.6

As part of the Group's foreign currency hedging programme, at 31 December 2008 the Group had currency swaps of £533.8 million, being €594.2 million sold forward against sterling: €304.2 million for value in March 2009 at a rate of £1 = €1.106 and €290.0 million for value in June 2009 at a rate of £1 = €1.120. At 31 December 2007 the Group had currency swaps of £442.8 million, being €609.0 million sold forward against sterling: €14.8 million for value in January 2008 and €594.2 million for value in June 2008. Net debt cannot be allocated between countries within continental Europe.

## 4 ADMINISTRATION EXPENSES

Administration expenses include the following items:

### STAFF COSTS, INCLUDING DIRECTORS

	Notes	2008 £m	2007 £m
Salaries and wages		18.7	15.8
Performance-related bonuses – payable in cash		3.1	3.5
– payable in shares		1.1	0.9
		4.2	4.4
Other share-based employee remuneration		3.5	4.3
Social security		4.2	4.2
Net pension expense – defined benefit plans	6	2.0	2.0
– defined contribution plans	6	1.3	1.1
		3.3	3.1
		33.9	31.8

Of the above amount £5.8 million (2007: £4.1 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 44 to 51. In addition to the above, redundancy costs of £1.1 million (2007: £nil) were incurred during the year.

### STAFF NUMBERS

	2008 Number	2007 Number
Average number of staff	277	261
Staff recharged to tenants, included above	61	54

### OTHER INFORMATION

	2008 £m	2007 £m
Auditors' remuneration:		
Audit of Company's annual accounts	0.2	0.2
Audit of subsidiaries, pursuant to legislation	0.2	0.2
Other services, pursuant to legislation	0.1	0.1
Other services	0.1	0.1
Other auditors' remuneration:		
Audit of subsidiaries, pursuant to legislation, and other services	0.2	0.2
Depreciation of plant, equipment and owner-occupied property	1.3	1.2

## 5 DIRECTORS' EMOLUMENTS

Full details of the Directors' emoluments, as required by the Companies Act 1985, are disclosed in the audited sections of the Remuneration Report on pages 44 to 51.

# NOTES TO THE ACCOUNTS

CONTINUED

## 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.

##### UK UNFUNDED UNAPPROVED RETIREMENT SCHEME

The UK unfunded scheme provides pension benefits to two former Executive Directors. 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 Company.

##### US UNFUNDED UNAPPROVED RETIREMENT SCHEME

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

#### DEFINED CONTRIBUTION PENSION SCHEMES

The Company operates the UK funded approved Group Personal Pension Plan and the UK funded unapproved retirement benefit scheme, both of which are defined contribution pension schemes. The Group's total cost for the year relating to defined contribution pension schemes was £1.3 million (2007: £1.1 million).

#### PRINCIPAL ACTUARIAL ASSUMPTIONS USED FOR DEFINED BENEFIT PENSION SCHEMES

	31 December 2008 %	31 December 2007 %	31 December 2006 %	31 December 2005 %	31 December 2004 %
Discount rate for scheme liabilities	6.50	5.90	5.20	4.75	5.75
Expected return on plan assets	6.80	8.20	6.10	5.70	5.90
Increase in pensionable salaries	3.30	3.70	3.50	3.00	3.00
Increase in retail price index	2.80	3.20	3.00	2.50	2.50
Increase in pensions in payment	2.80	3.20	3.00	2.50	2.50
Mortality table	PA92 C2020	PA92 C2020	PA90 less 6 years	PA90 less 6 years	PA90 less 6 years

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

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

	Included in income statement within	2008 £m	2007 £m
Current service cost	Administration expenses	2.0	2.0
Expected return on assets	Other interest payable	(3.8)	(3.0)
Interest cost	Other interest payable	3.2	2.9
<b>Total pension expense</b>		<b>1.4</b>	<b>1.9</b>

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

## 6 PENSIONS

### CONTINUED

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

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
<b>Fair value of Scheme assets</b>	<b>42.4</b>	47.0	43.0	33.6	25.5
Present value of Scheme obligation	<b>(40.9)</b>	(46.3)	(47.7)	(42.7)	(32.6)
	<b>1.5</b>	0.7	(4.7)	(9.1)	(7.1)
Present value of unfunded UK defined benefit obligations	<b>(4.0)</b>	(3.0)	(2.8)	(2.2)	(1.5)
Present value of unfunded US defined benefit obligations	<b>(5.6)</b>	(4.1)	(4.5)	(5.6)	(4.4)
<b>Net pension liability</b>	<b>(8.1)</b>	(6.4)	(12.0)	(16.9)	(13.0)
<b>Analysed as:</b>					
Non-current assets – Other receivables	<b>1.5</b>	0.7			
Current liabilities – Other payables	<b>–</b>	(2.3)			
Non-current liabilities – Other payables	<b>(9.6)</b>	(4.8)			
	<b>(8.1)</b>	(6.4)			

The actual return on the Scheme assets for the year ended 31 December 2008 was -9.9% (2007: 9.6%).

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

#### AMOUNTS FOR CURRENT AND PREVIOUS YEARS

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Experience losses on plan liabilities	<b>(0.3)</b>	(0.1)	(1.8)	(0.5)	(0.5)
Experience (losses)/gains on plan assets	<b>(8.5)</b>	1.1	1.5	2.6	1.1

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

	2008 %	2007 %
Investment with target return linked to retail price index	<b>100</b>	99
Cash	<b>–</b>	1

#### CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT PENSION SCHEME OBLIGATIONS

	2008 £m	2007 £m
At 1 January	<b>53.4</b>	55.0
Service cost	<b>2.0</b>	2.0
Interest cost	<b>3.2</b>	2.9
Actuarial gains	<b>(8.9)</b>	(4.8)
Benefits	<b>(1.6)</b>	(1.6)
Exchange losses/(gains)	<b>2.4</b>	(0.1)
<b>At 31 December</b>	<b>50.5</b>	53.4

#### CHANGES IN THE FAIR VALUE OF DEFINED BENEFIT PENSION SCHEME ASSETS

	2008 £m	2007 £m
At 1 January	<b>47.0</b>	43.0
Expected return	<b>3.9</b>	3.0
Actuarial (losses)/gains	<b>(8.5)</b>	1.1
Contributions by employer	<b>1.1</b>	1.2
Benefits	<b>(1.1)</b>	(1.3)
<b>At 31 December</b>	<b>42.4</b>	47.0

The cumulative net actuarial losses recognised in the statement of recognised income and expense at 31 December 2008 were £5.1 million (2007: £5.5 million).

# NOTES TO THE ACCOUNTS

CONTINUED

## 7 NET FINANCE COSTS

	2008 £m	2007 £m
Interest on bank loans and overdrafts	73.6	22.0
Interest on other borrowings	110.7	126.9
Interest on obligations under finance leases	2.3	3.0
Other interest payable	3.1	5.5
Gross interest costs	189.7	157.4
Less: Interest capitalised	(35.9)	(27.6)
Finance costs	153.8	129.8
Bond redemption costs	–	28.3
Change in fair value of interest rate swaps	33.3	(2.4)
Change in fair value of currency swaps outside hedge accounting designation	(6.4)	6.2
Change in fair value of derivatives	26.9	3.8
Finance income	(10.0)	(12.6)
<b>Net finance costs</b>	<b>170.7</b>	<b>149.3</b>

## 8 TAX

### A TAX CREDIT

	2008 £m	2007 £m
<b>UK current tax</b>		
On net income before revaluations and disposals	0.1	0.1
Credit in respect of prior years	(0.4)	(1.7)
	(0.3)	(1.6)
<b>Foreign current tax</b>		
On net income before revaluations and disposals	0.3	0.2
Charge in respect of prior years	0.6	0.1
On disposals	–	17.7
	0.9	18.0
<b>Total current tax charge</b>	<b>0.6</b>	<b>16.4</b>
<b>Deferred tax credit</b>		
On net income before revaluations and disposals	13.5	(2.0)
On revaluations and disposals	(41.1)	32.7
Credit in respect of prior years	(10.7)	(7.3)
Released on disposal of 9 place Vendôme	–	(28.7)
On bond redemption costs	–	(8.5)
Effect of reduction in UK corporation tax rate	–	(3.8)
	(38.3)	(17.6)
<b>Tax credit</b>	<b>(37.7)</b>	<b>(1.2)</b>

# 8 TAX

CONTINUED

## B TAX CREDIT RECONCILIATION

	2008 £m	2007 £m
(Loss)/Profit before tax	<b>(1,611.5)</b>	110.4
(Loss)/Profit multiplied by the UK corporation tax rate of 28.5% (2007: 30%)	<b>(459.3)</b>	33.1
UK REIT tax exemption on net income before revaluations and disposals	<b>(30.5)</b>	(34.2)
UK REIT tax exemption on revaluations and disposals	<b>388.1</b>	64.4
SIIC tax exemption net of deferred tax provision on SIIC dividends	<b>36.3</b>	(33.4)
UK current year losses not recognised	<b>15.3</b>	–
German revaluation	<b>8.6</b>	(2.0)
Non-deductible derivative losses	<b>7.6</b>	–
Non-deductible and other items	<b>6.7</b>	5.6
Prior year adjustments	<b>(10.5)</b>	(8.9)
Disposal of 9 place Vendôme at low effective tax rate	<b>–</b>	(22.0)
Effect of reduction in UK corporation tax rate	<b>–</b>	(3.8)
<b>Tax credit</b>	<b>(37.7)</b>	(1.2)

## C DEFERRED TAX ON ITEMS TAKEN DIRECTLY TO EQUITY

	2008 £m	2007 £m
Deferred tax charge on revaluations	<b>–</b>	1.9
Deferred tax charge on share-based employee remuneration	<b>0.1</b>	1.8
Deferred tax charge on actuarial gains on pension schemes	<b>0.1</b>	1.6
<b>Deferred tax on items taken directly to equity</b>	<b>0.2</b>	5.3

## D CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2008 £m	Recognised in income £m	Recognised in equity £m	Tax paid £m	Exchange movements £m	31 December 2008 £m
<b>Current tax</b>						
UK REIT entry charge	50.2	–	–	(50.2)	–	–
Other UK tax	40.4	(0.3)	–	(40.1)	–	–
9 place Vendôme disposal	19.0	–	–	(20.6)	1.6	–
Other overseas tax	5.4	0.9	–	(5.3)	0.5	<b>1.5</b>
	115.0	0.6	–	(116.2)	2.1	<b>1.5</b>
<b>Deferred tax</b>						
Dividends receivable from France (note 8G)	144.8	(35.0)	–	–	47.1	<b>156.9</b>
Revenue tax losses	(43.9)	(4.7)	–	–	–	<b>(48.6)</b>
Other timing differences	(1.3)	1.4	0.2	–	(0.2)	<b>0.1</b>
	99.6	(38.3)	0.2	–	46.9	<b>108.4</b>
	214.6	(37.7)	0.2	(116.2)	49.0	<b>109.9</b>
<b>Analysed as:</b>						
Current assets: Corporation tax	(1.3)					<b>(2.7)</b>
Current liabilities: Tax	113.2					<b>3.8</b>
Non-current liabilities: Deferred tax	99.6					<b>108.4</b>
Non-current liabilities: Tax	3.1					<b>0.4</b>
	214.6					<b>109.9</b>

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

UK deferred tax at 31 December 2008 has been calculated at a rate of 28% reflecting the reduction in the UK corporation tax rate from 1 April 2008.

Following a decision of the High Court in January 2008 in favour of HM Revenue & Customs, the Group has paid tax of £37.4 million and interest of £14.6 million relating to capital gains incurred by the Grantchester Group prior to its acquisition by Hammerson. The Group had provided for these liabilities at 31 December 2007. The Group awaits the outcome of the Court of Appeal hearing which took place in December 2008. Should the case be ultimately decided in the Group's favour, the tax and interest paid would be refunded.

# NOTES TO THE ACCOUNTS

CONTINUED

## 8

### TAX CONTINUED

#### E UNRECOGNISED DEFERRED TAX

Deferred tax is not provided on potential gains on investments in subsidiaries and joint ventures when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2008 the total of such gains was £445 million and the potential tax effect £125 million (2007: £1,200 million, potential tax effect £336 million).

If a UK REIT sells a property completed after 1 January 2007 within three years of its completion, the REIT exemption will not apply. At 31 December 2008, the value of such completed developments was £495 million (2007: £nil) and the potential tax charge that would arise if these properties were to be sold was £nil (2007: £nil).

A deferred tax asset of £25.6 million (2007: £17.7 million) is not recognised for carried forward UK tax losses that may not be utilised, because it is uncertain whether appropriate taxable profits will arise.

#### F UK REIT STATUS

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

As a REIT, Hammerson plc is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income.

On entering the REIT regime, entry tax became payable equal to 2% of the market value of the Group's qualifying UK properties at 31 December 2006. The total entry charge of £100.5 million was paid in quarterly instalments between July 2007 and April 2008.

To remain a UK REIT there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business which are set out in the UK REIT legislation in the Finance Act 2006.

#### G FRENCH SIIC STATUS

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

If all the properties were realised at the 31 December 2008 values, a total of £560 million of dividends would arise (2007: £517 million). Under current UK tax rules, Hammerson plc is taxed in the UK on dividends received from France, subject to available UK tax losses. Deferred tax of £156.9 million (2007: £144.8 million) is provided for the potential UK tax that would arise on realising the French portfolio at value. However, the UK government is proposing to exempt foreign dividends from tax, and if enacted, this should allow virtually all the Group's net deferred tax balance to be released in 2009.

If Hammerson plc was to cease to qualify as a French SIIC before 1 January 2014, tax of approximately £260 million (2007: £74 million) would be payable under a penalty regime which was strengthened in December 2008. To continue to qualify, Hammerson plc must remain listed in France, at least 80% of assets must be employed in property investment and, from 1 January 2010 and with limited temporary exceptions, no shareholder may hold 60% or more of its shares.

## 9

### DIVIDENDS

The proposed final dividend of 15.3 pence per share (2007: 15.3 pence per share) was recommended by the Board on 9 February 2009 and, subject to approval by shareholders, is payable on 22 May 2009 to shareholders on the register at the close of business on 20 February 2009. It is intended that 3.8 pence per share will be paid as a PID, net of withholding tax where appropriate, and the remainder of 11.5 pence per share will be paid as a normal dividend. Based on the proposed final dividend, the total dividend for the year ended 31 December 2008 will be 27.9 pence per share (2007: 27.3 pence per share).

The £80.7 million dividend included in the reconciliation of equity on page 56 comprises the 2007 final dividend of £44.2 million, which was paid on 23 May 2008, together with the 2008 interim dividend of £36.5 million. The latter was paid on 30 September 2008 as a PID, and was subject to withholding tax of £5.5 million, which was paid on 14 October 2008. On 14 January 2008, a payment of £6.0 million was made being the withholding tax arising on the 2007 interim dividend, which was also paid 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 the treasury shares (note 26), which are treated as cancelled.

	2008			2007		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
<b>Basic</b>	<b>(1,572.6)</b>	<b>289.3</b>	<b>(543.6)</b>	101.0	289.1	34.9
Dilutive share options	–	0.4	0.8	–	0.5	–
<b>Diluted</b>	<b>(1,572.6)</b>	<b>289.7</b>	<b>(542.8)</b>	101.0	289.6	34.9
Adjustments:						
Revaluation losses/(gains) on investment properties	1,473.4		508.6	(20.7)		(7.1)
Loss/(Profit) on the sale of investment properties	32.5		11.2	(39.8)		(13.7)
Revaluation losses on development properties	176.5		60.9	25.7		8.9
Change in fair value of derivatives	26.9		9.3	3.8		1.3
Deferred tax credit	(38.3)		(13.2)	(17.6)		(6.1)
Tax on property disposals	–		–	17.7		6.1
Minority interests in respect of the above	(4.0)		(1.4)	8.6		2.9
<b>EPRA</b>	<b>94.4</b>		<b>32.6</b>	78.7		27.2
Bond redemption costs	–		–	28.3		9.8
Provision relating to formerly owned property	–		–	6.0		2.1
Asset impairment	15.9		5.5	3.6		1.2
<b>Adjusted</b>	<b>110.3</b>		<b>38.1</b>	116.6		40.3

**B NET ASSET VALUE PER SHARE**

	2008			2007		
	Equity shareholders' funds £m	Shares million	Net asset value per share £	Equity shareholders' funds £m	Shares million	Net asset value per share £
<b>Basic</b>	<b>2,820.6</b>	<b>290.9</b>	<b>9.70</b>	4,354.6	290.6	14.98
Company's own shares held in Employee Share Ownership Plan	–	(0.4)	n/a	–	(0.3)	n/a
Treasury shares	–	(1.0)	n/a	–	(1.5)	n/a
Unexercised share options	4.8	0.6	n/a	6.4	0.8	n/a
<b>Diluted</b>	<b>2,825.4</b>	<b>290.1</b>	<b>9.74</b>	4,361.0	289.6	15.06
Fair value adjustment to borrowings (net of tax)	441.9		1.52	65.7		0.23
<b>EPRA triple net</b>	<b>3,267.3</b>		<b>11.26</b>	4,426.7		15.29
Fair value of derivatives	73.0		0.25	13.2		0.05
Fair value adjustment to borrowings (net of tax)	(441.9)		(1.52)	(65.7)		(0.23)
Deferred tax	108.4		0.37	99.6		0.34
<b>EPRA</b>	<b>3,006.8</b>		<b>10.36</b>	4,473.8		15.45

# NOTES TO THE ACCOUNTS

CONTINUED

## 11 INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties		Development properties		Total	
	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m
Balance at 1 January 2008	6,269.2	4,003.8	1,005.8	845.8	<b>7,275.0</b>	<b>4,849.6</b>
Exchange adjustment	639.5	329.3	41.1	39.1	<b>680.6</b>	<b>368.4</b>
Additions – Capital expenditure	71.4	71.4	332.3	332.3	<b>403.7</b>	<b>403.7</b>
– Asset acquisitions	–	–	19.5	19.5	<b>19.5</b>	<b>19.5</b>
	71.4	71.4	351.8	351.8	<b>423.2</b>	<b>423.2</b>
Disposals	(283.6)	(215.1)	–	–	<b>(283.6)</b>	<b>(215.1)</b>
Transfers	805.2	645.9	(805.2)	(645.9)	–	–
Capitalised interest	0.3	0.3	36.0	36.0	<b>36.3</b>	<b>36.3</b>
Revaluation adjustment	(1,473.4)	–	(201.3)	–	<b>(1,674.7)</b>	–
<b>Balance at 31 December 2008</b>	<b>6,028.6</b>	<b>4,835.6</b>	<b>428.2</b>	<b>626.8</b>	<b>6,456.8</b>	<b>5,462.4</b>
	Investment properties		Development properties		Total	
	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m
Balance at 1 January 2007	6,181.2	3,820.5	534.8	423.3	6,716.0	4,243.8
Exchange adjustment	156.8	91.9	2.5	1.6	159.3	93.5
Additions – Capital expenditure	44.1	44.1	379.7	379.7	423.8	423.8
– Asset acquisitions	357.1	357.1	15.3	15.3	372.4	372.4
	401.2	401.2	395.0	395.0	796.2	796.2
Disposals	(490.7)	(309.8)	(3.4)	(1.7)	(494.1)	(311.5)
Capitalised interest	–	–	27.6	27.6	27.6	27.6
Revaluation adjustment	20.7	–	49.3	–	70.0	–
Balance at 31 December 2007	6,269.2	4,003.8	1,005.8	845.8	7,275.0	4,849.6

Properties are stated at market value as at 31 December 2008, valued by professionally qualified external valuers. In the United Kingdom, the Group's properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors. In France and Germany, the Group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (the Standards) and with IFA 1 of the International Valuation Standards. In their valuation reports, the valuers have noted, in accordance with Guidance Note 5 of the Standards, that the primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic environment means that there have been few transactions for the types of property owned by Hammerson. Consequently, there is a greater degree of uncertainty in respect of the figures reported by our valuers. Until the number and consistency of comparable transactions increases, this situation is likely to remain. Further discussion of this issue is set out in 'Principal risks and uncertainties' on page 15.

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](http://www.hammerson.com).

At 31 December 2008 the total amount of interest included in development properties was £22.0 million (2007: £39.8 million), calculated using the Group's average cost of borrowings.

In April, the remaining 50% interest in Parc Tawe Unit Trust was acquired for consideration which comprised the Group's Exeter properties, the assumption of debt and cash balances and a balancing cash receipt. This transaction has been accounted for as a property acquisition as the entity acquired held no significant assets or liabilities other than the property.

	Freehold £m	Long leasehold £m	Total £m
<b>Balance at 31 December 2008</b>	<b>4,180.0</b>	<b>2,276.8</b>	<b>6,456.8</b>
Balance at 31 December 2007	4,180.1	3,094.9	7,275.0
		<b>2008 £m</b>	2007 £m
Capital commitments		<b>159.5</b>	419.7

At 31 December 2008, Hammerson's share of the capital commitments in respect of joint ventures, which is included in the table above, was £43.2 million (2007: £155.9 million).

## 12 PLANT, EQUIPMENT AND OWNER-OCCUPIED PROPERTY

	Owner-occupied property £m	Plant and equipment £m	Total £m
<b>Cost or valuation</b>			
Balance at 1 January 2007	34.9	9.7	44.6
Additions	–	2.1	2.1
Balance at 31 December 2007/1 January 2008	34.9	11.8	46.7
Exchange adjustment	–	1.6	1.6
Additions	–	2.0	2.0
Revaluation adjustment	(5.9)	–	(5.9)
<b>Balance at 31 December 2008</b>	<b>29.0</b>	<b>15.4</b>	<b>44.4</b>
<b>Depreciation</b>			
Balance at 1 January 2007	–	(2.4)	(2.4)
Depreciation charge for the year	–	(1.2)	(1.2)
Balance at 31 December 2007/1 January 2008	–	(3.6)	(3.6)
Exchange adjustment	–	(1.0)	(1.0)
Depreciation charge for the year	–	(1.3)	(1.3)
<b>Balance at 31 December 2008</b>	<b>–</b>	<b>(5.9)</b>	<b>(5.9)</b>
<b>Book value at 31 December 2008</b>	<b>29.0</b>	<b>9.5</b>	<b>38.5</b>
Book value at 31 December 2007	34.9	8.2	43.1

## 13 JOINT VENTURES

As at 31 December 2008 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 %
<b>Investments</b>	
Brent Cross Shopping Centre	41.2
Brent South Retail Park	40.6
Bristol Alliance Limited Partnership	50
Cricklewood Regeneration Limited	50
Queensgate Limited Partnership	50
The Bull Ring Limited Partnership	33.33
The Grosvenor Street Limited Partnership	50
The Martineau Galleries Limited Partnership	33.33
The Oracle Limited Partnership	50
The Highcross Limited Partnership (formerly The Shires Limited Partnership)	60
The West Quay Limited Partnership	50
125 OBS Limited Partnership	50
<b>Developments</b>	
Bishopsgate Goodsynd Regeneration Limited	50
Paddington Triangle	50
Wensum Developments Limited	50

In September 2008, The Moor House Limited Partnership, in which the Group has a 66.67% interest, disposed of its sole property, Moorhouse.

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

The summarised income statements and balance sheets on pages 74 and 75, show the proportion of the Group's results, assets and liabilities which are derived from its joint ventures:

# NOTES TO THE ACCOUNTS

CONTINUED

## 13 JOINT VENTURES CONTINUED

### INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

### BALANCE SHEETS AS AT 31 DECEMBER 2008

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

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

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

#Reflects the Group's disposal of its 66.67% interest in Moorhouse in September 2008.

# 13

## JOINT VENTURES CONTINUED

### INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

### BALANCE SHEETS AS AT 31 DECEMBER 2007

	Brent Cross* £m	Bristol Alliance Limited Partnership £m	Bull Ring Limited Partnership £m	Moor House Limited Partnership £m	Oracle Limited Partnership £m	Queensgate Limited Partnership £m	Highcross Limited Partnership £m	West Quay Limited Partnership† £m	Other £m	Total 2007 £m
<b>Non-current assets</b>										
Investment and development properties at valuation	435.3	262.8	312.9	186.7	275.2	169.7	322.4	280.2	325.1	2,570.3
Interests in leasehold properties	—	0.3	—	1.9	—	—	—	2.1	10.0	14.3
	435.3	263.1	312.9	188.6	275.2	169.7	322.4	282.3	335.1	2,584.6
<b>Current assets</b>										
Other current assets	12.4	5.9	4.3	2.2	4.6	1.9	5.0	4.5	4.2	45.0
Cash and deposits	—	1.0	0.6	—	1.2	3.8	0.7	1.3	9.1	17.7
	12.4	6.9	4.9	2.2	5.8	5.7	5.7	5.8	13.3	62.7
<b>Current liabilities</b>										
Other liabilities	(8.8)	(13.0)	(4.4)	(2.2)	(3.3)	(3.2)	(6.8)	(3.5)	(7.4)	(52.6)
	(8.8)	(13.0)	(4.4)	(2.2)	(3.3)	(3.2)	(6.8)	(3.5)	(7.4)	(52.6)
<b>Non-current liabilities</b>										
Borrowings	—	—	—	—	—	—	—	—	(54.1)	(54.1)
Other liabilities	—	(0.3)	—	(2.2)	—	—	—	(2.1)	(10.0)	(14.6)
	—	(0.3)	—	(2.2)	—	—	—	(2.1)	(64.1)	(68.7)
<b>Net assets</b>	438.9	256.7	313.4	186.4	277.7	172.2	321.3	282.5	276.9	2,526.0

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

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

†Reflects the Group's disposal of a 50% interest in WestQuay Shopping Centre in July 2007.

# NOTES TO THE ACCOUNTS

CONTINUED

## 14 INVESTMENTS

	2008 £m	2007 £m
<b>Available for sale investments</b>		
Value Retail Investors Limited Partnerships	52.5	41.2
Investments in Value Retail plc and related companies	58.3	38.0
Other investments	1.3	0.9
	<b>112.1</b>	<b>80.1</b>

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 interests was £7.8 million (2007: £7.8 million) following a return of capital during the year of £nil (2007: £7.9 million). These interests are included at a total value, based on the market value of the underlying property, at 31 December 2008 of £52.5 million (2007: £41.2 million), the property elements of which have been reviewed by DTZ Debenham Tie Leung, Chartered Surveyors. These investments have neither been consolidated, nor equity accounted, within the Group accounts as the Group does not have significant influence over the management of the partnerships. Investments in Value Retail plc and certain related companies are included at fair value. The cost of these investments was £38.2 million (2007: £36.6 million).

Other investments include the Group's 15% stake in Stonemartin plc which operated serviced offices under the brand name of the Institute of Directors, and was acquired for a total cost of £4.4 million. At the balance sheet date, this investment was listed on the Alternative Investment Market (AIM), and has been included at market value. On 5 January 2009, Stonemartin plc de-listed from AIM.

## 15 RECEIVABLES: NON-CURRENT ASSETS

	2008 £m	2007 £m
Loans receivable	15.5	11.7
Other receivables	2.4	1.2
Fair value of interest rate swaps	1.8	–
	<b>19.7</b>	<b>12.9</b>

Loans receivable of £15.5 million (2007: £11.7 million) comprised a loan of €16.0 million to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2010. The loan is classified as 'available for sale' and is included in the balance sheet at fair value, which equates to cost.

## 16 RECEIVABLES: CURRENT ASSETS

	2008 £m	2007 £m
Trade receivables	48.1	75.9
Other receivables	69.4	65.9
Corporation tax	2.7	1.3
Prepayments	3.4	9.2
	<b>123.6</b>	<b>152.3</b>

Trade receivables are shown after deducting a provision for bad and doubtful debts of £5.9 million (2007: £4.0 million) as set out in the table below. The movement in the provision during the year was recognised entirely in income. Credit risk is discussed in note 20F.

	Gross receivable £m	Provision £m	2008 Net receivable £m	Gross receivable £m	Provision £m	2007 Net receivable £m
Not yet due	31.3	–	31.3	60.7	–	60.7
1-30 days overdue	10.6	–	10.6	11.9	0.2	11.7
31-60 days overdue	1.2	–	1.2	0.7	–	0.7
61-90 days overdue	1.3	0.1	1.2	0.1	0.1	–
91-120 days overdue	2.7	1.0	1.7	1.6	–	1.6
More than 120 days overdue	6.9	4.8	2.1	4.9	3.7	1.2
	<b>54.0</b>	<b>5.9</b>	<b>48.1</b>	<b>79.9</b>	<b>4.0</b>	<b>75.9</b>

## 17 CASH AND DEPOSITS

	2008 £m	2007 £m
Cash at bank	79.4	17.7
Short-term deposits	40.5	10.9
	<b>119.9</b>	28.6
<b>Currency profile</b>		
Sterling	58.3	20.7
Euro	61.6	7.9
	<b>119.9</b>	28.6

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 2.2% (2007: 4.6%). Such deposits are considered to be cash equivalents. Included in the cash balance is £14.9 million (2007: £5.5 million) which may be used only in relation to certain development projects or in respect of secured borrowings.

## 18 PAYABLES: CURRENT LIABILITIES

	2008 £m	2007 £m
Trade payables	92.3	60.6
Other payables	178.2	300.3
Accruals	26.0	19.7
Fair value of interest rate swaps	–	6.4
	<b>296.5</b>	387.0

## 19 BORROWINGS

### A MATURITY

	Bank loans and overdrafts £m	Other borrowings £m	2008 Total £m	2007 Total £m
After five years	–	1,714.0	<b>1,714.0</b>	1,550.2
From two to five years	1,634.3	–	<b>1,634.3</b>	552.0
From one to two years	71.8	–	<b>71.8</b>	15.5
Due after more than one year	1,706.1	1,714.0	<b>3,420.1</b>	2,117.7
Due within one year	(0.8)	33.3	<b>32.5</b>	406.5
	1,705.3	1,747.3	<b>3,452.6</b>	2,524.2

At 31 December 2007 and 2008 there were no borrowings due after five years repayable by instalments.

# NOTES TO THE ACCOUNTS

CONTINUED

## 19 BORROWINGS

CONTINUED

### B ANALYSIS

	2008 £m	2007 £m
<b>Unsecured</b>		
£200 million 7.25% Sterling bonds due 2028	197.6	197.6
£300 million 6% Sterling bonds due 2026	296.7	296.6
£250 million 6.875% Sterling bonds due 2020	247.3	247.1
£300 million 5.25% Sterling bonds due 2016	297.5	297.2
€700 million 4.875% Euro bonds due 2015	674.9	511.7
€500 million 6.25% Euro bonds due 2008	–	366.8
£26 million variable rate loan notes due 2008	–	26.0
Bank loans and overdrafts	1,255.5	520.3
	<b>2,969.5</b>	2,463.3
Fair value of currency swaps	33.3	6.8
	<b>3,002.8</b>	2,470.1
<b>Secured</b>		
Sterling variable rate mortgage due 2013	392.6	–
Sterling variable rate mortgage due 2010	57.2	38.6
Sterling variable rate mortgage due 2009	–	15.5
	<b>449.8</b>	54.1
	<b>3,452.6</b>	2,524.2

Security for secured borrowings as at 31 December 2008 is provided by charges on property with a carrying value of £598 million. The loan is secured by a first legal charge on the respective properties.

### C UNDRAWN COMMITTED FACILITIES

	2008 £m	2007 £m
Expiring within one year	200.0	–
Expiring between one and two years	117.5	–
Expiring after more than two years	50.0	561.0
	<b>367.5</b>	561.0

### D INTEREST RATE AND CURRENCY PROFILE

	Fixed rate borrowings		Variable rate borrowings	2008 Total
	%	Years	£m	£m
Sterling	5.85	10	1,583.3	258.8
Euro	4.88	6	674.9	935.6
	<b>5.56</b>	<b>9</b>	<b>2,258.2</b>	<b>1,194.4</b>
				<b>3,452.6</b>

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

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

	2008 £m	2007 £m
Up to 7%	2,060.6	1,397.0
7% to 10%	197.6	197.6
	<b>2,258.2</b>	1,594.6
Variable rates	1,161.9	523.1
	<b>3,420.1</b>	2,117.7

Variable rate borrowings bear interest based on LIBOR, with the exception of certain euro borrowings whose interest costs are linked to EURIBOR. The analysis in notes 19D and 19E above reflects the effect of currency and interest rate swaps in place at 31 December 2007 and 2008, further details of which are set out in note 20.



**20 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 some of these issues is set out in 'Principal risks and 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. Medium and long-term debt mainly comprises the Group's fixed rate unsecured bonds.

**B INTEREST RATE MANAGEMENT**

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

The Group has interest rate swaps of £400.0 million (2007: £nil) and £44.2 million (2007: £28.9 million) maturing within the next five years. Under these swaps the Group pays interest at fixed rates of 5.075% and 6.275% respectively and receives interest linked to LIBOR. During the year, the Group also entered into a £100.0 million interest rate swap to fix its interest rate on a £100.0 million bank loan. Under this swap, which expires in 2013, the Group pays interest at a fixed rate of 4.725% and receives interest linked to LIBOR.

In addition, at 31 December 2007 the Group had interest rate swaps of £300.0 million and £15.5 million. The £300.0 million swaps matured in December 2008, when the swap counterparties did not exercise their option to extend the maturity of these swaps. Under these swaps the Group received interest at a fixed rate of 5.25% and paid interest at variable rates linked to LIBOR. The counterparties have additional options expiring in December 2010 to reinstate these rates for the period 15 December 2010 to 15 December 2016. The £15.5 million swaps were settled at the point of repayment of the related mortgage. Under these swaps the Group paid interest of 4.658% and received interest linked to LIBOR.

At 31 December 2008, the fair value of interest rate swaps was a liability of £39.7 million (2007: £6.4 million).

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 France and Germany, the Group has designated both euro denominated bonds and currency swaps as hedges. The carrying amount of the bonds at 31 December 2008 was £674.9 million (2007: £878.5 million) and their fair value was £464.8 million (2007: £825.3 million).

At 31 December 2008 the Group had currency swaps of £533.8 million, being €594.2 million sold forward against sterling: €304.2 million for value in March 2009 at a rate of £1 = €1.106 and €290.0 million for value in June 2009, at a rate of £1 = €1.120. At 31 December 2007 the Group had swaps of £442.8 million, being €609.0 million sold forward against sterling: €14.8 million for value in January 2008, at a rate of £1 = €1.388 and €594.2 million for value in June 2008, at a rate of £1 = €1.384. The fair value of currency swaps is detailed in note 20I.

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

**D PROFIT AND LOSS ACCOUNT AND BALANCE SHEET MANAGEMENT**

The Group maintains internal guidelines for interest cover and gearing. 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 35.

**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 detailed in note 20A above.

# NOTES TO THE ACCOUNTS

CONTINUED

## 20 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 and by sector, 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 2008 was 9.5 years (2007: 10.5 years). Rent deposits and personal or corporate guarantees are held in respect of some leases. Taking these factors into account the risk to the Group of individual tenant default and the credit risk of trade receivables are considered low. The Group's most significant tenants are set out in the Business Review on page 28.

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 15 and 16 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 16.

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 2008, the Group's maximum exposure to credit risk was £263.2 million (2007: £193.8 million).

### G FINANCIAL MATURITY ANALYSIS

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table provides a maturity analysis for individual elements.

2008 Maturity					
	Total £m	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m
Cash and deposits	(119.9)	(119.9)	–	–	–
Secured bank loans					
Sterling variable rate loan	449.8	–	57.2	392.6	–
Unsecured bond issues					
Sterling fixed rate loans	1,039.1	–	–	–	1,039.1
Euro fixed rate loans	674.9	–	–	–	674.9
Interest rate swaps (variable)	(544.2)	–	(44.2)	(500.0)	–
Interest rate swaps (fixed)	544.2	–	44.2	500.0	–
Unsecured bank loans and overdrafts	1,255.5	(0.8)	14.6	1,241.7	–
Fair value of currency swaps	33.3	33.3	–	–	–
	3,332.7	(87.4)	71.8	1,634.3	1,714.0
2007 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	(28.6)	(28.6)	–	–	–
Secured bank loans					
Sterling fixed rate loans	15.5	–	15.5	–	–
Sterling variable rate loan	38.6	–	–	38.6	–
Unsecured bond issues					
Sterling fixed rate loans	738.5	(300.0)	–	–	1,038.5
Euro fixed rate loans	878.5	366.8	–	–	511.7
Interest rate swaps (variable)*	271.1	300.0	–	(28.9)	–
Interest rate swaps (fixed)	28.9	–	–	28.9	–
Unsecured bank loans and overdrafts	520.3	6.9	–	513.4	–
Unsecured loan notes	26.0	26.0	–	–	–
Fair value of currency swaps	6.8	6.8	–	–	–
	2,495.6	377.9	15.5	552.0	1,550.2

\*Further details of the £300 million interest rate swaps are set out in note 20K.

## 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CONTINUED

### H SENSITIVITY ANALYSIS

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

At 31 December 2008, it is estimated that an increase of one percentage point in interest rates would have increased the Group's annual profit before tax by £6.5 million (2007: decrease of £22.3 million) and a decrease of one percentage point in interest rates would have decreased the Group's annual profit before tax by £4.0 million (2007: increase of £15.9 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, 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 reduced the net loss taken directly to equity for the year ended 31 December 2008 by £192.0 million (2007: £145.2 million). A 10% weakening of sterling against the euro would have increased the net loss taken directly to equity for the year ended 31 December 2008 by £234.7 million (2007: £177.5 million).

In relation to financial instruments alone, there would have been no impact on the Group's profit before tax. This has been calculated by retranslating the year end euro denominated financial instruments at a year end foreign exchange rate changed by 10%. Forward foreign exchange contracts have been included in this estimate. However, the effects noted above would be more than offset by the effect of foreign exchange rate changes on the euro denominated net assets included in the financial statements of Hammerson plc.

### I FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	2008		2007	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Current borrowings	0.2	0.2	399.9	402.1
Non-current borrowings	3,438.4	2,824.6	2,133.5	2,040.0
Unamortised borrowing costs	(19.3)	(19.3)	(16.0)	(16.0)
Currency swaps	33.3	33.3	6.8	6.8
<b>Total borrowings</b>	<b>3,452.6</b>	<b>2,838.8</b>	<b>2,524.2</b>	<b>2,432.9</b>
<b>Interest rate swaps</b>	<b>39.7</b>	<b>39.7</b>	<b>6.4</b>	<b>6.4</b>

The fair values of the Group's borrowings have been estimated on the basis of quoted market prices. 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.

Details of the Group's cash and short-term deposits are set out in note 17. 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 15 and 16. The amounts are presented net of allowances for doubtful receivables and allowances for impairment are made where appropriate. Details of the Group's investments are set out in note 14. The amounts are stated at fair value.

At 31 December 2008, the book value of financial liabilities exceeded their fair value by £613.8 million (2007: £91.3 million), equivalent to 212 pence per share (2007: 32 pence per share) on an adjusted net asset value per share basis. On a post-tax basis, the difference was equivalent to 152 pence per share (2007: 23 pence per share).

# NOTES TO THE ACCOUNTS

CONTINUED

## 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CONTINUED

### J CARRYING AMOUNTS, GAINS AND LOSSES OF FINANCIAL INSTRUMENTS

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

		2008			2007		
	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
Interest rate swaps*	15	1.8	3.6	–	–	–	–
<b>Assets at fair value (held for trading)</b>		<b>1.8</b>	<b>3.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Trade receivables	16	48.1	(1.9)	–	75.9	0.3	–
Cash and deposits	17	119.9	3.0	–	28.6	4.6	–
<b>Loans and receivables</b>		<b>168.0</b>	<b>1.1</b>	<b>–</b>	<b>104.5</b>	<b>4.9</b>	<b>–</b>
Investments	14, 24	112.1	–	29.9	80.1	(3.6)	1.9
Loans receivable	15	15.5	0.9	–	11.7	0.7	–
<b>Available for sale</b>		<b>127.6</b>	<b>0.9</b>	<b>29.9</b>	<b>91.8</b>	<b>(2.9)</b>	<b>1.9</b>
Interest rate swaps*	18, 22	(41.5)	(37.3)	–	(6.4)	0.3	–
<b>Liabilities at fair value (held for trading)</b>		<b>(41.5)</b>	<b>(37.3)</b>	<b>–</b>	<b>(6.4)</b>	<b>0.3</b>	<b>–</b>
Currency swaps	19	(33.3)	4.8	(142.2)	(6.8)	4.9	(35.2)
<b>Derivatives in effective hedging relationships</b>		<b>(33.3)</b>	<b>4.8</b>	<b>(142.2)</b>	<b>(6.8)</b>	<b>4.9</b>	<b>(35.2)</b>
Trade payables	18	(92.3)	–	–	(60.6)	–	–
Borrowings, excluding currency swaps	19	(3,419.3)	(187.0)	(366.5)	(2,517.4)	(180.6)	(96.1)
Finance leases	21	(25.5)	(2.3)	–	(30.1)	(3.0)	–
<b>Liabilities at amortised cost</b>		<b>(3,537.1)</b>	<b>(189.3)</b>	<b>(366.5)</b>	<b>(2,608.1)</b>	<b>(183.6)</b>	<b>(96.1)</b>
<b>Total for financial instruments</b>		<b>(3,314.5)</b>	<b>(216.2)</b>	<b>(478.8)</b>	<b>(2,425.0)</b>	<b>(176.4)</b>	<b>(129.4)</b>

\*The total loss to income for the year ended 31 December 2008 in respect of interest rate swaps includes the change in fair value of £33.3 million (2007: £2.4 million), included within net finance costs in note 7.

Reconciliation of net gain or loss taken through income to net finance costs:

	Notes	2008 £m	2007 £m
<b>Total loss on financial instruments to income</b>		<b>(216.2)</b>	(176.4)
Add back: Trade receivables loss/(gain)		1.9	(0.3)
Other interest income		1.3	2.4
Investment impairment		–	3.6
Gain/(Loss) to income on currency swaps outside hedge accounting designation	7	6.4	(6.2)
Interest capitalised	7	35.9	27.6
<b>Net finance costs</b>	7	<b>(170.7)</b>	(149.3)

There were no financial instruments designated upon initial recognition as at fair value through profit and loss. There were no financial instruments 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 losses in relation to currency swaps of £142.2 million (2007: £35.2 million) and borrowings of £366.5 million (2007: £96.1 million) is £508.7 million, as shown in the movement in the hedging reserve in note 24.

## 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CONTINUED

### K MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The remaining contractual maturities are as follows:

	Trade payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2008 Total £m
Notes	18			20L	21	
After 25 years	–	–	–	–	349.7	349.7
From five to 25 years	–	–	–	2,412.1	46.3	2,458.4
From two to five years	–	22.1	–	2,040.5	9.3	2,071.9
From one to two years	–	10.2	–	232.7	–	242.9
Due after more than one year	–	32.3	–	4,685.3	405.3	5,122.9
Due within one year	92.3	10.7	567.1	162.0	2.3	834.4
	92.3	43.0	567.1	4,847.3	407.6	5,957.3

	Trade payables £m	Interest rate swaps £m	Currency swaps £m	Financial liability cash flows £m	Finance leases £m	2007 Total £m
Notes	18			20L	21	
After 25 years	–	–	–	–	366.9	366.9
From five to 25 years	–	–	–	2,323.6	57.1	2,380.7
From two to five years	–	–	–	883.6	11.4	895.0
From one to two years	–	–	–	146.6	–	146.6
Due after more than one year	–	–	–	3,353.8	435.4	3,789.2
Due within one year	60.6	4.6	449.6	555.1	2.9	1,072.8
	60.6	4.6	449.6	3,908.9	438.3	4,862.0

At 31 December 2008 the currency swap liability is offset by an asset of £533.8 million (2007: £442.8 million), so that the fair value of the currency swaps is a liability of £33.3 million (2007: £6.8 million) as reported in note 20I.

Based on market conditions existing at the balance sheet dates, the expected cash flows arising from the counterparties exercising their option to reinstate the £300 million interest rate swap from December 2010 to December 2016, as referred to in note 20B, has been excluded from the maturity analysis above for 2008 and 2007.

### L RECONCILIATION OF MATURITY ANALYSES IN NOTES 19 AND 20K

The maturity analysis in note 20K 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 19 with the financial maturity analysis in note 20K.

2008	Borrowings £m	Fair value of currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	19	19			20K
From five to 25 years	1,714.0	–	685.0	13.1	2,412.1
From two to five years	1,634.3	–	401.7	4.5	2,040.5
From one to two years	71.8	–	160.2	0.7	232.7
Due after more than one year	3,420.1	–	1,246.9	18.3	4,685.3
Due within one year	32.5	(33.3)	161.8	1.0	162.0
	3,452.6	(33.3)	1,408.7	19.3	4,847.3

# NOTES TO THE ACCOUNTS

CONTINUED

## 20 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CONTINUED

### L RECONCILIATION OF MATURITY ANALYSES IN NOTES 19 AND 20K continued

2007	Borrowings £m	Fair value of currency swaps £m	Interest £m	Unamortised borrowing costs £m	Financial liability cash flows £m
Notes	19	19			20K
From five to 25 years	1,550.2	–	759.6	13.8	2,323.6
From two to five years	552.0	–	329.7	1.9	883.6
From one to two years	15.5	–	131.1	–	146.6
Due after more than one year	2,117.7	–	1,220.4	15.7	3,353.8
Due within one year	406.5	(6.8)	155.1	0.3	555.1
	2,524.2	(6.8)	1,375.5	16.0	3,908.9

## 21 OBLIGATIONS UNDER FINANCE LEASES

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

	2008			2007		
	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	349.7	(324.4)	25.3	366.9	(337.0)	29.9
From five to 25 years	46.3	(46.1)	0.2	57.1	(56.9)	0.2
From two to five years	9.3	(9.3)	–	11.4	(11.4)	–
Within one year	2.3	(2.3)	–	2.9	(2.9)	–
	407.6	(382.1)	25.5	438.3	(408.2)	30.1

## 22 PAYABLES: NON-CURRENT LIABILITIES

	2008 £m	2007 £m
Net pension liability	9.6	4.8
Other payables	42.0	29.3
Fair value of interest rate swaps	41.5	–
	93.1	34.1

## 23 SHARE CAPITAL

	Authorised		Called up, allotted and fully paid	
	2008 £m	2007 £m	2008 £m	2007 £m
<b>Ordinary shares of 25p each</b>	<b>94.8</b>	94.8	<b>72.7</b>	72.6
				<b>Number</b>
<b>Movements in issued share capital</b>				
Number of shares in issue at 1 January 2008				290,583,916
Issued in respect of property acquisition				115,266
Share options exercised – Share option schemes				135,822
– Save As You Earn				19,835
<b>Number of shares in issue at 31 December 2008</b>				<b>290,854,839</b>

The number of shares in issue at the balance sheet date included 1,000,000 shares held in treasury (2007: 1,450,000), see note 26.

### SHARE OPTIONS

At 31 December 2008 the following options granted to staff remained outstanding under the Company's executive share option schemes:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2009	562.5	7,627
2010	422	71,016
2011	517.5-651	110,469
2012	472.5-861.8	173,842
2013	422	10,511
2014	651	27,969
2015	861.8	34,533
2016	1240	99,056
		<b>535,023</b>

At 31 December 2008 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
2009	550-939.2	16,564
2010	701.2-1215.2	10,510
2011	550-939.2	25,710
2012	1215.2	1,616
2013	884-939.2	6,300
2014	1215.2	173
		<b>60,873</b>

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

	Number of options	2008 Weighted average exercise price £	Number of options	2007 Weighted average exercise price £
Outstanding at 1 January	<b>733,148</b>	<b>7.92</b>	1,150,713	7.11
Forfeited during the year	<b>(62,303)</b>	<b>9.87</b>	(68,668)	9.97
Exercised during the year	<b>(135,822)</b>	<b>6.52</b>	(348,897)	4.84
<b>Outstanding at 31 December</b>	<b>535,023</b>	<b>8.05</b>	733,148	7.92
Exercisable at 31 December	<b>435,967</b>	<b>6.49</b>	334,300	5.62

The weighted average share price at the date of exercise for share options exercised during the year was £10.50 (2007: £16.14). The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 3.7 years (31 December 2007: 4.6 years).

# NOTES TO THE ACCOUNTS

CONTINUED

## 23 SHARE CAPITAL CONTINUED

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

	Number of options	2008 Weighted average exercise price £	Number of options	2007 Weighted average exercise price £
Outstanding at 1 January	64,852	8.58	69,158	7.30
Granted during the year	36,892	8.84	13,789	12.15
Forfeited during the year	(21,036)	10.16	(4,891)	8.62
Exercised during the year	(19,835)	6.46	(13,204)	5.58
<b>Outstanding at 31 December</b>	<b>60,873</b>	<b>8.88</b>	<b>64,852</b>	<b>8.58</b>

The weighted average share price at the date of exercise for share options exercised during the year was £9.57 (2007: £15.17). No options outstanding under the Company's savings-related share option scheme were exercisable at 31 December 2008 or 2007.

## 24 EQUITY

	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m
Balance at 1 January 2008	740.0	86.0	(71.4)	7.2
Exchange adjustment	—	621.6	—	—
Net loss on hedging activities	—	—	(508.7)	—
Premium on issue of shares	2.2	—	—	—
<b>Balance at 31 December 2008</b>	<b>742.2</b>	<b>707.6</b>	<b>(580.1)</b>	<b>7.2</b>

	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Minority interests £m
Balance at 1 January 2008	10.6	156.3	3,373.9	70.4
— as previously reported	—	82.4	(82.4)	—
Balance at 1 January 2008 as restated	10.6	238.7	3,291.5	70.4
Exchange adjustment	—	—	—	22.9
Share-based employee remuneration	4.6	—	—	—
Cost of shares awarded to employees	(4.5)	—	—	—
Transfer on award of own shares to employees	0.8	—	(0.8)	—
Revaluation losses on development properties	—	(24.8)	—	—
Revaluation losses on owner-occupied property	—	(5.9)	—	—
Revaluation gains on investments	—	29.9	—	—
Transfer of revaluation on completion of development properties	—	(141.8)	141.8	—
Transfer of deferred tax on completed properties	—	3.9	(3.9)	—
Actuarial gains on pension schemes	—	—	0.4	—
Proceeds on award of own shares to employees	—	—	0.1	—
Dividends	—	—	(80.7)	(2.8)
Deferred tax on items taken directly to equity	—	—	(0.2)	—
Loss for the year attributable to equity shareholders	—	—	(1,572.6)	(1.2)
<b>Balance at 31 December 2008</b>	<b>11.5</b>	<b>100.0</b>	<b>1,775.6</b>	<b>89.3</b>

\*An amount in respect of deferred tax on properties that were transferred from development to investment properties in prior years has now been reclassified from the revaluation reserve to retained earnings, to match previously transferred amounts in respect of the revaluation of those properties.



**25** INVESTMENT IN OWN SHARES

At cost	2008 £m	2007 £m
Balance at 1 January	3.8	7.0
Transfer from treasury shares	5.2	–
Cost of shares awarded to employees	(4.5)	(3.2)
<b>Balance at 31 December</b>	<b>4.5</b>	<b>3.8</b>

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan. The expense related to share-based employee remuneration is calculated in accordance with IFRS 2 and the terms of the Plan, and recognised in the income statement within administration expenses. The corresponding credit is included in other reserves. When the Company's shares are awarded to employees as part of their remuneration, the cost of the shares is transferred to other reserves. Should this not equal the credit previously recorded against other reserves, the balance is adjusted against retained earnings.

The number of shares held as at 31 December 2008 was 391,102 (2007: 293,073) following awards to participants during the year of 351,971 shares (2007: 442,064) and a transfer of 450,000 treasury shares (2007: nil).

**26** TREASURY SHARES

At cost	2008 £m	2007 £m
Balance at 1 January	16.8	–
Purchase of treasury shares	–	16.8
Transfer to investment in own shares	(5.2)	–
<b>Balance at 31 December</b>	<b>11.6</b>	<b>16.8</b>

In September 2007 the Company purchased 1,450,000 of its own shares for a total of £16.8 million. 450,000 shares were transferred to the Hammerson Employee Share Ownership Plan during the year, at cost.

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

	Notes	2008 £m	2007 £m
Amortisation of lease incentives and other costs		3.1	1.3
Increase in accrued rents receivable		(4.1)	(18.2)
Non-cash items included within net rental income	3A	(1.0)	(16.9)
Depreciation		1.3	1.2
Share-based employee remuneration		4.6	5.2
Exchange and other items		13.6	(18.8)
		<b>18.5</b>	<b>(29.3)</b>

**28** CONTINGENT LIABILITIES

There are contingent liabilities of £4.1 million (2007: £28.7 million) relating to guarantees given by the Group and a further £27.8 million (2007: £27.3 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 £16.9 million (2007: £4.0 million).

# NOTES TO THE ACCOUNTS

CONTINUED

## 29 POST BALANCE SHEET EVENT

On 9 February 2009, the Company announced its proposal to raise £608.7 million through a fully underwritten rights issue on the basis of 7 New Shares for every 5 Existing Shares. Should the proposal be ratified at a General Meeting on 25 February 2009, the Directors intend that the net proceeds of £584.2 million would be used to reduce indebtedness. The pro forma balance sheet at 31 December 2008 is shown below, on the assumption that the rights issue proceeds.

	Consolidated net assets of the Group at 31 December 2008 £m	Proceeds of the rights issue, net of expenses <sup>(2)</sup> £m	Pro forma consolidated net assets at 31 December 2008 £m
<b>Assets</b>			
Investment and development properties	6,456.8	–	6,456.8
Cash and deposits	119.9	584.2	704.1
Receivables	143.3	–	143.3
Other assets	176.2	–	176.2
<b>Total assets</b>	<b>6,896.2</b>	<b>584.2</b>	<b>7,480.4</b>
<b>Liabilities</b>			
Borrowings	3,452.6	–	3,452.6
Payables	389.6	–	389.6
Other liabilities	144.1	–	144.1
<b>Total liabilities</b>	<b>3,986.3</b>	<b>–</b>	<b>3,986.3</b>
<b>Net assets</b>	<b>2,909.9</b>	<b>584.2</b>	<b>3,494.1</b>
Minority interests	(89.3)	–	(89.3)
<b>Equity shareholders' funds</b>	<b>2,820.6</b>	<b>584.2</b>	<b>3,404.8</b>
EPRA NAV per share <sup>(4)</sup>	£10.36		£5.16
Gearing	118%		81%
Borrowing Headroom	£367.5m		£951.7m
Interest Coverage	1.67x		2.02x
Dividend per share <sup>(5)</sup>	27.9p		15.0p

### Notes

(1) The financial information on the Group at 31 December 2008 has been extracted without adjustment from the balance sheet on page 55.

(2) The net proceeds of the rights issue are calculated on the basis that the Company issues 405,796,774 New Shares at £1.50 per New Share and that transaction expenses are £24.5 million.

(3) The pro forma financial information takes no account of the results of the Company for the period subsequent to 31 December 2008, or of any other change in its financial position in that period.

(4) EPRA NAV per share has been calculated as equity shareholders' funds, diluted for the effects of unexercised share options, adjusted for the fair value of derivatives and deferred tax, divided by the diluted number of shares in issue as at 31 December 2008 and following the rights issue.

(5) Pro forma dividend per share has been calculated by adding the interest saved from the use of the rights issue proceeds to reduce indebtedness, £31.5 million calculated as £584.2 million at the Group's average cost of borrowing of 5.4%, to 2008 adjusted earnings of £110.3 million and dividing by 2008 dividend cover of 1.36 times and by the total number of shares in issue following the rights issue of 695.7 million.

# INDEPENDENT AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON PLC

We have audited the parent company financial statements of Hammerson plc for the year ended 31 December 2008 which comprise the balance sheet and the related notes A to L. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Hammerson plc for the year ended 31 December 2008 and on the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross-referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

## OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

## Deloitte LLP

Chartered Accountants and Registered Auditors  
London, UK  
9 February 2009

# COMPANY BALANCE SHEET

As at 31 December 2008

	Notes	2008 £m	2007 £m
<b>Non-current assets</b>			
Investments in subsidiary companies	C	3,121.6	4,677.8
Receivables	D	5,285.6	3,780.5
		<b>8,407.2</b>	8,458.3
<b>Current assets</b>			
Receivables	E	3.0	4.1
Cash and short-term deposits		12.5	0.3
		<b>15.5</b>	4.4
<b>Total assets</b>		<b>8,422.7</b>	8,462.7
<b>Current liabilities</b>			
Payables	F	2,478.8	1,555.0
Borrowings	G	32.3	379.6
		<b>2,511.1</b>	1,934.6
<b>Non-current liabilities</b>			
Borrowings	G	2,970.2	2,063.6
Payables	H	6.5	—
		<b>2,976.7</b>	2,063.6
<b>Total liabilities</b>		<b>5,487.8</b>	3,998.2
<b>Net assets</b>		<b>2,934.9</b>	4,464.5
<b>Equity</b>			
Called up share capital	23	72.7	72.6
Share premium	I	742.2	740.0
Capital redemption reserve	I	7.2	7.2
Other reserves	I	0.1	0.1
Revaluation reserve	I	1,643.9	3,015.2
Retained earnings	I	484.9	650.0
Investment in own shares	J	(4.5)	(3.8)
Treasury shares	26	(11.6)	(16.8)
<b>Equity shareholders' funds</b>		<b>2,934.9</b>	4,464.5

These financial statements were approved by the Board of Directors on 9 February 2009.

Signed on behalf of the Board

**John Richards**  
Director

**Simon Melliss**  
Director

## 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. Provisions for impairment below cost are taken to the income statement. Surpluses arising on valuations above cost are included in the revaluation reserve. 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.

FRS 29 Financial Instruments – Disclosure (the UK GAAP equivalent of IFRS 7 Financial Instruments – Disclosure) has been adopted by the Company, but the disclosure requirements are met in note 20 to the accounts.

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 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these financial statements. The loss for the year attributable to equity shareholders dealt with in the financial statements of the Company was £84.4 million (2007: profit £74.2 million).

Dividend information is provided in note 9 to the accounts.

## C INVESTMENTS IN SUBSIDIARY COMPANIES

	Cost less impairment £m	Valuation £m
Balance at 1 January 2008	1,662.6	4,677.8
Additions	26.1	26.1
Disposals	(64.4)	(64.4)
Provision for impairment	(146.6)	(146.6)
Revaluation adjustment	–	(1,371.3)
<b>Balance at 31 December 2008</b>	<b>1,477.7</b>	<b>3,121.6</b>

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

## D RECEIVABLES: NON-CURRENT ASSETS

	2008 £m	2007 £m
Amounts owed by subsidiaries	<b>5,268.3</b>	3,768.8
Loans receivable (see note 15)	<b>15.5</b>	11.7
Fair value of interest rate swaps	<b>1.8</b>	–
	<b>5,285.6</b>	3,780.5

Amounts owed by subsidiaries are unsecured and interest-bearing at variable rates based in LIBOR. These amounts are repayable on demand, however it is the Company's current intention not to seek repayment before 31 December 2009.

## E RECEIVABLES: CURRENT ASSETS

	2008 £m	2007 £m
Other receivables	<b>3.0</b>	4.1

# NOTES TO THE COMPANY ACCOUNTS

CONTINUED

## F PAYABLES

	2008 £m	2007 £m
Amounts owed to subsidiaries	2,411.1	1,475.4
Other payables and accruals	67.7	74.4
Fair value of interest rate swaps	–	5.2
	<b>2,478.8</b>	1,555.0

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	2008 Total £m	2007 Total £m
After five years	–	1,714.0	1,714.0	1,550.1
From two to five years	1,241.6	–	1,241.6	513.5
From one to two years	14.6	–	14.6	–
Due after more than one year	1,256.2	1,714.0	2,970.2	2,063.6
Due within one year	(1.0)	33.3	32.3	379.6
	1,255.2	1,747.3	3,002.5	2,443.2

Details of the Group's borrowings are given in note 19 to the accounts. The Company's borrowings are all unsecured and comprise sterling and euro denominated bonds, currency and interest rate swaps, bank loans and overdrafts.

## H PAYABLES: NON-CURRENT LIABILITIES

	2008 £m	2007 £m
Fair value of interest rate swaps	6.5	–

## I EQUITY

	Share premium £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January	740.0	7.2	0.1	3,015.2	650.0
Premium on issue of shares	2.2	–	–	–	–
Dividends	–	–	–	–	(80.7)
Revaluation losses on investments in subsidiary companies	–	–	–	(1,371.3)	–
Loss for the year	–	–	–	–	(84.4)
<b>Balance at 31 December</b>	<b>742.2</b>	<b>7.2</b>	<b>0.1</b>	<b>1,643.9</b>	<b>484.9</b>

## J INVESTMENT IN OWN SHARES

	2008 £m	2007 £m
Balance at 1 January	3.8	7.0
Transfer from treasury shares	5.2	–
Transfer to employing subsidiaries – cost of shares awarded to employees	(4.5)	(3.2)
<b>Balance at 31 December</b>	<b>4.5</b>	3.8

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.

Further details of share options and the number of own shares held by the Company are set out in notes 23, 25 and 26 respectively to the accounts.

**K FAIR VALUE OF FINANCIAL INSTRUMENTS**

	<b>2008</b>		2007	
	<b>Book value £m</b>	<b>Fair value £m</b>	Book value £m	Fair value £m
Current borrowings	–	–	(373.0)	(375.2)
Non-current borrowings	<b>(2,985.0)</b>	<b>(2,371.2)</b>	(2,078.9)	(1,985.5)
Unamortised borrowing costs	<b>15.8</b>	<b>15.8</b>	15.5	15.5
Currency swaps	<b>(33.3)</b>	<b>(33.3)</b>	(6.8)	(6.8)
Total borrowings	<b>(3,002.5)</b>	<b>(2,388.7)</b>	(2,443.2)	(2,352.0)
Interest rate swaps	<b>(4.7)</b>	<b>(4.7)</b>	(5.2)	(5.2)

**L PRINCIPAL SUBSIDIARY COMPANIES**

All principal subsidiary companies are engaged in property investment, development, trading or investment holding. Unless otherwise stated, the companies are 100% owned subsidiaries through investment in ordinary share capital. As permitted by section 231 of the Companies Act 1985, a complete listing of all the Group's undertakings has not been provided. A complete list of the Group's undertakings will be filed with the Annual Return.

Subsidiaries are incorporated/registered and operating in the following countries:

**ENGLAND**

Hammerson International Holdings Ltd  
Hammerson UK Properties plc  
Grantchester Holdings Ltd  
Hammerson (99 Bishopsgate) Ltd  
Hammerson (Bishops Square) Ltd  
Hammerson (Brent Cross) Ltd  
Hammerson (Bristol Investments) Ltd  
Hammerson Bull Ring Ltd  
Hammerson (Cramlington 1) Ltd  
Hammerson Group Management Ltd  
Hammerson Harbour Exchange Ltd  
Hammerson Investments (No. 28) Ltd  
Hammerson (Leicester) Ltd  
Hammerson Oracle Investments Ltd  
Hammerson Peterborough Unit Trust  
Hammerson Property Ltd  
West Quay Shopping Centre Ltd

**FRANCE**

Hammerson SAS  
Hammerson Bercy SAS  
Hammerson Holding France SAS  
Hammerson Centre Commercial Italie SAS  
Hammerson Madeleine SAS  
Hammerson Université SAS  
Hammerson Villebon 1 SARL  
L'Occidentale de Centres Commerciaux SAS  
Société Civile de Développement du Centre Commercial de la Place des Halles SDPH (64.5%)

**THE NETHERLANDS**

Hammerson Europe BV

**GERMANY**

Hammerson GmbH

# TEN-YEAR FINANCIAL SUMMARY

	IFRS					UK GAAP				
	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m	2002 £m	2001 £m	2000 £m	1999 £m
<b>Income statement</b>										
Net rental income	299.8	275.7	237.4	210.3	189.5	189.5	175.9	159.9	141.1	123.3
Operating profit before other net (losses)/gains	257.5	234.5	201.3	178.9	162.9	164.6	151.6	141.6	125.4	109.0
Other net (losses)/gains	(1,698.3)	25.2	748.0	607.6	330.2	(18.8)	5.3	(8.2)	17.2	21.3
Cost of finance (net)	(170.7)	(149.3)	(156.9)	(87.9)	(79.7)	(78.7)	(66.0)	(64.3)	(53.4)	(35.8)
<b>(Loss)/Profit before tax</b>	<b>(1,611.5)</b>	110.4	792.4	698.6	413.4	67.1	90.9	69.1	89.2	94.5
Current tax	(0.6)	(16.4)	(99.4)	1.0	(80.9)	(1.7)	(2.5)	(7.9)	(8.2)	0.1
Deferred tax	38.3	17.6	333.8	(133.9)	104.2	(13.1)	(11.1)	15.9	32.5	–
Equity minority interests	1.2	(10.6)	(9.9)	(11.3)	(5.3)	(2.0)	(1.7)	(0.9)	(1.3)	(6.1)
<b>(Loss)/Profit for the year attributable to equity shareholders</b>	<b>(1,572.6)</b>	101.0	1,016.9	554.4	431.4	50.3	75.6	76.2	112.2	88.5
<b>Balance sheet</b>										
Investment and development properties	6,456.8	7,275.0	6,716.0	5,731.7	4,603.0	3,997.5	3,948.2	3,517.4	3,352.4	2,702.1
Cash and short-term deposits	119.9	28.6	39.4	45.5	53.7	187.0	242.2	218.4	150.4	146.2
Borrowings	(3,452.6)	(2,524.2)	(2,282.6)	(2,094.8)	(1,799.5)	(1,772.2)	(1,883.6)	(1,552.9)	(1,439.9)	(1,004.7)
Other assets	319.5	318.7	301.1	278.1	194.0	138.6	162.5	95.8	71.0	94.7
Other liabilities	(425.3)	(573.5)	(448.9)	(378.4)	(385.9)	(289.8)	(356.2)	(195.3)	(165.0)	(186.7)
Net deferred tax provision	(108.4)	(99.6)	(103.3)	(406.4)	(213.4)	(54.8)	(34.8)	(7.6)	(12.0)	–
Equity minority interests	(89.3)	(70.4)	(56.6)	(49.9)	(41.7)	(38.1)	(40.1)	(37.1)	(33.0)	(25.9)
<b>Equity shareholders' funds</b>	<b>2,820.6</b>	4,354.6	4,165.1	3,125.8	2,410.2	2,168.2	2,038.2	2,038.7	1,923.9	1,725.7
<b>Cash flow</b>										
Operating cash flow after tax	29.8	(29.2)	5.5	44.9	60.5	68.4	57.6	54.1	90.7	12.2
Dividends	(86.7)	(73.1)	(57.7)	(51.0)	(47.4)	(44.4)	(42.0)	(39.7)	(38.8)	(49.0)
Property and corporate acquisitions	(123.5)	(163.3)	(219.5)	(308.1)	(320.8)	(183.7)	(461.8)	(196.8)	(353.5)	(304.0)
Developments and major refurbishments	(376.7)	(335.5)	(250.5)	(186.3)	(203.3)	(188.8)	(161.8)	(138.2)	(137.0)	(159.1)
Other capital expenditure	(13.9)	(44.6)	(29.6)	(36.9)	(20.2)	(68.5)	(43.9)	(50.9)	(20.7)	(14.4)
Disposals	245.3	537.2	628.0	224.4	398.7	556.2	519.6	313.0	74.6	510.9
Other cash flows	–	(10.9)	(10.2)	17.7	5.6	–	–	–	–	–
<b>Net cash flow before financing</b>	<b>(325.7)</b>	(119.4)	66.0	(295.3)	(126.9)	139.2	(132.3)	(58.5)	(384.7)	(3.4)
<b>Per share data</b>										
Basic (loss)/earnings per share	(543.6)p	34.9p	357.5p	198.0p	156.2p	18.3p	27.1p	27.1p	39.1p	30.7p
Adjusted earnings per share	38.1p	40.3p	32.8p	31.2p	28.7p	29.8p	29.2p	24.3p	22.0p	21.6p
Dividend per share	27.9p	27.3p	21.68p	19.71p	17.92p	16.83p	15.8p	14.84p	14.0p	13.3p
Diluted net asset value per share	£9.74	£15.06	£14.61	£10.97	£8.69	£7.84	£7.38	£7.27	£6.63	£5.83
Adjusted net asset value per share, EPRA basis	£10.36	£15.45	£15.00	£12.37	£9.45	£8.03	£7.51	£7.30	£6.67	£5.83
<b>Financial ratios</b>										
Return on shareholders' equity	-32.5%	4.5%	25.3%	34.0%	21.7%	9.3%	4.3%	8.3%	16.3%	22.3%
Gearing	118%	57%	54%	66%	72%	73%	81%	65%	67%	50%
Interest cover	1.7x	1.9x	1.8x	1.9x	1.9x	1.8x	1.9x	1.9x	1.9x	2.3x
Dividend cover	1.4x	1.5x	1.5x	1.6x	1.6x	1.8x	1.9x	1.6x	1.6x	1.6x

The financial information shown above for the years 2004 to 2008 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.



## FINANCIAL CALENDAR

Full-year results announced	9 February 2009
Annual General Meeting	30 April 2009
Recommended final dividend – Ex-dividend date	18 February 2009
– Record date	20 February 2009
– Payable on	22 May 2009
Anticipated 2009 interim dividend	September 2009

## ANNUAL GENERAL MEETING

The Annual General Meeting for 2009 will be held at 11.00am on 30 April 2009 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 exempted from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends and Hammerson currently expects that its interim dividends will be paid entirely as PIDs while its final dividends will have both a PID and a normal dividend element.

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.

## CAPITAL GAINS TAX – 1982 SHARE VALUE

For the purposes of computing capital gains tax, the value of the Company's shares on 31 March 1982, after adjustment for subsequent issues, was 290p for each ordinary share at that date and 315p for each share classified as 'A' ordinary (limited voting) at that date. The cost to be used by shareholders in computing the gain on any disposal of shares will, however, vary according to individual circumstances and shareholders should seek professional advice on the amount of tax that may arise.

## REGISTRAR

If you have any queries about the administration of shareholdings, such as lost share certificates, change of address, change of ownership or dividend payments please contact the Registrar:

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

Tel: 0871 664 0300 (from the UK calls cost 10p per minute plus network extras) or +44 (0)20 8639 3399 (from overseas)  
email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)  
Website: [www.capitashareportal.com](http://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 Company's Registrars on request or at [www.capitaregistrars.com/shareholders/information](http://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 Company's Registrars giving details of the accounts concerned and instructions on how they should be amalgamated.

# SHAREHOLDER INFORMATION

CONTINUED

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## DIVIDEND REINVESTMENT PLAN (DRIP)

Shareholders can reinvest dividend payments in additional shares in Hammerson under the DRIP operated by the Company's Registrars. You can complete an application form online at [www.capitashareportal.com](http://www.capitashareportal.com) or call Capita IRG Trustees: Tel: 0871 664 0381 (from the UK calls cost 10p per minute plus network extras) or +44 (0)20 8639 3402 (from overseas) email: [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com).

## INTERNATIONAL PAYMENT SERVICE

In conjunction with Travelex, Capita Registrars provide a service to convert sterling dividends into central local currencies. For further information, please contact Capita Registrars (address above). Tel: 0871 664 0385 (from the UK calls cost 10p per minute plus network extras) or +44 (0)20 8639 3405 (from overseas).

## 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.

For further information on this service, or to buy and sell shares, please contact: 0871 664 0454 (calls cost 10p per minute plus network extras) 8.00am-4.30pm Monday to Friday or go to [www.capitadeal.com](http://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](http://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 or register on their website [www.mpsonline.org.uk](http://www.mpsonline.org.uk).

## WEBSITE

The 2008 Annual Report and other information is available on the Company's website, [www.hammerson.com](http://www.hammerson.com). The Company operates a service whereby all registered users can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

## REGISTERED OFFICE

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

## ADVISERS

Valuers	Cushman & Wakefield DTZ Debenham Tie Leung
Auditors	Deloitte LLP
Solicitors	Herbert Smith LLP
Stockbrokers	Citigroup Deutsche Bank AG

## PRINCIPAL GROUP ADDRESSES

### UNITED KINGDOM

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London W1K 4BJ  
Tel +44 (0)20 7887 1000  
Fax +44 (0)20 7887 1010

### FRANCE

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

Hammerson owns a portfolio of prime property assets in the UK and France. The portfolio, which is valued at £6.5 billion, includes 15 major shopping centres, 19 retail parks and nine office properties.



## UK SHOPPING CENTRES

The Group's shopping centres are generally large covered malls of more than 60,000m<sup>2</sup>, providing a full range of shopping and restaurants and other facilities. In the UK, the centres are generally anchored by large department stores, whilst in France they are generally anchored by food hypermarkets. They have substantial provision for car parking and generally lie in the city centre or adjacent to major transport links.

The Group has investments in nine shopping centres in the UK, most of which rank amongst the top 30 retail destinations in the UK. These shopping centres have a combined total net internal area of 720,000m<sup>2</sup>. Where properties are held in joint venture, the figures given for rents passing represent Hammerson's proportionate share of the income from the schemes.

## FRANCE SHOPPING CENTRES

In France, the Group owns interests in seven major shopping centres, all but two are located in the dominant Ile de France region around Paris. In total, Hammerson ownership extends to 233,700m<sup>2</sup> of retail space.

Most of the French shopping centres are held in co-ownership (O'Parinor, Aulnay-Sous-Bois; Espace Saint Quentin; Les 3 Fontaines, Cergy Pontoise) and one in a joint venture (Place des Halles, Strasbourg). The space owned by Hammerson is specified on the following pages, together with the property net internal area of the whole centre.

## UK RETAIL PARKS

The Company's retail parks typically range in size from 7,900m<sup>2</sup> to 52,400m<sup>2</sup> and provide a range of retailers in relatively large units with ample surface car parking. They are usually located on the edge of towns or cities on regenerated sites. The Company has investments in 18 retail parks in the UK which together have a total net internal area of 369,700m<sup>2</sup>.

## FRANCE RETAIL PARKS

The Company has investments in three retail parks in France, which together have a total net internal area of 77,700m<sup>2</sup>.

## UK OFFICES

The Company owns seven principal office buildings in the UK, mostly in central London, which provide over 217,000m<sup>2</sup> of prime accommodation.

## FRANCE OFFICES/MIXED-USE

Hammerson currently owns one office building and two mixed-use buildings in central Paris (54-60 Faubourg, Saint-Honoré, Paris 8ème contains office, residential and retail facilities and Les Trois Quartiers, 21 Boulevard de la Madeleine, Paris 1er contains office and retail facilities), having sold several office buildings in recent years reflecting its policy of capital recycling. These buildings provide over 47,100m<sup>2</sup> of prime accommodation.

## UK SHOPPING CENTRES

Brent Cross, London NW4	Highcross, Leicester	Bullring, Birmingham	Cabot Circus, Bristol
<p>Ownership: <b>41%</b></p> <p>Property net internal area: <b>83,700m<sup>2</sup></b></p> <p>Key dates: <b>Developed 1976</b> <b>Refurbished 1995</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Fenwick, John Lewis, Marks &amp; Spencer</b></p> <p>Number of tenants: <b>117</b></p> <p>Weighted average unexpired lease term: <b>9 years</b></p> <p>Occupancy rate: <b>99.1%</b></p> <p>Rents passing: <b>£17.4m p.a.</b></p> <p>Average rents passing: <b>£1,100 per m<sup>2</sup></b></p> <p>Joint venture: <b>Yes – Standard Life Investments (59%)</b></p>	<p>Ownership: <b>60%</b></p> <p>Property net internal area: <b>105,000m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b> <b>Redeveloped 2008</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Cinema de Lux, Debenhams, House of Fraser, John Lewis, Next, River Island, Zara</b></p> <p>Number of tenants: <b>119</b></p> <p>Weighted average unexpired lease term: <b>14 years</b></p> <p>Occupancy rate: <b>86.3%</b></p> <p>Rents passing: <b>£15.5m p.a.</b></p> <p>Average rents passing: <b>£495 per m<sup>2</sup></b></p> <p>Joint venture: <b>Yes – Hermes (40%)</b></p>	<p>Ownership: <b>33.3%</b></p> <p>Property net internal area: <b>125,100m<sup>2</sup></b></p> <p>Key dates: <b>Developed 2003</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Debenhams, Selfridges, Zara</b></p> <p>Number of tenants: <b>158</b></p> <p>Weighted average unexpired lease term: <b>10 years</b></p> <p>Occupancy rate: <b>97.0%</b></p> <p>Rents passing: <b>£15.4m p.a.</b></p> <p>Average rents passing: <b>£460 per m<sup>2</sup></b></p> <p>Joint venture: <b>Yes – Land Securities (33.3%) and Henderson Global Investors (33.3%)</b></p>	<p>Ownership: <b>50%</b></p> <p>Property net internal area: <b>95,800m<sup>2</sup></b></p> <p>Key dates: <b>Developed September 2008</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>H&amp;M, Harvey Nichols, House of Fraser, New Look, Showcase Cinemas</b></p> <p>Number of tenants: <b>125</b></p> <p>Weighted average unexpired lease term: <b>13 years</b></p> <p>Occupancy rate: <b>90.6%</b></p> <p>Rents passing: <b>£14.5m p.a.</b></p> <p>Average rents passing: <b>£410 per m<sup>2</sup></b></p> <p>Joint venture: <b>Yes – Land Securities (50%)</b></p>
			
<p>Brent Cross, situated within the North West London suburbs, is regularly the site selected by international retailers launching in the UK, such as Apple and Abercrombie &amp; Fitch's brand, Hollister, which opened its first UK store at Brent Cross in Summer 2008. Hammerson and Standard Life have recently created a 1,000m<sup>2</sup> rooftop extension to the centre, in order to provide a flagship store for Arcadia. The centre benefits from multiple transport links: it is served by three main arterial routes – the M1, A406 and A41 – three train stations, and a major bus station. Hammerson and Standard Life have recently submitted a planning application for a major extension to the centre.</p>	<p>The 61,000m<sup>2</sup> extension to Highcross opened to the public in September 2008 following a three-year development and refurbishment programme by partners Hammerson and Hermes. This major project comprised an extensive refurbishment of the former Shires shopping centre, together with the mixed-use extension on an adjacent ten-hectare site. The project, which created two new anchor buildings and two public squares, has more than doubled the size of the existing centre with 40 additional retail units.</p>	<p>Developed in a three-way joint venture between Hammerson, Henderson Global Investors and Land Securities and completed in 2003, Bullring has attracted many UK and international brands, including recent lettings to AX Armani Exchange, DKNY Jeans, Kurt Geiger, Tommy Hilfiger, The Disney Store and Henleys. The catering offer contains 14 restaurants including Pizza Express and Wagamama.</p>	<p>The Cabot Circus mixed-use development opened to the public in September 2008 following a three-year construction programme. The retail element is anchored by House of Fraser and Harvey Nichols department stores and provides 150 retail units, including 15 flagship stores, cafes, bars and restaurants. The scheme also includes 250 residential units, a 6,800m<sup>2</sup> cinema, 280 units of student accommodation, two new public squares, three pedestrianised shopping streets and 2,600 parking spaces.</p>

## UK SHOPPING CENTRES

### WestQuay, Southampton

Ownership: **50%**  
 Property net internal area: **76,000m<sup>2</sup>**  
 Key dates: **Developed 2000**  
 Tenure: **Leasehold**  
 Principal occupiers: **John Lewis, Marks & Spencer, New Look, Next, Zara**  
 Number of tenants: **96**  
 Weighted average unexpired lease term: **8 years**  
 Occupancy rate: **99.4%**  
 Rents passing: **£13.7m p.a.**  
 Average rents passing: **£630 per m<sup>2</sup>**  
 Joint venture: **Yes – GIC Real Estate (50%)**



Developed by Hammerson and opened in 2000, WestQuay features many retailers which are unique to the region, including flagship fashion and lifestyle stores. Recent lettings have included River Island and Nando's restaurant. Hammerson has been appointed development partner for the next phase of Southampton's regeneration, Watermark WestQuay, on a four-hectare site adjacent to the shopping centre.

### The Oracle, Reading

Ownership: **50%**  
 Property net internal area: **71,100m<sup>2</sup>**  
 Key dates: **Developed 1999**  
 Tenure: **Leasehold**  
 Principal occupiers: **Debenhams, House of Fraser**  
 Number of tenants: **115**  
 Weighted average unexpired lease term: **9 years**  
 Occupancy rate: **99.1%**  
 Rents passing: **£13.4m p.a.**  
 Average rents passing: **£495 per m<sup>2</sup>**  
 Joint venture: **Yes – Abu Dhabi Investment Authority (50%)**



Since opening in 1999 as a joint venture between Hammerson and the Abu Dhabi Investment Authority, The Oracle has attracted UK and international retailers including Fat Face, Hotel Chocolat, Reiss, L'Occitane and Body Shop. The Riverside, the restaurant and leisure venue designed to regenerate Reading's riverside area, is home to 18 cafes and restaurants including a newly rebranded Ha! Ha! Bar & Grill and a 10-screen Vue cinema.

### Queensgate Shopping Centre, Peterborough

Ownership: **50%**  
 Property net internal area: **81,000m<sup>2</sup>**  
 Key dates: **Acquired 2005**  
 Tenure: **Freehold**  
 Principal occupiers: **Argos, Bhs, Boots, John Lewis, Marks & Spencer, Next, Waitrose**  
 Number of tenants: **118**  
 Weighted average unexpired lease term: **15 years**  
 Occupancy rate: **94.8%**  
 Rents passing: **£9.0m p.a.**  
 Average rents passing: **£365 per m<sup>2</sup>**  
 Joint venture: **Yes – Aviva Investors (50%)**



The Queensgate centre is a fully enclosed two level shopping centre. Adjacent to the city centre railway station, it represents one of the principal retail offerings in Peterborough. River Island recently upsized into a new unit of 1,055m<sup>2</sup> and Jane Norman, new to the scheme, occupied River Island's existing 300m<sup>2</sup> store. Hammerson acquired its 50% interest in the centre in 2005 from Aviva Investors as a precursor to a major refurbishment and extension programme. The partners have signed a development agreement with Peterborough City Council for a 60,000m<sup>2</sup> mixed-use scheme on land adjoining the centre.

## UK SHOPPING CENTRES

Bristol Investment Properties	Union Square, Aberdeen
Ownership: <b>50%</b>	Ownership: <b>100%</b>
Property net internal area: <b>33,700m<sup>2</sup></b>	Property net internal area: <b>49,000m<sup>2</sup></b>
Key dates: <b>Acquired 2000-2006</b>	Key dates: <b>October 2009 opening</b>
Tenure: <b>Leasehold</b>	Tenure: <b>Freehold</b>
Principal occupiers: <b>Bhs, Currys, Sports World, Superdrug</b>	Principal occupiers: <b>Arcadia, Cine UK, H&amp;M, New Look, Next</b>
Number of tenants: <b>56</b>	Joint venture: <b>No</b>
Weighted average unexpired lease term: <b>12 years</b>	
Occupancy rate: <b>88.3%</b>	
Rents passing: <b>£3.6m p.a.</b>	
Average rents passing: <b>£270 per m<sup>2</sup></b>	
Joint venture: <b>Yes – Land Securities (50%)</b>	

These properties are adjacent to the Cabot Circus scheme and have recently been refurbished.



Hammerson is currently developing a nine-hectare site adjacent to Aberdeen's central railway station, to provide a combination of traditional mall shopping and retail park. When completed, the Company believes the scheme will be the largest development of its type in Scotland, providing 20,000m<sup>2</sup> of retail units, a 15,000m<sup>2</sup> retail terrace, a 4,000m<sup>2</sup> multiplex cinema, 10,000m<sup>2</sup> of leisure and catering accommodation, 1,700 parking spaces and a new civic square. Union Square is still accounted for, at 31 December 2008, as a development property.

### Additional UK retail properties

In addition, the Group has interests in other retail properties in the UK which are held as part of the potential future developments pipeline. These include property portfolios in Cricklewood, Leeds, Milton Keynes and Sheffield as well as Martineau Galleries shopping centre in Birmingham.

## UK RETAIL PARKS

Westmorland Retail Park and Manor Walks, Cramlington	St Oswald's Retail Park, Gloucester
Ownership: <b>100%</b>	Ownership: <b>100%</b>
Property net internal area: <b>52,400m<sup>2</sup></b>	Property net internal area: <b>20,500m<sup>2</sup></b>
Key dates: <b>Acquired 2006</b>	Key dates: <b>Developed 2005</b>
Tenure: <b>Freehold</b>	Tenure: <b>Leasehold</b>
Principal occupiers: <b>Argos, Asda, Next, Sainsbury's</b>	Principal occupiers: <b>B&amp;Q, Comet, JJB Sports, Mothercare, ScS</b>
Number of tenants: <b>100</b>	Number of tenants: <b>12</b>
Weighted average unexpired lease term: <b>7 years</b>	Weighted average unexpired lease term: <b>19 years</b>
Occupancy rate: <b>89.2%</b>	Occupancy rate: <b>99.0%</b>
Rents passing: <b>£5.8m p.a.</b>	Rents passing: <b>£4.4m p.a.</b>
Average rents passing: <b>£125 per m<sup>2</sup></b>	Average rents passing: <b>£215 per m<sup>2</sup></b>
Planning: <b>Open A1</b>	Planning: <b>Bulky goods, part restricted Open A1</b>
Joint venture: <b>No</b>	Joint venture: <b>No</b>



Manor Walks and the adjoining Westmorland Retail Park form the core retail area of Cramlington which is situated nine miles to the north of Newcastle. In line with Blyth Council's core retail strategy, Hammerson has proposed a major retail-led mixed-use regeneration of the town centre to provide 30,000m<sup>2</sup> of new retail floorspace, leisure facilities, a new town square and additional car parking. The masterplan has been approved.



In September 2005, Hammerson completed construction of the first phase of this 35,000m<sup>2</sup> mixed-use development to the north of Gloucester city centre. This phase provides 19,400m<sup>2</sup> of bulky goods retail and leisure space in two terraces, 1,100m<sup>2</sup> of restaurants, and 990 parking spaces. Land next to the park has been sold for the future development of 450 residential units and a 150 unit urban care village. The final phase, which is still in the planning stage, is intended to comprise a food store and further residential development and a planning application for the food store is to be submitted in early 2009.



## UK RETAIL PARKS

### Ravenhead Retail Park, St Helens

Ownership: **100%**  
Property net internal area: **27,500m<sup>2</sup>**  
Key dates: **Acquired 2007**  
Tenure: **Freehold**  
Principal occupiers: **Arcadia, B&Q, Boots, Currys, Next**  
Number of tenants: **16**  
Weighted average unexpired lease term: **15 years**  
Occupancy rate: **89.4%**  
Rents passing: **£4.3m p.a.**  
Average rents passing: **£175 per m<sup>2</sup>**  
Planning: **Part open A1, part bulky goods**  
Joint venture: **No**



Ravenhead Retail Park is a high specification modern retail park which was developed in several phases from 2000 to 2006. Consent has been obtained for an 8,100m<sup>2</sup> extension and pre-lets have been secured to CSL, Argos and Asda Living. Further pre-lets are required prior to starting on site.

### Cyfarthfa Retail Park, Merthyr Tydfil

Ownership: **100%**  
Property net internal area: **23,600m<sup>2</sup>**  
Key dates: **Developed 2005**  
Tenure: **Freehold**  
Principal occupiers: **Arcadia, Argos, B&Q, Boots, Debenhams, JJB Sports, Matalan, Next, New Look, TK Maxx**  
Number of tenants: **16**  
Weighted average unexpired lease term: **15 years**  
Occupancy rate: **100%**  
Rents passing: **£4.1m p.a.**  
Average rents passing: **£170 per m<sup>2</sup>**  
Planning: **Part open A1, part bulky goods**  
Joint venture: **No**



Hammerson completed construction of Cyfarthfa Retail Park in January 2005. The scheme is fully let and comprises 13 retail units and three fast food outlets let to KFC, McDonalds, and Pizza Hut. The scheme also includes a JJB Sports health club, and parking for over 1,000 cars.

### Drakehouse Retail Park, Sheffield

Ownership: **100%**  
Property net internal area: **20,500m<sup>2</sup>**  
Key dates: **Acquired 2003**  
Tenure: **Freehold**  
Principal occupiers: **Carpentright, Comet, Currys, Focus, Homebase, JD Sports, JJB Sports**  
Number of tenants: **16**  
Weighted average unexpired lease term: **14 years**  
Occupancy rate: **94.1%**  
Rents passing: **£4.0m p.a.**  
Average rents passing: **£205 per m<sup>2</sup>**  
Planning: **Restricted open A1, part bulky goods**  
Joint venture: **No**



Hammerson acquired Drakehouse Retail Park in 2003. The 20,500m<sup>2</sup>, part bulky goods/part restricted open A1 scheme is located seven miles from Sheffield city centre and adjoins Crystal Peaks Shopping Centre. In addition there is an 830 space car park. A new 2,800m<sup>2</sup> Homebase store opened at the scheme in 2007.

### Fife Central Retail Park, Kirkcaldy

Ownership: **100%**  
Property net internal area: **19,300m<sup>2</sup>**  
Key dates: **Acquired 2005**  
Tenure: **Freehold**  
Principal occupiers: **Boots, Homebase, Next, Sainsbury's**  
Number of tenants: **15**  
Weighted average unexpired lease term: **13 years**  
Occupancy rate: **100%**  
Rents passing: **£4.0m p.a.**  
Average rents passing: **£210 per m<sup>2</sup>**  
Planning: **Part open A1**  
Joint venture: **No**







Hammerson acquired Fife Central Retail Park in Kirkcaldy in April 2005. The park was developed in 1997 and comprises 12 retail and three restaurant units. The scheme also includes 1,080 car parking spaces. Hammerson has begun construction of an 11,000m<sup>2</sup> extension to the park, which is to be anchored by B&Q with other tenants including Argos, PC World and Toys 'R' Us. The extension is expected to be completed in June 2009.

## UK RETAIL PARKS

Westwood & East Kent Retail Park, Thanet	Abbey Retail Park, Belfast	Orchard Centre Retail Park, Didcot	Cleveland Retail Park, Middlesbrough
<p><b>Ownership:</b> 100%</p> <p><b>Property net internal area:</b> 19,400m<sup>2</sup></p> <p><b>Key dates:</b> Acquired 2002 Extended 2006</p> <p><b>Tenure:</b> Freehold</p> <p><b>Principal occupiers:</b> Argos, Comet, Homebase, Matalan</p> <p><b>Number of tenants:</b> 14</p> <p><b>Weighted average unexpired lease term:</b> 16 years</p> <p><b>Occupancy rate:</b> 100%</p> <p><b>Rents passing:</b> £3.6m p.a.</p> <p><b>Average rents passing:</b> £185 per m<sup>2</sup></p> <p><b>Planning:</b> Part open A1</p> <p><b>Joint venture:</b> No</p> 	<p><b>Ownership:</b> 100%</p> <p><b>Property net internal area:</b> 23,400m<sup>2</sup></p> <p><b>Key dates:</b> Acquired 2006</p> <p><b>Tenure:</b> Freehold</p> <p><b>Principal occupiers:</b> B&amp;Q, Tesco</p> <p><b>Number of tenants:</b> 6</p> <p><b>Weighted average unexpired lease term:</b> 20 years</p> <p><b>Occupancy rate:</b> 90.5%</p> <p><b>Rents passing:</b> £3.2m p.a.</p> <p><b>Average rents passing:</b> £140 per m<sup>2</sup></p> <p><b>Planning:</b> Part open A1, part bulky goods</p> <p><b>Joint venture:</b> No</p> 	<p><b>Ownership:</b> 100%</p> <p><b>Property net internal area:</b> 17,300m<sup>2</sup></p> <p><b>Key dates:</b> Acquired 2006</p> <p><b>Tenure:</b> Leasehold</p> <p><b>Principal occupiers:</b> Argos, Next, Sainsbury's</p> <p><b>Number of tenants:</b> 47</p> <p><b>Weighted average unexpired lease term:</b> 17 years</p> <p><b>Occupancy rate:</b> 92.2%</p> <p><b>Rents passing:</b> £2.9m p.a.</p> <p><b>Average rents passing:</b> £225 per m<sup>2</sup></p> <p><b>Planning:</b> Open A1</p> <p><b>Joint venture:</b> No</p> 	<p><b>Ownership:</b> 100%</p> <p><b>Property net internal area:</b> 21,300m<sup>2</sup></p> <p><b>Key dates:</b> Acquired 2002 Extended 2006</p> <p><b>Tenure:</b> Freehold</p> <p><b>Principal occupiers:</b> Argos, B&amp;Q, Currys, Matalan</p> <p><b>Number of tenants:</b> 9</p> <p><b>Weighted average unexpired lease term:</b> 17 years</p> <p><b>Occupancy rate:</b> 92.3%</p> <p><b>Rents passing:</b> £2.7m p.a.</p> <p><b>Average rents passing:</b> £135 per m<sup>2</sup></p> <p><b>Planning:</b> Part open A1 part restricted, part bulky goods</p> <p><b>Joint venture:</b> No</p> 
<p>Hammerson owns three adjacent schemes, East Kent Retail Park, Westwood Retail Park and Westwood Gateway Retail Park, the latter of which was developed by Hammerson in 2006. The relocation of Homebase and Paul Simon to Westwood Gateway provided a development opportunity at Westwood, where planning consent has been secured to create a new 5,300m<sup>2</sup> terrace. Development commenced in November 2008 and leases have been exchanged with Bhs, Dunelm and Brantano which are due to open in mid 2009.</p>	<p>The scheme is located approximately three miles north of Belfast city centre in an established retail destination adjacent to the Abbeycentre and a new flagship Marks &amp; Spencer store. Proposals have been prepared for an extension of the scheme to provide six new retail warehouse units.</p>	<p>The Orchard Centre provides the main retail offer for Didcot, 14 miles south of Oxford. Part open mall, part retail park, it is anchored by a Sainsbury's food store. The adjacent site is allocated for a 19,500m<sup>2</sup> retail-led mixed-use redevelopment. Hammerson has been selected by South Oxfordshire District Council as preferred developer for this scheme. The master planning exercise has concluded and the scheme design is underway.</p>	<p>Cleveland Retail Park provides 21,300m<sup>2</sup> of part open A1 retail warehousing and 800 parking spaces. B&amp;Q is the main anchor tenant, occupying a 9,530m<sup>2</sup> unit. A 3,700m<sup>2</sup> extension was completed in September 2006, providing new units for Currys, Halfords, Storey Carpets and Carpetright. A further reconfiguration of the central terrace commenced in September 2008 which will provide seven modern units benefiting from open A1 planning consent. Lettings have already been secured to Next, Brantano, ScS, Pets At Home and Peacocks. The new units are expected to open in Autumn 2009.</p>







## UK RETAIL PARKS

Victoria Retail Park, Nottingham	Seacourt Retail Park, Oxford	Parc Tawe Retail Park, Swansea	Dallow Road, Luton
<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>15,300m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b> <b>Redeveloped 2004</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Argos, B&amp;Q, Halfords, Next</b></p> <p>Number of tenants: <b>8</b></p> <p>Weighted average unexpired lease term: <b>14 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£2.7m p.a.</b></p> <p>Average rents passing: <b>£175 per m<sup>2</sup></b></p> <p>Planning: <b>Predominantly bulky goods</b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>10,000m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2006</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Allied Carpets, Habitat, Homebase</b></p> <p>Number of tenants: <b>5</b></p> <p>Weighted average unexpired lease term: <b>5 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£2.4m p.a.</b></p> <p>Average rents passing: <b>£235 per m<sup>2</sup></b></p> <p>Planning: <b>Open A1</b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>22,600m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2006/2008</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Carpentryright, Mothercare, Odeon Cinemas, Toys 'R' Us</b></p> <p>Number of tenants: <b>14</b></p> <p>Weighted average unexpired lease term: <b>4 years</b></p> <p>Occupancy rate: <b>89.9%</b></p> <p>Rents passing: <b>£2.1m p.a.</b></p> <p>Average rents passing: <b>£105 per m<sup>2</sup></b></p> <p>Planning: <b>Open A1</b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>10,100m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b> <b>Redeveloped 2006</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Aldi, B&amp;Q</b></p> <p>Number of tenants: <b>2</b></p> <p>Weighted average unexpired lease term: <b>11 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£2.0m p.a.</b></p> <p>Average rents passing: <b>£195 per m<sup>2</sup></b></p> <p>Planning: <b>Food and bulky goods</b></p> <p>Joint venture: <b>No</b></p>
			
<p>Redeveloped in 2004 by Hammerson, the park now comprises 15,300m<sup>2</sup> of retail space in eight units, anchored by a B&amp;Q warehouse. In 2007 lettings were made to Next and Argos with a further letting in 2008 to Tesco Homestore which opened a 3,300m<sup>2</sup> unit previously let to Focus. Two further retail units have been constructed on the site of the former B&amp;Q Garden Centre and planning consent has been secured for 1,400m<sup>2</sup> of additional space on the former Focus Garden Centre site.</p>	<p>The Seacourt Retail Park is located to the south of Oxford on the Botley Road, one of the main arterial routes into the city. The area is an established retail warehouse location with a number of bulky goods parks in the area. The scheme consists of 7,700m<sup>2</sup> of retail and a small office building of 2,300m<sup>2</sup>. Although the scheme has an open consent, the majority of occupiers are bulky goods retailers. Planning consent has recently been secured for a major refurbishment and reconfiguration of the space.</p>	<p>Parc Tawe Retail Park is an edge-of-city-centre scheme in Swansea. As well as retail units, the scheme incorporates 5,500m<sup>2</sup> of leisure uses, including a cinema. A major mixed-use development incorporating a food store, retail units and leisure is proposed in accordance with Swansea City Council's development framework.</p>	<p>Hammerson completed the construction of a new 9,000m<sup>2</sup> B&amp;Q Warehouse in February 2006. The scheme also consists of a 1,100m<sup>2</sup> Aldi store and 670 car parking spaces.</p>





# PROPERTY PORTFOLIO

CONTINUED

## UK RETAIL PARKS

Brent South Shopping Park, London NW2	Central Retail Park, Falkirk	Battery Retail Park, Selly Oak	Berkshire Retail Park, Theale
<p>Ownership: <b>41%</b></p> <p>Property net internal area: <b>8,500m<sup>2</sup></b></p> <p>Key dates: <b>Developed 2004</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Arcadia, Borders, Next, TK Maxx</b></p> <p>Number of tenants: <b>9</b></p> <p>Weighted average unexpired lease term: <b>13 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£1.8m p.a</b></p> <p>Average rents passing: <b>£505 per m<sup>2</sup></b></p> <p>Planning: <b>Mainly open A1</b></p> <p>Joint venture: <b>Yes – Standard Life Investments (59%)</b></p>	<p>Ownership: <b>25%</b></p> <p>Property net internal area: <b>37,100m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b> <b>Extended 2003</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Boots, Cineworld, Comet, Currys, Homebase, Next, Tesco</b></p> <p>Number of tenants: <b>27</b></p> <p>Weighted average unexpired lease term: <b>14 years</b></p> <p>Occupancy rate: <b>88.4%</b></p> <p>Rents passing: <b>£1.4m p.a.</b></p> <p>Average rents passing: <b>£210 per m<sup>2</sup></b></p> <p>Planning: <b>Part open A1, part bulky goods</b></p> <p>Joint venture: <b>Yes – TIAA-CREF (75%)</b></p>	<p>Ownership: <b>25%</b></p> <p>Property net internal area: <b>13,000m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>B&amp;Q, Currys, Halfords, Homebase, Next, PC World</b></p> <p>Number of tenants: <b>8</b></p> <p>Weighted average unexpired lease term: <b>5 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£0.9m p.a.</b></p> <p>Average rents passing: <b>£275 per m<sup>2</sup></b></p> <p>Planning: <b>Open A1 and restaurants</b></p> <p>Joint venture: <b>Yes – TIAA-CREF (75%)</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>7,900m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 2002</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Homebase</b></p> <p>Number of tenants: <b>3</b></p> <p>Weighted average unexpired lease term: <b>4 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£0.8m p.a.</b></p> <p>Average rents passing: <b>£100 per m<sup>2</sup></b></p> <p>Planning: <b>Part open A1, part bulky goods</b></p> <p>Joint venture: <b>No</b></p>
			
<p>Owned by Hammerson and Standard Life Investments, Brent South Shopping Park was completed in November 2004. Located directly opposite Brent Cross Shopping Centre, the shopping park also provides 350 parking spaces.</p>	<p>Anchored by a Tesco Superstore, Central Retail Park includes a 3,900m<sup>2</sup> Cineworld cinema and a 2,300m<sup>2</sup> Ballantyne's Health Club, as well as food outlets for Pizza Hut, McDonalds and Frankie &amp; Benny's. Acquired by Hammerson in 2002, and extended in 2003, Central Retail Park also includes 1,350 parking spaces.</p>	<p>Built in 1990, Battery Retail Park is located four miles to the south west of Birmingham city centre. The Park currently consists of eight units including a new 900m<sup>2</sup> unit which has been let to Next.</p>	<p>The park consists of 7,900m<sup>2</sup> of accommodation, with 450 car parking spaces and is anchored by a 4,900m<sup>2</sup> Homebase. The Company believes the site provides a number of redevelopment opportunities and planning consent for a comprehensive refurbishment and extension of part of the site has been obtained.</p>

## FRANCE SHOPPING CENTRES

<b>Italie 2, Avenue d'Italie,</b> Paris 13ème	<b>O'Parinor,</b> Aulnay-Sous-Bois	<b>Espace Saint Quentin,</b> Saint Quentin-en-Yvelines	<b>Place des Halles,</b> Strasbourg
<b>Ownership: 100%</b> Property net internal area: <b>56,900m<sup>2</sup></b> Key dates: <b>Acquired 1998</b> <b>Refurbished 2001</b> Tenure: <b>Freehold</b> Principal occupiers: <b>Alain Manoukian, Champion, Darty, Go Sport, Jennyfer, Printemps, Tati, Zara</b> Number of tenants: <b>131</b> Weighted average unexpired lease term: <b>3 years</b> Occupancy rate: <b>99.2%</b> Rents passing: <b>£22.2m p.a.</b> Average rents passing: <b>£445 per m<sup>2</sup></b> Co-ownership: <b>No</b>	<b>Ownership: 57,000m<sup>2</sup></b> Property net internal area: <b>90,400m<sup>2</sup></b> Key dates: <b>Acquired 2002</b> <b>Extended 2008</b> Tenure: <b>Freehold</b> Principal occupiers: <b>Carrefour, Darty, Fnac, Grand Optical, H&amp;M, New Look, Saturn, Toys 'R' Us, Zara</b> Number of tenants: <b>184</b> Weighted average unexpired lease term: <b>6 years</b> Occupancy rate: <b>96.4%</b> Rents passing: <b>£22.0m p.a.</b> Average rents passing: <b>£390 per m<sup>2</sup></b> Co-ownership: <b>Yes – Carrefour and Redeveco</b>	<b>Ownership: 27,900m<sup>2</sup></b> Property net internal area: <b>58,700m<sup>2</sup></b> Key dates: <b>Acquired 1994</b> Tenure: <b>Freehold</b> Principal occupiers: <b>Armand Thiery, Carrefour, H&amp;M, Pizza Pino, Sephora, Société Générale</b> Number of tenants: <b>116</b> Weighted average unexpired lease term: <b>4 years</b> Occupancy rate: <b>96.8%</b> Rents passing: <b>£13.9m p.a.</b> Average rents passing: <b>£565 per m<sup>2</sup></b> Co-ownership: <b>Yes – Carrefour, McDonalds, Darty, Go Sport</b>	<b>Ownership: 39,700m<sup>2</sup></b> Property net internal area: <b>41,000m<sup>2</sup></b> Key dates: <b>Acquired 1998</b> <b>Refurbished 2002</b> Tenure: <b>Freehold</b> Principal occupiers: <b>Armand Thiery, C&amp;A, Galeries Gourmandes, Go Sport, H&amp;M, Mango, Naf Naf, Sephora, Surcouf</b> Number of tenants: <b>118</b> Weighted average unexpired lease term: <b>5 years</b> Occupancy rate: <b>98.5%</b> Rents passing: <b>£13.7m p.a.</b> Average rents passing: <b>£350 per m<sup>2</sup></b> Minority interest: <b>Yes – Assurball (CNP) (35.5%)</b>
			
<p>Hammerson's 1998 acquisition of this three-level shopping complex was followed by a major refurbishment, completed in 2001. The scheme is the second largest shopping centre in central Paris and is a key location for fashion and leisure brands. Italie 2 forms part of a large mixed-use scheme incorporating residential towers, offices and a hotel. A 4,600m<sup>2</sup> restructuring of the Gaumont cinema and an 8,500m<sup>2</sup> extension along Avenue d'Italie is under consideration.</p>	<p>In September 2008, Hammerson completed a 24,000m<sup>2</sup> redevelopment and extension of the existing Parinor shopping centre. The centre is now one of the largest to the north of Paris totalling over 90,000m<sup>2</sup> and providing an enhanced retail offer and improved customer facilities. Parinor comprises 220 stores and is anchored by a Carrefour hypermarket. New Look chose Parinor to open its first store in France in June 2006. Retailers open at the scheme following the extension include fashion retailers So Redoute, Esprit, Benetton and Tommy Hilfiger. The scheme includes 5,200 parking spaces.</p>	<p>Acquired by Hammerson in 1994, Espace Saint Quentin is part of a larger mixed-use development including residential, office and hotel accommodation and a food court. Anchored by Carrefour, the centre was refurbished in 1999 and an extension added. The single level retail element has direct access to two levels of car parking providing 2,600 spaces. A 5,800m<sup>2</sup> restructuring programme was completed in 2007.</p>	<p>Part of a mixed-use development including four office buildings, two residential buildings and two hotels, Place des Halles is the main shopping destination in Strasbourg. Hammerson extensively refurbished the two-level shopping centre in 2002. Principal tenants include C&amp;A, Galeries Gourmandes, Go Sport, H&amp;M, Mango, Sephora and Surcouf. UK retailer New Look recently opened one of its first regional stores in France at Place des Halles, following a reconfiguration of the former BHV department store unit. The centre provides parking for 2,600 cars.</p>

## FRANCE SHOPPING CENTRES

### Les 3 Fontaines, Cergy Pontoise

Ownership: **22,900m<sup>2</sup>**  
 Property net internal area: **58,900m<sup>2</sup>**  
 Key dates: **Acquired 1995**  
**Refurbished 1996**  
 Tenure: **Freehold**  
 Principal occupiers: **Auchan, Etam, Grand Optical, H&M, Mango**  
 Number of tenants: **83**  
 Weighted average unexpired lease term: **3 years**  
 Occupancy rate: **99.8%**  
 Rents passing: **£12.9m p.a.**  
 Average rents passing: **£565 per m<sup>2</sup>**  
 Co-ownership: **Yes – Auchan**



Hammerson's acquisition of this three-level shopping complex in 1995 was followed by a major refurbishment, completed in 1996. Les 3 Fontaines is a three-level enclosed shopping centre, anchored by Auchan.

### Bercy 2, Charenton-le-pont

Ownership: **20,200m<sup>2</sup>**  
 Property net internal area: **35,200m<sup>2</sup>**  
 Key dates: **Acquired 2000**  
 Tenure: **Freehold**  
 Principal occupiers: **Carrefour, Esprit, Etam, Go Sport, H&M, La Grande Récré**  
 Number of tenants: **67**  
 Weighted average unexpired lease term: **3 years**  
 Occupancy rate: **98.5%**  
 Rents passing: **£6.9m p.a.**  
 Average rents passing: **£400 per m<sup>2</sup>**  
 Co-ownership: **Yes – Carrefour and Darty**



In 2000, Hammerson acquired 20,200m<sup>2</sup> of the mall units in Bercy 2, representing a 57% interest in the co-ownership. Built in 1990 and refurbished in 1997, the three-level scheme includes principal tenants Carrefour, H&M, Esprit. The landmark scheme occupies a site on the boulevard Périphérique and has 2,300 parking spaces.

### Grand Maine, Angers

Ownership: **9,100m<sup>2</sup>**  
 Property net internal area: **22,000m<sup>2</sup>**  
 Key dates: **Acquired 2007**  
 Tenure: **Freehold**  
 Principal occupiers: **Carrefour, Celio, Intersport, Naf Naf, Promod**  
 Number of tenants: **59**  
 Weighted average unexpired lease term: **6 years**  
 Occupancy rate: **98.2%**  
 Rents passing: **£3.0m p.a.**  
 Average rents passing: **£330 per m<sup>2</sup>**  
 Co-ownership: **Yes – Carrefour**



Located in the Lac du Maine area at the edge of Angers City Centre, Grand Maine is a 22,000m<sup>2</sup> shopping centre. Carrefour anchors the scheme and is also the largest co-owner.

### Forum Steglitz, Berlin

Ownership: **100%**  
 Property net internal area: **31,600m<sup>2</sup>**  
 Key dates: **Acquired 2000**  
**Refurbished 2006**  
 Tenure: **Freehold**  
 Principal occupiers: **Esprit, H&M, Innova, Karstadt Sports**  
 Number of tenants: **62**  
 Weighted average unexpired lease term: **8 years**  
 Occupancy rate: **91.2%**  
 Rents passing: **£6.2m p.a.**  
 Average rents passing: **£240 per m<sup>2</sup>**  
 Joint venture: **No**



Built in 1970, and acquired by Hammerson in 2000, Forum Steglitz underwent a comprehensive refurbishment in 2005/2006. It comprises 60 retail units arranged over five shopping levels. The scheme also includes 615 parking spaces. In addition to the main anchor stores, major occupiers include the 'Thalia' bookstore chain and Strauss Innovation.

## FRANCE RETAIL PARKS

**Villebon 2,**  
Villebon-Sur-Yvette

Ownership: **100%**  
 Property net internal area: **48,100m<sup>2</sup>**  
 Key dates: **Acquired 2005**  
 Tenure: **Freehold**  
 Principal occupiers: **Darty, Gemo, Sport 2000, Toys 'R' Us**  
 Number of tenants: **45**  
 Weighted average unexpired lease term: **6 years**  
 Occupancy rate: **96.8%**  
 Rents passing: **£8.2m p.a.**  
 Average rents passing: **£180 per m<sup>2</sup>**  
 Co-ownership: **No**



Acquired in July 2005, Villebon 2 was the first French retail park in Hammerson's portfolio. The scheme is one of the largest retail parks in the Paris region and accommodates 45 retailers, including Darty and Fnac verte. It has 1,200 car parking spaces and forms part of a larger retail destination including an Auchan hypermarket. A 5,600m<sup>2</sup> extension has recently been completed and let to fashion retailers including C&A and Kiabi.

**Les Rives de l'Aa,**  
Saint Omer  
(formerly Saint Omer Retail Park)

Ownership: **100%**  
 Property net internal area: **18,500m<sup>2</sup>**  
 Key dates: **Opening April 2009**  
 Tenure: **Freehold**  
 Principal occupiers: **Gifi, Heytens, Intersport, Kiabi, La Halle aux Chaussures, Tati**  
 Co-ownership: **No**



In December 2008, Hammerson acquired the remaining 70% interest in Saint Omer retail park, between Calais and Lille, from developers SCCV des Frais Fonds. The park accommodates 16 retailers. Saint Omer Retail Park is still accounted for, at 31 December 2008 as a development property.

**Cap Malo Boutiques,**  
Rennes  
(formerly Cap Malo Retail Park)


Ownership: **100%**  
 Property net internal area: **11,100m<sup>2</sup>**  
 Key dates: **Opening April 2009**  
 Tenure: **Freehold**  
 Principal occupiers: **Casa, Esprit, Groupe Beaumanoir, Maxi Toys, Vera Moda**  
 Co-ownership: **No**



Hammerson acquired the development site of Cap Malo Retail Park in December 2007 and began construction work in Spring 2008. The park, which is adjacent to an Alinea store which opened in August 2008, will accommodate 18 clothing, homewares and leisure retailers, together with 1,000 car parking spaces. The park will open in April 2009. Cap Malo Retail Park is still accounted for, at 31 December 2008 as a development property.



## OFFICES

<b>Bishops Square,</b> London E1	<b>99 Bishopsgate,</b> London EC2	<b>Exchange Tower,</b> <b>1&amp;2 Harbour Exchange Square,</b> London E14	<b>125 Old Broad Street,</b> London EC2
<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>76,500m<sup>2</sup></b></p> <p>Key dates: <b>Completed 2005</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Allen &amp; Overy</b></p> <p>Number of tenants: <b>24</b></p> <p>Weighted average unexpired lease term: <b>21 years</b></p> <p>Occupancy rate: <b>100%</b></p> <p>Rents passing: <b>£34.7m p.a.</b></p> <p>Average rents passing: <b>£470 per m<sup>2</sup></b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>31,500m<sup>2</sup></b></p> <p>Key dates: <b>Developed 1995</b></p> <p>Tenure: <b>Leasehold</b></p> <p>Principal occupiers: <b>Charles River, Deutsche Bank, Latham &amp; Watkins</b></p> <p>Number of tenants: <b>6</b></p> <p>Weighted average unexpired lease term: <b>5 years</b></p> <p>Occupancy rate: <b>99.9%</b></p> <p>Rents passing: <b>£14.2m p.a.</b></p> <p>Average rents passing: <b>£585 per m<sup>2</sup></b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>100%</b></p> <p>Property net internal area: <b>45,100m<sup>2</sup></b></p> <p>Key dates: <b>Acquired 1999</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>Barclays, Centre File, Platform Home Loans, Sapient, Secretary of State</b></p> <p>Number of tenants: <b>35</b></p> <p>Weighted average unexpired lease term: <b>7 years</b></p> <p>Occupancy rate: <b>97.0%</b></p> <p>Rents passing: <b>£11.7m p.a.</b></p> <p>Average rents passing: <b>£265 per m<sup>2</sup></b></p> <p>Joint venture: <b>No</b></p>	<p>Ownership: <b>50%</b></p> <p>Property net internal area: <b>30,900m<sup>2</sup></b></p> <p>Key dates: <b>Completed July 2008</b></p> <p>Tenure: <b>Freehold</b></p> <p>Principal occupiers: <b>DTZ, Gide Loyrette Nouel, King and Spalding</b></p> <p>Number of tenants: <b>6</b></p> <p>Weighted average unexpired lease term: <b>17 years</b></p> <p>Occupancy rate: <b>45.5%</b></p> <p>Rents passing: <b>£4.3m p.a.</b></p> <p>Average rents passing: <b>£590 per m<sup>2</sup></b></p> <p>Joint venture: <b>Yes – GE Real Estate (25%) and Bank of Ireland (25%)</b></p>
			
<p>Originally developed in joint venture between Hammerson and the City of London, Bishops Square provides some 71,900m<sup>2</sup> of offices and 21 retail units. The retail element opened in October 2005 and international law firm, Allen &amp; Overy, took occupation of the offices in Autumn 2006.</p>	<p>Acquired by Hammerson in 1993, and extensively reconstructed in 1995, 99 Bishopsgate provides 26 floors of high specification office accommodation. Principal tenants include Deutsche Bank and Latham &amp; Watkins. Hammerson carried out a refurbishment of the top five floors, totalling 5,000m<sup>2</sup>, in 2006, and re-let the space to Charles River Associates and existing tenant Latham &amp; Watkins.</p>	<p>Acquired by Hammerson in 1999, the scheme consists of twin 16-storey towers totalling 45,100m<sup>2</sup> with parking for 500 cars. Located in Docklands, the property provides a solution for occupiers in search of high quality space for back-office operations near Canary Wharf and the City but with lower overall occupational costs. Tenants are largely within the financial, government and software development sectors.</p>	<p>Hammerson and its joint venture partners completed the redevelopment of the 26-storey tower building at 125 Old Broad Street, the former London Stock Exchange, in July 2008. The development provides 29,700m<sup>2</sup> of Grade A office accommodation and 1,200m<sup>2</sup> of retail and storage space. 46% of the building has been let to international real estate agency DTZ, and law firms Gide Loyrette Nouel and King and Spalding, with Turnbull &amp; Asser and Le Relais de Venise l'Entrecôte occupying the retail and restaurant accommodation respectively.</p>

**OFFICES****Stockley House,**  
Victoria, London SW1

Ownership: **100%**  
 Property net internal area: **6,500m<sup>2</sup>**  
 Key dates: **Acquired 2007**  
 Tenure: **Freehold**  
 Principal occupiers: **BAA, Balfour Beatty, Secretary of State**  
 Number of tenants: **4**  
 Weighted average unexpired lease term: **2 years**  
 Occupancy rate: **100%**  
 Rents passing: **£3.1m p.a.**  
 Average rents passing: **£475 per m<sup>2</sup>**  
 Joint venture: **No**



Acquired by Hammerson in 2007, this building offers an opportunity for redevelopment as a standalone scheme or as part of the wider Victoria Station regeneration. Principal occupiers include BAA, Balfour Beatty and the Secretary of State for Communities.

**10 Grosvenor Street,**  
London W1

Ownership: **50%**  
 Property net internal area: **6,000m<sup>2</sup>**  
 Key dates: **Developed 2003**  
 Tenure: **Leasehold**  
 Principal occupiers: **Associated British Foods, Hammerson, LDFM**  
 Number of tenants: **6**  
 Weighted average unexpired lease term: **13 years**  
 Occupancy rate: **100%**  
 Rents passing: **£2.1m p.a.**  
 Average rents passing: **£690 per m<sup>2</sup>**  
 Joint venture: **Yes – Grosvenor (50%)**



Developed in joint venture between Hammerson and Grosvenor, this six-storey Mayfair office building was completed in December 2003. It houses Hammerson's headquarters with Associated British Foods occupying the top two floors of the building and hedge fund manager LDFM, the third floor. The scheme includes 570m<sup>2</sup> of retail space on the ground floor.

**60 Threadneedle Street,**  
London EC2

Ownership: **100%**  
 Property net internal area: **20,600m<sup>2</sup>**  
 Key dates: **Practical Completion January 2009**  
 Tenure: **Freehold**  
 Principal occupiers: **Unlet**  
 Joint venture: **No**



In January 2009, Hammerson completed construction work on 60 Threadneedle Street, London EC2, a 20,600m<sup>2</sup> nine-storey building, designed by Eric Parry, adjacent to the Group's recent development at 125 Old Broad Street. The scheme, which forms part of the site previously occupied by The London Stock Exchange, incorporates 1,000m<sup>2</sup> of retail space. 60 Threadneedle Street is still accounted for, at 31 December 2008, as a development property.

**Additional UK office properties**

The Group also owns interests in three other office properties in the UK which form part of the investment portfolio: Harbour Quay, London E14, Puddle Dock, London and Burgan House, Staines.

**Les Trois Quartiers,**  
**21 Boulevard de la Madeleine,**  
Paris 1er

Ownership: **100%**  
 Property net internal area: **29,700m<sup>2</sup>**  
 Key dates: **Acquired 2000**  
 Tenure: **Freehold**  
 Principal occupiers: **Banque Robeco, Barclays, Décathlon, Madelios, White & Case**  
 Number of tenants: **25**  
 Weighted average unexpired lease term: **5 years**  
 Occupancy rate: **93.5%**  
 Rents passing: **£19.1m p.a.**  
 Average rents passing: **£680 per m<sup>2</sup>**  
 Co-ownership: **No**



Les Trois Quartiers, a 1930's building in Paris' CBD was acquired by Hammerson in 2000. A comprehensive remodelling of the retail element of the scheme was carried out in 2002, with refurbishment of the offices following in 2006. The mixed-use scheme provides 17,700m<sup>2</sup> of office accommodation on six levels, and 12,000m<sup>2</sup> of retail space on ground and first floor. The building houses 25 office and retail tenants, including Barclays, White & Case, Décathlon and Madelios. The scheme includes 192 parking spaces.

# PROPERTY PORTFOLIO

CONTINUED

## OFFICES

**148 Rue de l'Université,**  
Paris 7ème

Ownership: **100%**  
Property net internal area: **10,300m<sup>2</sup>**  
Key dates: **Acquired 1999**  
**Redeveloped 2002**  
Tenure: **Freehold**  
Principal occupiers: **CDC Capital Investissement, Japanese Delegation for UNESCO, LBO France, Microsoft**  
Number of tenants: **5**  
Weighted average unexpired lease term: **2 years**  
Occupancy rate: **100%**  
Rents passing: **£8.7m p.a.**  
Average rents passing: **£845 per m<sup>2</sup>**  
Co-ownership: **No**



Acquired by Hammerson in 1999, the property was redeveloped in 2002 to provide 10,300m<sup>2</sup> of modern office accommodation in a seven storey building. The scheme includes 150 parking spaces. Principal tenants include: CDC Capital Investissement; Microsoft France; LBO France; and the Japanese Delegation for UNESCO.

**54-60 Rue du Faubourg**  
**Saint-Honoré,** Paris 8ème

Ownership: **100%**  
Property net internal area: **7,100m<sup>2</sup>**  
Key dates: **Acquired 2005**  
Tenure: **Freehold**  
Principal occupiers: **Chloé, Comme des Garçons, Fratelli Rossetti, Montblanc**  
Number of tenants: **52**  
Weighted average unexpired lease term: **1 year**  
Occupancy rate: **93.5%**  
Rents passing: **£3.3m p.a.**  
Average rents passing: **£515 per m<sup>2</sup>**  
Co-ownership: **No**



Hammerson acquired the buildings at 54-60 rue du Faubourg Saint-Honoré, in Paris' prestigious luxury goods quarter, in 2005. Located between rue d'Aguesseau and rue d'Anjou, the buildings comprise six blocks of multi-let properties providing 7,100m<sup>2</sup> of accommodation. This comprises 2,600m<sup>2</sup> of retail space on three floors, 800m<sup>2</sup> of offices and 3,700m<sup>2</sup> of residential accommodation. Principal occupiers include Chloé, Comme des Garçons, and Montblanc (Groupe Richemont).



<b>Adjusted figures (per share)</b>	Reported amounts adjusted to exclude certain items as set out in note 10 to the accounts.
<b>Anchor store</b>	A major store, usually a department, variety or DIY store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
<b>Average cost of borrowing</b>	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
<b>Capital return</b>	The change in value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
<b>DTR</b>	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
<b>Dividend cover</b>	Adjusted earnings per share divided by dividend per share.
<b>Earnings per share (EPS)</b>	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
<b>EPRA</b>	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
<b>ERV</b>	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's valuers.
<b>Gearing</b>	Net debt expressed as a percentage of equity shareholders' funds.
<b>Gross property value</b>	Property value before deduction of purchaser's costs, as provided by the Group's valuers.
<b>Gross rental income</b>	Income from rents, car parks and commercial income.
<b>IAS</b>	International Accounting Standard.
<b>IFRS</b>	International Financial Reporting Standard.
<b>Initial yield</b>	Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
<b>Interest cover</b>	Net rental income divided by net cost of finance before capitalised interest, the change in fair value of derivatives and bond redemption costs.
<b>Interest rate or currency swap (or derivatives)</b>	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
<b>IPD</b>	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
<b>Like-for-like/underlying net rental income</b>	The percentage change in net rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
<b>Loan to value ratio</b>	Borrowings and foreign currency swaps expressed as a percentage of the total value of investment and development properties.
<b>Net asset value per share (NAV)</b>	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
<b>Net rental income</b>	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.

# GLOSSARY OF TERMS

CONTINUED

<b>Over-rented</b>	The amount by which ERV falls short of rents passing, together with the estimated rental value of vacant space.
<b>Pre-let</b>	A lease signed with a tenant prior to completion of a development.
<b>Property Income Distribution (PID)</b>	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempted property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
<b>REIT</b>	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
<b>Rents passing or passing rents</b>	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
<b>Return on shareholders' equity (ROE)</b>	Capital growth and profit for the year expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
<b>Reversionary or under-rented</b>	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
<b>SIIC</b>	Sociétés d'Investissements Immobiliers Côtées. A French tax-exempt regime available to property companies listed in France.
<b>Total development cost</b>	All capital expenditure on a development project, including capitalised interest.
<b>Total return</b>	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
<b>Total shareholder return</b>	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
<b>True equivalent yield</b>	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
<b>Turnover rent</b>	Rental income which is related to an occupier's turnover.
<b>UK GAAP</b>	United Kingdom Generally Accepted Accounting Practice.
<b>Vacancy rate</b>	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the total ERV of the property or portfolio.
<b>Yield on cost</b>	Rents passing expressed as a percentage of the total development cost of a property.

## Disclaimer

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

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

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